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NSSP Background Paper # 3

## **Institutional Environment and Access to Microfinance By Self-employed Women in the Rural Areas of Edo State, Nigeria**

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# **THE NIGERIA STRATEGY SUPPORT PROGRAM (NSSP)**

## **BACKGROUND PAPERS**

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The Nigeria Strategy Support Program (NSSP) of the International Food Policy Research Institute (IFPRI) aims to strengthen evidence-based policymaking in Nigeria in the areas of rural and agricultural development. In collaboration with the Federal Ministry of Agriculture and Water Resources, NSSP supports the implementation of Nigeria's national development plans by strengthening agricultural-sector policies and strategies through:

- Enhanced knowledge, information, data, and tools for the analysis, design, and implementation of pro-poor, gender-sensitive, and environmentally sustainable agricultural and rural development policies and strategies in Nigeria;
- Strengthened capacity for government agencies, research institutions, and other stakeholders to carry out and use applied research that directly informs agricultural and rural policies and strategies; and
- Improved communication linkages and consultations between policymakers, policy analysts, and policy beneficiaries on agricultural and rural development policy issues.

### **ABOUT THESE BACKGROUND PAPERS**

The Nigeria Strategy Support Program (NSSP) Background Papers contain preliminary material and research results from IFPRI and/or its partners in Nigeria. The papers are reviewed by at least one reviewer from within the IFPRI network but are not subject to a formal peer review. They are circulated in order to stimulate discussion and critical comment. The opinions are those of the authors and do not necessarily reflect those of their home institutions or supporting organizations.

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## List of Acronyms

CBN	Central Bank of Nigeria
CGAP	Consultative Group to Assist the Poor
DFI	Development Finance Institutions
FEAP	Family Economic Advancement Programme
FGDs	Focus Group Discussions
IDI	In-depth Interview
IFC	International Finance Corporation
LAPO	Lift Above Poverty Organization
LGA	Local Government Area
MDGs	Millennium Development Goals
MFBs	Microfinance Banks
MFI	Microfinance Institutions
MIS	Management Information Systems
MSMEs	Micro, Small, and Medium Enterprises
NA	Not Available
NACB	Nigerian Bank for Commerce and Industry
NAPEP	National Poverty Eradication Programme
NBS	National Bureau of Statistics
NGOs	Non-Governmental Organizations
PBN	Peoples Bank of Nigeria
PDP	Peoples Democratic Party
ROSCAS	Rotating Savings and Credit Associations
SHGs	Self Help Groups
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SMIEIs	Small and Medium Equity Investments
UBA	United Bank for Africa
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund

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## Executive Summary

The major objective of this study was to examine the relationship between the institutional environment of microfinance and access of rural women to microfinance. Focus group sessions were held with groups of rural women who are clients of formal and informal Microfinance Institutions (MFIs) in Esan Local Government Area of Edo State, Nigeria. The two formal institutions were the Ekpoma branch of Lift Above Poverty Organization Microfinance Bank and the Ujoelen Microfinance Bank. Fifteen case studies with fourteen women and one man were also examined. They had all accessed loans from formal and/or informal MFIs.

### Main findings

***Institutional environment*** The traditional informal microfinance institutions still exist side by side with the formal MFIs. These informal mechanisms have not been absorbed into the regulated microfinance sector. They are still very popular with rural women, many of whom have belonged to these “meetings” for over a decade. These informal thrift and credit societies still remain the only source of funds available to poor women who have not been able to access the formal sector microfinance institutions.

***Why are rural women poor?*** According to respondents, rural women in the study area are poor because of heavy family responsibilities. They have to feed their family when the husband does not provide because they cannot leave their children hungry. Additionally, they pay their children’s school fees as they do not want their children to be driven out of school. As a result of all these factors, women do not have enough capital for their trading and farming activities and cannot save. The women are hardworking and if they have capital they can trade with it and lift themselves out of poverty. The respondents gave examples of successful business women in the area that succeeded because they had access to credit from LAPO and other sources.

***Why it is difficult for women to borrow from banks?*** Rural women in particular find it difficult to borrow from banks because most do not have bank accounts, they have no collateral to present to the bank, and many women do not know the procedures for accessing bank loans. As they explained, while men inherit land and other property which they can use as collateral, women do not inherit property. They also said that women need their husband’s consent to borrow money from the bank.

***Sources of microfinance for rural women*** The main source of finance for the majority of rural women is their contribution from their savings/market association. However, with the advent of microfinance banks, more rural women are now accessing formal microfinance institutions. Rural women have accessed loans from the Lift Above Poverty Organization (LAPO) and Ujoelen Microfinance Banks. One of the women’s groups also accessed credit from a government agency – the National Poverty Eradication Programme (NAPEP). Some of the more successful women have accessed multiple sources of credit over the years as their businesses have expanded. None of the participants has accessed loans from any of the commercial banks which have established microfinance banks/departments operating in the study area.

***Impact of microfinance on women's businesses and lives*** According to the women interviewed, microcredit has had positive impacts on their businesses and family life. Many of them have been able to expand their businesses. In some cases, they no longer have to buy goods on credit thereby avoiding interest payments and increasing their profits. At the family level, unlike in the past, they can make more contributions to their family upkeep, they eat better food, are able to pay children's fees regularly and with less stress. A few who were so inclined have joined political parties such as the PDP and AC. However, to properly assess the impact of microfinance, a quantitative study using measures of impacts will be more reliable.

***Government policy and access to microfinance in rural areas of Edo State*** In the study area, government policy has helped to bring formal microcredit sources to women on a larger scale. The Community Banks that transformed into MFBs now target women as microfinance client, which they did not do when they operated as Community Banks. Microcredit is also available to women through the LAPO, which has always targeted women's groups. However, while the formal institutions have transformed into Microfinance Banks as required by the government's Microfinance Policy, the traditional savings institutions still remain outside the regulated microfinance sector.

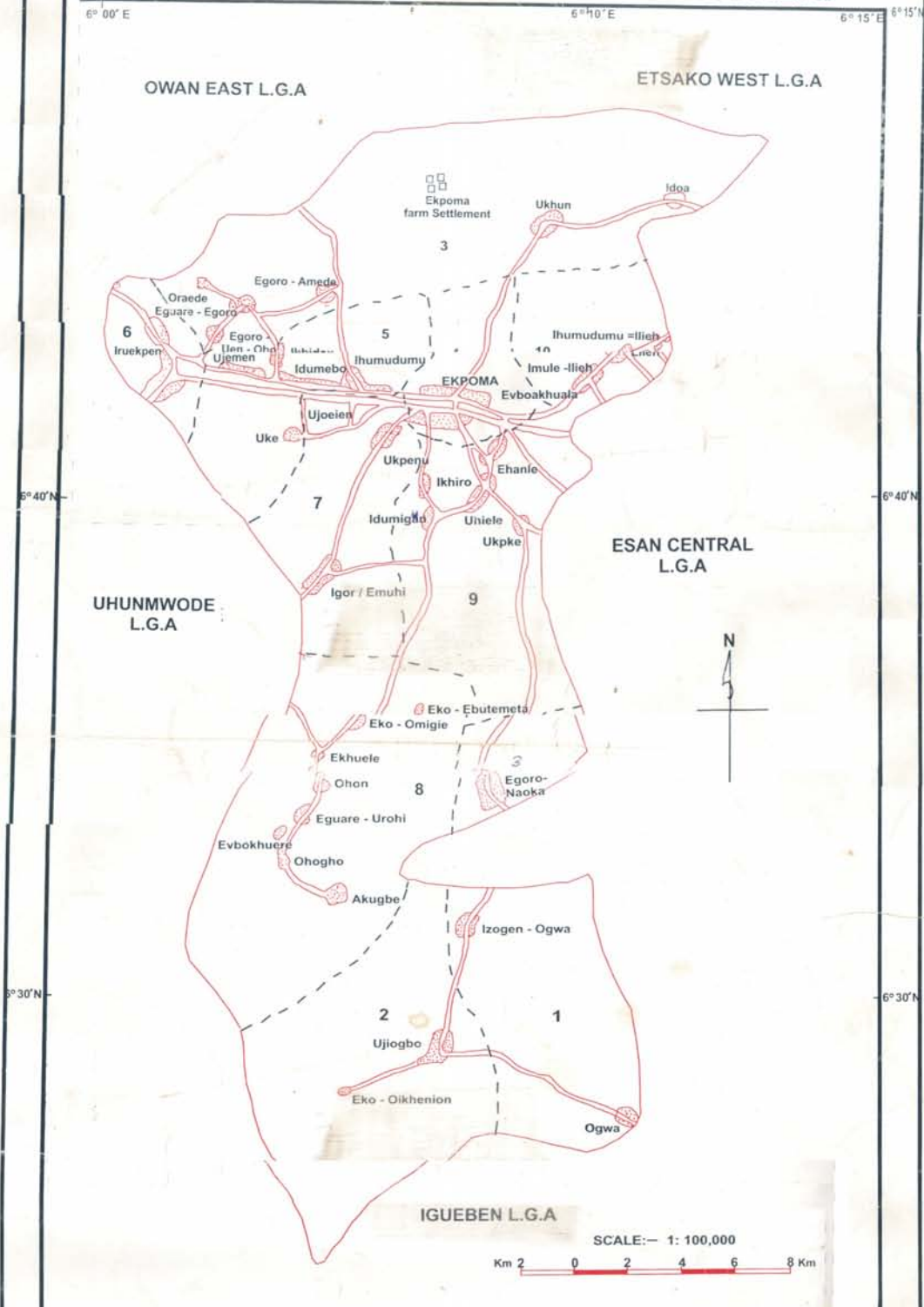
## **Recommendations**

From our findings, we would like to recommend and emphasize the following:

- Informal microfinance institutions should be registered at the local government level and encouraged to keep good records in order to provide data on the volume of informal sector transactions in microfinance.
- Women find it difficult to access formal finance institutions for several reasons, including lack of collateral or bank accounts and the belief that women do not repay loans.
- More MFBs should be established in all Local Government Areas (LGAs) in order to reach the rural dwellers, especially women who should be targets of MFB operations.
- Commercial banks which have established microfinance departments should develop products that target rural self-employed women.
- MFBs should be properly supervised to protect depositors' funds. The experiences of depositors with failed Community Banks should not be repeated.

Access to microfinance can help rural self-employed women to expand their businesses and improve their personal and family well-being. Women will be encouraged to open bank accounts if they are assured that their deposits are safe and that they will be able to access loans for their businesses at reasonable terms such as low interest rates and convenient savings and repayment schedules.

# MAP OF ESAN WEST LOCAL GOVT. AREA.



LEGEND	
	L.L.G.A. Boundary
	Main Road
	Secondary Road
	Minor Road
	EKPOMA L.L.G.A. Headquarter
	E Egoro-Naoka (Other Settlements).
	Demarcation of the ten Wards

Compile and Design in Cartographic Laboratory,  
 Dept. Of Geog. & Regional Planning, Ambrose  
 Alli University, Ekpoma. Edo State: 2001.

## **Introduction**

### **Background**

One factor inhibiting the attainment of development goals in less developed countries is the populace's general inability to access factors of production, especially finance. This limits the entrepreneurial ability of the people, especially the poor. Consequently, potential employment opportunities and household prospects for creating wealth and improving income are lost. Microcredit has been one framework adopted to address this problem. Its evolution reflects acknowledgement of credit market failures especially in the formal financial sector. There has been, therefore, a shift from the formal financial sector to microfinance which incorporates both savings and credit. This suggests that saving services, and not simply loans, can help to improve the welfare of the poor in general and women in particular (Vonderlack and Schreiner 2001).

Thus MFIs have emerged in many countries as a response to address the failure of the state-led and mainstream formal financial system to reach the poor who were not seen as bankable clients due to information asymmetry and risk perceptions. It is widely accepted that MFI programs can compensate for some of the weaknesses in developing capital markets and can help low-income entrepreneurs to improve their enterprises and raise their standards of living. Of particular interest is the possibility that microfinance support programs can promote the success of women entrepreneurs who may lack access to other forms of assistance (AIMS 1997).

In Nigeria, microfinance activities are rooted in the culture of the people and come in various forms. Non-governmental organizations' activities in microfinancing have also emerged. In 2005, a Microfinance Policy, which provides a regulatory and supervisory framework, was initiated by the Nigerian government (Central Bank of Nigeria 2005). One of the targets of the policy is to eliminate gender disparity in access to financial services. This study proposes to examine the institutional environment of microfinancing in Nigeria and its implications for poverty reduction among self-employed women.

### **Research Issue**

Institutions have been defined in various ways in the literature. They include any form of constraints that human beings devise to shape human interaction, that is, a framework within which individual interactions take place (Jutting 2003). According to North, (1990) institutions are defined simply as "the rules of the game" in a society or humanly devised constraints that shape human interaction (Junior and Smith 2004). Institutions comprise the norms, regulations, and laws that establish the "rules of the game." In other words, they modify behavior of individuals and groups so that their actions become more predictable. They do this through both formal rules that include laws and contracts as well as through informal means including social norms and conventions that evolve over time (Wiggins and David 2006).

Institutions can be classified into two categories, formal and informal, both of which constitute a society's institutional framework (Leftwich 2006). The former operates on formal rules and constraints, including political and economic rules. The constitutions, statutes, common laws and so on are part of the bedrock on which formal institutions function.

Informal institutions, on the other hand, supplement formal institutions and operate on the basis of customs, traditions, conventions, taboos, and unwritten rules/laws. Informal institutions help in easing transaction problems in any economy or society, including both developed and developing countries. Due to the poor and/or underdeveloped state of formal institutions in less developed countries, informal institutions seem to be more important and assume more prominence. Furthermore, the few formal institutions in existence are weak and often fail to meet the needs of a large percentage of members of the society, especially the less materially endowed (Jutting 2003; Junior and Smith 2004).

This study focuses on economic institutions, especially MFIs, which facilitate savings and loans transactions for the poor. Economic institutions have re-emerged as the center of attention in development economics after a long period when their existence and smooth functioning were assumed. Recent analysis suggests that the quality of institutions is the single most important difference between those economies in the developing world which have grown and those which have not (Rodrick, Subramaniam and Trebbi 2002).

Microfinance institutions (MFIs) represent institutional arrangements which provide credit to the poor to finance economic activities. These MFIs can be formal or informal. MFIs need to be well managed to meet the demand for financial services, thus the institutional environment in which MFIs function is also important. A successful microfinance program, defined in terms of outreach, financial sustainability, or socio-economic impact, is likely to be one designed and implemented for effective operation in a particular environment (AIMS 1997).

The case for microfinance as a poverty reduction mechanism is based on the premise that it improves accessibility to credit which is used to finance economic activities thereby allowing income to grow as long as there are no other binding constraints. It also provides credit to the poor who are vulnerable to income fluctuations in times of need, thereby permitting “consumption smoothing” (Weiss and Montgomery 2004).

Microfinance programs have significant potential for contributing to women’s economic, social, and political empowerment (Mayoux 2002). Access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing “virtual spirals” of empowerment:

- Women can use savings and credit for economic activity, thus increasing incomes and assets and control over them.
- This economic contribution may increase their role in economic decision-making in the household.
- Their increased economic role may lead to change in gender roles and increased status within households and communities.

## **Objectives**

The aim of this study is to analyze how the institutional environment of microfinance in Nigeria promotes or hinders poverty reduction among self-employed women. The objectives are to:

- investigate the extent to which microfinance services reach the poor,

- assess the impact of microfinance services on self-employed women in Nigeria,
- examine the institutional environment in which MFIs function, and
- identify the characteristics of MFIs which enhance their ability to contribute to poverty reduction.

### **Justification**

While there is evidence to suggest that microfinance can be a critical input in poverty reduction, the impacts are not automatic. To reduce poverty, MFIs must reach poor and very poor clients. Thus, the assessment of the poverty levels of microfinance clients or of poverty outreach is an important policy issue for both practitioners and donors (Simanowitz 2003, Weiss and Montgomery 2004). For practitioners, improved understanding of the target market and whether it is being reached can help in the design of financial services better suited to the needs of different groups of clients. For donors who want to ensure that their resources are contributing to poverty reduction, assessment of poverty outreach as well as poverty impact can be used to make decisions about resource allocation. Poverty outreach is important because it addresses who is being reached by microfinance in terms of poverty level, while impact assessments measure how microfinance affects the welfare or lives of clients.

Zeller and Meyer (2002) asserted that "...the excitement about the use of microfinance for poverty alleviation is not backed up with sound facts derived from rigorous research." Many governments, institutions, and project managers are sometimes reluctant to carry out impact evaluations because they are regarded as expensive, time consuming, technically complex, and because the findings can be politically sensitive, especially if negative (Baker 2000). However, a rigorous evaluation can help to assess the appropriateness and effectiveness of programs. Evaluation of impact is very important in a developing country where resources are relatively scarce and every dollar spent should aim at maximizing its impact on poverty reduction (Baker 2000). Impact analysis can guide improvements in MFI management and customer service. There is therefore a strong case for attempting to assess both the depth of outreach of MFIs and the impact of MFI services on the welfare of clients.

The focus on the impact of microfinance on self-employed women in Nigeria can be justified. Available data show that most Nigerian women entrepreneurs are engaged in the informal sector, mainly as self-employed proprietors. They suffer from many constraints and restrictions in the informal sector such as lack of managerial and technical skills, lack of access to improved technology and credit, marketing problems, and other issues. Because of their small-scale operations, women's incomes are low (Okojie 1990). Furthermore, poverty data also support the fact that most women in the informal sector belong to poor households. For example, Nigerian women predominate in agriculture, food processing, and sales activities in the informal sector (Okojie 2006). While 12.2 percent of women in sales occupations were poor in 1980, this increased to 60.4 percent by 1996. Similarly, the incidence of poverty among female heads in agricultural occupations increased from 29.0 percent in 1980 to 61.1 percent by 1996 (Okojie 2003).

Although recent data show that poverty levels had declined by 2004, poverty levels were still high in these two occupations – 44.2 percent among sales workers and 67 percent among agricultural workers (National Bureau of Statistics 2005). Thus a significant proportion of self-employed women in Nigeria live in poor households. Microfinance connects the poor to productive capital and to the financial system in a country, especially when MFIs become a regulated part of the financial system. Access to microfinance can help to lift self-employed women out of poverty. It is therefore important to know whether MFIs target poor women as well as the impact of MFI services on poor self-employed women. Analysis is required because there is no guarantee that only the poor are served by MFIs unless strong eligibility criteria are enforced (Weiss and Montgomery 2004). This study seeks to contribute to the evidence on the depth and impact of MFIs on poverty reduction by comparing the programs of a formal and successful private MFI in Nigeria with two informal daily savings collection programs.

## **Literature Review**

The literature on microfinance and accessibility, by women especially, is relatively new and is still evolving. The available literature covers a range of issues from conceptual clarification through evolution to types and models of microfinance. Highlights are presented in the following sections.

## **Conceptual Issues: Types and Evolution of Microfinance**

### **Microfinance: Conceptual Issues**

Beginning with conceptual clarification of microfinance and microfinance institutions, the former refers to the provision of financial services for the poor who, conventionally, have been excluded from the formal banking sector or have no access to formal financial institutions. It is often described as banking for the poor. Microfinance programs and services involve the provision of loans, savings, and other financial services to low-income and poor people for use in small businesses. Other services include credit, savings, and insurance. In other words, microfinance activities encompass credit and savings in contrast with microcredit which is an extension of small loans to poor people for the purpose of investing in self-employment programs (UNICEF Undated). Indeed, according to the CBN (2005), “microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions.” Microfinance has three distinguishing features from other formal financial products. These include: (1) the smallness of loans advanced and/or savings collected, (2) the absence of asset-based collateral, and (3) simplicity of operations ( CBN 2005, Iganiga 2008, Mejeha and Nwachukwu 2008, Ogbunaka 2003, Project Parivartan 2006, Ramirez 2006, Woroniuk and Schakwzk 1998).

Microfinance institutions (MFIs) represent institutional arrangements which provide credit to the poor to finance economic activities. They are those institutions that provide credit and other financial services to the poor who are traditionally not served by the conventional formal financial institutions. The institutional arrangement can be formal or informal. Whichever the case, MFIs need to be well managed to meet demand for financial services, thus the institutional environment for MFIs to function is also important. A successful microfinance program – defined in terms of outreach, financial sustainability, or socio-

economic impact – is likely to be one designed and implemented for effective operation in a particular environment (AIMS 1997).

Microfinance is hailed as a tool for poverty alleviation and is one of the major strategies to achieve the Millennium Development Goals (MDGs). This is because access to financial services assists poor households in meeting their basic financial needs, protects them against risks, and reduces their vulnerability to shocks, by building assets. Ultimately, this access develops their social and economic empowerment. It is further argued that financial services for the poor can help them, to turn their savings into sums large enough to satisfy a wide range of business, consumption, personal, social, and asset-building needs (Project Parivartan 2006). It also enables them to take advantage of economic opportunities, to build assets, and to reduce their vulnerability to external shocks that adversely affect their living standards, (Mejeha and Nwachukwu 2008, Ramirez 2006, Woroniuk and Schakw 1998).

According to Ramirez (2006), microfinance can be perceived as a microcredit development intervention directed at women and has commonly followed one or combinations of three approaches. Each one is presented as a paradigm that contemplates the particular participation of women in society, as a definition or meaning of “empowerment.” The approaches are Welfare and Poverty Relief, Financial Self-sustainability, and Empowerment. In the first approach, microcredit is part of an integrated community program and acts as a point of entry for poverty and vulnerability alleviation, in order to increase the well-being of the poorest homes. Women are targeted because they are usually “poorer” than the men of the community and also because it is a well known fact that they will devote the income earned to the family’s welfare. The second approach requires microcredit programs to be financially self-sustaining and therefore expand the scope of access to financial services to large numbers of poor clients, including women. Women are targeted for efficiency reasons due to the high loan repayment rates of women and because of their contribution to the economy. For the empowerment approach, microfinance is viewed as the entry point for economic, social, and political equality of women. In this case, women are targeted because of reasons of human rights and gender equity. Empowerment is therefore defined as the transformation of the power relations in society (Woroniuk and Schakwzk 1998). Other reasons why women are targeted apart from the above include the fact that they have been shown to be good clients and borrowers and less of a credit risk because they tend not to wilfully default. They are also an easy client group to handle and have immense savings potential. Women’s access to credit provides a good entry point to work with households and can have great impact on their well-being. Additionally, some governments and stakeholders consider working with women an important agenda item (Arunachalam 2007).

### **Evolution of Microfinancing**

On the evolution of the phenomenon of microfinance, The Credit and Ratings Information of India Limited (Undated) points out that Non-Governmental Organizations (NGOs) invented microfinance even though they are not the best type of agencies to carry out microfinance activities on a long-term sustainable basis. According to Mejeha and Nwachukwu (2008), the microfinance movement began in earnest in the early 1980s in places like Bangladesh and Bolivia and soon captured the interest of multilateral donor as well as private bankers, especially lately. Project Parivartan (2006) however observes that there have been different “waves” of microfinance initiatives over time. These are based upon evolution of the

concepts of who the poor are, the nature of poverty, and development policies. In the 1950s to 1970s, defined as the early development decades, the poor were seen as households of small-scale farmers. However, this initial wave of microfinance was countered by international development policies to deregulate markets so that latter initiatives devolved from state-led institutions to a bottom-up approach. In the early 1980s, non-profit organizations such as Opportunity International in Colombia and Grameen Bank in Bangladesh offered small loans to the poor with low interest rates. These business loans allowed households to establish and expand income-generating activities. Notably, women were targeted as loan recipients because it was recognized that they were a large proportion of the poor and women were found to be more accountable for returning borrowed money than men. These activities were seen as ways to economically and socially empower women. More recently, the poor have been conceptualized as a heterogeneous group of vulnerable households with complex livelihoods and varied needs. From such a perspective, microfinance is seen as a means of achieving household priorities, reducing vulnerability, and/or increasing income. Arunachalam (2007) posits that microfinance has been considered as having its roots in the women's equality movements but that today it emphasizes finance more than gender.

In a similar vein, The Credit and Ratings Information of India Limited (undated) notes that early efforts to provide financial services to the poor tied the services to specific economic activity. Between the 1950s and 1970s, for instance, governments and donors focused on providing subsidized agricultural credit to small and marginal farmers. The expectation was that this would raise productivity and incomes. By the 1980s, the focus of micro-enterprise credit concentrated on providing loans to poor women to invest in tiny businesses, thereby enabling them to generate and accumulate assets and raise household income and welfare. The success recorded by some micro-enterprise credit programs led to bold experiments with product design, delivery methods, and institutional structures, performed mainly by practitioners in developing countries. These experiments resulted in the emergence of Microfinance Institutions as specialized financial institutions that serve the poor. Microfinance Institutions derive their name from the small size of their transactions and because they provide safe and reliable financial services to the poor. As institutions, which have developed to fill the gap between the demand and supply for microfinance, they were recently defined as those financial institutions which provide thrift, credit, and other financial services and products of very small amounts, mainly to the poor, in rural, semi-urban or urban areas to enable them to raise their income level and improve living standards (The Credit and Ratings Information of India Limited, undated). They can broadly be classified into four categories.

- NGOs, which are mainly engaged in promoting Self-Help Groups (SHGs) and their federations at a cluster level, and then linking them with banks
- NGOs directly lending to borrowers, who are either organized into SHGs or into Grameen Bank style groups and centers. These types of NGOs borrow bulk funds from various donors.
- MFIs which are specifically organized as cooperatives.
- MFIs which are organized as non-banking finance companies.

## The Institutional Environment of Microfinance

### Types and Characteristics of Microfinance Institutions

With regards to the institutional framework for microfinance service provision, Project Parivartan (2006) identified three basic types of providers. These are informal, semi-formal, and formal providers.

Informal providers refer to traditional credit providers such as moneylenders, pawnbrokers, and traders with unregistered sources of credit. Informal microfinance also includes loans from friends and relatives or micro-credit based on traditional informal groups. These types of providers tend not to have a formal workplace and maintain few records. Loans are usually in small amounts and are almost always available immediately. Informal microfinance associations are usually held up as models for NGOs interested in microfinance.

Formal providers refer to formal financial providers that are subject to the banking laws of the country of operation. These can be government institutions or private banks. According to Schreiner (1999) informal associations in Argentina for instance do not use social capital to screen members and to enforce repayment. Instead they rely on reduced transaction costs, regulation, the legal system, and individual risk evaluations. Net savers earn lower rates with formal providers than with bank accounts, but net borrowers pay lower rates. Formal providers increase access to small loans and savings services for those who lack bank access in Argentina, but NGOs probably cannot do much to promote them.

Semi-formal providers are those microfinance institutions which have commitment to provider banking and financial services to clients who have been excluded from formal banking. They registered as banks with special charter or as NGOs. They function by enabling access to useful lump sums by borrowers through loans. The loans are repaid in small frequent manageable instalments. Borrowers are encouraged to repay loans through accountability and a number of incentives such as repeat loans, access to group members and so on.

This distinction between financial service providers puts a question mark to the claim that microfinancing activities began in the 1980s. The reason is that prior to the emergence of and co-existence with formal microfinance institutions, informal microfinance activities flourished all over some countries. Services were and continue to be provided by traditional groups that work together for the mutual benefits of their members. These groups provide savings and credit services to their members and operate under different names. Such names, in Nigeria, include *eSusu* among the Yorubas in the western part of the country, *etoto* among the Igbos in the east and *adashi* in the north for the Hausas (Central Bank of Nigeria 2000). Among the key characteristics of these informal associations are savings and credit components in their activities, informality of operations, and higher interest rates in relation to the formal banking sector. The associations can be found in both rural communities and urban centers.

## **Microfinance Institutional Models**

Three basic models used by the public or private sectors to set up microfinance institutions were identified by Project Parivartan (2006). These are community-based, solidarity groups, and partner-agent models. In reality, many services are a combination of different microfinance models shaped to the context of clients and the need for financial sustainability. The community-based models or “village banking” are non-profit in character, have voluntary membership with the community playing an important role in the design and running of the program including setting up lending, repayment, and accountability conditions. The solidarity group or “in house” banking is also non-profit in character. In this instance, the MFI directly conducts transactions with groups of individuals. A solidarity group is self-organized and usually consists of five women who will vouch for each other. Members of a solidarity group are accountable for each other; such that members of the group will have to help each other repay loans. The partner-agent model is a profit scheme. Here the MFI acts as a mediator between low-income borrowers and an established financial institution. It is sometimes considered as a “win-win-win” situation because the formal financial institution manages reserves while the MFI works as an expert between informal and formal sectors.

Formal MFIs have emerged in many countries as a response to address the failure of the state-led and mainstream formal financial system to reach the poor especially in the rural areas who were previously not seen as bankable clients due to information asymmetry and risk perceptions (Upendranah 2000). It is widely accepted that MFI programs can compensate for some of the weaknesses in developing capital markets and help low-income entrepreneurs to improve their enterprises and raise their standards of living. Of particular interest is the possibility that microfinance support programs can promote the success of women entrepreneurs who may lack access to other forms of assistance. Thus, these programs are seen as a way of empowering women (AIMS 1997).

## **Microfinance, Poverty Reduction and Accessibility to Women**

In the literature, there is reasonable interest in the impact of microfinance and its accessibility by women, empowerment, and other related issues. To begin with, there is evidence of an increase in the number of and expansion of financially self-sustainable microfinance programs. Evidence also shows that they are reaching large numbers of poor women borrowers. But then there is also an increasing body of evidence which suggests that contributions to women’s empowerment by microfinance cannot be assumed and therefore current complacency in this regard is misplaced. Studies in this regard include: Arunachalam 2007, Cheston 2007, Darbringer 2007, Guérin and Palier 2007, Gugerty 2005, Hofman and Marius-Gnanou 2007, Mayoux 2007, Mutalima Undated, Norwood 2005, and Swain 2007.

Hofman and Marius-Gnanou (2007) observe that women have been the focal point of many development strategies since the 1980s. For example, 84.2 percent of the poorest microfinance clients worldwide are women. In contrast to other development tools, microfinance has had less difficulty targeting women, generally keeping loan sizes small and borrowing within groups, thus negating the need for collateral, as women are asset-poor. There is also the contention they are perceived as a vulnerable group, however the appreciation of the fact that they are taking on the financial responsibility for family and household promised a greater development impact on a collective level. On the question of gender inequality, they also posit that microfinance programs that do not take into

consideration the impact on men, may reinforce inequality rather than promote empowerment. Also contributing to the gender inequality debate, Cheston (2007) advances the position that it should be looked at structurally within the microfinance institution and that women should no longer be perceived as mere clients but also as actors. The study concludes that gender equality is a win-win situation for the sector.

Hofman and Marius-Gnanou (2007) also make the point that microfinance effects matters beyond the fight against poverty in the strict sense. It may also serve to push “empowerment” amongst the poorest of the poor, namely women, as they constitute a sizable proportion of individuals benefiting from microfinance, depending on the country. However, they point out that the increase in income for some women is often accompanied by a decrease in their mobility as being able to send another person to the market in their place is considered to be progress compared with their status. Empowerment is, in fact, a gradual, reversible process. Some women are likely to stop going to the market and lose control over their business, if male members of the family decide to take over. Microfinance and the empowerment it brings offer women opportunity to make some form of contribution to the household and improve living conditions for their children. They also become less dependent on their in-laws, by participating in decision making concerning the use of the loans and income, thus gaining respect and sometimes social acknowledgement from the community.

Arunachalam (2007) holds that microfinance has done well in terms of extending access to financial services to low-income women. This access extension however has been in terms of delivery of credit for mostly consumption purposes and very small production loans. Furthermore critical financial needs are yet to be satisfied. The implication of this is that the gender gap in accessibility to crucial financial services such as, formal/ flexible voluntary savings, health, asset, accident and life insurance, and larger production and livelihood credit, remains to be addressed for a large majority of women. This is against the backdrop of the fact that low-income women have a range of evolving needs.

The contribution of Swain (2007) helps to broaden understanding of the concept of empowerment of women. Her study of Self Help Groups in India, helps to illustrate that training plays a key role in empowering women. The study suggests that women are not a homogenous group but have different and changing demands with regards to financial resources due to different socio-cultural backgrounds and experiences. They are not a secluded group but share relations and experience with men on different levels. Johnson (2007) adds to this contribution by explaining why it is crucial for microfinance institutions, in particular, and for the sector in general to understand this and how this can be integrated into impact studies. Thus understanding the household economy, gender relations, and resource allocation decisions is fundamental to designing microfinance services that would be more effective at empowering women and would enable them to achieve their goals. Empowerment as the acquisition of a right to free speech and social recognition may also be considered as a process moving towards equality between men and women. (Hofman and Marius-Gnanou 2007).

Arunachalam (2007) lists four discernible broad level impacts that access to microfinance has had on women:

- It has enabled women to have a collective bargaining mechanism at the local level.
- It has facilitated them to move beyond their households and build relationships with various stakeholders.
- It has given them a platform to combat various social oppressions.
- Finally, more than the money received through microfinance, at a very basic level, the self-management that it has fostered in some models (such as the village banks and/or self-help groups) is what has perhaps led to some empowerment of women.

The study however notes that very little is known about what it has achieved in terms of closing the gender gap on aspects such as women's ownership of and control over assets, women holding custody of income, women gaining access to domestic and community resources, women's productive versus reproductive roles, and women's indebtedness. Thus, the contention of the study in one vein is that the impact of microfinance seems rosy on the surface, but is not rosy at a deeper level. Even though success stories are touted at every available opportunity with incredibly attractive statistics reeled off, some critical questions remain. These are with regard to access to resources and finance and the other is with regard to control over these resources and finance – the latter being very critical for true empowerment of women as well as sustained poverty alleviation. This then leads to the question of what specific gender challenges exist for microfinance. The study then suggests that microfinance has to undergo a necessary revolution of being gender-responsive, that is, the nature of the products being offered and the institutions that deliver them will have to change fundamentally. The industry also has to move beyond providing standard credit for small-scale enterprise and other basic financial services and offer a wide range of tailor-made financial services including flexible credit, savings, health insurance, pensions, remittances, among others. These can empower women and enable them to reduce their risk and vulnerability.

Guérin and Palier (2007) question the automatic connection of microfinance and empowerment of women. The study observes that this rather simplistic view is not a reality when we look at the limits of microfinance as a development tool. Mayoux (2007) sounding unconvinced about the gender impact of microfinance, questions whether either the current trends towards commercialization or poverty targeting are likely to generate any improvement. Ways in which women's empowerment can be integrated into both these current trends were discussed, but Mayoux argues that this will require a much greater explicit commitment to gender equality on the part of the microfinance movement.

Mutalima (undated), drawing from an earlier work, examined the issue of microfinance and gender equality. The paper seems to suggest that we are yet to get to the "promised land" in that regard and recommends the need to enshrine gender issues in organizations' actual missions and periodic evaluation. In addition to this, microfinance institutions should not see the gender issue as mere discussion but that which provides a holistic approach to differentiating product composition and delivery to meet identified needs of both men and women.

Gugerty (2005) examined how and why individuals develop and maintain local-level financial savings organizations known as rotating savings and credit organizations. As economic theory suggests, individuals join such associations to finance the purchase of durable goods as a response to intra-household conflict over savings or to provide insurance. The study

used data from 70 savings and credit associations and proposed an alternative hypothesis for such association's participation. These are that savings require self-discipline and savings and credit associations provide a collective mechanism for individual self-control in the presence of time-inconsistent preferences and in the absence of alternative commitment technologies. The findings based on the data also show how such associations' designs support individual self-commitment.

Norwood (2005) used a mixed-method approach and quantitative chi square to examine microcredit in rural Ghana against the backdrop of three big promises to reduce poverty, to empower women, and to enhance family planning knowledge, attitudes, and practices. A sample of 204 women members and non-members of local eSusus (rotating credit and savings associations) was used. The study found no associations between membership of an eSusu and relative wealth, women's autonomy in family planning practices, knowledge or use of reproductive control. However the qualitative data shows that women members believe that eSusu are extremely useful for acquiring working capital to be reinvested in their small market ventures and are helpful with school fee and other household expenditures.

A socio-anthropological examination of a microcredit project in Ecuador by Darbringer (2007) gives insight into the financial behavior of women who try to reconcile different responsibilities. This research underlines the importance of taking social relations into consideration and not only economic aspects when evaluating impacts of microfinance programs.

Recent studies on Nigeria include those by Anyanwu (2004) and Iganiga (2008). The former examined the outreach performance of microfinance institutions in Nigeria, using a survey of ten major institutions. It determined that the operations of MFIs have grown phenomenally in the last ten years due largely to expansion of informal sector activities and the reluctance of banks to fund the emerging microenterprises. Services provided by the MFIs have neither been given any publicity nor been captured explicitly in the official financial statistics and the sub-sector faces a number of challenges. The challenges include:

- The urgent need to approve and implement a policy framework that would regulate and standardize MFI operations
- The need to access medium to long-term sustainable commercial sources of funding, such as SMIEIES and DFI funds, and increased mobilization of savings.
- The need to shift a good proportion of their credit portfolio to the promotion of real sector activities, especially in agricultural and manufacturing.

According to Iganiga (2008), the literature observed a huge untapped potential for financial intermediation at the micro and rural levels of Nigeria's economy. Attempts through supply-driven creation of financing institutions and schemes by the government in the past to fill this gap failed for a number of reasons. The reasons include high operating costs, a repayment problem, weak refinancing facilities, client apathy, drop outs, and so on. He suggested some success imperatives including group delivery methodology, use of an efficient Management Information System (MIS), involvement of clients, and intensive monitoring among others. These, he believes, will help to achieve the stated microfinance policy objectives within the ambit of the Millennium Development Goal by 2015.

## **Evolution of Microfinance Institutions in Nigeria**

Prior to the emergence of formal microfinance institutions in Nigeria, informal institutions held sway all over the country, especially in the rural areas. The practice is rooted in the culture of the people. These informal institutions are mainly informal Self Help Groups (SHGs) or rotating Savings and Credit Associations (ROSCAS). As mentioned earlier, there are other types of microfinance service providers such as savings collectors and co-operative societies, which provided savings and credit services to their members and operated under different names. The key characteristics of these informal schemes include savings and credit components, informality of operations, and higher interest rates in relation to the formal banking sector. They also generally have limited outreach due primarily to paucity of loanable funds (Agaifa 2006, Iganiga 2008). These informal institutions also operated in the urban centers.

In addition to and during this dispensation, in a bid to enhance the flow of financial services to the rural areas, successive governments had initiated several publicly financed micro/rural credit programs and policies targeted at the poor. Among the programs are the Rural Banking program, the Sectoral Credit Allocation, the Credits, Concessionary Interest Rate, and the Agricultural Credit Guarantee Schemes. Others include Nigerian Agricultural and Cooperative Bank Limited (NACP), National Directorate of Employment, Nigerian Agricultural Insurance Corporation, Peoples Bank of Nigeria (PBN), and Community Banks. The list also includes Family Economic Advancement Programme, and the Nigerian Bank for Commerce and Industry, (NACB). PBN and FEAP were later merged to form the Nigerian Agricultural Cooperative and Rural Development Bank Limited. The National Poverty Eradication Programme was later launched by the Federal Government while the Central Bank initiated the Small and Medium Enterprises Equity Investment Scheme.

The poor performance of the conventional finance sector, especially the unwillingness or inability of the formal financial institutions to provide financial services to the poor and the lack of sustainability of government sponsored development financial schemes, led to the emergence and growth of private sector-led microfinance in Nigeria. According to the Central Bank of Nigeria (2005), the formal financial sector serves only 35 percent of the economically active population, while the remaining 65 percent are excluded. This 65 percent are served by the private informal sector.

A recently completed survey (FinScope 2008) found that 74 percent of the adult population in Nigeria (64 million persons) have never been banked. Women are the most financially excluded section of the population. The salaried population has been more widely targeted by financial services providers in Nigeria with an estimated 71 percent using banking services, compared to 15 percent of farm workers (FinScope 2008). Box 1 below summarizes key access figures for Nigeria.

### **Box 1: Key Access to Finance Figures**

- 70 percent of adults (64 million) have never been banked.
- 21 percent of adults (18 million) have bank accounts.
- Men have better access to finance, while only 15 percent of women currently have banks accounts.
- 71 percent of salaried workers versus 15 percent of farm employees are banked.
- 86 percent of rural adults are currently unbanked.
- Nigeria has the second highest percentage of people who are financially excluded in Africa – 24 percent have access to formal banks, 2 percent have access to other formal institutions, 24 percent have access to informal institutions only, while 53 percent are financially excluded.

Source: FinScope Nigeria, 2008 as cited in Isern, et al 2009.

With the new CBN regulation, microfinance institutions now include: universal banks, community microfinance banks (evolved from community banks), NGO microfinance banks, public sector poverty alleviation agencies, special microfinance schemes, and donor agencies (Iganiga 2008). Their essence is to assist the poor in the drive to alleviate poverty and attain the Millennium Development Goals. It is, however, important to note that the establishment of formal microfinance institutions in Nigeria was based on weak institutional capacity, weak capital base, existence of a huge un-served market, utilization of the SMEEIS fund, among other things. In addition, they were not formally registered as financial service providers and hence not subject to any rules and regulations prior to the formalization of their activities via registration by the Central Bank of Nigeria in 1981. They had, all the while, operated alongside the informal service providers. With their formalization so far, barely a million people have been provided with some credit in the country while 40 million poor people are yet to be attended to. In terms of supply, commercial and development finance institutions are in the forefront of the outfits that provide credit to the microfinance institutions. Despite their efforts, rates of interest, inequitable distribution of wealth and income, and outreaching, the poor constitute challenges to the operations.

A Central Bank of Nigeria study (2001) of MFIs operating in Nigeria identified the following as their objectives (Anyanwu 2004):

- To improve the socio-economic conditions of women, especially in rural areas, through the provision of loan assistance, skills acquisition, reproductive health care services, adult literacy, and girls' education.
- To build community capacities for wealth creation among enterprising young people and to promote sustainable livelihoods by strengthening rural responsive banking methodology.
- To eradicate poverty through the provision of microfinance and skill acquisition development for income generation.

The CBN study showed that most of the formal MFIs were relatively new, as most of them were registered after 1981. The bulk of beneficiaries were women, especially as most of the MFIs started as NGOs that had the promotion of female welfare as a major basis for their establishment. Over 90 percent of clients in the sample were women. Reasons for being pro-women were that:

- Women are marginalized with respect to economic opportunities and so need a separate promotional agenda.
- MFIs believe that women perform better in managing meager resources and promoting microenterprises.
- Ego problems of men make it difficult for them to solicit for small sums of money.
- The presence of cultural practices which prevent men from engaging in certain businesses, for example, petty trading (Anyanwu, 2004).

MFIs in Nigeria engaged in group lending with groups made up of five to ten members. The collateral used was the group pledge to repay. The study also showed that over half of loan portfolios go to commercial activities, due to ease of repayment because of the quick and high returns to investments in commercial activities. Agriculture and manufacturing activities are associated with longer gestation periods and lower returns.

The major sources of funds for MFIs (over half of operating funds) are grants and aid mainly from abroad. The major donors were the: UNDP, Ford Foundation, Africa Development Foundation, Community Development Foundation, Development and Peace of Canada, EZE of Germany, and the Catholic Agency for International Development of the Netherlands (Anyanwu 2004).

### **Government Policy and Regulatory Environment of Microfinance in Nigeria**

Until 2005, when regulatory and supervisory guidelines for microfinance banks in Nigeria were produced, the country had no clearly defined microfinance regulatory policy. The Federal Ministry of Finance in conjunction with the Central Bank of Nigeria formulated various policies aimed at stimulating the operations of microfinance institutions in the country.

In 2000, a National Conference on Microfinance was organized by the Federal Government of Nigeria. At the conference, the World Bank recommended that the Central Bank of Nigeria should take up the responsibility of developing an appropriate policy, as well as regulatory and supervisory framework for the operation of microfinance institutions. Other outcomes of the conference include the recognition of the fact that the development of appropriate microfinance policy was of utmost importance to the development of sound microfinance practice, sustainable MFIs, and viable microenterprises in the country. Following this development, the Central Bank conducted a baseline study of MFIs in 2001. The objectives of the study among others were to: (1) identify the role of MFIs in financial intermediation in Nigeria, (2) determine the level of financial intermediation of MFIs with a view to developing a regulatory and supervisory framework to guide and enhance its operations in Nigeria, and (3) recommend policies that would facilitate the linkage of informal, semi-formal, and formal financial services providers to micro- and small-scale rural entrepreneurs. The Central Bank of Nigeria's study identified 160 registered MFIs in Nigeria in 2001. The study also revealed that as of the third quarter of 2001, about 60 percent of the banks had aggregate savings of about N99.4 million and outstanding credit of N649.6 million, indicating huge business transactions in the sector. Several constraints in their operation were also identified. These are lack of performance standards and the absence of a regulatory framework. As a result of this, the Central Bank recommended thus: (1) development of a regulatory and supervisory framework for the operations of MFIs in Nigeria, (2) establishment of an apex regulatory

institution charged with the responsibility of building capacity through the training of directors and managers of MFIs to enable them to develop an efficient information system for identifying and managing risks, and satisfying relevant data and information requirements of regulators and stakeholders, (3) improvement of infrastructural facilities so as to reduce the transactional costs associated with the administration of microcredit in the country. (Anyanwu 2004).

As part of the implementation of the above recommendations, a draft national policy on Microfinance Institutions was prepared by the Development Finance Department of the Central Bank of Nigeria and subjected to a stakeholders' review in February 2004 followed by an international validation summit in March 2004. The policy document provided for the definition of MFIs, the group of institutions to be covered, allowable and non-allowable activities, procedures and requirements for the application of license, sources of funds, publication of audited accounts, prudential requirements, and penalties for contraventions. The policy package was approved by the management of the CBN and became operational in early 2005. (Anyanwu 2004). The policy borders on several areas including: ownership and licensing requirements, management, permissible and prohibited activities, conditions precedent to the commencement of operations and funding accounts, and related matters. Others include: operational requirements and controls, restructuring and reorganization. Among the specific objectives of the Microfinance Policy are to:

- make financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services.
- promote synergy and mainstreaming of the informal sub-sector into the national financial system.
- enhance service delivery by microfinance institutions to micro, small and medium level Entrepreneurs.
- contribute to rural transformation, and
- promote linkage programs between universal/development banks, specialized institutions, and microfinance banks (CBN 2005).

The targets of the policy measures are to:

- cover the majority of the poor but economically active population by 2020 so as to create millions of job and reduce poverty,
- increase the share of micro-credit as a percentage of total credit to the economy from 0.9 percent in 2005 to at least 20 percent in 2020,
- increase the share of micro-credit as a percentage of Gross Domestic Product from 0.2 percent in 2005 to at least 15 percent in 2020,
- promote the participation of at least two thirds of the states and local governments in micro-credit financing by 2015,
- eliminate gender disparity by improving women's access to financial services by 5 percent annually, and
- increase the number of linkages among universal banks, development banks, specialized finance institutions, and microfinance banks by 10 percent annually (Anyanwu 2004, CBN 2005).

The Policy was to adopt the following strategies to:

- license and regulate the establishment of Microfinance Banks,
- promote the establishment of NGO-based microfinance institutions,
- promote the participation of government in microfinance industry by encouraging states and local governments to devote at least one percent of their annual budgets to microcredit initiatives administered through MFBs,
- promote the establishment of institutions that support the development and growth of microfinance service providers and clients,
- strengthen the regulatory and supervisory framework for MFBs,
- promote sound microfinance practice by advocating professionalism, transparency, and good governance in microfinance institutions,
- mobilize domestic savings and promote the banking culture among low-income groups,
- strengthen the capital base of the existing microfinance institutions,
- broaden the scope of activities of microfinance institutions,
- collaborate with donors and coordinate and monitor donor assistance in microfinance in line with the provisions of microfinance policy, and
- increase the capital base of community banks (now microfinance institutions) from N250,000 to N20million (CBN 2005).

It was considered imperative to establish microfinance banks to serve the following purposes:

- provide diversified, affordable, and dependable financial services to the active poor, in a timely and competitive manner, that would enable them to undertake and develop long-term, sustainable entrepreneurial activities.
- mobilize savings for intermediation.
- create employment opportunities and increase the productivity of the active poor in the country, thereby increasing their individual household income and uplifting their standard of living.
- enhance organized, systematic, and focused participation of the poor in the socio-economic development and resource allocation process.
- provide veritable avenues for the administration of the micro credit programs of government and high net worth individuals on a non-recourse case basis. In particular, this policy ensures that state governments shall dedicate an amount of not less than 1 percent of their annual budgets for the on-lending activities of microfinance banks in favor of their residents.
- Render payment services, such as salaries, gratuities, and pensions for various tiers of government (CBN 2005).

According to the Microfinance Policy document, private sector-driven microfinance banks were to be established. The banks would be required to be well-capitalized, technically sound, and oriented towards lending based on the cash flow and character of clients. There were to be two categories of Microfinance Banks (MFBs), those licensed to operate as a unit bank, and others licensed to operate in a state. ( Central Bank of Nigeria, 2005).

These two categories of banks can also aspire to have national coverage, subject to their meeting the prudential requirements. This is to ensure an orderly spread and coverage of the market and to avoid, in particular, concentration in areas already having large numbers of financial institutions. An existing NGO which intends to operate an MFB can either incorporate a subsidiary MFB, while still carrying out its NGO operations, or fully convert into a MFB.

MFBs licensed to operate as unit banks were to be structured as community-based banks. Such banks can operate branches and/or cash centers subject to meeting the prescribed prudential requirements and availability of free funds for opening branches/cash centers. The minimum paid-up capital for this category of banks was N20.0 million for each branch.

MFBs licensed to operate in a State shall be authorized to operate in all parts of the State (or the Federal Capital Territory) in which they are registered, subject to meeting the prescribed prudential requirements and availability of free funds for opening branches. The minimum paid-up capital for this category of banks was to be N1.0 billion.

A regulatory and supervisory framework for microfinance banks was also drawn up by the Central Bank of Nigeria (CBN 2005a). As of May 30<sup>th</sup> 2008, a total of 768 microfinance banks have been licensed in Nigeria (CBN, 2008). The distribution is shown in Table 1 below.

**Table 1 : Distribution of Microfinance Banks, May 2008**

Geo-political Zone	Number of MFBs	Percentage of Total
North-West	56	7.3
North-Central	101	13.2
North-East	30	3.9
South-West	305	39.7
South-South	110	14.3
South-East	166	21.6
Total	768	100.0

Source: CBN, 2008, *The Nigerian Microfinance Newsletter*, Vol. 6, January–June 2008.

Detailed analysis showed that at the end of the recapitalization/conversion program, 602 erstwhile Community Banks that met the requirements had converted to microfinance banks. As of May 30, 2008, 187 had completed the process while 420 were given provision approval. A total of 72 new investors in the microfinance sub-sector were given final licences while 89 were granted approvals-in-principle. Available data suggests that the microfinance sector is growing rapidly in Nigeria. With the Microfinance Policy, new investors, domestic and foreign, were encouraged to establish MFBs in Nigeria (Isern et al 2009). They include:

- ACCION International which partnered with Citi-Bank, Nigeria, Ecobank, among others,
- Shorebank,
- KREP (Kenya), and
- BRAC (Bangladesh).

Ten Nigerian commercial banks have also introduced microfinance services. Of these, seven established microfinance subsidiaries while three created microfinance departments. The UBA for example launched a microfinance bank while Ecobank partnered with ACCION to

launch ACCION Microfinance Bank (Isern, et al 2009). As part of the Microfinance Framework, the CBN in collaboration with the Bankers Committee created a Micro Credit Fund to partner with State Governments to channel credit to the microfinance sector (Isern, et al 2009).

In the study, one NGO and Microfinance Bank (Lift Above Poverty Organization) and a Community Bank converted to a Microfinance Bank (Ujonlen Microfinance Bank) were selected for interview for the purpose of actualizing the objective of this study.

## **Research Methodology**

### **Study Area – Esan West Local Government Area**

Esan West Local Government Area is one of the eighteen (18) Local Government Areas in Edo State. Situated in the peripheral zone of the rain forest belt of Edo State, it was carved out of the defunct Okpevbo Local Government Area during the States and Local Governments creation exercise by the Babangida Administration on August 27, 1991.

With a population of well over 500,000 people, Esan West Local Government Area is bounded: on the south by Orhionwon Local Government Area in Edo State and Ika Local Government Area in Delta State, on the East by Esan Central Local Government, on the West by Uhumwode and Igueben Local Government Areas, and on the North by Owan West Local Government Area.

The Local Government occupies a landmass extending over an area of 483 sq. km. It comprises ten clans which informed its political division into ten wards. The wards are Ogwa, Ujiogba, Ukhun, Ekpoma (Eguare), Ihumudumu, Iruekpen, Ujoelen, Urohi, Uhiele, and Illeh. The Administrative Headquarters is at Eguare, Ekpoma. The various communities are culturally knitted together, particularly in their language of communication which is the Esan language, and they share other things in common. The people of the area are predominantly Christian and traditional believers.

The people are also predominantly subsistence farmers and petty traders. For example, Emuhi quarters in Ujoelen clan is well known for the production of pine apples in large quantities. At Ukhun clan, the settlement quarters is known for the production of palm oil, cassava, and rice. Iruekpen is outstanding in the production of cocobeans, cocoyams, and groundnuts, while Urohi clan produces plantain in large quantities. Ogwa and Ujiogba are popular for the production of yams and cassava and are also known for palm wine tapping.

The women engage in small scale farming but are mainly involved in processing of farm products and petty trading. They process rice, cassava, palm oil/nuts, and trade in textile materials, provisions, cosmetics, and food stuffs while some operate restaurants, mini-hotels, and hair-dressing salons. The women are generally very hard-working.

Ekpoma, the capital of the LGA, is made up of the following villages: Eguare (where the Onojie lives and where the headquarters of the LGA is located), Iruekpen, Ujemen, Idumebo, Uke, Ihumudumu, Ujoelen, Ukpenu, Emuhi, Emaudo, Uhiele, and Illeh. There is electricity in most of the villages and most of them are accessible as the access roads are motorable.

## Methodology

Emphasis was placed upon qualitative methods and review of secondary data from program organizers. For the formal MFIs, records were reviewed while discussions were held with the organizers of non-formal programs to ascertain the types of records maintained. Qualitative methods help to rule out or identify non-program influences on access to credit. Two formal MFIs and a number of thrift and savings societies operating in markets around Ekpoma were included in the study. From each program, focus group sessions and in-depth interviews were held with:

- Microfinance Bank officials,
- groups of program beneficiaries, and
- in-depth interviews with successful and not-so successful beneficiaries (Case studies).

The collected information was analyzed to see which categories of the poor are reached by the different programs.

**Case studies:** A sample of case studies, representing clients who have participated for different lengths of time was selected from the different programs for in-depth interviews. This is to identify factors which may have contributed to their success or lack of it after participating in the microfinance program.

**Focus Group Discussions (FGDs):** Focus group sessions with two groups each of clients (old and new) of each program were held (8 FGDs).

**Secondary data:** For the secondary data, program documents were examined. The study also examined the extent to which Community Banks have transformed into Microfinance Banks in rural areas of Edo State in keeping with the Microfinance Policy.

## Identification of Microfinance Institutions

The success of a program depends on the interaction between the characteristics of the program itself and the environment in which the program is implemented (AIMS 1997). The essence of our research is to identify what makes for a successful microfinance program. That is, what is the institutional environment of the MFI and how does it impact MFI programs?, What type of program is it?, How large and how complex is the MFI?, What are its objectives?, and What program characteristics define a successful microfinance program? Thus there is a need to collect data on program characteristics and operational environments. The study intends to compare two formal private MFIs and a number of informal MFIs (savings societies).

Essentially, the issues of interest are:

- What categories of the poor are targeted by the programs?
- What impacts have the programs had on their clients?
- What characteristics of MFIs can contribute to its success in uplifting the poor?

The formal institutions chosen were LAPO Microfinance Bank and Ujoelen Microfinance Bank

**LAPO Microfinance Bank:** The Lift Above Poverty Organization (LAPO) started activities in 1987 and has grown to become an internationally recognized MFI. It has about 101,000 active clients and 100 branches. LAPO distributed N2.386 billion as microloans to its clients to establish or expand their small businesses in 2006 and about N5.0 billion in 2007. LAPO also emerged as the winner of the 2006 Grameen Foundation Excellence Award in Microfinance. LAPO will be compared with an informal MFI program. In compliance with the new Microfinance Policy, it set up a Microfinance Bank licensed in 2008. The Ekpoma branch was selected.

**Ujoelen Microfinance Bank:** The Ujoelen Microfinance Bank is one of the former Community Banks which recapitalized and converted into a Microfinance Bank in compliance with the Microfinance Policy. It is a unit bank, with its office at Ujoelen, one of the villages making up Ekpoma.

When selecting Informal Savings Groups the original plan was to select two market-based associations and examine their savings patterns. However, at the first meeting scheduled with a market association, the research team was informed that market associations were more for welfare purposes and did not function as savings groups in the local government area. They only paid their dues which were used for welfare purposes for members. However, almost all women belonged to rotating thrift/savings groups (meetings). It was therefore decided to select different categories of savings groups with the aid of the Chairman of the Market Women's Associations (who is a male). It should also be noted that many of the women trade in several markets which are held every five days. Thus, women found in any market usually come from different neighboring villages or rural towns. The two markets used were Expressway Market on the Ekpoma-Auchi Expressway and the Iruokpen Market, which they hold every five days. Although Ekpoma is the local government headquarters and Iruokpen is developing into a town, traders in the two markets come from neighboring villages and clans in the LGA. The following groups/savings societies were eventually contacted for focus group discussions:

- Uzoya Association,
- Ahoemoegbe Association,
- Akugbe Cooperative Union,
- The Igbirra Yam Farmers who migrated from Kogi State and live in a settlement on the outskirts of Ukhun on the outskirts of Ekpoma, and
- Iruokpen Women Traders Association

The first two – Uzoya and Ahoemoegbe Associations – were members of the Yam Dealers' Association and were treated as a group. In reality, it was found that in order to maximize access to credit, many of the women had opened accounts with the Microfinance Bank and other banks and obtained credit from more than one source.

## **Selection of Respondents for FGDS/Case Studies**

Microfinance has been hailed as an important tool for poverty alleviation (Jung 2004). The impact of MFIs on poverty reduction can be assessed along several dimensions: improved income, employment and household expenditures, and reduced vulnerability to economic and social crises (Bulletin on Eradication of Poverty 2004). There are, however, key challenges to assessing the impacts of microfinance. Major constraints include obtaining reliable data, as well as methodological difficulties of assessing exactly what proportions of income and other effects on beneficiaries can be attributed to a particular MFI's programs since clients are often recipients of more than one product from more than one MFI (Weiss and Montgomery 2004).

Conclusions from earlier studies suggest that clients who participate in a microfinance program on a continuous basis eventually realize better economic outcomes than non-clients (Bulletin on the Eradication of Poverty 2004). In this study, we require evidence on the following:

- To what extent are microfinance services reaching poor women? This requires an analysis of the breadth of outreach or number of beneficiaries as well as the relative poverty of clients or depth of outreach.
- How effective have the microfinance services been in pulling households out of poverty?
- How conducive is the institutional environment in which MFIs function in Nigeria?
- What characteristics of an MFI promote its success in promoting poverty reduction?

However, because reliance was on qualitative data, in-depth analysis of outreach and impacts of MFIs could not be carried out. Respondents were asked to assess the impacts of their access to microfinance on their incomes, household expenditures, participation in community activities, and other related items. To fully assess these issues, the study worked with the following people:

- For the Lift Above Poverty Organization (LAPO), one group of old clients (who had participated over one year and had repaid their loan) and a second group of new (less than one year participation and yet to start repaying their loan) clients were chosen.
- For the Ujonlen Microfinance Bank, the officials informed the research team that they could not provide a list of clients. The team was advised to come on a market day where their marketing team could introduce us to their clients in the Ekpoma Expressway Market. For convenience, the team held discussions with clients who were members of the Goatsellers' Association. Almost all of them could be considered to be new members since most of them opened accounts after it became a Microfinance Bank in 2008. Some had borrowed money while others were still building up their savings to qualify them for loans.
- For the other groups, focus groups discussions were held with available members. Some of the groups included male members.
- Respondents for in-depth interviews (case studies) were selected from every group.

## Research Instruments

The following research instruments were developed for the field work:

- a focus group discussion guide,
- a questionnaire for the in-depth interview, and
- an institutional interview guide for microfinance providers, divided into two sections – for formal and informal providers.

A poverty score card was also administered to all respondents. Since the Nigeria Bureau of Statistics has not developed a poverty score card, a modified scorecard from another study was adapted. It only served as a rough guide of whether respondents are from poor backgrounds or not. The score card is however not analyzed for this report.

## Administration of Research Instruments

The fieldwork was conducted between the last week of May and the end of June 2009 and took place in different locations:

- Idumebo Ekpoma: Three of the Focus Groups Sessions, the Yam Sellers Association, Akugbe Union, and the Iruokpen Market Women's Association, were held at a center in Idumebo, Ekpoma.
- LAPO Office: The FGDs with LAPO clients took place at the LAPO Office at Ekpoma.
- Ekpoma-Auchi Expressway Market: The sessions with the Goat Dealer's Association and the Igbirra Yam Farmers took place at the market.

It was difficult to assemble respondents for some of the groups as the women say they are busy. In some cases, there were distractions. For example, some projects were being commissioned by the State Governor on one of the days chosen for an FGD session, so many of the women went to attend the ceremonies. The research team was to have visited a village where they grow pineapples, but after several postponements, the villagers refused to participate, unless we were coming to give them loans.

## Data Analysis

**Quantitative data:** Only limited quantitative data was available at the formal microfinance institutions while the informal institutions kept no records since all contributions collected from members were handed over to the person whose turn it is to collect the contribution. The formal Microfinance Institutions were only licensed to operate as microfinance banks in 2008. Information was collected on: gender of clients, services provided, mode of delivery, terms of credit, and so on. Information collected from interviews of microfinance officials is summarized in tabular form in the next chapter.

**Qualitative data:** Qualitative data was obtained through focus group sessions (56 participants) and case studies (15) interviews. Transcripts of the FGDs and case studies were prepared summarizing the information obtained. The analysis was organized around the focus group discussion guide and the key themes of the study. An FGD log book was also prepared summarizing group members' positions on the discussion and important quotations.

## Research Results

### Institutional Environment of MFIs in Rural Areas

The findings of the study suggest the existence of two classes of microfinance institutions in the study area. These are formal and informal institutions. The former comprises microfinance banks (Ujoelen and LAPO Microfinance Banks) which transformed from a community bank and an NGO respectively, while the latter consists of rotating savings and thrift associations/societies, (Ahoemoegbe Meeting, Akugbe Union, Uyoza Meeting/Club, and Iruokpen Women).

**Structure of institutions:** These classes of institutions possess varied distinguishing characteristics such as structure, objectives, management style, sources of funds, services rendered, and types and manner of services delivery. Tables 2 and 3 below summarize some of the findings of the study. In terms of structure, formal microfinance institutions are either stand-alone institutions or branches of a larger network which are registered with the relevant agency of government, the Central Bank of Nigeria. They are set up for the purpose of making a profit, principally, while in some instances could offer some social services to their clients. Their target clients and types vary in occupations which include farming, trading, civil service, teaching, and various forms of artisanship mostly of the low income category. Those set up for the purpose of making a profit are, however, advised by the regulatory body, the Central Bank of Nigeria, not to include farmers, except when they have excess liquidity to do so. These institutions have a structured organizational management style and their operations are broken down into departments each with assigned responsibilities. Their sources of funds include sale of non-transferable shares, customers' deposits of various types, investments in the capital market, and donations/grants from foreign donors/agencies. They operate accounts with commercial banks for the purpose of facilitating transactions in the clearing house. Formal institutions also render a variety of savings and credit services to their clients.

**Table 2: Formal Microfinance Institutions**

<b>Name of Institution</b>	Ujoelen Microfinance Bank, Ekpoma	LAPO Microfinance Bank, Ekpoma
<b>Year of Establishment</b>	1996	1987
<b>Nature of Institution and Registration Status</b>	Stand-alone, Incorporated	Branch
<b>Motivation of Institution</b>	Profit-making	Social Service
<b>Management</b>	Board of Directors in an Organogram with a Managing Director as Chief Executive	Board of Directors with a Chairman as Chief Executive
<b>Number of Departments</b>	3 (Credit, Marketing, Administration)	3 (Credit, statistics, administration)
<b>Staff Strength</b>	26	NA
<b>Number of Clients</b>	NA	NA
<b>Gender of Client</b>	Male and Female	Male and female
<b>Occupation of Clients</b>	Trading, Farming, Teaching, Civil Servants, Various Artisans	Trading and farming
<b>Type of Services Rendered</b>	Financial Services only: Savings, various types and credit	Financial and non-financial: savings, various types, credit, social services.
<b>Sources of Fund</b>	Sale of shares, clients' deposits	Loans from commercial banks, Investments in Capital Market,

		clients' deposits
<b>Mode of Savings Mobilization from Female Customers</b>	Periodic collection on local market days by Bank's Marketers	Weekly or monthly on designated meeting days
<b>Terms of Credit</b>	Opening of account, Evidence of good turnover, Completion of Loan/Application/Guarantor's form, Collateral for loan exceeding N100,000	Formation of a Group (as collateral); Training of Group by bank staff; Opening of individual account with N5,000 minimum; Completion of Loan Application Form,
<b>Mode of Credit Delivery</b>	Strictly individual by crediting account. Amount approved cannot be more than three times amount saved	Group approval and crediting to individual member's account. N30,000 first loan disbursement generally N40,000 for traders.

The informal financial institutions on the other hand are stand-alone institutions which are either registered with the local government council, for registration sake, or not registered at all and hence their activities are not regulated by the government. They are set up for the purpose of self-help with membership dominated by the female gender. These institutions have no clearly defined organizational management structure in the mould of what operates in formal institutions and so are not departmentalized. They are managed by a small-sized executive committee (sometimes two in number) who are often not elected and remain in such positions for several years. The head of the executive committee is most often the initiator of the society or host of its meetings. Sources of funds consist only of savings/contributions of members. In other words, they are set up either for the purpose of contributory, rotatory thrift savings, or pooling of the same to provide credit on rather soft terms to members and non-members in some cases. Profit-making is not a principal objective of these institutions. Occupations of client/membership of these institutions are similar to those of formal institutions including: trading (about 80 percent and mostly women), teaching, tipper lorry driving, farming, and various forms of artisanship. Some of them operate bank accounts with commercial banks, some do not because savings generated from members are given to the individual due immediately. Thus in a way, like the formal institutions, they offer savings and credit services to clients. Table 3 below presents a summary of some of the findings.

**Table 3 : Informal Microfinance Institutions**

<b>Name of Institution</b>	Ahoemoegbe Meeting	Akugbe Union	Uzoya Meeting	Iruekpen Women
<b>Year Founded</b>	1988	1989	1999	2001
<b>Nature of Institution</b>	Stand-alone	Stand-alone	Stand-alone	Stand-alone
<b>Motivation of Institution</b>	Self-Help	Self-Help	Self-Help	Self-Help
<b>Number of Members</b>	20	20	30	30
<b>Gender of Members</b>	Female only	Male10, Female,10	Male and Female	Female only
<b>Occupation of Members</b>	Trading only	Trading, catering, commercial lorry driving	Farming, trading, teaching of primary school	Farming, trading
<b>Registration Status</b>	Registered with Esan West Local Government Association (LGA).	Not registered	Registered with Esan West LGA	Registered with Esan West LGA
<b>Any Bank Account</b>	Yes, First Bank Plc	No bank account	No bank account	No bank account
<b>Type of Services Rendered</b>	Financial Services: Savings and loans	Financial Services: Savings only	Financial Services: Savings, loans to	Financial Services: Savings only

	to members only		members and non-members	
<b>Terms of Credit</b>	20% Interest Rate per annum	Not applicable	15% Interest Rate for 6 months	Not applicable
<b>Sources of Fund</b>	Savings of members	Savings of members	Savings of members	Savings of members
<b>Meeting Schedule and Size of Contribution</b>	Every Local Market Day; Minimum of N200 and Maximum of N1,000	Once in Month; N5,000 each	Fortnightly; Minimum Contribution of N300	Every Local Market Day; Contribution is according to ability

**Types and Characteristics of Clients:** As indicated above, the clients of formal and informal institutions possess similar characteristics in terms of income size, occupation, and gender. For both types of institutions, their clients are mostly of the low income group. Their occupations include trading, commercial driving, farming, and teaching of primary school. Both men and women patronize the two types of institutions but with the female gender the target. Groups of similar and/or of varied occupation are also clients of or constitute themselves into an informal institution.

**Services Provided:** With regard to services provided and pattern of delivery, there are similarities and some differences in the operations of both formal and informal institutions. In the formal institutions, savings are of different types including:

- current account deposit,
- savings deposit,
- fixed deposits,
- mandatory savings (due to loan obligation),
- voluntary savings (self-defined according to need and purpose),
- golden savings (for the purpose of savings),
- union purse (group savings), and
- savings loans schemes for market women (locally developed to make them eligible for loans).

Their credit types include:

- regular loans and advances,
- locally designed loans schemes for market women, and
- farming loans.

The size of the credits extended to clients are in the range of N30,000 to N100,000. The terms and conditions for these loans are similar for the two formal institutions. However there are innovations in some which include training with a view to making sure that the loans are put to optimal usage. Generally, the formal institutions require the opening of an account with evidence of good turnover and sometimes operating for a minimum of one year to be considered eligible for a loan. Collaterals are not required by the formal institutions except that another customer may be required to serve as guarantor. Loans in excess of N100,000, however, require collaterals such as certificate of occupancy of a landed property. The innovations in some institutions (LAPO Microfinance Bank) are varied. In LAPO Microfinance

Bank, loans are approved and given to groups rather than individuals. Thus intending borrowers must constitute themselves into a group with evidence of registration by members. Thereafter they are given group orientation/training on mode of operation and transaction in a minimum of six contacts. After these contact sessions and satisfactory training, the group is approved for recognition. After recognition, each member of the group opens an account with a minimum of N5,000 and fills out a loan application form. On approval the same amount of the loan is disbursed to individual members through their respective deposit accounts. The first loan is in the neighborhood of N30,000 only. Successful repayment can result in an increase in a subsequent loan up to a maximum of N200,000.

Formal financial institutions such as LAPO Microfinance Bank render non-financial services such as:

- health enlightenment,
- business management techniques (workshops and trainings),
- credit management techniques,
- scholarship for clients' children, and
- raffle draws.

Informal institutions are typically savings-oriented. In other words, their activities center around pooling of savings which are given to members on a rotatory basis. Such savings are done according to members' ability and periodically, such as on market days, every 10 days or every fortnight. Credit/loan services, are not typically major functions of informal institutions. Some of the groups considered do not give out loans due to the likelihood of default in payment and hence distortion of rotatory savings arrangements. However some give out credit to members and non-members. There is no uniform criteria/condition for such loan/credit. A necessary criterion is a guarantor who must be a member of the savings association. Credit size depends on the request and availability of same with interest rates in the neighborhood of 20 percent per annum. All loans must be repaid by December when any profits/balances are shared among members.

**Accessibility to Women:** As indicated earlier, it is observed that women are the target group of microfinance institutions: formal and informal. Indeed by virtue of their dominance of trading activities in the area, they are the main beneficiaries of the activities of these institutions. In particular, it is noted that in three of the informal institutions studied, women occupy headship positions as Leader, President, Secretary, and Financial Secretary. Only one has a man as its Chairman (Uzoya Meeting). Following from the above is the implication that women are the main beneficiaries of both the savings and credit schemes. Respondents to the interview question on repayment also indicate that the rate of repayment is higher among the women.

The similarities between formal and informal microfinance institutions from the findings of the study are very few. Indeed their client base is similar (traders, farmers, drivers, various types of artisans, and generally low income earners). Their activities hover around savings mobilization and granting of credits to customers as well as members and non-members for

informal institutions. Client and membership size include individuals and groups for the formal institutions. For the informal institutions membership is on an individual basis.

### Women and Microcredit: Sources and Access

Six focus group sessions (56 women), one in-depth interview, and 15 case studies provide the information on access to and impact of microcredit on rural women. Focus group discussions and case studies reveal the following about women's credit needs, access to, and sources of credit in the study area. Table 4 below summarizes the background of focus group discussion participants.

**Table 4: Background of Focus Group Session Participants**

S/N	Name	Number	Female	Male	Christian	Muslim	Trading and farming	Trading only
1	Yam dealers (Ahoemoegbe and Uzoya Associations)	9	9	-	9	-	-	9
2	Old LAPO members	10	8	2	10	-	9	1
3	New LAPO members	8	8	-	8	-	8	1
4	Igbira Yam Farmers	7	2	5	1	6	7	-
5	Goat Sellers Association	16	16	-	16	-	-	16
6	Akugbe Union	5	3	2	4	1	-	-
7	Iruekpen Women Traders	1	1	-	1	-	1	-

The majority of the participants were of the Esan ethnic group while all the members of the Igbira Farmers' group were from Kogi State. All the respondents were married with children (they were not asked how many). A few men, who belonged to market associations/savings groups accommodating both men and women, were also involved. The majority of the respondents had at least a primary education and the discussions took place mainly in "pidgin English" with interpretations for the few women who were not educated. The main occupations of rural women in the study area are trading and farming. According to one of the women, "you cannot survive on farming alone." Women's crops include cassava, pineapples, plantain, and a few have yam farms. Women trade in several commodities, including, garri, yams, pineapples, beans, rice, other assorted farm goods (tomatoes, pepper, vegetables, and so forth), provisions, plastics goods, clothing items, among other items. A few members of the savings groups included in the study (Akugbe Union) engaged in other occupations such as: the restaurant business, sale of mobile phone recharge cards, oil palm milling, and herbal medicine. Information on age and educational background was obtained from the case studies and are shown later. Table 1 in the appendix (FGD Log Book) summarizes key findings from the FGDs.

**Credit needs of rural women:** The respondents complained that a major problem of rural women is inadequate finance for their farming or trading activities. They need capital for their trading activities, while they also need money for farm work – to hire workers to clear the land and to do the farm work. Access to credit will help women to expand their businesses.

**Why rural women are poor:** They admitted that women are generally poor for various reasons. The main reason is that women cannot save because they have many family

responsibilities. They have to see that the children are fed even when some husbands do not provide for the family. They also assist in paying children's school fees. They cannot leave the children hungry or let them be driven away from school because of non-payment of fees. They are also poor because they find it difficult to borrow money from banks like the men. Another reason is that their customers buy on credit which worsens their financial situation.

**Why rural women find it difficult to access bank credit:** The respondents gave their views on why rural women find it difficult to access bank loans. The reasons are:

- Women have no collateral like the men.
- Men inherit land and property which they can use as collateral.
- Women are less educated and so do not understand the processes of securing bank loans.
- Bank officials believe that women cannot repay loans and so do not want to deal with women.
- You need to open a bank account and save first before you can borrow from the bank. Thus, many women cannot borrow from banks because they have no bank accounts.
- Women are afraid to borrow because they have witnessed bank officials confiscating properties of men who have defaulted in repayments.
- The bank interest rate is too high for women to pay.
- Some women are not focused in their business and so find it difficult to repay loans.
- You cannot borrow money without support (a guarantor). Some added that a woman cannot borrow without her husband's consent, as he has to follow her to the bank.

**Ownership of bank accounts:** Respondents were also asked whether they have bank accounts and whether women have problems with borrowing money. Many of the respondents have bank accounts, especially clients of Microfinance Banks. Some have accounts in the universal banks. Some of the respondents have not opened any bank accounts because they have no money to save and they put any profit back into the business or into their contributions in their market women's associations. A few said they do not need to borrow as the contribution from their meeting is sufficient to meet their needs.

Increasing access to bank loans will help women to expand their businesses. There is no problem with borrowing if women use the loan for the purpose for which it was borrowed. There are problems only when the women do not invest the loan but spend it on consumables – clothes, jewelry, and so forth. They will find it difficult to repay the loan if not invested wisely. Furthermore, they suggested that loans should not be used as initial capital as the woman may find it difficult to repay – she has to build up her market, customer base, and so on, and so may not make profits for a period, whereas the grace period for microcredit is usually short. Women should only borrow when they have an established business when it will be easier to meet repayments.

**Sources of credit:** The major sources of credit for women in the study area were: women's associations/meetings, the Lift Above Poverty Organization Microfinance Bank, the Ujoelen Microfinance Bank, and the National Poverty Alleviation Programme (NAPEP).

- **Savings Associations:** Only two out of the over fifty respondents (both yam sellers) said they did not belong to any contributory “meeting.” All the others belong to various savings rotator groups (including those with whom focus group sessions were held). Since women cannot borrow easily from banks and cannot afford money lenders, they join “meetings” where they contribute on market days/weekly/monthly and hand over the money to members on a rotator basis. Some women belong to more than one “meeting” to optimize their access to credit for their business. Virtually all the women have taken the contribution when it was their turn. Table 4 above describes the four savings groups in this study. Only a few have borrowed from their savings groups at an interest rate of about 15-20 percent.
- **Lift Above Poverty Microfinance Bank:** Some of the women have formed groups to benefit from the Lift Above Poverty Organizations loans scheme. They were convinced by friends to join or by the success stories of past beneficiaries of the scheme. Discussions were held with two groups of beneficiaries. The older group were given loans of N30,000 each last year and have finished repaying. They are negotiating a new and higher value loan. They pay back N4, 250 every month out of which N500 is saved for them. The second group are newer clients and have just received a loan of N30,000 each the previous month. They have not started repaying their loans. For many of them, the LAPO loan is in addition to contributions to their savings groups.
- **Ujoelen Microfinance Bank:** The Ujoelen Microfinance Bank transformed from a Community Bank in 2008. With the focus of the Microfinance Policy on reaching rural dwellers including women, the Bank has made deliberate efforts to reach market women as clients. The Bank’s marketers go to the markets on market days to canvass for savings with a view to accessing loans. This approach has encouraged market women who come from various neighboring villages to open accounts with the Bank and many have qualified for loans, while some are waiting to meet the minimum savings required to qualify for their target loan from the bank (they must save at least one-third of what they want to borrow). Discussions were held with the Goat Sellers in the market.
- **National Poverty Alleviation Programme (NAPEP).** In 2008, one of the women’s savings groups in the study (Iruokpen Women Traders’ Association) received loans from NAPEP. Members also belonged to the Cocoyam Farmers Association. NAPEP officials came to inspect their businesses in the market. Thereafter, members went to Benin City to where they were given loans for their businesses. Depending on the trade, they received different amounts up to N100,000 – N150,000. Members were expected to open accounts with the First Bank and the monthly repayments are paid into a designated account at the First Bank.
- **Money lenders:** Only one group in the study routinely borrows from money lenders. These were the Igbirra yam farmers who lived in a settlement on the outskirts of Ekpoma. The women in the group said they relied on the contribution from their association. They do not borrow. The leaders of the groups (male) borrowed from the money lenders and shared it among members of the group. The women (Muslim) said they received a share of what their husbands borrow. The interest rate was high, but the men said it was convenient since farming is seasonal. They repaid the loan on a quarterly basis or after harvest and could roll over the loan, although this meant higher interest payments. It is not convenient for them to repay loans on market day or on a monthly basis as is done with the microfinance banks which have easier credit terms.

Some women have been able to access more than one source of credit. For example, one member of the Akugbe Union had received loans three times from LAPO, and also borrowed

from the Ujoelen Microfinance Bank but now feels the contribution from their union (N100,000) is substantial enough for her and so there is no need for her to borrow for now from the Bank. Irrespective of other sources of funds, women value the contributory program and make every effort to meet their contribution. According to the women in Uzoya and Ahoemoegbe Associations, while they can tell the Microfinance Bank official that they have no money for the bank on a market day, they always find the money to pay the contribution to the association.

**Preferred source of credit:** The respondents had different views as to the preferred source of credit. Many of the respondents were of the view that the Ujoelen Microfinance Bank was the best source of credit. The reason was because of the marketing strategy adopted by the bank. The bank sent its officials to the markets to sell the savings and loans schemes to the traders. Forms are filled out in the market, the savings are collected on market days, and the repayments are also collected in the market on market days. The respondent only went to the bank to sign for the loan. Bringing the savings and loans schemes to the women in the market as well as the affordable interest rates have made the scheme very popular. It has also widened the outreach as women come from different neighboring villages/towns to sell in the market. Many women have opened savings accounts and several have already obtained loans at least once, while others are accumulating their savings to qualify for the loan.

Some of the clients of LAPO said they preferred the LAPO arrangement because it had the lowest rate of interest. The complaint was that the value of loans given for first timers is on the low side. It was smaller in the past, but has increased to N30,000 in recent times. While the contributions from associations were helpful, the waiting time is longer depending on the number of members. Money lenders were too expensive. The interest rate was very high and you could end up paying twice the original loan if you were slow with repayments. You end up servicing the loan (paying interest) while the capital is unpaid. The women who borrowed from NAPEP (Iruiekpen Women Traders) were also satisfied with the loan and repayment terms. They were to repay in 10 monthly installments and believed the interest was paid up front. Many of the women would like more Microfinance Banks to be established to enhance women's access to microcredit as it can help to reduce feminized poverty, make them less dependent on their husbands, as well as assist them in the home.

**Why they have not borrowed money:** Respondents who have not borrowed any money from any source were asked why not. Their answers were:

- If you have no business to invest in, there is no need borrowing money to waste.
- They have been contributing to the Ujoelen Microfinance Bank on market days and have not yet met the target savings to qualify them to borrow from the bank.
- The interest rate of money lenders was too high. You end up paying double the amount you borrowed. The Microfinance Bank is relatively new. Access by women was more limited when it was in a Community Bank.
- Two women said their husbands did not want them to borrow (clients of Ujoelen Microfinance Bank). They provided the capital for their businesses.
- The money from their contribution to savings groups is enough for their needs.

- Some women said that a woman cannot borrow from the bank without her husband's consent because husband has to follow her to the bank.

### **Women and Microcredit: Impact**

All the respondents who had accessed loans were asked what had been the impacts of the credit on their businesses and family lives. The details are given below.

**Impacts of Microcredit:** All the women who have obtained loans or received their contributions from their savings groups said they used the credit/money to expand (in one case to establish) their businesses. Some used part of the loan for their trading activities and the rest for their farming activities. With respect to the impact of the loans on their business and lives, reliance was on the participants' assessments of the impacts of the credit. In general, the credit had positive impacts in different ways.

**Impacts on their businesses:** The credit affected their businesses in the following ways;

- They were able to expand their businesses. They could buy more goods (one garri seller increased the number of bags of garri for sale), travel further to buy goods for sale (some yam farmers could travel to Abuja and Benue State to buy yams), and buy a wider variety of goods for sale. Their businesses were doing better.
- They could now pay cash for goods bought instead of buying on credit. This increased their profits as interest was paid if you buy on credit.
- The detailed case studies showed that the most successful women were those who had accessed loans more than once or accessed multiple sources of loans so that their businesses had expanded over the years. The sources included savings groups contributions, LAPO, and the Microfinance Bank. One very successful respondent is paying for a caravan to expand her business. The members of the Akugbe Union appeared to be the most successful economically, among all the groups, and have established more capital-intensive trades such as a restaurant business, telephone recharge business, sale of herbal medicine, and palm oil milling business.

**Impacts on their personal lives:** There have also been positive impacts on their personal and family life as follows:

- With higher profits, they can now contribute significantly to household maintenance. They can eat better quality food. One respondent said she can now afford to buy N500 beef while she was unable to buy even N50 fish in the past.
- They can now afford to buy things they could not afford before. One woman said she could now afford to buy a mattress.
- They can pay their children's school fees more easily and regularly. One respondent said in the past, she had to beg the teachers not to drive her children away from school, while now she can pay easily.
- They can assist those in need in the family and contribute to weddings and burial ceremonies.
- About four women (case studies) now play an active role in their communities. They are in politics and belong to the Peoples Democratic Party (PDP) or Action Congress (AC).

Thus access to microcredit has helped the women to expand their businesses and increase their profits. Their well-being and that of their families have also improved.

## Case Studies

Fifteen respondents (fourteen female and one male) were administered questionnaires to obtain information on their personal experiences relating to access and impacts of microfinance. Information was acquired on their age, educational background, sources of initial capital, sources of microfinance, and impact of microfinance on their businesses and family life.

**Background information:** Out of the fifteen respondents, eight were in their forties, four in their thirties, two were in their twenties, while only one was in the fifties. Six had completed primary education while the remaining nine had some secondary education. They are all married.

**Sources of initial capital:** The respondents had started with different amounts of initial capital from various sources. Two women could not remember their initial capital. Three of them started with less than N1,000 investment (N20, N60, and N600 respectively). Another five started with less than N10,000. Two started with N15,000 and N50,000 respectively, while only two started with over N100,000 investment. Only three women said their initial capital was their personal savings (one saved from her housekeeping money. Five husbands provided initial capital, three obtained loans from friends, while three borrowed from their market/savings associations (Rimari, Ahoemoegbe, and Akugbe Unions respectively). One woman was assisted by her sister-in-law who gave her cartons of fish to sell and she was able to start on her own with the profit. One respondent was assisted by her mother.

**Membership of savings groups/market associations:** Virtually every respondent belonged to one savings group or market association. Some women had been members of these groups for over ten years, some of them since the 1980s and 1990s. All LAPO clients have to belong to one group to benefit from their loans. They contributed amounts ranging from N500 – N1,000 weekly or on market days.

**Sources of credit:** Of the 15 respondents, only three had no bank accounts while eleven have opened savings accounts with different banks (one operates a joint account with her husband Only one woman had opened a current account. All members of savings groups had collected their contributions when it was their turn over the years ranging from about N20,000 yearly (Ahoemoegbe Association) to N100,000 (Akugbe Union). They had obtained credit as follows:

- Not borrowed (but saving at Ujoelen MFB): 1
- Collected contributions only: 3
- Borrowed from market association (5 times at 5 percent) + borrowed from Ujoelen MFB twice: 1
- Borrowed from market association only: 2
- Borrowed from Ujoelen MFB once: 3
- LAPO clients (2 new and 3 old) – Borrowed N30,000 - N40,000: 5

Repayments are on market days (Ujoelen MFB and market associations) or monthly (LAPO). All the respondents said the repayment terms were comfortable because the interest rates are low (2.5 percent for LAPO and 4 percent for the Ujoelen MFB).

**Impact of Microfinance:** All the participants said that the credit had helped their businesses. They were able to expand their business and therefore make more profits. As a result, they could contribute to family expenses by paying for food, school fees, and other items. Three of the women and one man were politicians with three being in the Peoples Democratic Party (PDP) and one in the Action congress (AC).

Thus the respondents' perception is that the microcredit has helped to improve their businesses. Reasons why women find it difficult to access credit have been described earlier. They feel that the Microfinance Banks are the best sources of credit for women as their terms are the most suitable for women – low interest rate, no collateral, and other characteristics. It takes a long time for the market associations' contributions to reach members depending on the number of members they explained.

### **Impact of Government Policy on Development of MFIs in Rural Areas**

According to the 2005 Microfinance Policy (CBN 2005), a microfinance policy which recognizes the existing informal institutions and brings them within the supervisory purview of the CBN would not only enhance monetary stability, but also expand the financial infrastructure of the country to meet the financial requirements of the Micro, Small, and Medium Enterprises (MSMEs). Such a policy would create a vibrant microfinance sub-sector that would be adequately integrated into the mainstream of the national financial system and provide the stimulus for growth and development. It would also harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions by promoting appropriate regulation, supervision, and adoption of best practices. In these circumstances, an appropriate policy has become necessary to develop a long-term, sustainable microfinance sub-sector

A major purpose of the policy therefore, is to present a National Microfinance Policy Framework for Nigeria that would enhance the provision of diversified microfinance services on a long-term, sustainable basis for the poor and low income groups. The policy was to create a platform for the establishment of Microfinance Banks, in order to improve the CBN's regulatory/supervisory performance in ensuring monetary stability and liquidity management and to provide an appropriate machinery for tracking the activities of development partners in the microfinance sub-sector in Nigeria (CBN 2005).

The regulatory and supervisory framework prepared by the Central Bank (2005a) to guide Microfinance Banks defined who should be clients of the banks and the types of services to be rendered. It defined a Microfinance Bank (MFB) as follows:

**A Microfinance Bank:** "A Microfinance Bank [MFB], unless otherwise stated, shall be construed to mean any company licensed to carry on the business of providing microfinance services such as savings, loans, domestic fund transfers and other financial services that economically active poor, micro-enterprises and small and medium enterprises need to conduct or expand their businesses as defined by these guidelines" (CBN, 2005a, p. 6).

**Microfinance Clients of MFBs:** Microfinance clients are those who generally possess the following characteristics (CBN 2005a, p.6):

- have a monthly income of not more than twice the monthly per capita income of Nigeria or minimum wage, whichever is higher.
- have total productive assets [inclusive of those arising from loans but excluding the cost of land] of not more than five hundred thousand Naira (N500,000.00) only.
- are not a regular employee of any organization.
- are between 18 and 60 years old.

The regulatory framework also defined a poor person as follows: “A poor person shall be defined as one who has meagre means of sustenance or livelihood and whose total income during a year is less than the minimum taxable limit set out in the law relating to income tax.” (CBN 2005a, p.6).

**Microenterprises:** Finally, the regulatory framework defined a microenterprise as follows: A micro-enterprise is a business that requires microcredit/loans to operate. The operations and management are often built around the sole owner or micro entrepreneur. The micro entrepreneur usually works alone or provides employment for few people, mainly the immediate family members and others over time. It does not often require formal registration to start, but tends to operate as sole proprietorship. The management and accounting requirements are very simple and flexible. Generally, micro entrepreneurs work informally, without business licenses or formal records of their activities or earnings. The scope of economic activities of microenterprises typically includes primary production and crafts, value added processing and distributive trades (CBN 2005a, p.6).

**Microfinance loan:** The CBN (2005a, p.7) defined a microfinance loan as a facility granted to an individual or a group of borrowers whose principal source of income is derived from business activities involving the production or sale of goods and services. The maximum principal amount shall not exceed N500,000 or and as may be reviewed from time to time by the CBN. Generally, a microfinance loan is granted to the operators of micro-enterprises, such as peasant farmers, artisans, fishermen, women, senior citizens and non-salaried workers in the formal and informal sectors. The said loans are usually unsecured, but typically granted on the basis of the applicant's character and the combined cash flow of the business and household. Ordinarily, the tenure of microfinance loans is 180 days [6 months]. However, in the case of crops with longer gestation period, a maximum tenure of twelve months shall be permitted. Microfinance loans may require joint and several guarantees of one or more persons. The repayment may be on a daily, weekly, bi-monthly, or monthly basis in accordance with the amortization schedule in the loan contract.

## **What is the Impact of Government Policy on MFIs in the study area?**

### **Bringing all MFIs under the purview of the Microfinance Policy**

The policy succeeded in encouraging new formal sector providers to enter the microfinance industry. The formal institutions have complied with the Policy requirements which made it compulsory for microfinance institutions and existing Community Banks to transform into Microfinance Banks. The two Community Banks in Ekpoma, the Udah Community Bank and

the Ujoelen Community Bank, met the minimum requirements to be granted licenses to operate as Microfinance Banks in 2008. The Lift Above Poverty Organization (LAPO), an NGO, transformed its microcredit activities into a Microfinance Bank to comply with the Microfinance Policy. As of May 2008, only 25 erstwhile Community Banks had transformed into Microfinance Banks in Edo State (urban and rural), having met the requirements. Some of the commercial banks which established microfinance banks or departments operate in the study area, for example, UBA and Zenith Banks and Ecobank have branches in Ekpoma, the LGA headquarters.

However, the informal thrift and savings associations are still outside the regulated microfinance sub-sector. When they register at all, the women's savings groups usually register as women's associations or as cooperative groups, such as the Akugbe Union, in order to access any potential benefits of government activities. For example the Irukepken Women Traders Association benefited from a NAPEP loan.

### **Outreach to microfinance clients**

Discussion with respondents showed that the MFBs investigated in the study have complied with the regulatory framework with respect to clients of microcredit. The respondents fit into the category of those who should be targeted by MFBs – they have low incomes, they are between 18-60 years with the majority in their thirties and forties, and they also have limited or no assets. The terms of the loans are also as defined in the regulatory framework under 'microfinance loan' defined above. Women were the focus of this study although men were also members of some savings groups. The majority of them could be defined as poor as defined in the CBN regulatory framework.

However, there is differentiation between the informal MFIs. While the more affluent groups are able to give large contributions to members, such as the Akugbe Union which is able to make as much as N100,000 available to each member after contributions are made, the smaller groups such as the Uzoya and Ahoemoegbe Associations are only able to give about N20,000 – N25,000 to members. Members of the Akugbe Union have borrowed from other sources in the past and have become successful business men and women, and so they can afford larger market day or weekly contributions, unlike the smaller petty traders.

### **Support of microenterprises**

Women are engaged mainly in operating microenterprises, mainly one-woman enterprises. They are self-employed, and only a few of the women employ other workers. However, some of the women who farm in groups, such as the Cocoyam Farmers Association in Irukepken, hire male workers to help them to till the land and maintain the farm. In general, the MFIs target microenterprises with their microcredit of N30,000 in the first instance, increasing the amounts for subsequent loans.

### **Establishment of MFBs in rural areas**

The transformation of the Community Banks into Microfinance Banks appears to have favored women. The delivery strategy of Ujoelen Microfinance Bank, which targeted market women, has helped to demystify banking from the women's perspective. Rural women, especially those who come to the urban center market to sell, are no longer afraid of putting

their money in the bank, especially as they now know that they have to save with the bank first to qualify for a loan. This suggests that the mode of delivery of financial services can encourage women to open bank accounts. However, the women wanted reassurance that the Microfinance Banks are regulated and will not end up like some Community Banks which folded up while depositors lost their deposits. None of the participants in the FGDs and case studies had accessed any loans from commercial banks that have entered the microfinance sector in the study area.

## Findings

The key findings of the study are:

**Institutional environment:** The traditional informal microfinance institutions still exist side by side with the formal MFIs. They have not been absorbed into the regulated microfinance sector. They are still very popular with rural women, many of whom have belonged to these “meetings” for over a decade. These informal thrift and credit societies still remain the only source of funds available to poor women who have not been able to access the formal sector microfinance institutions.

**Why are rural women poor?** According to respondents, rural women in the study area are poor because of heavy family responsibilities. They have to feed the family even when the husband does not provide as they cannot leave their children hungry. They pay children’s school fees as they do not want their children to be driven out of school. Women also do not have enough capital for their trading and farming activities. As a result of all these factors, rural women cannot save. They are hard working and if they have capital, they can trade with it and lift themselves out of poverty. They gave examples of successful business women who succeeded because they had access to credit from LAPO and other sources.

**Why it is difficult for women to borrow from banks?** Rural women in particular find it difficult to borrow from banks because: most of them have no banks accounts, they have no collateral to present to the bank, and many women do not know the procedures for accessing bank loans. As they explained, while men inherit land and other property which they can use as collateral, women do not inherit property. They also said that women need the husband’s consent to borrow money from the bank.

**Sources of microfinance for rural women:** The main source of finance for the majority of rural women is their contribution from their savings/market association. However, with the advent of microfinance banks, more rural women are now accessing formal microfinance institutions. Rural women have accessed loans from the Lift Above Poverty Organization and Ujoelen Microfinance Banks. One of the women’s groups had accessed credit from a government agency – the National Poverty Eradication Programme (NAPEP). Some of the more successful women have accessed multiple sources of credit over the years as their businesses have expanded. None of the participants has accessed loans from any of the commercial banks that have established microfinance banks/departments operating in the study area.

**Impact of microfinance on women’s businesses and lives:** According to the women, microcredit has had positive impacts on their businesses and family lives. Many of them have been able to expand their businesses. Since they no longer have to buy goods on

credit thereby avoiding interest payments, their profits have increased. At a family level, they can make more of a contribution to the upkeep of their family. They also eat better food as well as pay children's fees regularly and with less stress unlike in the past. A few who were so inclined have joined political parties – the PDP and AC. However, to properly assess the impact of microfinance, a quantitative study using measures of impacts will be more reliable.

**Government policy and access to microfinance in rural areas of Edo State:** In the study area, government policy has helped to bring formal micro credit sources to women on a larger scale. Community Banks recently transformed into MFBs now target women as microfinance clients, unlike when there were Community Banks. LAPO has always targeted women's groups. However, while the formal institutions have transformed into Microfinance Banks as required by the Microfinance Policy, the traditional savings institutions still remain outside the regulated microfinance sector. Furthermore, although some of the commercial banks which had established microfinance subsidiaries or departments exist in the study area, none of the women participants (FGDs and case studies) has accessed their microfinance facilities, even though some of them have opened savings accounts in these banks.

## **Conclusion and Recommendations**

Based on our case studies in rural areas of Edo State of Nigeria, we conclude that most rural women in the area studied rely on informal microfinance institutions for finance for their micro businesses. They find it difficult to access formal finance institutions for several reasons, including lack of collateral or bank accounts and the belief that women do not repay loans, among others.

However, the experiences of the participants show that access to loans can help them to expand their businesses and improve their personal and family well-being. Women will be encouraged to open bank accounts if they are assured that their deposits are safe and that they will be able to access loans for their businesses at reasonable terms.

While erstwhile Community Banks and NGOs that transformed into MFBs have targeted and reached rural women with microfinance, there is no evidence that commercial banks that have established microfinance departments reach rural women.

By developing the following new strategies, rural women can be reached with microfinance.

**Registration of ROSCAS:** In order to bring their activities within the microfinance sub-sector, all savings associations should be registered as such, at least with the Local Government authorities in their area of operation. They should be assisted to keep proper records of their activities. As of now, there is no data on demand for microfinance in Nigeria. Registration and better record-keeping will facilitate information on the volume of financial transactions in the informal microfinance sector.

**Establishment of microfinance institutions in all LGAs:** Incentives should be provided to encourage more entrepreneurs to establish MFIs. If the rural sector is to be covered, there should be at least one MFI in every LGA which can meet the needs of the poor in component wards. At present, there is a concentration of MFBs in urban LGAs and in some

states, while several states, especially rural areas are still under-served. Table 1 showed that most of the MFBs are in the South-West and South-East zones.

**Minimum capital for MFBs:** The Microfinance Policy requires MFBs to have a capital base of N20,000,000 to be licensed. This capital base is to ensure viability of MFBs. It has been suggested that this should be increased for unit banks to enable them to make a greater impact.

**Targeting poor women:** There is a need for MFBs to target women in general and especially rural women. There was no evidence that existing commercial banks, which have established microfinance departments operating in rural areas, target poor self-employed women operating microenterprises. They should be encouraged to develop products that target poor rural women who are predominant in the microenterprise sector.

**Entrepreneurial training for microfinance clients:** There is a need to provide entrepreneurial training for loan recipients to ensure that the loans are wisely managed. LAPO operates in this manner. This will improve the impacts of loans on the clients as well as repayments of loans by borrowers.

**Gender disaggregated record-keeping:** It was difficult to obtain information on gender distribution of clients, loan recipients, repayments, and other characteristics of form providers. Providers should maintain gender disaggregated records so that their outreach to poor women can be assessed.

**Capacity building for microfinance providers:** Several of the MFBs are small, new, and inexperienced, while erstwhile Community Banks did not inspire confidence of the people. There is a need to strengthen capacity building of all microfinance providers to develop new products, expand their geographical coverage, and meet other operational challenges. The CBN has conducted some capacity building activities, but this should be done on a sustained basis.

**Monitoring outreach and impacts of MFBs:** The performance of MFBs should be monitored to assess whether they are meeting the objective of reaching the formerly unbanked sector of the Nigerian society. Data show that the farming population and women have been excluded from the formal financial sector while formal sector employees have been able to access bank services.

**Supervision of operational performance of MFBs:** Rural women are concerned about the viability of MFBs given the collapse of Community Banks in the past with depositors losing all their money. What is in place for depositors to recover their deposits if the MFB goes under? Thus there is a need for close monitoring and supervision of MFBs to protect depositors. The experiences of depositors with failed Community Banks should not be repeated.

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## Appendix 1: FGD and IDI Result Logbook

	Tally						IDI	Position and supportive quotations					
	No. of FGD	1	2	3	4	5		6	1				
No. of Participants	9	10	8	7	16	5	1	GP <sup>1</sup>	What the people Know	Beliefs/Reasons	Practices	Any others specify	Remarks
Main occupation of Esan Women	9 0 0	0 9 0	0 0 8	0 0 7	0 0 16	0 0 6	0 0 1	3 3 2	Trading Farming Trading & Farming	Traditional occupation of women	Farming is widely practiced with trading.	Igbirra migrant farmers in Esan land are also weavers.	Farming is widely practiced with trading
Problems	9	10	8	7	16	5	1	1	Money for business	Without money the business would fail. Money is needed to farm		Without money a viable business cannot be established.	
Women/ poverty	9 0	10 0	8 0	7 0	16 0	5 0	0 0	2 4	Women have lots of responsibilities  Women not poor	Some husbands do not provide adequately for the family.  A woman can always find work to do and earn money.	Women have to care for children and pay fees.  A woman can get credit and establish a business.	We cannot watch our children suffer and keep money away.  In the past women were said to be poor, now they can struggle.	55 out of 56 participants believe women are poor because of responsibilities of caring for family.
Access to credit	9	10	8	7	16	5	1	1	Credit will help				
Problem of borrowing	9	10	8	7	16	5	1	1	When money gets diverted to wrong use.	Some women can divert business money to clothes and jewelry			None, except wrong use of money.
Participants with bank accounts	8 1	8 2	3 5	2 5	16 0	5 0	1 0	2 4	Savings Account /Microfinance bank  No bank account		To enjoy credit facilities in microfinance bank, they must be account holders.  Instead of bank account actively		43 out of 56 participants have bank accounts. 27 out of 43 are with Microfinance banks  13 participants have no bank accounts

<sup>1</sup> \*Group Position [GP] (1=All in Favour/support, 2=Most in Favour/support, 3=Undecided, 4=Most Against, 5=All Against); Total No. of Participants (56)

											involved in thrift savings	not have enough money to keep there. When the money is not enough for business, what can one keep in the bank?	
Is it difficult for women to borrow from the bank?	1	8	8	5	16	5	1	2	Yes, it is difficult for women	A woman under a man's control cannot go to the bank, unless with her husband	Big men who borrow money & cannot pay back, their houses & properties are seized so we women cannot go to the bank to borrow money	Men can inherit property and use as collateral, we women we have nothing to use to take loan	Men are more at an advantage to borrow money from banks.
	8	2	0	2	0	0	0	4	Do not know	When you have no Bank account you cannot borrow money		Some people do not know the way to borrow the money, some know	
	0	0	0	0	0	0	0	5	No it is not difficult				
Able to borrow money	8	10	8	5	10	1	1	2	LAPO/Bank/Association	Belong to LAPO Group or an association qualified to take loan from Microfinance bank	A scheme is drawn to enable loans and payment schedule.		
Why not been to borrow money	0	0	0	2	6	4	0	4	Not able to borrow	Still building up their credit for microfinance bank, or not interested in borrowing.		My husband does not want me to borrow	
What was done with borrowed money	8	10	8	5	10	1	1	1	For business	Money collected was used for trading and the profit for feeding No participant misused loan	For my business. I cannot borrow money to go and buy clothes		
	0	0	0	0	0	0	0	5	For other use other than business				No participant misused loan

Impacts of the loan	9 0	10 0	8 0	7 0	16 0	5 0	1 0	1 5	Positive impact Negative impact			Things I could not afford before...I can now buy them now. ...school fees regularly. ...able to participate in community activities	No negative impact of the various loans
Problems repaying the loan	9 0	10 0	8 0	7 0	16 0	5 0	1 0	1 5	No Problems Problems				Terms of various loans suitable to participants
How women's access to credit can be improved	6 3	0 10	0 8	5 2	8 8	3 2	0 1	3 3	Do not know/ not specific  Loan with suitable interest	It is good to know how to collect and know about repayment schedule	We need help Opportunity to get loan from the bank without the bank demanding for land and houses. Women can borrow money without too much trouble in paying back.		Participants have no idea on how their credit can be improved, apart from association contributions and loans.

**Guide:**

IDI: In-depth Interview

FGD: Focus Group Discussion

