

MICROFINANCE AND FEMALE ENTREPRENEURSHIP IN NIGERIA

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ABSTRACT

Nigerian women are in great numbers turning to entrepreneurship for succor in these times of economic hardship. This activity which is supposedly meant to boost family income is also envisaged to have positive effects on national economy. However, the impact of women's entrepreneurial activity in Nigeria is below expectation due to the severe financial constraints they encounter. Issues bordering on discrimination, socio-cultural factors, high illiteracy rate among Nigerian female entrepreneurs feature predominantly in the list of hindrances. Government and individual female entrepreneurs have their parts to play in ameliorating the situation.

Keywords: Microfinance, Entrepreneurship, Women, Nigeria.

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INTRODUCTION

Entrepreneurship is generally recognized as the engine of growth of developing countries since it has the capacity to reduce poverty. It is a key factor that helps many individuals, especially women in the promotion of self-reliance and self-esteem (Taiwo, Agwu, Adetiloye, & Afolabi, 2016). Adjei, Arun and Hossan (2015) assert that entrepreneurship is the answer to the economic challenges of most developing countries. They opine that entrepreneurial activities in small and medium scale enterprises would contribute immensely to the creation of jobs, decrease in income disparity, manufacturing of goods and services in the economy, as well as delivering opportunities for skill development and acquisition. According to Soludo (2014), a healthy economic development cannot be accomplished without setting up well focused and implemented programmes aimed at reducing poverty by empowering the people through access to factors of production, particularly credit facilities.

There is a momentous increase in the number of female entrepreneurs in Nigeria. Women are presently involved in micro, small and medium scale enterprises (MSMEs). They can be found engaging in various forms of trade in almost all parts of the country. Practitioners, policy makers, and academics in developing countries consider this trend very significant for socio-economic growth (Denanyoh, Ajei, & Owus, 2013). This is because it has the ability to enhance the quality of life and create a long-run enormous wealth, first to the individual and, second to the society at large. And since many Nigerian women are bread winners who financially run their

families, support their spouses and relatives, female entrepreneurship has become a welcome development. Nigerian government has therefore engaged several economic policies that would ensure economic independence. A variety of policies aimed at capacity building and utilization has been launched by the federal government over the years. The micro financing policy is one of such policies that the Nigerian government has formulated to encourage the growth and development of MSMEs, especially those not served by the conventional deposit money banks (DMBs).

Micro financing is considered one of the tools that can be used to encourage women entrepreneurship. The primary target of microfinance is the poor women for the reason that they are relatively disadvantaged and they tend to embark on small enterprises which are typically supported with small loans (Unugbro, 2010). Microfinancing has been tried and tested. It is a demonstrated success in various parts of the world. It is adjudged the most safe, profitable and resilient financial system in the history of societies (Taiwo, et al, 2016).

However, in spite of the promising role of female entrepreneurship and the several policies and strategies put in place by successive governments, women entrepreneurs in Nigeria still face certain challenges which negate their ability to gain access to loans from microfinance institutions (MFIs). These include socio-cultural factors, illiteracy, location, loan repayment, limited number of lending institutions and networking problems. The inability of the Nigerian woman to

successfully operate their businesses is perhaps due to the above problems.

A critical analysis of the above problems and their possible panacea provide the rationale for this paper. This paper consequently aims at identifying the pressing challenges female entrepreneurs face in gaining access to micro finance and the alternative sources of finance for female entrepreneurs.

The Concept of Female Entrepreneurship

Onwubiko (2010) opines that entrepreneurship is the attitude and capacity of an individual or group of persons to undertake a business enterprise with the likelihood of success or failure. Entrepreneurship is the process of executing the roles of an entrepreneur. It is planning, operating and assuming the risk of a business venture (Inegbenebor & Igbinomwanhia, 2010). Female entrepreneurship on the other hand entails the activities of women in pursuing profitable business opportunities. According to Abey (2018), a woman entrepreneur is a person who takes on tough roles to meet her personal needs in order to become economically self-reliant. Female entrepreneurs, unlike their male counterparts, apply feminist values in pursuing their businesses. Values such as multitasking, passion, patience, motivation and emotional intelligence are often displayed by them as they relate with other people. They are motivated to enter commercial markets by desire to create wealth and social change, based on ethics of cooperation, equality and mutual respect (Orser & Elliot, 2015).

Women-owned businesses are on the increase in almost all countries. Women

are founding businesses more rapidly than men, and making major contributions to job creation and economic development (Sanusi, 2012). This is because many women have realized that they have potentials to run a business and have begun to utilize their skills and knowledge in exploring the business world.

Definition, Origin and Sources of Micro finance

Microfinance (MF) also referred to as micro credit, is a form of banking service that is available to unemployed or low-income persons or groups who otherwise have no access to financial services (Westover, 2012; Investopedia, 2018). IMF (2014) defines microfinance as credit lent to the poor who usually do not have collateral to mortgage in exchange for a loan, Its aim is to provide the impoverished people, especially women a chance to become independent. MF allows people to utilize small business loans in a way that is congruous with ethical lending practices. Clients are allowed to repay at a flexible payment conditions.

Microfinance as a concept is not a recent phenomenon. Small business operations have been in existence since the 18th century when Lysander Spooner noted the advantages of small credit to farmers and entrepreneurs. The first incidence of micro lending is accredited to the Irish loan fund system, created by Jonathan Swift, which aimed at improving living conditions for indigent Irish citizens (Wikipedia, 2018). Over the years, micro credit and saving systems had taken different forms across developing countries with names such as 'Susus' in Ghana, 'Chit funds' in India, 'Tandas' in Mexico, 'Arisan' in Indonesia, 'Cheetu' in Sri Lanka, 'Pasanaka' in

Bolivia, 'Tontines' in West Africa, amongst others (Waita, 2012). In Nigerian societies, women had formed various forms of cooperatives and mutual assistance such as 'Adashi' and 'Esusu'. But in modern form, micro financing became popular on a large scale in the 1970s by Mohammed Yunus of the Grameen Bank in Bangladesh. In 1976, Mohammed Yunus gave out loan to women in rural Bangladesh. The women invested the money in tailoring and weaving businesses and returned after a while to repay their loans. They were enabled to start their own ventures which were profitable enough to improve their standard of living as well as those of their families (Unugbro, 2010; Fergenberg, Field & Pande.2011). The success of the Grameen bank has inspired the world.

Micro financing exists in several parts of the world, but the greater part of micro financing operations takes place in developing countries. Many microfinance institutions (MFIs) focus on assisting women in particular and are mostly associated with lending. Others may render supplementary services together with bank accounts, financial business education and micro-insurance products.

There are various micro finance options for female entrepreneurs. It is always advisable to resort to more than one source of business financing. The ability to utilize various sources of finance options makes the entrepreneur dynamic and proactive. Successful entrepreneurs do not depend on one source of financing. They diversify; they combine debt and equity. They start small with microfinance and watch the business grow. As business grows, they source for more funds to meet the growing

demands for their products. The following are various microfinance options the female entrepreneur will find helpful:

Personal investment: This is the first and most important source of finance to the female entrepreneur. It involves the use of personal savings or inherited legacy to fund the business. It is often called bootstrap financing because it is mainly used to start a business from the scratch. The use of personal investment proves to investors and bankers that the female entrepreneur is committed to a long-term business.

Disposal of personal property: The female entrepreneur can raise fund by selling some of her property and investing the proceeds in the business.

Money from loved ones: This includes money that is borrowed (as loan) from friends, relatives and spouse. Sometimes, money may come as a gift. The fund is usually not a huge amount.

Micro finance institutions' Loans: The female entrepreneur can access small loans from the microfinance banks. They can gain access to small loans and subsequently access bigger loans if she fulfills her own part by keeping to the repayment terms.

Venture Angels: They are individuals who have resources to invest in the small business of serious entrepreneurs. They may provide some business contacts or networks and contribute their skills to the business. The female entrepreneur can gain favour from venture angels.

Business Accelerators: These are individuals that provide business supports and assist in fast tracking the growth of the

business. They often look for businesses in their infant stage and provide them with necessary supports such as fund and technology. They act as business incubators because they want to see the start-up business grow from one stage to the other until it is to stand alone without the business accelerator's assistance. Acceleration comes in the form of provision of cash, training, provision of multimedia support, advertising designs' sponsorship, laboratory supports etc..

Empowerment programs: These are programs sponsored by the government or non-governmental organizations (NGOs) for the purpose of empowering Nigerian youths that are interested in entrepreneurship. Where the programme is organized by the government, it is usually in collaboration with the ministries or certain agencies. Some amounts of money are given to aspiring entrepreneurs after some sessions of training. The "YOUWIN" business plan competition successfully gave financial supports to 2,400 winners (NBF, 2015). Other women empowerment programmes are the bank of industry's "YES" and the "Aisha Buhari training for women in income generating activities 2016". Sometimes, the NGOs organize empowerment programmes such as interest-free loan support and skill acquisition. The female entrepreneur can take advantage of such opportunity, get herself registered for such programs and judiciously make use of the fund advanced to her for her business. For example, in 2014, the federal government through the CBN released N220 billion to MSMEs to help entrepreneurs with capital for their businesses. 60% of this fund was given to women entrepreneur (Eze, Emeyonu,

Ukoha, Oshaji, Ibeagwu, Chikezia and Chibundu, 2016; Olakitan, 2016).

Monthly Contribution Scheme: Female entrepreneurs may join local cooperatives so that they can generate business funds. Many of the local cooperatives run a rotating scheme that allows individuals to contribute a given amount of money on weekly or monthly basis and collect money in turns. They also act as money lenders with little interest rates. They exist with local names such as 'Olidara' 'Akugbe', 'Osusu', 'Esusu', 'Ajo' 'Adashe' amongst others.

Trade payables: The female entrepreneur can also engage in business by purchasing goods on credit and paying on a later date. She may enter an agreement with the supplier in which she is allowed to pay in installments or in full. Where this is done, she is motivated to raise requisite fund for her business.

Microfinance and Female Entrepreneurship in Nigeria

As part of government's attempt to boost the growth and development of MSMEs and to improve female entrepreneurs' participation in gaining access to small loans, the United Nation (UN), in 2004, launched the international year of Micro-credit (Inegbenebor & Evbayiro-Osagie 2010). Consequently, the federal government assigned the CBN the responsibility of developing micro finance policy. This further strengthened the practice of micro financing in Nigeria.

The above suggests that MFIs are formed primarily to provide reasonable small business loan to poor people, especially women. Unubgro (2010), emphasizes the

main practices of MFIs in Nigeria which include:

- i. Exclusive focus on owners of micro enterprises
- ii. Focus on women
- iii. Door-step service delivery
- iv. Collateral substitution
- v. Group methodology

The impact of female entrepreneurs' participation in microfinance initiative is highly felt in the economy. Hard working female entrepreneurs have had their business grown bigger and today, these dominate most of the micro and small businesses in Nigeria.

Iheaduru (2013) avers that, women are by nature, generally gifted with because they possess a number of outstanding abilities, which if appropriately exploited for entrepreneurship, could yield positive and desirable outcomes. Specifically, women in Nigeria are naturally creative and innovative, possessing qualities such as persistence and determination, attributes that are fundamental to entrepreneurship.

Quite regrettably, a number of micro credit programmes are not making any significant impact with regards to the overall welfare of women and have therefore been far removed from the customary and operational framework of the rural financial intermediation process (Bamisile, 2006; Arogundade, 2010). Thus, women's access to credit facilities and other financial services is circumscribed because women are viewed upon as having lower capital capacity in comparison to men. This situation has significantly doused their enthusiasm, limited economic activities, and reduced earnings, thereby negating the micro finance banks' concept

- a notion which relies mainly on the prolific Nigerian population for its effective performance, alleviates poverty, creates employment opportunities, promotes self-employment and self-reliance, eliminates gender disparity for women entrepreneurial growth and development in the nation.

Challenges Female Entrepreneurs Encounter in Accessing Credit from Microfinance Banks

Despite the positive role female entrepreneurs play in the Nigerian economy, they are besieged by weighty issues which deter their effective operations. According to Sanusi (2012),

“The contribution of women to economic development is well documented. Yet there exists several barriers to the full optimization of women's economic potential. These range from cultural to religious, traditional and legal discrimination amongst other. Access to finance is often cited as one of the major factors impeding the growth of women-owned businesses in developing countries...”

Chief among the obstacles Nigerian female entrepreneurs face is difficulty in accessing micro loans. Until recently, the significance of women in the society did not receive enough attention. This has made many institutions to underestimate their contributions to their families as well as the economy (Taiwo, et al, 2016). The following are some challenges encountered by female entrepreneurs in accessing micro finance:

- 1. Inability to find a guarantor:** As part of the requirements for the

advancement of loan facility by MFIs, the loan seeker is expected to have a guarantor. Failure to provide a guarantor leads to a forfeiture of the loan opportunity. Many female entrepreneurs find it difficult to get a guarantor. Difficulty in getting guarantor could be as a result of fear on the part of people that the lender (female entrepreneur) may not be able to fulfill her own part of the loan repayment.

2. Problem of defaulting: As part of the MFIs policies on loan recovery, clients are made to make repayment on weekly basis. Inability to pay for loan facility granted to you means that you will not be allowed access to future loans.

3. Lack of adequate information about micro financing options: Many women, especially those in the rural areas are not aware about the services of micro finance institutions.

4. Ignorance of financial options available: Women generally lack knowledge of the financial options available to them. Also, the cost of getting this information (measured in terms of money, time and energy) may be high due to family responsibilities (Sanusi, 2012).

5. Stereotype about women: Taiwo et al (2016), posit that women suffer economic down turn more than men, and women are presumed to be poorer than men. Many people think that women cannot manage money when compared to men. Such perceptions are also held by some money lenders and micro finance operators.

6. Socio-cultural factors: The nature of socially accepted norms for women and the role they are expected to play in the

family affect their access to microfinance. There are certain businesses which a particular culture allows women to do, and there are also some businesses which women are not allowed to do. Moreover, MFIs do not consider all businesses viable for loan advancement.

7. Biased opinion of lending officers: It is assumed by some lending officers in MFIs that women are not experienced enough to keep to the repayment terms. They perceive such clients as less attractive.

8. Illiteracy: Some female entrepreneurs do not have formal education. Such people may find MFIs requirement and procedures very rigorous and tasking. They also find it difficult to comprehend issues relating to accessing funds..

9. Lack of networks: Female entrepreneurs have problems accessing microfinance loans if they do not belong to a network of fellow borrowers or clients. MFIs operate a group methodology system in which women are expected to belong to a group of fellow borrowers for the purpose of easy identification and follow up. Group members usually meet weekly where they discuss issues concerning their loan facility and other matters relating to their business. The leader of the meeting reports to the lending officers about the performance of the group members.

10. Limitation on amount of loans advanced: In many cases, borrowers are denied access to loan because they apply for a relatively high amount of money. The MFIs often prefer to start the loan advance to a particular individual on the basis of business growth. Individuals are expected to start with a small amount of money and

watch their business grow before they can apply for a relatively high amount. A borrower who intends to expand her business at first instance may see this as a huge challenge.

11. Insufficient mentoring programmes: Female entrepreneurship programmes which can feature female entrepreneurs that can mentor or act as role models for upcoming entrepreneurs in Nigeria are difficult to come by. Start-up female entrepreneurs need individuals who would provide support for SMEs in Nigeria (Okogba, 2016).

12. Credit worthy customers. Some customers are not honest enough. In some cases, loans advanced may be used for other purposes and repayment becomes difficult. Onochie, (2017) suggests that micro finance bank operators should identify those customers who have a track record of paying their loans and deal with such customers.

13. Loan seekers' knowledge of business. Some customers do not have adequate knowledge of the business they intend to do. There is the need for the female entrepreneur to have a grounded knowledge about the proposed business for which she is seeking a loan before he/she can be offered the loan (thepost, 2017)

Implications and Recommendation

Female entrepreneurship is increasingly a major issue for discourse. Appropriate support to them plays a huge role in poverty reduction. The implication is that their contribution is reflected in their improved living standard, their families' and a multiplier effect on the entire country in the long run. Challenges encountered by them should therefore be

considered national problems and tackled at that level.

Micro finance scheme is a welcome development in the reduction of poverty and the encouragement of female entrepreneurs. More sensitization needs to be carried out for female entrepreneurs to explore the opportunities inherent in loan advancement from MFIs. Many rural women are not aware of MFIs and how they operate and several female entrepreneurs need to be educated on how to develop strategies that will help them manage their finances, save and also be able to repay their loans as at when due.

It is therefore recommended that:

- i. The government should engage in sensitization activities through various media on the operations of the MFIs. There should be deliberate efforts to reach out to women in the rural areas, especially those who consider financing as major challenge in doing business.
- ii. Female entrepreneurs should not be restricted on the maximum amount of loan to be collected. This will encourage women to expand their businesses beyond any limitation.
- iii. MFIs should endeavour to review their lending policies. They should be flexible in the operations and do away with the rigid policies they have been used to over the years. They should recognize that female entrepreneurs are ready to work hard if given the opportunity to do so.
- iv. Although it is generally believed that microfinance institutions do not ask for collateral, they actually do. They tend to be more favourable to individuals who have landed properties than those that do not have. On this premise, it is

recommended that MFIs be resolute in their decisions and should avoid unwarranted bias.

- v. MFIs should appreciate faithful and hardworking customers. This can be in the form of award, grants, scholarships, training, vacation, dinner parties and so on. They should organize periodic customer appraisal and award sessions for their customers. This will motivate other women to work harder in their loan repayment and look forward for their own reward packages.

CONCLUSION

This paper examined the impact of microfinance on female entrepreneurship in Nigeria. The various sources of microfinance available for female entrepreneurs have been highlighted. The major challenge that negates their successful operation in business is finance specifically in accessing micro loans.

It is observed that female entrepreneurs, especially the poor want to support their spouse and families. They want to move above the poverty line and improve their own standard of living. They want to contribute their own quota to the growth and development of the society. They refuse to be hindered by the traditional roles the society foist on them and would rather be self-dependent than stick to the barbaric norms of mere motherhood and being a wife. They tend to possess a strong internal locus of control inherent in their potentials and would achieve enviable heights if conditions for their development are favourable.

Female entrepreneurs would like to start small if micro finance is made available to them. The government is therefore saddled

with the responsibility of creating conducive environment for the MFIs to thrive through their regulatory roles.

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