

## **WOMEN ENTREPRENEURS' ACCESS TO MICROFINANCE BANK CREDIT IN IMO STATE, NIGERIA**

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**ABSTRACT:** *This study examined women entrepreneurs' access to microfinance bank credit in Imo State, Nigeria. The specific objectives of the study were to: determine the socio-economic characteristics of women entrepreneurs, and determine the amount of credit demanded and the amount of loan accessed by women entrepreneurs from microfinance banks from 2009-2013 and their repayment performance. Hypothesis tested was that socio-economic characteristics of women entrepreneurs do not significantly influence their access to credit. Data collected were analyzed using descriptive and logit analytical tools. Data were collected from 80 loan beneficiaries and 71 non-loan beneficiaries selected from Microfinance banks with the aid of two sets of questionnaire. This study identified Microfinance banks as a major source of formal credit to women entrepreneurs with 80.26% of the overall credit requested accessed and repayment performance of 83.41%. Microfinance banks should create incentives to increase women entrepreneurs' access to credit and loan repayment.*

**KEYWORDS:** Women Entrepreneurs, Access, Credit, Repayment Performance

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### **INTRODUCTION**

Empowerment of women has now been taken as one of the significant tools for development. About 54 million of Nigeria's female population lives in rural areas where they provide 60-79 percent of the rural labour force (United Nations Population Fund, 2012). Nigerian women form an indispensable part of human resources for development because without their contribution, the economy will be difficult to advance to a better level (Onah, 1998). Women constitute a formidable demographic force therefore; their well-being has implications not only for their own lives, but also for the society at large. Empowering them is a crucial challenge which calls for constant review of policies, re-assessment of priorities, commitment of adequate financial resources, and effective implementation of programmes (Sanusi, 2012).

The role of women entrepreneurs in national development is becoming widely recognized in both developing and developed countries (Kuratko and Welsch, 1994). The rate at which women now contribute to economic development through their participation in micro, small and medium-scale enterprises (MSMEs) is quite unprecedented despite several barriers to the full optimization of their economic potential (Global Partnership for Financial Inclusion, 2011). Female entrepreneurs have been identified by Organization for Economic Cooperation and Development (OECD, 1997) as a major force for innovation, job creation and economic growth. It is a fact that improving financial support for women would increase the number of new businesses, which in turn would boost economic activity, enable the expansion of old businesses leading to increased productivity and growth. Financial empowerment enhances

the bargaining power of women at the family level and this allows larger latitude for investment in child-nutrition, health and education, thereby regenerating the future workforce. Beyond the family, financial freedom is a precursor to gender equality and consequently, the assurance of social security (Sanusi, 2012).

In as much as women have reached some heights with men in almost every field of life, there is still some level of gender bias against women in the area of credit supply from financial institutions. This has been attributed to delinquency in loans obtained and lack of self-esteem and confidence in seeking for financial assistance (Eze and Ugochukwu, 2004). The question has been, do women really need credit? According to Ihimodu (1986), credit can serve as a catalyst for increased agricultural production. He further remarked that credit increases the ultimate capability of the beneficiary to produce because it can be used to start a farm, increase the size of a farm, provide the input needs, lease land and hire labour resources. Credit also facilitates the adoption of better farming practice and increases efficiency. Women are key home managers; therefore they possess the ability, skill and capacity to manage credit for its proper utilization in the nation's economic growth and development.

In Nigeria, financing of entrepreneurial ventures is very important, as sources of finance open to entrepreneurs are many but not efficient due to bureaucracies in application, disbursement, collateral, high and exploitative interest rates needed for credit. The informal sources open to these entrepreneurs are personal savings, "isusu", friends and relatives (Onuoha, 1994) while the formal sources comprise mainly of cooperative and credit societies, Bank of Agriculture, Microfinance banks, River Basin and Rural Development Authority. However, financing new businesses and/or expanding the activities of existing ones become a great challenge to so many entrepreneurs in Nigeria as it is very critical in the promotion of entrepreneurship development (Bharti and Shylendra, 2011). Similarly, Simtowe and Phiri, (2007) and Muktar, (2009) stated that credit is a precondition to the growth of enterprises and entrepreneurship.

Although the Federal Government of Nigeria (FGN, 2003), instituted various measures to develop the economy and fight poverty through the small scale businesses, the initiatives involved the collaboration of the Federal Ministry of Finance and the Central Bank of Nigeria (CBN) through the establishment of specialized institutions and programmes like the Bank of Agriculture (BOA), Community Bank (CBs) now Microfinance Banks, Nigerian Agricultural Credit Guarantee Scheme and National Poverty Eradication programme (NAPEP) (Adamu, 2004). Yet all these institutions and programmes failed to empower the Nigerian women entrepreneurs because of the high risk associated with lending to these entrepreneurs. However, government recognized the need to encourage the micro, small and medium scale enterprises through the provision of credit to boost production, create jobs, reduce poverty and ensure inclusive economic growth and development in the economy. In 2014, the Central Bank of Nigeria (CBN) released ₦220 billion Micro, Small and Medium Enterprises fund to help entrepreneurs with capital for their businesses, with 60% of this fund targeted at women entrepreneurs (CBN, 2013). The question to be asked is, what percentage of these women had access to these funds? What percentages of the women who have access to these funds get the amount of credit they applied for? Synder (1990) stated that access to a particular source of credit is the ability to borrow from that source, although for a variety of reasons one may choose not to. The extent of access to credit is measured by the maximum amount one can borrow or ones credit limit. Regrettably, women in the South-east Nigeria lack access to credit to improve their economic activities. Against this background this paper set to achieve the following objectives: to determine the socio-economic characteristics of women

entrepreneurs in the study area, determine the amount of credit demanded and the amount of loan accessed by women entrepreneurs from microfinance banks from 2009-2013 and their repayment performance. Hypothesis tested was that socio-economic characteristics of women entrepreneurs do not significantly influence their access to credit.

## MATERIALS AND METHODS

The study was conducted in Imo State. The State was selected for this study because it has a high number of women entrepreneurs at the small and medium scale level. A representative sample was selected through a multi-stage sampling technique. The list of all the registered and approved Microfinance banks in Imo State was compiled with the help of the Central Bank of Nigeria Development finance office Owerri. From the compiled list of 45 Microfinance banks, proportionate sampling technique was employed in the random selection of 20 Microfinance banks from the 3 Agricultural zones in the State. A list comprising of borrowers and non-borrowers was obtained from the bank credit officers of the 15 Microfinance banks. From the compiled list of beneficiaries and non-beneficiaries, a sampling frame of 225 and 180 was obtained respectively. From each of the selected institutions, 12 women entrepreneurs were selected for the study. This brings the total sample size to 180 women entrepreneurs. The non-loan beneficiaries were selected from those who were unable to access credit from the Microfinance banks. A list of borrowers from these Microfinance banks was obtained from the banks credit managers for further use. A total of 151 (comprising of 80 loan beneficiaries and 71 non-beneficiaries) valid and returned questionnaire were used for analysis in the study.

Data were analysed using descriptive statistics while the hypothesis was tested using the logistic model of the regression analysis explicitly stated as follows:

$$\text{Ln}Y = \text{Ln} (P/1-P)$$

$$\text{Ln} (P/1-P) = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + \dots + b_6x_6 + u$$

Where

Y = access and non-access to credit (dummy variable, beneficiaries = 1 and zero to non- beneficiaries)

P = Probability of access to credit

1-P = Probability of non-access to credit

Ln = natural logarithm function

b<sub>0</sub> = constant

b<sub>1</sub> – b<sub>6</sub>= logistic regression coefficients

x<sub>1</sub> = age of the women entrepreneurs in years

x<sub>2</sub> = number of years spent at school

x<sub>3</sub> = Household size in number

x<sub>4</sub> = Marital status (Married=1, others = 0)

x<sub>5</sub> = Distance to the nearest credit institution in kilometres

x<sub>6</sub> = Years of experience in business(crop production, poultry production, clothing and textile, hair dressing, confectionaries)

u = error term.

The logistic regression model expresses the qualitative dependent variable which in this study is dichotomous, as a function of several independent variables, both qualitative and quantitative (Gujarati, 1998; Fox, 1984). P is the probability of access to credit and 1-P is the probability of non-access to credit, the ratio P/(1-P), known as the odds ratio, is the odds in favour of access to credit (Eze *et al.*, 2009). Also, the natural logarithm of the odds ratio is called the logit model, which is estimated through the Maximum Likelihood method, since there is data on individual observations (Gujarati, 1998). The model gives a chi-squared value in place of the coefficient of multiple determination ( $R^2$ ) because  $R^2$  does not provide a reliable goodness of fit and it is not suitable for dichotomous dependent variables (Eze *et al.*, 2009).

The repayment performance was computed following Silwal (2003):

$$\text{Repayment Performance (\%)} = \frac{\text{Total amount repaid (₦)}}{\text{Total Value of Loan + Interest (₦)}} \times 100 \quad \dots\dots\dots \text{eqtn (1)}$$

## RESULTS AND DISCUSSION

Table 1 showed that the mean age of both beneficiaries and non-beneficiaries fell within the productive age range of 42 and 39 years respectively. This indicates that respondents were middle aged entrepreneurs who are still physically active, vibrant, dynamic and are more likely to adopt innovations better and faster than their older counterparts (Ohajianya *et al.*, 2010). The result shows that majority of the women are moderately educated, this is evident in their pooled mean levels of education of 10.7 years. The mean household size was 5 persons which implies that women entrepreneurs spend a modest amount on feeding, clothing, hospital bills etc. The table also shows that the respondents were reasonably experienced. This is indicated in their mean years of experience which was found to be 12 years for loan beneficiaries and 11 years for non-loan beneficiaries. This implies that the respondents are well experienced and can therefore understand the need for credit. This could be due to the fact that their long years of experience in entrepreneurship may have exposed them to the benefits of using credit.

**Table 1. Socio-economic characteristics of loan beneficiaries and non-loan beneficiaries**

	Loan Beneficiaries		Non- loan Beneficiaries		Pooled	
	Frequency	%	Frequency	%	Frequency	%
<b>Age (Years)</b>						
25-34	13	16.25	19	26.77	32	
21.19						
35-44	37	46.25	35	49.29	72	
47.68						
45-54	27	33.75	16	22.54	43	
28.48						
55-64	3	3.75	1	1.41	4	
2.65						
<b>Mean</b>	<b>41.6</b>		<b>39.4</b>	<b>40.7</b>		

<b>Educational attainment</b>					
0 (no formal education)	1	1.25	0	0	1
0.66					
1-6	12	15	7	9.86	19
12.58					
7-12	40	50	38	53.52	78
51.66					
13-18	27	33.75	26	36.62	53
35.10					
<b>Mean</b>	<b>10.5</b>		<b>11.1</b>		<b>10.7</b>
<b>Household size</b>					
1 - 3	11	13.75	10	14.08	21
13.91					
4 - 6	65	81.25	58	81.69	123
81.45					
7 - 9	4	5	3	4.23	7
4.63					
<b>Mean</b>	<b>5</b>		<b>5</b>		<b>5</b>
<b>Marital Status</b>					
Single	19	23.75	16	22.53	35
23.17					
Married	61	76.25	55	77.46	116
76.82					
<b>Business Experience</b>					
1-5	8	10	9	12.67	17
11.26					
6-10	23	33.75	21	29.57	44
29.14					
11-15	35	38.75	29	40.84	64
42.38					
16-20	14	17.5	12	16.90	26
17.22					
<b>Mean</b>	<b>12</b>		<b>11</b>		<b>11.5</b>

*Source: Field Survey Data, 2015*

Table 2. shows the amount of credit demanded and accessed by women entrepreneurs between 2009 and 2013. It showed that women entrepreneurs had the highest accessibility of credit (90.78%) in 2011 and the lowest accessibility of credit (60.50%) in 2013. The low accessibility of credit in 2013 could be as a result of stringent conditions introduced day in, day out by the microfinance banks such as high interest rates, and short repayment periods (Akande, 2012). In addition, it showed that 80.26% of the overall credit requested for by these women entrepreneurs were accessed during the five year period and this amounts to the credit limit with the banks. The mean amount demanded for and accessed were ₦6,434,000 and ₦5,164,000 respectively. This is an indication that the lending policies of the microfinance banks favored women entrepreneurs in the State since over 80% of the credit demanded by these women entrepreneurs was accessed. It also implies that the microfinance

banks play a positive role on the economic conditions of women entrepreneurs and are committed to empowering them.

**Table 2. Amount of credit demanded and accessed by women entrepreneurs**

Year	No of Respondents	Amount Requested (₦)	Amount Obtained (₦)	Interest charged (₦)	% Access
2009	14	5,450,000	4,170,000	847000	76.51376
2010	16	6,720,000	5,600,000	1610250	83.33333
2011	15	5,750,000	5,220,000	1236900	90.78261
2012	20	8,300,000	7,230,000	2052450	87.10843
2013	15	5,950,000	3,600,000	652500	60.5042
<b>Total</b>	<b>80</b>	<b>32,170,000</b>	<b>25,820,000</b>	<b>6,399,100</b>	<b>80.26111</b>
<b>Grand Mean</b>		<b>6,434,000</b>	<b>5,164,000</b>	<b>1,279820</b>	

*Source: Field Survey Data, 2015*

Table 3. showed that women entrepreneurs had the highest percentage (87.33%) of loan repayment in 2010. It was found that 83.41% of the total repayable amounts were repaid in the area with minimal default. This implies that women entrepreneurs are committed to loan repayment. It is also an indication that women beneficiaries in Imo State generate enough remunerative income from the economic activities they invest in that can service the loan obtained. Women entrepreneurs' ability to repay their loans has positive implication on poverty reduction among the households (Eze *et al.* 2009). Loan repayment also guarantees that the funds will be available for further borrowing by those in need in credit.

**Table 3. Loan repayment performance of women entrepreneurs in Imo State**

Year	Amount Repayable (₦)	Amount Repaid (₦)	Default Amount (₦)	% Repayment
2009	4,170,000	3,313,015	856,985	79.45
2010	5,600,000	4,890,282	709,718	87.33
2011	5,220,000	4,468,488	751,512	85.60
2012	7,230,000	5,768,933	1,461,067	79.79
2013	3,600,000	3,096,304	503,696	86.01
<b>Total</b>	<b>25,820,000</b>	<b>21,537,022</b>	<b>4,282,978</b>	<b>83.41</b>

*Source: Field Survey Data, 2015*

Table 4. indicated that household size and marital status was more likely to increase access to credit. Education was significant at 5% probability level indicating that increase in educational attainment is more likely to increase access to credit. Distance to the nearest lending institution was found significant at 5% probability level and had negative influence on access to credit. This implies that increase in distance is less likely to decrease access to credit. The result of the hypothesis shows that chi-square was significant at 5% probability level. Therefore, the null hypothesis was rejected, and the alternative that socioeconomic characteristics of women entrepreneurs significantly influenced their access to credit was accepted.

**Table 4. Results of the logistic regression analysis**

Variables	Logit Coefficients	Standard Error	Wald	P value
Age	0.082	0.150	0.298	0.585
Educational Attainment	0.110**	0.052	4.413	0.042
Household size	1.652**	0.725	5.188	0.023
Marital Status	10.523*	2.700	15.186	0.000
Experience in Business	0.205	0.239	0.734	0.392
Distance to the nearest Lending Institution	-0.097**	0.045	4.640	0.031

Source: Computed from Field Survey Data, 2015.

\*significant at 10% probability level

\*\*significant at 5% probability level

\*\*\*significant at 1% probability level

Chi-square 139.5777\*

-2log likelihood 23.934

Cox & Snell R<sup>2</sup> 0.603

Nagelkerke R<sup>2</sup> 0.912

## CONCLUSION AND RECOMMENDATION

The study concluded that the lending policies of microfinance banks favoured and empowered the women entrepreneurs in the State. It was recommended that microfinance banks should create incentives to further increase women entrepreneurs' access to credit and loan repayment.

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