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ANALYSIS OF POVERTY STATUS OF WOMEN MICROFINANCE LOAN BENEFICIARIES AND NON- LOAN BENEFICIARIES IN OWERRI, IMO STATE.

Emenyonu. C.A., C.C. Eze, I.O. Oshaji, A. Henri-Ukoha, I.J. Uhuegbulam, C. Chikezie and O.U. Ejike

Department of Agricultural Economics, Federal University of Technology, Owerri

ABSTRACT: *This study investigated the poverty status of women microfinance loan beneficiaries and non-loan beneficiaries in Owerri, Imo State. A representative sample was selected through a random sampling technique. The sample size was 151 (80 loan beneficiaries and 71 non- loan beneficiaries). Data for this study were collected with the aid of two sets of structured and pre-tested questionnaire administered to the loan beneficiaries and non-loan beneficiaries of the formal credit institutions in the State respectively. The results indicated that incidence of poverty was 22.68 for loan beneficiaries and 28.78 for non-loan beneficiaries; poverty gap was 6.31 for loan beneficiaries and 8.52 non-loan beneficiaries. The result of the t-test showed that poverty status of loan beneficiaries differed significantly from poverty status of non-loan beneficiaries as a result of the positive effect of microfinance lending policies. Microfinance banks should increase the funds disbursed to women as it will go a long way in poverty reduction.*

KEYWORD: Poverty Status, Women, Microfinance

INTRODUCTION

The problem of poverty has been a long standing issue in Nigeria. This is indicated by the low social status and poor living conditions of the inhabitants. The problem has been made worse over the years by the development pattern which has favoured the urban modern sectors at the detriment of the traditional rural sectors (World Bank, 1996). Poverty results from and even consists of lack of basic securities, which not only include financial resources, but also education, employment, housing, health care and other related aspects leading to deprivation (Gina *et al.*, 2006). Women entrepreneurs have taken up the challenge of conducting business to reduce poverty. This has seen women entrepreneurs' numbers rise significantly (Jalbert, 2000). Bitange and Fides (2007) acknowledged that entrepreneurship is a tool to fight and eradicate poverty while promoting economic growth, increasing standards of living and reducing crime rate. Women operate micro, small and medium scale enterprises (MSMEs) which act as financial boost to them and the society at large. According to Global Entrepreneurship Monitor (2004), women entrepreneurs create jobs, wealth, and innovation in their enterprises. Improved access to credit for women entrepreneurs is central to sustainable poverty reduction because it enables them to invest in and improve productivity in agriculture, small and medium scale enterprises thereby empowering them to break out of poverty in a sustained and self-determined way (Ediomo-Ubong *et al.*, 2010).

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Poverty is one of the greatest challenges facing Nigeria of today (CBN, 2010; World Bank, 2009). This is unfortunate given the country's rich resources in agriculture, oil wealth, human capacity and friendly geo-climatic conditions. Indeed, it is estimated that over 70 percent of Nigerians are classified as poor, and half of this number lives in absolute poverty (World Bank, 2009; Landes, 2010). Poverty is particularly severe in rural areas, where up to 80 percent of the population lives below the poverty line and with limited access to social services and infrastructures (Adam, 2007; Littlefied, 2005). The rural populace depends mainly on agriculture especially subsistence agriculture for food and income. Women are particularly vulnerable to the incidence of poverty. They comprise the bulk of the poor groups within rural communities.

Men have higher social status and as a result have more access to facilities like school, training and credit. The men have higher capacity for higher productivity and can usually combine a number of enterprises which allows them to have multiple sources of income. Moreover, the number of men migrating from the rural areas to urban areas in search of better employment has increased and as a consequence, the number of rural households headed solely by women has grown substantially in recent times. This development has serious implication for rural development in Nigeria (Nwobi, 2010).

Indeed, part of the experience in rural development in Nigeria has clearly shown that efforts at expanding the economic base of the rural areas almost always flounder because of scarcity of and restrictive access to loanable funds (Ijere, 1992; Okafor, 1999 and Tanko, 2007). According to Soludo (2005) robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people by increasing their access to factors of production, especially credit. High degrees of poverty combined with slow economic growth in the formal sector has forced many parts of developing countries into self-employment, while entrepreneurship development has played a significant role in economic growth, innovation, competitiveness and poverty reduction (Abdullahi, 2012).

Microfinance is the provision of financial services such as loans, savings, insurance, money transfers, and payments facilities to low income groups. It could also be used for productive purposes such as investments, seeds, or additional working capital for micro enterprises. On the other hand, it could be used to provide for immediate family expenditure on food, education, housing and health. Microfinance is an effective way for poor people to manage their limited financial resources, reduce the impact of economic shocks and increase their assets and income (Robinson, 2001). Microfinance institutions risk none repayment of their funds and sustainability of their operations while providing microloans to the poor. In order to ensure their sustainability, microfinance programmes are targeting women on grounds that compared to men, women are better payers of their loans (Pitt *et al.,* 1998).

Micro, small and medium enterprises sector employs about 70% of the nation's industrial sector labour force, yet it only accounts for about 10 to 15% of the total industrial output while utilizing only about 30% of its installed capacity (Kadiri, 2012). Ijere (1998) noted that with the acquisition of credit, an entrepreneur can seek a better combination of resources to attain a more efficient use, discover new and cheaper products, and help in reaping economies of scale. These will help to increase income and profitability of the business which will subsequently create employment opportunities, reduce hunger and food insecurity thereby reducing poverty. Against

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this background this paper sets to achieve the following objectives: to determine the socio-economic characteristics of women loan beneficiaries and non-loan beneficiaries in the study area, determine and compare the poverty level among women loan beneficiaries and non-loan beneficiaries. Hypothesis tested was that the poverty status of women beneficiaries do not differ significantly from non-beneficiaries.

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 15 Microfinance banks from the 3 Agricultural zones in the state. A list comprising of loan beneficiaries and non-beneficiaries 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 though they maintain an account with the bank. A list of borrowers from these Microfinance banks were 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 and Foster-Greer-Thorbecke (FGT) poverty indices while the hypothesis was tested using the t-statistics model.

The FGT poverty indices are represented as follows (Foster *et al.*, 1984):

$$P_\alpha = \frac{1}{N}\sum_{i=1}^{n}\left(\frac{z-y_i}{z}\right)^{\alpha} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad \text{eqtn (1)}$$

This was fitted for loan beneficiaries and non-loan beneficiaries

Where,

N = Total Population (number)

n = Number of women entrepreneurs below the poverty line (number)

y_i= Per capita expenditure of those classified poor (naira)

P = poverty aversion parameter that takes the value 0, 1, 2 (number)

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z = poverty line: two – third of the average per capita expenditure (naira)

and,

$$z = \frac{2}{3}\left[\frac{Total\ Expenditure}{N}\right] \quad \text{…………………….. Eqtn (2)}$$

When α = 0, the **poverty incidence** was calculated as follows:

$$P_0 = \frac{n}{N}$$

Poverty incidence also known as poverty head-count refers to the proportion of the total population of a given group that is poor, based on a given poverty line.

When α = 1, the **Poverty depth** is represented as follows:

$$P_1 = \frac{1}{N}\sum_{i=1}^{n}\left(\frac{z-y_i}{z}\right)^1 \quad \text{…………………………….. eqtn (3)}$$

The Poverty depth also known as poverty gap refers to the difference between a given poverty line and the mean income of the poor, expressed as a ratio of the poverty line.

When α = 2, the **Poverty severity** is represented as follows:

$$P_2 = \frac{1}{N}\sum_{i=1}^{n}\left(\frac{z-y_i}{z}\right)^2$$

The t-statistics model is given by:

$$t = \frac{\overline{x_1} - \bar{x}_2}{s^2\sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \quad \text{……………………………….. eqtn (4)}$$

$$S^2 = \sqrt{\frac{\sum(x_1 - \bar{x}_1)^2 + \sum(x_2 - \bar{x}_2)^2}{n_1 + n_2 - 2}} \quad \text{……….eqtn (5)}$$

Where

t = Value by which statistical significance of the mean difference was judged.

$\overline{x_1}$ = Mean value of poverty depth for those who have access to credit.

$\bar{x}_2$ = Mean value of poverty depth for those who do not have access to credit

S^2 = Variance of poverty status.

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n_1 = Number of observation of those who have access to credit as classified by enterprise.

n_2 = Number of observation of those who do not have access to credit as classified by enterprise

Decision Rule:

If $Z_{cal} > Z_{tab}$ the null hypothesis is rejected.

RESULTS AND DISCUSSION

Table 1 indicated that the mean age of both beneficiaries and non-beneficiaries fell within the productive age range of 42 and 39 years respectively. This age group is known to be energetic and strong and therefore expected to save and/ or borrow for investment than the old while the old depend mostly on their past savings and accumulated wealth (Ajagbe, 2012).

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. Majority (76.82%) of the respondents were married. The result supports the idea that married people have more responsibilities hence their increased need for coping strategies to financial security obligations in their households (Ikwuakam, 2013). The table also shows that the respondents were reasonably experienced. This is indicated in their mean years of experience which was found to be 12years for loan beneficiaries and 11years for non-loan beneficiaries. This implies that the respondents are well experienced and 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	%
Age (Years)						
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
Mean	**41.6**		**39.4**		**40.7**	
Educational attainment						
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
Mean	**10.5**		**11.1**		**10.7**	
Household size						
1 - 3	11	13.75	10	14.08	21	13.91
4 - 6	65	81.25	58	81.69	123	81.45

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7 - 9	4	5	3	4.23	7	4.63
Mean	**5**		**5**		**5**	
Marital Status						
Single	19	23.75	16	22.53	35	23.17
Married	61	76.25	55	77.46	116	76.82
Business Experience						
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
Mean	**12**		**11**		**11.5**	

Source: Field Survey Data, 2015

Table 2 Poverty level of loan beneficiaries and non – loan beneficiaries by enterprise

	Poverty Incidence		**%Change in Head Count**		**Poverty Depth**		**Poverty Severity**	
	%WB	%WNB	WB	WNB	%WB	%WNB	%WB	%WNB
Crop Production	14.29	19.09	-33.59	25.14	2.91	0.85	0.0847	0.0072
Poultry Production	33.33	38.00	-14.01	12.29	8.45	13.04	0.714	1.7004
Clothing & textile	11.76	27.27	-131.88	56.87	0.76	3.57	0.0058	0.1274
Hair Dressing	28.57	44.44	-55.54	35.71	12.97	4.43	1.6822	0.1962
Confectionaries	20.00	20.00	0.00	0.00	0.19	3.93	0.0004	0.1544

Table 2 shows the poverty level of loan beneficiaries and non-loan beneficiaries by enterprises

Source: Computed from Field Survey Data, 2015

Key: WB = women beneficiaries; WNB = women non beneficiaries.

Table 2 shows the poverty level of loan beneficiaries and non-loan beneficiaries by enterprises. The poverty depth showed the percentage of total expenditures required to close the poverty gap. In addition, analysis of the data showed that in relation to non-loan beneficiaries, poverty incidence among women loan beneficiaries reduced while the poverty incidence among their counterparts (non-beneficiaries) increased in the various enterprises. This is an indication that borrowed fund helps in reducing poverty among women entrepreneurs in Imo State. This is consistent with the findings of Agbaeze *et al.* (2014) which reported that microfinance credit has a positive impact on poverty reduction.

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Table 3 Poverty indicators of women micro-finance loan beneficiaries and non-beneficiaries in Imo State, Nigeria

Table 3 shows the poverty incidence, poverty depth, poverty severity and poverty line of loan beneficiaries and non-beneficiaries in Imo State, Nigeria

Poverty Incidence	Poverty Depth	Poverty Severity	Poverty Line	
%WB	22.86	6.31	0.397	36641.67
%WNB	28.78	8.52	0.723	23466.67
%WB & WNB	33.33	9.72	0.945	30493.33

Source: Computed from Field Survey Data, 2015

Key: WB = women beneficiaries; WNB = women non-beneficiaries

The incidence of poverty also known as the head count ratio (Ayobatele and Amudipe, 1999 and Ezeh, 2007) showed that the poverty incidence for loan beneficiaries was 22.86 while that of non-loan beneficiaries was 28.78. This implies that 22.86% and 28.78% of the loan beneficiaries and non-loan beneficiaries in Imo State respectively are poor because their expenditure fell short of the per capita household expenditure used as the Poverty line.

The poverty gap (poverty depth) allows for the assessment of the depth of poverty among loan beneficiaries and non-loan beneficiaries in Imo State, Nigeria. The poverty gap is 6.31 for loan beneficiaries and 8.52 for non-loan beneficiaries. This implies that the women loan beneficiaries require 6.31% of the poverty line to get out of poverty while the non-loan beneficiaries need 8.52% of their poverty line to get out of poverty.

The t_{cal} was 32.93059, while the critical was 2.306004 at 5%. Since the calculated is greater than the critical, the null hypothesis was rejected, and the alternative that poverty status of loan beneficiaries does differ significantly from poverty status of non-loan beneficiaries was accepted.

CONCLUSION AND RECOMMENDATION

The study concluded that the poverty status of loan beneficiaries differed significantly from the poverty status of non-loan beneficiaries as a result of the positive effect of microfinance lending policies. It was recommended that microfinance banks increase the funds disbursed to women as it will go a long way in poverty reduction.

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