

**FINANCIAL EMPOWERMENT THROUGH MICRO-CREDIT AS
PREDICTORS OF ECONOMIC AND INCOME GENERATING ACTIVITIES OF
SELECTED WOMEN BENEFICIARIES IN IBADAN, OYO STATE**

Olajide, O. E.

Department of Adult Education

Faculty of Education

University of Ibadan, Ibadan

ephraim0307@gmail.com

Abstract

The study examines the contributions of micro-credit scheme one of the key elements of income generating activities to women socio-economic empowerment and development in Ibadan metropolis. The target participants were women beneficiaries of micro-credit scheme totally one thousand, three hundred and seventy-nine respondents (1,379). Data were collected through a set of questionnaires tagged "Financial Empowerment and Income Generation Activities Questionnaire" (FEIGAQ) and focus group discussion (FGD) and key informant interview (KII). The findings revealed that if the scheme is well implemented it help in promoting women economic well-being as well as improving their standard of living. The study also revealed that micro-credit scheme is another means of fund raising for income generating venture that we empower women financially and make them contribute meaningfully to socio-political development of their society. The study makes recommended that government should provide enabling environment for the implementation of the scheme which enhance the development of the individuals as well as the society at large.

Keywords: *Micro-credit, Empowerment, Socio-economic, Income Generating activities*

Introduction

Lack of saving and access to credit facilities make it difficult for many poor women to become self-employed and to undertake income generating activities. Income provision through micro-credit facilities seems to be the only way out of this predicament, women in Nigeria

are very industrious, they engaged in various activities such as fishing, pottery making, cloth-making and many more but their economic values are undervalued due to their inability to raise fund to finance their business venture, however, the poor lack the physical collateral to access the institutional credit, also the informal-group setting like daily contributions and rotational saving that would have serve as avenue for credit facilities are unreliable because of covariate risk that affects everybody equally. In line with this, micro-credit came into being; it refers to small loans made available to the poor without any physical collateral to access and this helps in bailing them out of the present socio-economic condition. Micro-credit targets the poor; most especially women with financial difficulties to help them become self-employed in the non-formal activities of their choice and its impact can be observed by all. The aims are to achieve strong and reliable economic growth, easy access by the poor to income, social services and economic intervention to protect their business and the vulnerable group that is women and the children, lastly, to increase revenue and employment ability of the poor so as to contribute to economic development. In line with above, this study was carried out among women who are beneficiaries of micro-credit scheme of micro-finance institutions to measure the impact of micro-credit scheme on women economic empowerment and income generating activities among selected beneficiaries. The study was organized as follows, Review of Literature, objectives, methodology and findings and conclusion.

Literature Review

A large body of literature exists on micro-credit. The primary concern of these literatures concerned itself on the cost effectiveness of the scheme, that is it addresses issues such as the amount it costs to deliver the services, and whether the scheme provided is cost-effective. However, whatever issues raised concerning cost efficiency or cost effectiveness of the scheme, micro-credit is the name given to extremely small loans made available to the poor borrower. Borrowers vary from one community to another and their poverty situation varies depending on situation they find themselves. Micro-credit loans are disbursed in a group setting to borrowers with some amount of non-credit assistance also made available, these non-credit assistance

ranges from skills acquisition and training, marketing assistance to lesson on social pact, and empowerment (Khander, 2002).

The operation of micro-credit scheme is usually targeted at market women, the moderately to extremely poor in the society. Beneficiaries of the scheme are placed into groups of 10-20 people; they meet regularly with the loan officers of the micro-credit institutions. These groups of borrowers serve as collateral and take over the role of securing the loan. Each borrower in a group agrees to be held liable for all debts incurred by any members of the group. Borrowers are encouraged or even required to monitor the activities of one another to make sure that no one is in danger of default, this process has led to extremely low rate of default, especially for the first time borrowers' repayment rate is usually higher with this arrangement. It is an income producing tool rather than consumption; it is a method to offer the poor people access to basic financial services such as loans, savings, money transfer service, basic business skills and micro insurance.

Micro-credit aimed at poverty reduction among desirable borrowers or beneficiaries, this is due to the policy of social empowerment and ability to increase their repayment rate, the loans are collateral-free and borrowers have the full freedom to choose the activities to be financed. Also micro-enterprise cluster aims to enhance these effects by improving on the strategies of micro-credit.

According to Zamman (2000):

Micro-enterprise clusters can solve many of the problems associated with micro-credit financed enterprises such as distance from market and inefficiency. Also it helps beneficiaries to insure themselves against crises by building up household assets and community effort (pp. 18).

In view of this micro-credit has led to reduction in vulnerability of the poor by building up household assets that can be sold or used as security or proof of credit worthiness when dealing with businessmen or traditional lending agencies. This helps in the reduction of total loss in case the borrower fails, because he or she can always have readymade source of income, other aspects of micro-credit scheme such as skill training and women empowerment also contribute to a

family's ability to cope with crises by increasing the variety of responses it can make to a challenging situation.

This reduction in vulnerability is also important because they allow poor people to begin to hold their own in the society. This is because gains made in prosperous times are partially protected during bad times, which make the cycle of poverty to be arrested. Ogunleye (2000) contends that seasonal deficit play a key part in the poverty reduction in all parts of the world.

Secondly, micro-credit has led to increase in household consumption. A research conducted in Bangladesh by Khander (2002) reveals that for every 100 taka, the unit of currency in Bangladesh lent to a borrower, household consumption rises by 18 taka. Zamman (2000) and Olajide (2004) also found out that income smoothing which is the result of lessened vulnerability, also lead to consumption smoothing, these have both important effects for people who typically live on the edge of disaster, even small increases and regularity in consumption can lead to better health and nutrition, this enhance the ability to make long range plans for the family, all these have far reaching positive effect on the households.

In addition, micro-credit scheme reduces income poverty because the beneficiaries tend to make more money over-time and once the cycle of poverty has been arrested and some stability provided, many beneficiaries go on to make profitable investments and lift them out of poverty. For example, micro-credit beneficiaries in Bangladesh lifted themselves out of poverty by 21% within four (4) years of participation in Grameen Bank micro-credit programme (Khander, 2002).

Microcredit and Women Empowerment

Empowerment is characterized with the mobility of women's economic security and purchasing ability, involvement in major household and community decision-making; freedom from domination within the family, political and legal awareness (Sen, 2006; Todaro and Smith, 2009). Studies indicate that self-help group, mediated by microcredit have helped women gain control over assets and subsequently acquire self-esteem, knowledge and power (Zaman, 2002; Simanowitz and Walker, 2002).

MkNelly and Watelp (1993) report that enhanced women's empowerment, such as increased self-confidence, and better cooperation with neighbours has been achieved through microcredit activities by the women participant. In their own contributions, Schuher and Hashemi (1994) find improvement in women's physical mobility, economic security, ability to make personal purchase, freedom from family domination and violence, political and legal awareness and public participation as a result of a more stable integration into microcredit circuits. Pitt and Khandker (2002) report that credit to women has positive effects on the schooling of girls, increases women's asset holdings (except land); and is a significant determinant of their total household expenditure. Hulme and Mosley (1996) also find in a study in Sri Lanka that loans contributed to women's independent income, giving them more bargaining power in their relation with male family members. Chen (1999) study of Grameen Bank also confirms that women participant in credit programmes are more conscious of their rights, better able to resolve conflicts and have more control over decision making at household and community levels. While reporting his findings on the mechanism of financial intervention for improving women participation in selected Community Development Programme, Ogbuagu (2000) confirms that microcredit is the main thrust of financial intervention for improving the participation of women in community development programmes.

A case study in Narathiwat, a predominant Muslim province in Southern Thailand, illustrates women empowerment "both at household and community level (Kay, 2003).

Self-Help Group (SHG) was formed to manufacture products such as batik and embroidery articles. Kay (2003) finds that the project has fostered participation of all members and it has led to enhancement of women's status in the household and also at the community level. Some members of women's group are reportedly engaged in local community management structures and issues. Nanor (2008) in Ghana suggested that client households have greater expenditure on non-food items than non-client households. In contrast to the above data from Malawi showed that micro-credit scheme significantly decrease the enrollment rate and attendance rate of primary school thereby leading to repetition of primary grades in young

boys and the delayed or lack of enrollment among young girls. (Shimamura and Lastarria-Cornhiel, 2009)

Also, Sanyal (2009) finds that the economic ties produced through access to microcredit loan led to improvements in women's social capital and their ability to influence social norms. This, fostered women's capacity to undertake collective action and facilitated their collective empowerment. There is an indication that social networks as a result of microcredit activities enable mutual assistance that generates trust and solidarity, which in turn lower costs to microfinance institutions and contributes to their likely sustainability and continued empowerment benefits.

Moreover, Khan and Bibi (2011) in their study on women's socio-economic empowerments through participating approach find that: the project has enhanced the role of women in economic activities; having positive effect on their family welfare. Paradoxical effects of women's involvement in economic activities have been noted in their access to and control over income has not increased due to cultural system and social empowerment. In terms of awareness, health, hygiene, safe drinking water and their impact on health reveal positive changes. Time use data confirms that the term poverty is no more a serious issue of women in the study area; the effect of microcredit on women development are generally positive but due to the meager amount and less coverage, it could not leave significant impact on their standard of living.

Also, Karim (2011) finds that failure to pay back microcredit loan resulted to heightened shame and pressure on poor women in Bangladesh. Karim (2011) finds that 90% of cases of the users of the loans were husband, but the loan repayment remained the responsibilities of the poor women. In another recent impact evaluation of another BRAC programme, Barua and Suleiman (2007) evaluate the Northwest Microfinance Expansion Project (NWEF) providing financial and non-financial services to poor women. Survey data were collected in 2003 and 2007 from eight BRAC branch offices in six districts. Barua and Suleiman (2007) find that the Child Support Nonwage Enforcement Programme (NWEF) membership resulted in a significant improvement in household stock of assets (measured as quality of housing and ownership of durable goods). In addition,

household poverty levels (measured by poverty score card) were significantly reduced over the period.

Objectives of the study

The study was guided by the following objectives:

- I. to determine the extent to which micro-credit scheme has led to income generating activities among women beneficiaries.
- II. examine the influence of micro-credit scheme on socio-economic well-being of women beneficiaries.

Research Questions

- I. Is there any significant relationship between microcredit scheme and income generating activities among women beneficiaries?
- II. Do micro-credit scheme influences the socio-economic well-being of women beneficiaries

Methodology

The study adopted an *ex post facto* research method of survey research design. This design was adopted because the independent variable of the study micro-credit has already been provided and there was no attempt by the researcher to manipulate the variable rather the researcher was interested in observing the various manifestation of the micro-credit on the well-being of the beneficiaries (dependent variable). A combination of clustering and purposive sampling techniques was used to select the sample size among women beneficiaries in Ibadan metropolis. In all, a total of one thousand, three hundred and seventy-nine respondents (1,379) were sampled. Data were collected through a set of questionnaire tagged "Financial Empowerment and Income Generation Activities Questionnaire" (FEIGAQ), focus group discussion (FGD) and key informant interview (KII) and it was analysed through content, thematic and inferential statistics of Pearson Product Moment Correlation Coefficient (PPMC) at 0.05 level of significance

Findings and Discussion

This section presents the results from the test of two hypotheses. The results are presented in table forms and references are made as appropriate.

Microcredit scheme and Income Generating Activities

Hypothesis one: There is no significant relationship between microcredit scheme and income generating activities among women beneficiaries.

Table 1: Relationship between Microcredit Scheme and Income generating activities among women beneficiaries

Variable	N	X	SD	Df	r	P	Remark
Income generating activities	1379	17.79	1.26	1348	.122**	<0.05	Sign.
Microcredit Scheme	1379	19.31	2.53				

Table one reveals that the correlation coefficient “r” between microcredit scheme and income generating activities of the women beneficiaries is 0.122 and $P < 0.05$. Since $P < 0.05$, it implies that there is significant relationship between microcredit scheme and income generating activities of the women beneficiaries. Based on this, the null hypothesis is rejected. The result was in agreement with Olajide (2004) and Fasoranti (2010) findings that micro-credit scheme had a positive influence on the socio-economic well-being of women beneficiaries, it is also in agreement with Khandker, (2005) that micro- credit scheme helps the beneficiaries to smooth daily expenditures, enhance social welfare and stabilize income. Majority of the respondents 1,242 out of 1,379 representing 90% confirmed that microcredit spurs microenterprises and increases women income generating activities and serve as a tool for poverty reduction among the poor, especially women. Microcredit involves small-scales credit and saving plans for developing income generation schemes. Rahman (1998) concludes that small amount of money works miracles in a cash-hungry society and significantly raises the women’s power in the family.

Data from Amin's (1993) study indicates women's relative economic contribution is greater in poor households because women spend more on medicine, food and education than men. Mayoux (2002) also confirms that women spend more of their income on household well-being including their own daughter's education and health, than their husbands. Jegede, Kehinde and Akinlabi (2011) also find that there is significant difference in terms of income between participants and non-participants of microcredit programmes. The participants' income significantly increased and changed their economic status compared to non-participants. Similarly, Setboonsarong and Parpiest (2008) in their study find a strong positive impact of Microcredit scheme on the beneficiaries, the beneficiaries possessed more properties, in terms of livestock, farm equipment than that of non-borrowers. Women income increases and subsequently diversified their businesses to enhance their economic power for future benefit of their household.

To further support the above, both the women beneficiaries and the Microfinance Bank officer confirm the significant impact of micro-credit scheme and income generating activities by saying that:

Some of us women who were full housewives before got encouraged and started small businesses. Some were selling fish, bread, kerosene and things like that. They were able to make daily contribution, support their families and buy "Aso ebi" wherever we have ceremonies.

Another FGD Participant from Mokola market has this to say:

Although the money is small but my brother, it was very useful for me. I bought weave on hair and comb and other small, small items to start my hairdressing business. Today I am happy, I can feed my family, buy medication for my children, and make little contributions in my town social club.

KII in Basorun Microfinance Bank Orita- basorun.

The comments of the women beneficiaries and officers of Basorun Microfinance Bank one can deduce that microcredit scheme can actually spur microenterprises and job creations among the poor women. It can motivate jobless women into income generating activities. Thus, microcredit increases poor women's income for

household consumption, business expansion and sustainable livelihood. Some of the women beneficiaries who were full housewives prior to their participation in microcredit scheme started small businesses like frying “beanscake” some started selling “pap” while some were helping in peeling of cassava for the “gaari” processors.

The “gaari” processors group confirmed that their group member that could only produce one bag of “gaari” per month were able to produce 10 bags per month and that their joint effort in terms of production and marketing was also very helpful in the expansion of their business. Also, the gaari processors group confirmed that their participation in the microcredit scheme expanded their businesses. First, they were taught on easier methods of gaari processing at the capacity building session. Secondly, the credit accessibility enables them to produce more. Microcredit has greatly increased their income for consumption and job creation, income generating activities and sustainable livelihood. Above all, increase in their income has also enabled them to visit hospitals and get medical attention.

Hypothesis 2: Micro-credit scheme has no significant relationship on the socio-economic well-being of women beneficiaries?

Table 2: Relationship between Microcredit Scheme and Socio-economic well-being of the women beneficiaries

Variable	N	X	SD	Df	r	P	Remark
Socio-economic	1350	15.81	1.82	1348	.248**	<0.05	Sign.
Microcredit scheme	1350	19.31	2.53				

Sig. = Significance at $\alpha = 0.05$

Table two reveals that the correlation co-efficient “r” between microcredit scheme and socio-economic of the women beneficiaries is 0.248 and $P < 0.05$. Since $P < 0.05$, it implies that there is significant relationship between microcredit scheme and socio-economic well-being of the women beneficiaries. Based on this, the null hypothesis is rejected. Result from Table 4.2 revealed that 1,120 out of 1,350 respondents representing 83% agreed that microcredit enhances the socio-economic well-being of the poor women. This is in agreement

with the findings of Yunus, (2004) that women in a microcredit programme in India are working more collectively to effect changes in their community, expanded their political engagement and social actions. Similarly, Sanyal, (2009) also confirms that women's membership of microcredit scheme have improve their individual capacity and facilitate collective social bond to facilitates collective economic empowerment which will increase women's economic independence and their position in the society.

In his own contributions, Sen (2000) maintain that women's group stimulate collective action on broader public issues. Asian Development Bank (ADB, 2004) cited in Sotomayor (2006) lend credence to the claim that microcredit offers social intermediation where women organize themselves into groups to voice their concern for consideration by policy makers.

The officials of micro-finance bank have this to say during the KII sessions:

"these women gather together for the repayment meetings every fortnight to discuss issues that bothers on their business and the problems encountered in the process of repayment of their loan and some other community matters bothering on their business in their various community".

The above assertion was corroborated by official of Agodi gate Micro-finance bank that:

As a result of the income generating activities, these women, fish sellers, orange sellers, pepper sellers who were dependent on the husband prior to the microcredit scheme can now pay for food items, take care of education of their children, pay hospital bills, and participate in community project.

Similarly, another FGD session with customers of Lapo micro-finance bank shares her experience with the researcher:

When we started, not many joined us, but when they heard that we have been given loan other women got jealous and they rushed to us. Also we use the group to discuss our town development project. We contributed money, appealed to the State Government for support. We were

able to build “lock up” shops. The women built confidence and sense of belonging to the society; they get involved with community function and buy “Aso ebi”.

In all, 86% of the women beneficiaries confirmed that there is a significant relationship between microcredit scheme and socio-economic and community relations of the women beneficiaries. This is evident in their testimonies that prior to their participation in the microcredit schemes many of the women were timid; had little or not participating in community projects and engagements; some were too poor to make little contributions in churches, mosques or social gatherings; many felt unworthy to even make suggestions in market associations unlike their formal state of voicelessness, inferiority and low self- esteem, they now have a sense of belonging among their peers.

Summary, Conclusion and Recommendations

The investigated the contributions of micro-credit scheme as a tool of financial empowerment among selected women beneficiaries in Ibadan, Oyo state, Nigeria. A background information was provided and literature was reviewed to ascertain the empirical evidence available within and outside Nigeria to ascertain the viability or otherwise of the scheme and appropriate methodology was used to juxtapose the efficacy of the scheme.

Findings of the study revealed that access to micro –credit scheme has led to improved socio-economic conditions of beneficiaries and also increases the beneficiaries’ ability to invest in income generation activities.

From the findings above, the study recommended that adequate financial assistance should be granted to microfinance institutions to enable them to meet their customers financial needs so as to attract more entrants into the business. Also, government should as a matter of urgent need make policies for enabling environment for microcredit institutions to strive.

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