

THE EFFECT OF MICROCREDIT ON RURAL HOUSEHOLD LIVELIHOOD: EVIDENCES FROM WOMEN MICRO ENTREPRENEURS IN OYO STATE, NIGERIA

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Abstract

Microcredit has been found to be an intervention to improve the livelihood of women micro entrepreneurs in developing countries. It is often used as an attractive strategy to enhance the livelihoods of women as it provides micro entrepreneurs with the avenue to generate more income. The study focused on the effect of micro credit on rural households' livelihood: evidences from women micro entrepreneurs in Oyo State, Nigeria. A descriptive survey design was adopted and 180 beneficiaries of microcredit were used. The result of the study revealed that microcredit had a positive effect on household income and welfare which led to improvement in the standard of living and opportunity to save money. The women micro entrepreneurs were able to contribute significantly to their children's education improve the quality of meals intake and employment and housing conditions of their households. The microcredit scheme also contributed to beneficiaries' development, sustainability and local governance participation. Above all, the respondents felt empowered. It is therefore concluded that those concerned with availing funds in form of microcredit and microfinance in general should take into consideration the results of these indicator variables for better livelihood of rural households.

Keywords: livelihoods, micro-credit, micro-entrepreneur, Nigeria, women

INTRODUCTION

The significant role that microcredit plays in empowering women, delivering new found respect, independence and participation in their communities and in their households cannot be overemphasized [12]. Microcredit has been considered as a veritable tool for development and poverty reduction since its introduction in the mid -1970s [21]. [13] viewed delivery of microcredits to micro entrepreneurs in developing countries as a means of assisting the so-called "working poor". While not forgetting that a sustainable livelihood is essential for a good living, providing the poor with credit will serve as an antidote for solving their problems. In this respect, a microfinance program is seen as a practical and smart method for providing the poor accessibility to credit, hence reducing poverty and achieving sustainable livelihood. Microcredit holds three promises, which include poverty reduction, women empowerment and enhancement of family

planning knowledge and practices [20], [10]. Microfinance services have been seen in literatures [12], [6] as a source of women's empowerment by positively enhancing their socio-economic status and influencing women's decision-making power. It was reported that over 79 million of the world's poorest women were reached with microfinance services by the end of 2006. It could then be inferred that microcredit, the lending aspect of microfinance has the likelihood to make a substantial contribution to gender equality, encourage sustainable livelihoods and improved working conditions for women.

Women comprises of seventy percent of the world's poor. They have been deprived traditionally in gaining access to credit and other financial services. Commercial banks often focus on men and formal businesses, neglecting the women who make up a large and growing segment of the informal economy. Women workers throughout the world add to the economic growth and

sustainable livelihoods of their families and communities. Women particularly benefit from microfinance as many microfinance institutions (MFIs) target female clients. Evidence from the literature supports the belief that women are part of the missing links in the development dilemma confronting the developing economies where Nigeria belongs. This statement is buttressed by the fact “that they (women) account for over half the food produced in these (developing) countries, consist of one-fourth of the industrial labour force, additionally fetching most of the household’s water and fuel wood, and are responsible for children and household chores” [4]. This study addressed the effect of microcredit on household livelihood using data collected on women micro entrepreneurs in Oyo State, Nigeria.

Microcredit is often advocated as a solution to multiple livelihoods problems in Nigeria. Poor women with access to microcredit can make investments in micro enterprises that could bring her family out of poverty. The study was prompted by several benefits which were envisaged will be derived by Government, policy makers, researchers, microcredit lenders, and women led households at large if the effect of microcredit on household livelihood of women micro entrepreneurs is assessed. The study distinguishes itself from previous studies carried out in Nigeria by restricting itself to Oyo State in which microcredit lending abound and identified the fact that women micro entrepreneurs constitute a vital component of household. The findings of this study shed light on the importance of microcredit on household livelihoods and the outcome will enable the Government and policy makers to devise meaningful policies and programmes that will make substantial amount of credit accessible to women and also remove bottlenecks to credit access by women.

MATERIALS AND METHODS

The study was conducted in Oyo state located in the southwest region of Nigeria. The Old Oyo State, as it was then known, was created

on 3rd of February, 1976 from the erstwhile Western State. The present Osun State was carved out of it in 1991 to what is now the present Oyo State. Oyo State is populated by a people that are homogenous in terms of language and culture. It is inhabited by the Yoruba ethnic group who are primarily agrarian. Oyo State has its coordinates located between latitude 7⁰ and 9⁰ 30’ North of the equator and between longitude 2.5⁰ and 5⁰ East of the prime meridian. According to [18], Oyo state has a landmass of 28,454 square kilometres and the population of 5,591,589. Oyo State is bounded in the North by Kwara State, in the East by Osun State, in the South by Ogun and in the West by Ogun and Republic of Benin. Oyo state is made up of thirty-three Local Government Areas. The vegetative pattern is of rain forest in the south and guinea savannah in the north which makes the state rich in flora and fauna. This serves as a rich source of raw materials to the small and medium scale enterprises and industries within and outside the state. There is the existence of fifty seven Microfinance banks which offers a complete range of financial services ranging from ₦30,000.00 to ₦1,000,000.00 to micro, small and medium scale enterprises in Oyo state.

This study used the multistage random sampling technique for selecting the representative of women micro entrepreneurs. This entailed random selection of a Local Government Area from each of the three Senatorial district of the state; two (2) rural communities from each Local Government Areas selected; and thirty (30) women micro entrepreneurs in each of the communities. In order to be precise in choosing respondents, the study focused on five working groups, they are weaving, cassava processing, soap making, agricultural trading and small scale farming. A total of 180 were sampled but due to incomplete data only 172 women were used for the analysis. The data were collected with the aid of questionnaire and direct personal interview schedule which was majorly conducted in Yoruba language. The respondents who were consulted through their association for an introduction to their group members were informed of the aim of

research. Ethical issues were considered and issues relating to profit and income were cautiously dealt with.

The descriptive survey was employed to conduct this study. The purpose of using this type of survey was that literature has proven that descriptive survey is best for researches that are concerned with the condition or relationship that exists, such as establishing the nature of prevailing conditions, attitudes and practices; processes that are ongoing; opinions that are held; or trends that are developed [7], [9] and [5]. Also [7] and [8] reiterated that research that have the purpose of defining phenomena of diverse kinds, happenings, conditions, courses of events and actions are better handled by descriptive survey.

RESULTS AND DISCUSSIONS

The socio-economic characteristics of respondents illustrated some heterogeneity and variations in the uniqueness of women engaged in income generating activities in the micro enterprise sector in the study sample as shown in Table 1. The age distribution of micro entrepreneur revealed that the modal age range was 31-40 years (39.53%) while the mean age was 38 years. A bulk of the micro entrepreneurs are in their active age (74.25%), a period which entrepreneurs' business activities also coincide with child bearing and childrearing responsibilities. This is in agreement with [19] which stated that most of the micro credit beneficiaries are in their prime age of life which falls in the economic activity rate group and [11] report which stated that on the average, 87% of female entrepreneurs in Bangladesh, Phillipines, Tunisia, Tanzania and Zimbabwe are aged 50 years and below. This may be due to economic hardship being encountered and the need to supplement meager household incomes.

It is reasonable to think that the larger the number of household members, the larger the commitments of the working adult who has the responsibility of taking care of the household. Household size determines the dependency ratio hence is of great importance

as an indicator to the sample commitment to their venture. The results in Table 1 showed that the household size of 5-8 formed the majority (60.47%) of the respondents with an average household size of 6. This implies that the respondents had manageable family sizes which may mean their consumption expenditure would not have too much of an adverse effect on their profit margin and / or credit availed while assuring extra family labor in their enterprise.

The marital status of a woman determines the degree of responsibility in the society and the manner in which she will judiciously allocate the resources at her disposal. 85.47% of the sample was married, they have obligations to cater for their households and hence rely on their micro-entrepreneurial activities as vital source of income.

The study revealed that most women micro entrepreneurs were barely literate. Mostly primary level education or some year of secondary school education. This is a fundamental and considerable limitation for white collar employment. The mean years of educational attainment was 5 years as shown in Table 1.

Apprenticeship is common with micro entrepreneurial activities such as hair dressing and tailoring or dress making and sole proprietorships such as petty trading, small-scale retailing, and catering (restaurants). The study had a mean size of 3 apprentices and 52.33% of respondents also have 1-5 apprentices. The apprentices constitute their labor force in addition to unpaid family labor. Source of credit could have a lot of influence on enterprise since interest rates usually affect the quantum of money available for investment and the profit realised from enterprise. [16] noted that a major barrier to escaping poverty and food insecurity is the lack of sufficient credit to purchase inventory or equipment needed to establish sustainable micro enterprises.

As shown in Table 2, many (40.12%) of the respondents patronized microfinance institutions for their credit needs, while 22.09%, 15.12%, 11.05%, 10.40% and 1.16% patronized cooperative societies, personal savings, relatives and friends, Non

Governmental Agencies and local money lenders respectively.

Table 1. Distribution of Respondents by Socio-economic Characteristics.

Age	Frequency	Percentage
≤ 30	16	9.30
31-40	68	39.53
41-50	42	24.42
51-60	35	20.35
> 61	11	6.40
Total	172	100.00
Mean	38	
Household Size	Frequency	Percentage
1-4	21	12.21
5-8	104	60.47
9-12	37	21.51
> 12	10	5.81
Total	172	100.00
Mean	6	
Marital Status	Frequency	Percentage
Never Married	8	4.65
Married	147	85.47
Divorced	3	1.74
Widowed	14	8.14
Total	172	100.00
Years of Education	Frequency	Percentage
0	14	8.14
1-6.	78	45.35
7-12.	56	32.56
> 12	24	13.95
Total	172	100.00
Mean	5	
Number of apprentices	Frequency	Percentage
< 1	47	27.33
1 - 5.	90	52.33
6-10.	33	19.19
>10	2	1.16
Total	172	100.00
Mean	3	

Source: Field Data, 2015.

This distribution revealed that formal and informal credit markets co-existed in the study area. The co-existence of the formal and informal credit market improved access of the respondents to credit.

Size of women's enterprises in terms of capital as shown in Table 2 revealed that the sample studied were micro scale with meagre initial capital. The low start-up costs is one of the determinants of women's involvement and influx into micro and small scale businesses as said by [22], [14], [17] and [1]. It was discovered that majority of the women borrowed between ₦30,000.00 and ₦50,000.00 while the mean microcredit obtained was ₦45,000.00.

To a large extent, the motive of sourcing for micro credit will determine the credit viability and ability to meet repayment demand. In the survey and as shown in Table 2, 36.63% and 29.07% collected the credit primarily to start and expand their micro enterprise relatively.

Table 2. Distribution of Respondents by Micro Credit Characteristics.

Micro Credit Sources	Frequency	Percentage
Microfinance Institutions	69	40.12
Non Governmental Agencies	18	10.47
Cooperative Societies	38	22.09
Relatives and Friends	19	11.05
Local Money Lenders	2	1.16
Personal Savings	26	15.12
Total	172	100.00
Amount of Microcredit Obtained (₦)	Frequency	Percentage
≤ 10000	5	2.91
10001-30000	42	24.42
30001-50000	73	42.44
50001-70000	45	26.16
> 70001	7	4.07
Total	172	100.00
Mean	45000	
Purpose of Microfinance Loan	Credit	Percentage
To start business	63	36.63
To expand business	50	29.07
To service other loans	19	11.05
Household expenditures	22	12.79
Buy a cell phone	5	2.91
Transport	2	1.16
Buy Furniture	1	0.58
Total	172	100.00
Problem encountered in Credit Market	Frequency	Percentage
Inadequate fund	67	38.95
High Interest Rate	49	28.49
Untimely Delivery	23	13.37
Payback period length	10	5.81
Problem of Guarantor	8	4.65
Bureaucracy	15	8.72
Total	172	100.00
Source of microcredit loan repayment	Frequency	Percentage
Business earnings	127	73.84
Sale of household assets	7	4.07
Loans from other microcredit institutions	6	3.49
Borrowing from friends and relatives	18	10.47
Remittances from household members	11	6.40
Allowance	3	1.74
Total	172	100.00

Source: Field Data, 2015.

This indicated that majority of the respondents owed their livelihood to the provision of the microcredit without which this large number of persons and their households would not have had any source of livelihood. And they are expected to meet repayment demand from income realized from the enterprise. However, 11.05%, 12.79%, 2.91%, 1.16% and 0.58% collected the loan to service other loans, purchase household expenditures, buy cell phones, transportation and buy furniture respectively. These are for consumption smoothing and the likelihood of meeting repayment is low.

Table 2 presented distribution of the respondents by problems encountered in the credit market. The result showed that the problems ranged from inadequate funds (38.95%), high interest rates (28.49%), untimely credit delivery (13.37%), getting a guarantor (4.65%), payback period length (5.81%) and bureaucracy bottlenecks (8.72%). It was observed that inadequate funds were the biggest source of complaint by the respondents. This implied that respondents might not be able to improve their livelihood due to their limited access to fund to finance their proposed business. The high interest rates charged by the credit sources may be due to their profit-making orientation. It could also be inferred that respondents using these credit sources may have their micro enterprises threatened as a large percentage of their revenue goes to credit repayment.

The issue of untimely credit delivery might be because these sources require time to assess the credit worthiness of the borrowers. Untimely credit delivery may have adverse consequences such as defaults on the success of the borrowers' proposed business. In terms of getting guarantors, the responsibility for credit repayment in the event of default makes it highly unlikely for the women studied to acquire one. Also, shorter payback period length does not provide adequate time to utilize credit obtained thereby making it easier for the respondents to default. However, complaints about bureaucracy and protocol could be attributed to their low literacy in the filing of forms before the processing and approval of credit.

73.84% of the respondents repaid the credit obtained from business earnings. Sales from household assets (4.07%), loans from other microcredit institutions (3.49%), borrowing from friends and relative (10.47), remittances from household members (6.4%) and allowances (1.74%) constitutes other sources of repayment. However, the higher percentage of those able to repay due to profit is indicative of the success of the micro enterprises. And this success improves the welfare (access to food) of the women micro entrepreneurs and their households. The repayment made through allowances or sales of property might be linked to non-productive use of the credit or failed businesses. Repaying credit from allowances would compromise income allocated to other areas such as food and sale of property implied loss of collateral for credit and endowment for accumulating capital.

Figure 1 showed respondents distribution of monthly income before and after obtaining micro credit. It was evident that there was improvement in the respondents monthly income after the intervention, the mean income of the respondents increased from ₦35,124.00 to ₦55,425.00. This is a signal that there is an increase in the respondents' financial base and they could now save money to expand their businesses. This finding is in consonance with [2] conclusion that once given the opportunity, clients of microcredit providers expand their businesses and increases their incomes. It must be noted however that such amounts are likely to be gross income which includes expenditure made from the daily sales especially for food and other household basic needs. Most women do the shopping for the upkeep of their households from the sales of the day. They only multiply money realized during the day based on service they have rendered with the number of days in the month. This amount will be reduced if they were to consider their net income. It is possible that people are prepared to engage in activities that bring in some amount of money, no matter how small it might be as long as it can assure the provision of their household's basic need for food.

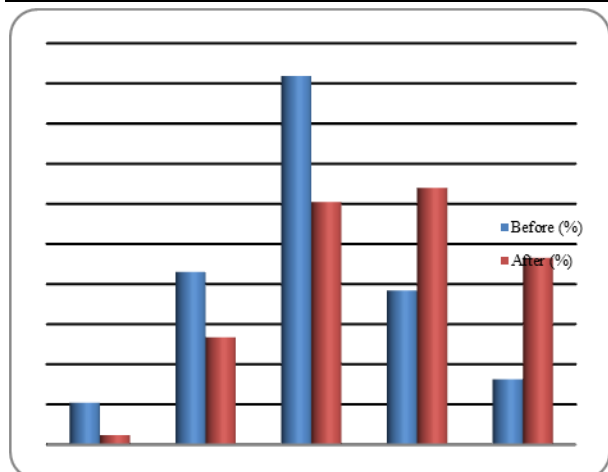


Fig. 1. Monthly Income of Respondents Before and After Obtaining Microcredit.
 Source: Field Data, 2015.

Using contributions of microcredit to beneficiaries' business sustainability, development and local governance participation as indicators of beneficiaries' empowerment as shown in Table 3 and Figure 2, it is evident that the female micro entrepreneurs through the availability of microcredit are increasingly empowered. Specifically, 90.28% claimed personal development through self respect, self confidence, leadership skills, and payment of children school fees; 82.81% claimed that their business is now sustainable by having control over their business, saving money to expand the business and acquisition of training in the business among others; and 75.67% asserted local governance participation through participation in community elections, communal labour, meetings and fighting for human rights. This finding is consistent with [3] that savings through microcredit lead to capital accumulation which will then enhance the individual's independence in raising needed capital for expansion and thus reduce their vulnerability and build up their self confidence.

[15] asserted that credit is a vital instrument for improving the welfare of the poor directly as well as enhancing their productive capacity through financing investment in human and physical capital. Using quality of household meals intake, employment conditions, housing and quality of education of children as

indicators of household welfare, the study found that there were improvements in all the indicators.

Table 3. Distribution of Respondents by Empowerment Characteristics.

Statement	SA	A	U	D	SD	Mean
Contribution of microcredit to beneficiaries' business sustainability						
Control over business micro enterprise	132	27	9	4	0	4.6686
saving money to expand business	128	34	8	2	0	4.6744
acquisition of training in the business	125	12	17	14	2	4.3837
keeping records on business transaction	84	33	11	26	18	3.8081
training of employees	47	39	18	32	36	3.1686
Contribution of Microcredit to Beneficiaries Development						
Self-respect	162	10	0	0	0	4.9419
Self Confidence	161	11	0	0	0	4.9360
Leadership Skills	150	14	8	0	0	4.8256
Ability to pay social levies	109	18	19	14	12	4.1512
Acquisition of household items	148	19	5	0	0	4.8314
Payment of Children School fees	148	18	4	2	0	4.8140
Assistance to Parents	147	19	4	2	0	4.8081
Acquisition of Clothes and Footwear	130	25	17	0	0	4.6570
Sense of autonomy	88	13	14	25	32	3.5814
Social network	79	27	16	17	33	3.5930
Contribution of Microcredit to Beneficiaries Local Governance Participation						
Participation in Community Elections	81	63	19	7	2	4.2442
Participation in Communal Labour	74	51	21	15	11	3.9419
Participation in Meetings	61	43	22	25	21	3.5698
Fighting for Human Rights	42	48	25	37	30	3.3779

Means were calculated from scale: SA (%); A (4); U (3); D (2); and SD (1).

Source: Field Data, 2015.

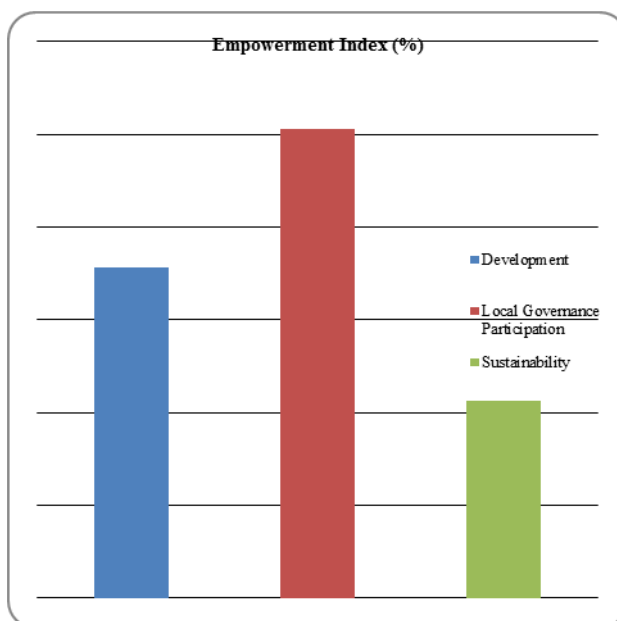


Fig. 2. Distribution of Respondents by Empowerment Characteristics.

Source: Field Data, 2015.

Many respondents were able to further the education of their children (96.04%), improve on quality of meal intake (86.67%), household employment conditions (88.60%) and household housing conditions (78.60%). This agrees with the findings of [20] that giving support to women enterprises with credit enables the core poor to save, and cater for most social services.

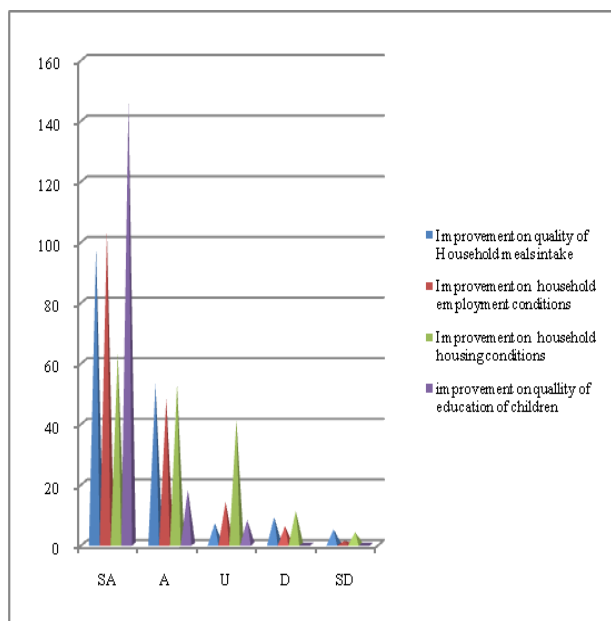


Fig. 3. Distribution of Respondents by Welfare Characteristics.

Source: Field Data, 2015.

CONCLUSIONS

The study focused on the effect of microcredit on rural household livelihood with emphasis on women micro entrepreneurs in Oyo State, Nigeria. This was achieved by examining their socioeconomic characteristics; determining factors contributing to household welfare and respondents' empowerment. Based on the evidence emanating from descriptive statistics employed for this study, it could be concluded that microcredit has a positive influence on rural household livelihood. Findings emanating from this study show that formal and informal credit coexist in the study area. It was obvious from the result that microfinance institutions received more patronage than any other credit source in the study area. Microcredit is a primary mode of income for business start up

and expansion for female micro entrepreneurs in the study area. These micro enterprises therefore serve as source of employment as well as income for household survival and well being. Above all, the study has shown that microcredit assists women in making better lives for themselves and their families through their micro enterprises, foster savings, women development, sustainability and independence. It is recommended that Government, Non Governmental Agencies, policy makers and other stakeholders that are devising policies relating to accessibility of microcredit should take in to consideration the results of this study for better promotion of microcredit among women micro entrepreneurs.

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