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Research Paper

The role of microcredit in women empowerment and poverty alleviation in Edo State, Nigeria

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Abstract. Women constitute the majority of the society that are greatly deprived, they experienced adverse situations in term of socio-economic inequality and gender disparity. Women have limited access to economic and income generating assets such as land and funds. Microcredit is viewed as a veritable tool for women empowerment and poverty alleviation. The study is focused on the role of microcredit in women empowerment and poverty alleviation in Edo State, Nigeria. It specifically identified the sources of microcredit to women, the effect of microcredit on income, savings and investment level of women and the constraint militating against women access to microcredit. Data for the study were collected using a well structured questionnaire administered to 100 women who have had access to microcredit in the study area. This study used two stage sampling procedure where the respondents were selected randomly. Data analysis was done using descriptive statistics and regression analysis. The result shows women in the study area sourced their credit from four micro credit institutions in Edo State with majority (33.33%) obtaining the sum of N30, 000.00 and above. Family size and loan volume had positive and significant effect on the income of the respondents. Access to microcredit had effect on the income and savings of the women as the income and savings of these women were greater than their income and savings before accessing micro loans with the difference in income and savings of N225, 809.50 and N9, 772.70 respectively. This showed that micro credit is a tool that could be used to improve the income and savings level of women and thus empower them for better living. It is therefore recommended that Government should help to create awareness through radio, television and the print media on the activities of micro credit institutions and their credit functions so that more women may be aware of their on-going activities. More resources should be made available to these micro credit institutions so that more women can be benefited by the programme.

Keywords: Microcredit, women empowerment, poverty alleviation, Edo State.

INTRODUCTION

Credit is the contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date. Micro credit is however a programme that extends small loans to the very poor people for self employment and to generate income for themselves. Micro credit programmes are currently being promoted as key strategy for simultaneously addressing both poverty alleviation and women empowerment. Micro credit is considered from its ability to energize or motivate other factors of production. It can make latent potentials or underused capacities functional and in such situations, credit acts as a catalyst, which activates the engine of growth in agriculture (Olagunju and Babatunde, 2011). Generally, the accessibility of a good financial service is considered as one of the engine of economic development. Agricultural credit enhances productivity and promotes standard of living by breaking the vicious cycle of poverty of the small scale farmers. The crucial role of credit in agricultural production and development can also be appraised from the perspective of the quantity of problems emanating from the lack of it.

Poverty is a multidimensional phenomenon. A working definition from (Professor Muhammed Yunus, 2006) the Noble Peace Prize winner in 2006, is 'poverty' is that characteristic of being in a state of joblessness, homelessness, lack of adequate capital, facilities and food to earn a decent living. Nigeria, being the most populous in Black Africa, has over 50% of its population living below the poverty line. It has been realized that sustainable economic growth cannot be achieved without putting in place a well-focused programme to reduce poverty through empowering people and increasing their access to factors of production especially credit. Women, who account for more than 50% of the Nigerian population, contribute to a large extent to the enforcement and enlargement of entrepreneurship through demonstration of proactive capacities and skills in business operations. The deterioration of the economic situation in the 1980s adversely affected the women's economic condition globally. Hence, it had exposed them to high poverty level, a situation that has resulted in regarding women as the poorest of the poor (Cheston, 2002; Burkett, 2003). Women especially rural women suffer not only from abject poverty but also socio-economic inequality and gender disparity prevalent in the society (Ahmed et al., 2011). They went further to posit that women suffer from lack of access to fund, lack of technology based knowledge, market knowledge and lack of support from family members. They have been recognized as the most neglected and marginalized sector as long as access to credit is concerned due to their inability to provide collateral security and other conditions required by financial institutions. This is a typical case of gender inequality, which can hinder economic growth (World Bank, 2001). Their lack of empowerment limits their choices in almost everything and makes them vulnerable to poverty. Poverty alleviation has become synonymous with sustainable income and human development in recent years (Salmen, 1992). This is more pertinent to Sub-Saharan Africa, where an average of 45 to 50% of the people live below the poverty line, a much higher proportion than in any other region of the World except South Asia (World Bank, 1996)

Adepoju (1994) asserted that a typical African woman is probably the most under privilege with limited access to resources. Although the Nigerian constitution guarantees equal opportunity to both men and women, women still face limited access to resources and are locked into relatively low productive work (World Bank, 2002) Yet in Nigeria, women plays a dominant role in agricultural production as confirmed by Food and Agriculture Organization FAO (1999), contributing about 60 to 80% of its labour force. Furthermore, the poverty profile of the Nigerian woman has continued to degenerate and the number of people living below the poverty line has continued to increase (World Bank, 2003 and 2009). This raises such questions as: do women have access to credit? How much is the cost of the credit? Was there any change in their income and savings level? Did that cover the cost of the credit? It is against this backdrop that this study was designed to determine the role of microcredit in women empowerment and poverty alleviation. Several empirical studies have been conducted to ascertain the impact of microcredit on poverty alleviation which found that microcredit positively impacted poverty (Akinlo and Oni, 2012; Oluyole, 2012), they did not focus their study on women empowerment and poverty alleviation.

Objectives of the study

The main objective of this study is to determine the role of microcredit in women empowerment and poverty alleviation in Edo State. Other objectives are:

1. To identify the sources of microcredit to women;
2. To determine the effect of microcredit on income and savings of women; and
3. To identify the constraint militating against women access to microcredit.

Hypothesis of the study

1. Ho: There is no significant relationship between microcredit and income level of women.

   Ha: There is a significant relationship between microcredit and income level of women.
2. Ho: There is no significant relationship between microcredit and savings level of women.

   Ha: There is a significant relationship between microcredit and savings level of women.

METHODOLOGY

The study was carried out in Edo State, Nigeria. A two stage sampling techniques was used to select the respondents for the study. The first stage involved the purposive selection of four (4) Local Government Areas (LGAs) namely, Egor, Ikpoba – Okha, Oredo and Ovia South East. These LGAs were purposively selected because of the prevalence of microcredit institutions in the areas. The second stage involved the random selection of one hundred (100) women that have had access to microcredit from the microcredit institutions in the selected LGAs. Twenty five (25) women beneficiaries of the microcredit were selected at random from each of the four (4) LGAs giving a total of one hundred (100) respondents in all for the study. The direct face to face administration of questionnaire is the best approach to data collection and this was used in this study. This

Table 1. Socio economic characteristics of respondents.

Characteristics	Frequency	Percentage
Age		
18 - 30	6	7.4
31 - 40	45	55.6
41 - 50	30	37.0
Total	81	100
Household size		
2 - 5	23	28.4
6 - 9	46	56.8
10 - 13	12	14.8
Total	81	100
Educational level		
Primary	24	29.6
Secondary	40	49.4
Tertiary	17	21.0
Total	81	100

method is ideal because the study involves collecting data from rural women who have benefited from microcredit institution with a view to determining whether or not microcredit contribute to the reduction of poverty by increasing income and welfare. Data were obtained from the selected respondents through interview. The respondents were asked of their income and savings before and after access to credit. From the information provided, only eighty one (81) of the women's responses were suitable for the analysis. The data generated were analyzed using descriptive statistics and regression model. Descriptive statistics such as frequency, percentages and mean were used to analyze the socio – economic characteristics of the respondents, their sources of credit and the volume obtained. Regression was used to analyze the relationship between socio – economic characteristics of women and their income and savings. The regression model is explicitly specified as:

$$\ln Y_1 = b_0 + b_1 \ln X_1 + b_2 ln\ X_2 + b_3 \ln X_3 + b_4 \ln X_4 + \ldots + b_n \ln X_n$$

Where ln = Natural Logarithm
Y = Income (Naira)
X_1 = Age (Years)
X_2 = Family size (Numerals)
X_3 = Educational background
X_n = Loan volume
b_0 - b_1 = Parameters to be estimated

Paired t-test was used in accordance with Nwaobiala, (2013). The formula is as stated below:

$$t = \frac{X_1 - X_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$

Where t = Paired t – statistics
X_1 = Mean parameter of women before accessing microcredit.
X_2 = Mean parameter of women after accessing microcredit.
S_1^2 = Variance of parameter of women before accessing microcredit.
S_2^2 = Variance of parameter of women after accessing microcredit.
n_1 = Number of selected women before accessing microcredit.
n_2 = Number of selected women after accessing microcredit.

RESULTS AND DISCUSSION

The socio economic characteristics of the respondents are presented in Table 1. It shows that majority of the women (55.6%) were from the age group of 31 to 40 years old indicating that the women were in their active years. 7.4% of the respondents were from the age of 18 to 30 year old, This age group are suppose to be in higher school. This is an indication of the level of poverty that is prevalent in the area while 37% of the respondents were from the age group of 41 to 50 years old. Although this group is aging, they are still strong enough to pursue any meaning venture. The result also shows that majority (56.8%) of the respondents has a household size of between 6 and 9, indicating that a family of this size living on a paltry sum of N21,333.33 a year before credit must be in the category of hard core poor, 28.4% had a family size of between 2 and 5 and 34.8% had a family size of between 10 and 13. Large family is a kind of insurance against old age but a clog in the wheel of trying to lift oneself out of poverty because of more mouths to feed and cater for especially at the infant stage. This is in conformity with Ahmed et al. (2011) that household size of a family determines the potential dependency on the family and consequently affect poverty situation of that family. Majority of the respondent (70.4%) had secondary and tertiary education while the rest (29.6%) can barely read and write. Educational attainment contributes positively to poverty reduction. Siwar and Norshamliza (2008) also found out that higher incidence of poverty was related to low education level and high level of education was related to lower incidence of poverty. The reason for this as expatiated by Khanam (2005) is that attainment of high educational level implies a larger set of opportunities and higher wages.

The sources of microcredit obtained by the women, the volume and the repayment arrangements are presented in Table 2. This result shows that women in the study area sourced their credit facilities from four microcredit institutions in Edo state. However, majority (76.5%) of the women sourced their credit from Lift Above Poverty (LAPO), 14.8% obtained their credit from SBDC, 5% got

Table 2. Sources of microcredit, volume and repayment period.

Characteristics	Frequency	Percentage
Source		
Apex Microfinance Bank	3	3.7
Lift Above Poverty (LAPO)	62	76.5
SBDC	12	14.8
Trust Fund Microfinance	4	5.0
Total	81	100
Volume Obtained		
N5, 000 – N10, 000.00	10	12.35
N11, 000.00 – N20, 000.00	24	29.63
N21, 000.00 – N30, 000.00	20	24.69
N30, 000.00 and Above	27	33.33
Total	81	100
Repayment Period		
Less than 6 Months	18	22.22
6 – 12 Months	36	44.45
More than 12 Months	27	33.33
Total	81	100

Table 3. Effect of socioeconomic characteristics of respondents on income level.

Variable	Coefficient	Std error	t-Statistics	Probability
Age	0.32	2.38	1.48	.174
Education0.	0.56	1.65	1.89	.091
Farm Size	1.27	2.02	4.56	.001
Loan Volume	0.61	5.72	3.60	.006
Constant	4.40	1.29	-3.40	.008
R^2	0.82			
Adjusted R^2	0.73			
F-Statistics	9.99			

their credit from Trust Fund Microfinance and 3.7% borrowed from Apex Microfinance Bank. Major challenges faced by these microcredit institutions are inadequate funds, insufficient support from Government and inadequate donor funding. This view is supported by Jegede et al. (2011) when they said, ‘the major challenges of microcredit institutions in Nigeria include communication gap, inadequate awareness, insufficient support from government, inadequate donor funding and lack of adequate loans.

On the volume of loans obtained, the result shows that majority of the women (33.33%) borrowed the sum of N30,000.00 and above, 29.63% of them got between N11,000.00 to N20,000.00, 24.69% obtained between N21,000.00 – N30,000.00 and 12.35% sourced between N5,000.00 – N10,000.00. and the bulk of them (44.45%) were expected to repay within 6 to 12 months, 33.33% to pay back the loans after 12 months while 22.22% were to repay within 6 months. This shows that the microcredit extended loans to these women on short term basis with majority of repayment fallen due within 12 months.

Effects of the socio economic variables on income level

The results presented in Table 3 shows that age, educational status, family size and the volume of loans obtained accounted for 82% of the systematic variations in the income of the women. The implication of this is that 18% of the change in income of these women was explained by external factor not considered in this study. The F-statistics which is the ‘goodness of fit’ of the model shows that there is significant positive relationship between the socioeconomic characteristics of the respondents and their income level taken together at 5% level of significance. Also, it was observed that family size and loan volume were significant at 5% level of

Table 4. Result of the t-test for the difference in income and savings level of respondents before and after access to micro credit.

Variable	Before access	After access	t-value
Income (N)	21,333.36	247,142.86	4.018
Savings (N)	20,784.44	30, 557.14	6.196

significance. This means that as volume and family size increases, the income of these women also increases. As more money is made available to the respondents, they will expand their income generating capacities while an increase in family size may result in more free labour in the family business.

Effect of access to microcredit on the women

The result of the paired test for the difference in means of income and savings of women before and after accessing micro credit is shown on Table 4. The result shows that the mean income of the women before and after the loan was N21,333.36 and N247,142.86 respectively. The mean difference between the income levels was N225,809.50. The paired t-test resolute shows that this is statistically significant at 5% level with calculated t-value of 4.018. Therefore, the null hypothesis is rejected. This means that the income of the respondents after accessing micro credit was more than their income before accessing the micro credit. Also, the savings of these women after the micro credit was more than that of before the loans. Before they had access to micro loans, they were saying on the average N20,784.44 while this increased to N30,557.14 when they had access to micro loans. They had a mean difference of about N9,772.70 which is significant at 5% level of significance with a calculated t-value of 6.196. This implies that the savings of the women before access to micro credit was more than the savings level before access to micro credit and therefore reject the null hypothesis.

CONCLUSION

Based on the empirical evidence emanating from both descriptive and inferential statistics employed in the analysis of the role of micro credit in women empowerment and poverty alleviation, it has been observed that micro credit institutions extended to the women in the study area loans of short duration with repayment period of less than one year. Majority of the women relied on Lift Above Poverty and were able to obtain N30,000.00 and above which they are required to repay between 6 to 12 months. Micro credit is a tool that could be used to improve on the income and savings level of women and thus empowers them for a better living. It is therefore recommended that government should help to create more awareness through radio, television and the print media on the activities of these micro credit institutions so that more women may be aware and take advantage of their lending. Micro credit policies should be designed in such a way as to favour the female gender. More resources should be made available to these micro credit organizations in the form of on-lending arrangement so that more people can be benefited by the programme.

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