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Analysis of Impact of Microfinance Services on Business Performance of Small Scale Women Entrepreneurs in Enugu State, Nigeria

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Abstract

This study analyzed access to microfinance services and its impact on performance of small scale women business entrepreneurs in Enugu State, Nigeria between January and December 2012. 71 beneficiaries and 50 non beneficiaries of microfinance services operating different business enterprises were randomly selected from nine local government areas in the State. Data were collected through the use of structured questionnaire and analyzed by the use of descriptive statistical tools such as means and percentages. The Double-Difference (DD) Estimator is used to estimate changes in income from before to after benefiting from services between microfinance beneficiaries and non beneficiaries. Results show that the respondents were aged 37.4 years on the average while over 66% of them were married and about 95% had one form of formal education or the other. All the microfinance service beneficiaries accessed credit and deposit services while none received insurance services. The average income of beneficiaries and non beneficiaries before the study (baseline) were ₦162,480.00 and ₦163,572.00 respectively. The income of beneficiaries grew by about 46.67% (from ₦162,480.00 to ₦238,480.42 as against that of non beneficiaries which grew by only 11.6% from ₦163,572.00 to ₦182,546.35. There was a significant difference between the growth in incomes of the two groups at the 0.05 level. It is recommended that training as one of the core services of microfinance institutions should be vigorously implemented so as to improve the performance of the client entrepreneurs.

Keywords: Microfinance services, Business enterprises, Women, Entrepreneurs

Introduction

The poor performance of the conventional finance sectors such as commercial banks and insurance led to advocating for micro-financing as a tool for poverty reduction by policy makers and international organizations. According to Mohammed and Hassan, 2008; the number of microfinance institutions has increased tremendously since its emergence in the 1980s and that as at 2008, there were over 7000 microfinance institutions (MFIs) provided loans to more than 25 million resource poor individuals all over the world.

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According to CBN 2011, 820 Microfinance Banks (MFBs) have been registered in Nigeria as at the end of 2011 as against 160 MFIs that existed in 2001. This quantum increase was due to the result of the introduction of Microfinance Policy Framework by Central Bank of Nigeria in December 2005. This policy was meant to enhance the access of small scale entrepreneurs to financial services required to boost, expand and/or modernize their operations.

Nigerian government over the years has encouraged the free flow of financial services to her rural areas. This has been through the establishment of micro/rural credit programmes and policies targeted at the poor. These programmes among others were the Rural

Banking schemes, Agricultural Credit Guarantee Scheme (ACGS), Nigerian Agricultural and Cooperative Bank (NACB) and Nigerian Agricultural Insurance Cooperation (NAIC). Others were defunct Peoples Bank of Nigeria (PBN), Community Banks (CBs) and Family Economic Advancement Programme (FEAP) (CBN, 2005). NACB, PBN and FEAP were latter merged to form Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) in year 2000 with the aim of enhancing the provision of finance to the micro-entrepreneurial sector. Community Banks were also transformed to Microfinance Banks (MFBs).

In spite of the roles of government and private sector in micro-financing activities, more ground needs to be covered. According to CBN 2005, the existing Microfinance Institutions (MFIs) serve less than a million out of the over 40 million people who need their services in Nigeria. It also noted that aggregate microcredit facilities account for 0.2 percent of the GDP and less than one percent of the total credit in the economy.

Akanji, 2002 observed that in spite of the crucial role of women entrepreneurs in the economic development of their families and countries; it is, however, discovered that women entrepreneurs have low business performance compared to their male counterparts. She further observed that factors which inhibit entrepreneurial performance were lack of credit, poor savings, poor education and/or inadequate training. These assertions were supported by Ibru, 2009; as well as Iganiga, 2008, who variously remarked that women entrepreneurs do not have easy access to credit for their entrepreneurial activities particularly in developing countries like Nigeria. Lack of capital to start or run business do lead women to request for credits from institutional and non institutional financial sources.

Hence, establishing the extent to which Microfinance Institutions in Enugu state have been able to perform the roles of providing credit services, deposit and insurance services as well as training services to small scale women business entrepreneurs is the challenge of this study.

Methodology

Study Area

Enugu State, the study area is located in south-east of Nigeria. The state is situated on the highlands of Nsukka, Udi and Awgu hills and the rolling low lands of the Idodo River Basin to the East and the Oji River Basin to the West. The state is bounded by six other states with which it shares common boundaries. It is composed of seventeen Local Government Areas (LGAs) divided into three agricultural zones of Nsukka, Enugu and Awgu zones. It has a population of 3.25million made up of 1.62 and 1.63 million males and females respectively (NPC, 2006). The activities of Microfinance Institutions are well pronounced in the area.

Study Population and Sampling Techniques

Nine local government areas (LGAs) were randomly selected, three from each of the agricultural zones. These LGAs were Awgu, Aninri, Ezeagu, Nkanu west, Nkanu east, Enugu east, Igboeze south, Nsukka and Udenu. The list of small scale women business entrepreneurs engaged in different business enterprises ranging from vegetable farming, poultry farming, honey trading, rental services and palm oil processing were compiled for this study. These categories of entrepreneurs operating within the nine selected LGAs in the State formed the sampling frame.

To analyze the impact of Microfinance services, the sampling frame was divided into two strata. These are:

1) Direct beneficiaries of microfinance services, and
2) Non beneficiaries of microfinance services.

Eight small scale women business entrepreneurs who benefited from microfinance services during the study period i.e. 2012 were randomly sampled from each of the nine selected LGAs. This gave a total of 72 beneficiary respondents sampled. In the same vein, six women business entrepreneurs who did not access any microfinance services in 2012 were randomly sampled from each of the selected LGAs and this gave a total of 54 non beneficiary respondents. However, at the end of data collection, 71 beneficiary respondents and 50 non beneficiary respondents were utilized for

analysis. This brought the total sample respondents to 121.

Data Collection/Analysis

The study made use of structured questionnaire to collect data from respondents through the use of enumerators who speak both English and local languages. Descriptive as well as Inferential statistical tools were used to analyze the data. The major descriptive statistical tools applied were means and percentages while the Double-Difference (DD) Estimator as applied by Ike, 2012 was used to establish if changes occurred in the income of micro finance beneficiaries and non beneficiaries. The Double-Difference method, which is also known as Difference-in-Difference method (Duflo et al, 2004) has the formula:

$$DD = (Y_{p_1} - Y_{p_0}) - (Y_n p_1 - Y_n p_0)$$

Where:

Y_{p_1} = Average income of beneficiaries after access to services;

Y_{p_0} = Average income of beneficiaries before access to services;

$Y_n p_1$ = Average income of non beneficiaries after the period of study;

$Y_n p_0$ = Average income of non beneficiaries prior to the study.

The percentage change in the income of non beneficiaries prior to and after intervention was calculated using the formula:

$\frac{Y_{np1} - Y_{np0}}{Y_{np0}}$. The symbols are as defined above.

According to Ravallion, 2005, the Double-Difference Estimator is used in establishing impact of interventions because it has the advantage of netting the effects of any additive factors (whether observable or unobservable) that have fixed (time-invariant) impacts on the outcome indicator (such as the abilities of women entrepreneurs or the inherent quality of their different resources used), or that reflect common trends affecting the beneficiaries and non beneficiaries equally such as changes in prices or weather.

Results and Discussion

The Socioeconomic indicators of the respondents show that small scale women entrepreneurs are aged between 25 and 58 years with an average age of 37 years (Table 1). This indicates that most of the female business entrepreneurs are within their youthful age and hence can pursue business activities aggressively. Also about 81 of them (66.90%) are married while majority are educated as 22% of them completed primary education and about 51% (61) attained secondary education. Only 4% of them did not have formal education. The implication of high literacy among the sampled women entrepreneurs is an indication of active participation of women in various business activities in the area. This is because according to Akanji, 2002 and Kuzilwa, 2005, education enhances the skills and experience needed for business.

Twenty five (20.66%) of the respondents have a household size of 1 to 3 members while majority, about 74.38% have household sizes ranging from 4 to 10 members. The implication of large household sizes as noted by Ike and Uzokwe, 2011 is that it has a high correlation with food insecurity and poverty especially when the household head is engaged in agriculture as the main source of livelihood and income.

Table 1: Socioeconomic Characteristics of Respondents

Variable	Frequency	Percentage	Cumulative Percentage
Age			
21 – 30	18	14.88	14.88
31 – 40	61	50.41	65.29
41 – 50	27	22.31	87.60
51 – 60	15	12.40	100

61 – above	-	-	-
Marital Status			
Married	81	66.90	66.90
Widowed	29	24.00	90.90
Divorced	4	3.31	94.20
Single	7	5.79	100.00
Educational Attainment			
No Formal Education	5	4.13	4.13
Primary Education	28	23.14	27.27
Secondary Education	61	50.41	77.68
Post secondary Educa.	27	22.32	100.0
Household Size			
1 – 3	25	20.66	20.66
4 – 6	50	41.32	61.98
7 – 10	40	33.06	95.04
11 and above	6	4.96	100.0

Access of Small Scale Women Business Entrepreneurs to Microfinance Services

As earlier defined, microfinance services refer to loans, deposits, insurance, fund transfer training etc which are targeted at low income clients. A study of these services that were accessed by the respondent beneficiaries from the microfinance institutions which they patronized show that loans (credit) and deposits were the predominant microfinance services extended to the clients (respondents) by the practitioners (MFIs). All the beneficiaries attest to having received credit and deposit services. However, none of the Microfinance institutions provided insurance services to their clients as no beneficiary agreed to have ever received such service. On the other hand, only a few of the respondent beneficiaries (27%) were given formal training on the use of accessed credit for improvement of their businesses activities. The importance of training as a microfinance service cannot be overemphasized. This is in support of the findings of Akanji (2002) and Kuzilwa (2005) that training is a very important microfinance service for women entrepreneurs; it provides the skills and experience needed for business.

Classification of Beneficiary and non-Beneficiary Entrepreneurs according to type of business

The different types of business that the respondents are engaged in are as presented in Table 2. The result shows that as a percentage of the whole respondents, poultry farmers ranked the highest among both beneficiary and non beneficiary groups with 21.49% and 16.53% respectively. This is followed by women entrepreneurs engaged in honey trading which constituted 20.66% of the entire respondents. Others were vegetable farmers, rental service providers and palm oil processors.

Table 2: Distribution of Respondent Beneficiaries and Non-Beneficiaries by Enterprise Groups

Enterprise Category	**Microfinance Beneficiaries (No. = 71)**		**Non Beneficiaries (No. =50)**	
	Frequency	**Percentage**	**Frequency**	**Percentage**
Vegetable farmers	12	9.92	9	7.44
Poultry farmers	26	21.49	20	16.53
Honey trading	15	12.40	10	8.26
Rental Services	12	9.92	8	6.61
Palm oil processing	6	4.96	3	2.45
Total	**71**	**58.68**	**50**	**41.32**

Level of Income of Beneficiary and Non-Beneficiary Entrepreneurs prior to Access of Services

The result indicates that the average income of the women microfinance beneficiary in the study area before the conduct of the study was ₦162,480.00 while that of the non beneficiaries was ₦163,572.00 in the same period. The range of income of different business groups before the study is as shown in Table 3.

Table 3: Income Level of Respondent Entrepreneurs before Benefiting from MFIs

	Beneficiaries		Non Beneficiaries	
Income level (N)	**Frequency**	**%**	**Frequency**	**%**
N1.00 – N50,000	1	0.83	2	1.65
N51,000 – N100,000	9	7.44	11	9.09
N101,000 – N150,000	20	16.53	17	14.05
N151,000 – N200,000	31	25.62	13	10.74
N201,000 – N250,000	7	5.79	6	4.96
N251,000 – N300,000	3	2.48	1	0.83
Total	**71**	**58.68**	**50**	**41.32**

The findings indicate that over 81 of the sampled women entrepreneurs representing 66.94% of the entire respondents have an average income of between ₦101,000.00 and N200,000.00 while only 3.31% had between ₦251,000.00 to ₦300, 000.00 as average income.

Level of Income of Beneficiary and Non-Beneficiary Entrepreneurs before Access to Services Disaggregated on basis of Business Groups

The average level of income of the microfinance beneficiaries and non beneficiaries prior to the study as already indicated were ₦162, 480.00 and ₦163,572.00 respectively. The poultry business enterprise group had the highest average income of ₦197,782.00 for the beneficiaries and ₦184,271.00 for the non-beneficiary groups. Women engaged in trading on honey had an average income of ₦178,557.00 and ₦168,790.00 for beneficiaries and non beneficiaries respectively (Table, 4).

Table 4: Distribution of Beneficiary Groups and Non Beneficiary Groups according to Income Level by December 2010

	Beneficiaries	Non Beneficiaries
Enterprise Category	**Income Level (₦)**	**Income Level (₦)**
Vegetable farmers	145,543.00	142,600.00
Poultry farmers	197,782.00	184,271.00
Honey Trading	178,557.00	178,557.00
Rental Services	138,380.00	140,250.00
Palm oil processing	126,560.00	128,600.00

Impact of Microfinance Services on Entrepreneurial Performance

Findings indicate that the range of average household income during the time of the study (January 2012 – December 2012) was ₦152,893.00 to ₦337,658.00. The real income of beneficiaries of microfinance services increased by about 46.67 percent (i.e. from ₦162,480.00 to ₦238,480.42) on the average. This increase is as a result of benefiting from services rendered by the microfinance institutions, particularly savings and loan. This income increase has been due to increase in size (economies of scale) and also improvement in input productivity. By contrast however, average real income of non beneficiaries increased only by 11.6 percent from ₦163,572.00 to ₦182,546.35. The difference between increase

in income of microfinance service beneficiaries and that of non beneficiaries was statistically significant at the 0.05 level.

Also without taking cognizance of other factors that could bring about changes in their income, it was established that about 65.43 percent of the microfinance service beneficiaries had their incomes increased by at least 47 percent. On the contrary, only about 25 percent of non beneficiaries of microfinance services could increase their incomes by 18.4 percent during the study period. Although the percentage increase included the effect of other variables that exert influence on changes in income over time, it is clear that microfinance services have achieved some level of success among the beneficiaries within the time of study in the area.

Conclusions

It has been established that the services provided by microfinance institutions have improved the income level of small scale women business entrepreneurs in the study area. The study has also been able to determine the proportion of increase in income as a result of the benefit from microfinance services. Over 65 percent of the beneficiaries had their income grow by over 46 percent as a result of utilization of microfinance services. This is against 11.6% growth in income of non beneficiaries during the same period of study.

This study recommends that as education has been proved to be the key factor in development of entrepreneurial potentials, introduction of formal education in all nooks and corners of the country should be the priority of the government. It is also recommended that training as one of the core services of microfinance institutions should be vigorously implemented by the MFIs so as to improve the performance of their client entrepreneurs.

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