

Constraints to Women Entrepreneurs' Access to Microfinance in South-South Nigeria

Innocent A. Ifelunini, *PhD*^{1*} Elizabeth C. Wosowei²

1. Department of Economics, University of Nigeria, Nsukka, 410002, Enugu State, Nigeria.
 2. Department of Economics, Bayelsa State College of Education, Okpoama, Brass-Island, Yenogoa
- * E-mail of the corresponding author: innocent.ifelunini@unn.edu.ng

Abstract

The aim of the study is to examine the constraint factors that inhibit women entrepreneurs' access to microfinance in South-South region of Nigeria. Using exploratory factor analysis procedure (the principal factor model), four constraint factors were extracted-Technical, economic, managerial and social factors. Technical factor include: transportation cost, lack of trust, diversion of funds, short payback period, loan targeted at certain businesses; economic factor include: protocol before acquiring loan, high interest rate on borrowing, limited amount of loan given, provision of collateral, non-willingness of MFIs to grant loan to women entrepreneur; managerial constraint factor include: low accessibility to loan, the time lag between application and loan collection, the amount given as loan is discretionary, opening of account as condition for microcredit access, the educational level of the entrepreneur; social factors include: distance, securing of guarantor, only people in business are being given loan, and finally, too many applications than MFIs can afford. Also, the study suggested reduction of interest rate; microfinance institutions being brought closer to the people most especially the rural entrepreneurs; relaxing the condition inherent in loan access from microfinance banks; sensitization of more women about microfinance services; giving priority to women as well as increasing the payback period of loan as ways to improve access to microfinance services by women entrepreneurs.

Key words: South-South Nigeria, Constraints, Microfinance, Women Entrepreneurs

1.0 Introduction

One factor inhibiting the attainment of development goals in less developed countries is the populace's general inability to access factors of production, especially finance. This limits the entrepreneurial ability of the people, especially the poor. Consequently, potential employment opportunities and household prospects for creating wealth and improving income are lost. Microcredit has been one framework adopted to address this problem. Its evolution reflects acknowledgement of credit market failures especially in the formal financial sector. There has been, therefore, a shift from the formal financial sector to microfinance which incorporates both savings and credit. This suggests that saving services, and not simply loans, can help to improve the welfare of the poor in general and women in particular (Vonderlack and Schreiner 2001).

Microfinance has received most significant recognition of its importance in the 2005 World Summit. The Summit Outcome Document recognized the need for access to financial services, in particular for the poor, including through microfinance and microcredit. Support for microfinance was also strongly implied in the endorsement by the Summit of the 2002 Monterrey Consensus, which states: "Microfinance and credit for small and medium-sized enterprises, including in rural areas, particularly for women are important for enhancing the social and economic impact of the financial sector. Microfinance received further recognition as the year of 2005 has been declared the International Year of Micro-credit (Khartoun report, 2009)

Thus microfinance institutions (MFIs) have emerged in many countries as a response to address the failure of the state-led and mainstream formal financial system to reach the poor who were not seen as bankable clients due to information asymmetry and risk perceptions. It is widely accepted that MFI programs can compensate for some of the weaknesses in developing capital markets and can help low-income entrepreneurs to improve their enterprises and raise their standards of living. Of particular interest is the possibility that microfinance support programs can promote the success of women entrepreneurs who may lack access to other forms of assistance (AIMS 1997).

In Nigeria, microfinance activities are rooted in the culture of the people and come in various forms. Non-governmental organizations' activities in micro financing have also emerged. In 2005, a Microfinance Policy, which provides a regulatory and supervisory framework, was initiated by the Nigerian government (Central Bank of Nigeria 2005). One of the targets of the policy is to eliminate gender disparity in access to financial services.

In spite of this initiative, access to finance by women entrepreneur still remain a daunting task despite the pivotal role of women in the economy. It is interesting to note however that women constitute almost half, 49.8 percent

of the total population in Nigeria and 40.9 percent of the labour force in 2002 (World Bank, 2004). Women still suffer vulnerability to deprivation, intimidation, and extreme suffering the numerical strength notwithstanding (Nkamnebe, 2009).

Women as micro and small entrepreneurs have increasingly become a key target group for micro-finance programmes. Providing access to micro-finance is considered a precondition for poverty alleviation, but also for women's empowerment. As poor women are increasingly recognized to be better borrowers, they are starting to become of interest also to regular financial institutions. But despite the proven positive impact of providing microfinance services to female entrepreneurs, there is still great barrier in accessing microfinance by women entrepreneurs. This study therefore sets out to identify and analyze the factors that constraints women entrepreneurs from gaining access to microfinance in Nigeria using the South-south geopolitical zone and equally examine the strategies to facilitate access to microfinance services as a means to reduce poverty.

2.0 Literature Review

2.1 Gender-Specific Constraints

The norms and rules defining social relationships among different groups in society, which place some in positions of dominance over others and differentiate the choices available to them—including in relation to access to and control over resources—have been termed “structures of constraint” (Folbre, 1994). Gender-specific structures of constraint refer to the social norms, values and practices which define inequalities between women and men in societies, generally allocating different roles and responsibilities and assigning a lower value to those aptitudes, capabilities and activities conventionally associated with women. Gender-specific norms typically include the assignment of responsibility for reproductive work within the family to women and the primary wage-earning responsibility to men.

Women's concerns and gender-related constraints tend to negatively affect equal participation of both sexes at the local, institutional and policy levels. Hence, this may lead to a failure to utilize the full potential of human resources for wealth creation, as one section of the population, which forms the majority, is left out or only allowed limited opportunities. Disabled women entrepreneurs face bigger barriers than other women entrepreneurs in general, in the form of limited mobility, discrimination, myths/negative cultural attitudes, over-protection, marginalization and lack of specific funding that takes into consideration their conditions

2.2 Financial and credit availability and accessibility

Financial availability and accessibility is cited in many studies as being one of the major barriers and constraints to growth. In a study of NGOs and women small-scale entrepreneurs in the garment manufacturing sector of the textile industry in Nyeri and Nairobi by Macharia and Wanjiru (1998), the factors that inhibit credit availability to women include: lack of start-up (seed) capital; lack of awareness of existing credit schemes; high interest rates; lengthy and vigorous procedures for loan applications; and, lack of collateral security for finance. These factors have become a major barrier to the growth potential of businesses owned by women.

Although more than a quarter of households in Kenya are women-headed, only five per cent of the women own land in their own name (Feldman, 1984). At a "Kenya Gender and Economic Growth Assessment" seminar in May 2006, a case clearly illustrating the plight of women was presented by an official from the Ministry of Trade and Industry. A loan approved for the woman applicant by the Joint Loan Scheme at the Ministry, failed to materialize because her husband refused to pledge the family's land title deeds as collateral. Owning title deeds as collateral to finance expansion is still a hurdle for most women entrepreneurs, given that property is not usually registered in their names (Karanja, 1996). The Government is, however, moving towards solving this problem through the Sessional Paper No. 2 of 2005 and the Micro-Finance Bill of 2005. The latter became an Act of Parliament in December 2006. Accessibility to initial capital, even when available, is also a major hurdle for women entrepreneurs. Microfinance institutions (MFIs) and commercial banks choose where they locate, thus excluding entrepreneurs in remote regions, leading to regional disparities. Credit conditions when forming a group, paying membership fees, group registration fees and joining saving plans, result in delays in accessing initial capital, thereby worsening the women's household financial burden (Stevenson and St-Onge, 2005; Alila 2002). However, this is no longer the key barrier and constraint, but a lack of creativity, innovativeness and responsiveness (on the part of capital suppliers) that now hampers women's entrepreneurship in Kenya. Whereas many MFIs emerged to provide initial and working capital, relevance and cost-effectiveness is often inappropriate in satisfying the particular needs of potential and operating women entrepreneurs (Government of Kenya, 1999).

2.3 Legal and regulatory barriers

The legal and regulatory barriers include: registration of business names; obtaining licenses; adhering to

statutory requirements and contracting. Due to the aforementioned factors, women entrepreneurs are the least prepared to engage in contractual processes key to doing business in Kenya. Contracts involve long legal processes such as leasing, drawing up business contracts, legal representation and other aspects which place the woman entrepreneur in a disadvantaged position. Most MSEs find these processes lengthy and time consuming, thus they cannot grow or expand their enterprises (K'Obonyo, 1999).

2.4 Limited entrepreneurial culture and management skills

There is a general lack of an entrepreneurial culture in developing countries. For instance, in Kenya and, more particularly, for potential and operating women owner/managers of MSEs. Njeru and Njoka (1998) point out that due to patriarchal social authority structures, women received substantial family support in the start-up stages of their businesses, but later on such support is limited, restricted or withdrawn for fear of husbands losing dominance over their wives. Moreover, there are many socio-cultural factors in Kenya impacting negatively on the upbringing of girls. Many ethnic cultures socially condition girls to acquire the need for affiliation, rather than achievement. The situation is worse for disabled girls since they are discriminated against in their access to education, in addition to being viewed as "a bad-omen" for the family. They are sometimes even hidden by their families from the outside world.

3.0 Methodology

The study was carried out in South-south Nigeria using Bayelsa and Delta State as case study. Multistage random sampling technique was used in selecting respondents. In the first place, from the six States that make up South-south Nigeria, two states –Bayelsa and Delta were randomly selected. Also, four local governments each were randomly selected from the two states giving a total of eight local governments for the study. These local governments include- Yenagoa, Ogbia, Sagbama and Southern Ijaw from Bayelsa while Isoko-South, Oshimili-South, Ndokwa-West and Ughelli-North were selected from Delta State. From the eight local governments selected, three communities each were randomly selected giving a total of twenty-four communities for the study. Also, from each of the twenty-four communities, ten (10) respondents were selected giving a total of two hundred and forty respondents for the study. The data used for the study were from primary sources. Detailed and structured questionnaire was used to elicit information from respondents. The questionnaire covered all possible responses to the research objectives.

Both mean scores and exploratory factor procedure were used to realize the objective of the study. A four-point likert –type scale was used. First of all, to determine the possible constraints as perceived by the respondents, the responses from the likert-type scale were realized using means. Exploratory factor analysis procedure using the principal factor model with iteration and varimax rotation was further employed in grouping the constraint variables into major constraint factors. In factor analysis, the factor loading under each constraint (beta weight) represents a correlation of the variables (constraint areas) to the identified constraint factor and has the same interpretation as any correlation coefficient. However, only variables with loadings of 0.40 and above (10% overlapping variance, Comrey, (1990)) were used in naming the factors.

Principal factor analysis (PFA) has been criticised on the grounds of lack of prior assumptions about the number and nature of factors (Mulaik, 1987). Another criticism of PFA is that the technique does not provide a criterion variable against which to test solution. There is also the problem of interpretation and naming of factors because researcher lacks prior knowledge and basis on which to make an interpretation. Despite these limitations, when used appropriately, principal factor analysis can be helpful in assessing the nature of relationships among variables and in establishing the construct validity of test scores. Several questions on the constraints to microfinance access by women entrepreneurs are asked requiring answers on scoring scale. Principal factor analysis is used to transform these observed variables into scores in the following manner:

$$\text{Score} = \alpha_{11}\chi_1 + \alpha_{12}\chi_2 + \alpha_{13}\chi_3 + \dots + \alpha_{1P}\chi_P = \sum_{i=1}^P \alpha_{1i}\chi_i$$

Where: α_{1i} 's are standardised scoring coefficients (weights) for the first respondent and the i th constraining variable to be determined from the data and the χ_i 's are standardised z-scores of an appropriate subset of P observable constraint variables. The resulting scores are summed over all relevant items to provide an index reflecting individual views. In this study, the common interpretation of an index as being a single value that captures the information from several variables (quantities) in one composite variable is retained.

4.0 Empirical Findings

4.1 Socio-economic Characteristics of the Respondents

A number of socio-economic attributes of the respondents were examined. The result in table 1 in the appendix

shows the socioeconomic attributes of the respondents that were examined. The examined socio-economic attributes included marital status, respondent's place of residence, age, highest educational level and time of business.

The result in Table 1 shows that majority (57%) of the respondent are below the age of 31 years while 37.0% of the respondents are between 31 and 50 years. In the same vein, 6.0% of the respondents are above 50 years of age. The result further shows that 26.7% of the respondents had below 5 people in their households. The result also revealed that 66.7% of the respondents had between 5-9 people in their households while 6.7% of the respondents had minimum of 10 people in their households. Of the number of respondents in the study, 25.0% had higher degree, 55% had WAEC and equivalent, 11.7% had primary school while 8.3% had no formal education. Evidence from the result showed that majority (65%) of the respondents was on full-time business while 35.0% of the respondents were on part-time business. In the same vein, 70.0% of the respondents are urban/semi-urban residents while 30% are rural residents. As for marital status, 68.0% of the respondents are married while 16.7% of the respondents are single. In the same vein, while 5.3% of the respondents are on consensus married, 10.0% are widowed.

4.2 Factors Constraining Access to Microfinance services by women entrepreneur in South-South Nigeria

Table 2 shows the varimax rotated factors constraining access to microfinance services by women entrepreneurs in South-south Nigeria. Four factors were extracted based on the responses of the respondents. Only variables of 0.40 and above (10% overlapping variance, Comrey (1962)) were used. Based on the clustering of items, factors 1, 2, 3, and 4 were named "Technical, Economic, Managerial, and Social factors respectively.

Under factor 1 (Technical factor), the specific constraint variables included transportation cost (-0.475), lack of trust (0.544), diversion of funds (-0.464), short payback period (-0.649), loan targeted at certain businesses (0.587), and marital status (0.637). Under economic factor, the items that loaded included protocol before acquiring loan (0.478), high interest rate on borrowing (-0.431), limited amount of loan given (0.407), provision of collateral (0.505), non-willingness of MFIs to grant loan to women entrepreneur (0.592), and marital status of respondents. Specific issues with high loading under managerial constraint (factor 3) included low accessibility to loan (0.590), the time lag between application and loan collection (-0.524), the amount given as loan is discretionary (0.489), opening of account as condition for microcredit access (0.515), the educational level of the entrepreneur (0.405). The main constraints as perceived by the entrepreneurs under social problems included distance (0.405), securing of guarantor (0.539), only people in business are being given loan (0.592), and finally, too many applications than MFIs can afford (0.531)

The implication of the findings is that the constraints identified by the study are capable of eroding the benefits of microcredit scheme to small scale investors, most especially the women entrepreneurs. In addition the chances of more women entrepreneur benefitting from this scheme would be hampered. Furthermore, women entrepreneurs' interest in microfinance incentives could be affected.

4.3 Strategies for improving Access to microfinance services by women entrepreneurs in South-South Nigeria

The results in table 3 and figure 1 show the opinion of the respondents on the strategies to improve access to microfinance services by women entrepreneurs in South-south Nigeria. The results show that the majority of the respondents (30.0%) were of the view that the interest rate on borrowing should be reduced. This is followed by those whose opinion is that there should be policy to relax the conditions inherent in loan access through the microfinance banks. This group represents about twenty-one percent (20.0%) of the respondents. However, about seventeen percent (16.7%) of the respondents were of the view that microfinance institutions should be brought closer to the people. This may not be unconnected with the fact that most of the microfinance institutions identified during the study are domiciled in the urban and semi-urban area, most especially headquarters of local governments which are completely urban. This may bring a lot of difficulties on the part of rural dwellers in accessing microfinance services. On the other hand, about thirteen percent (13.3%) of the respondents were of the opinion that more women should be sensitized about microfinance services, while 10.0% each of the respondents were of the opinion that giving priority to women entrepreneur and increasing the payback period of microfinance loan are strategies to improve access to microfinance loan.

5.0 Conclusion

The study of constraints to access to microfinance services and strategies for improvement in South-south Nigeria is very timely. Given the impact microfinance has made in other economies of the world like the Bangladesh, and the recent drive by the federal government of Nigeria towards using the small and medium scale industries as vehicles for economic development, microcredit scheme become a major plank in federal government policy for accelerated growth of the economy. The program has dual intent; poverty reduction and economic growth. The result showed that women entrepreneurs in South-south Nigeria were faced with some

constraints in accessing microfinance services, such constraints include; Technical, management, economic, and social constraints in accessing microfinance services. The result equally revealed some strategies that can be used to improve microfinance services. Such strategies include: Interest rate reduction, relaxation of the conditions inherent in microfinance access, bringing microfinance services closer to the people, more public enlightenment for women entrepreneur about microfinance services, reducing the payback period for microcredit.

References

- Alila, P. O. (2002). Women street vendors, Institute for Development Studies, University of Nairobi, Nairobi.
- Assessing the Impact of Microenterprise Services (AIMS 1997). Assessing the Effects of Program Characteristics and Program Context on the Impact of Microenterprise Services: A Guide for Practitioners, Washington, D.C., November 1997.
- Central Bank of Nigeria (2005), *Microfinance Policy, Regulatory and Supervisory Framework for Nigeria*. December 2005. Abuja, Nigeria: CBN
- Comrey, A.L. (1962). "The minimum residual method of factor analysis". *Psychological Reports*, 11: 15-18.
- Feldman, R. (1984). "Women's groups and women's subordination: An Analysis of Policies towards Rural Women in Kenya", *Review of African Political Economy*, Double Issue, 27/28, pp. 67-85.
- Folbre, N. (1994). *Who Takes Care of the Kids? Gender and the Structures of Constraint*. London: Routledge.
- Karanja, A. M. 1996. "Entrepreneurship among rural women in Kenya.", in D. McCormick; P.O. Pedersen (eds.): *Flexibility and networking in an African context (Kenya, Longhorn)*.
- Khartoum Report (2009). Report on Training Program on Microfinance Sector Development for OIC Member Countries, July 18-21, Sudan.
- K'Obonyo, P. (1999). *Complying with Business Regulation in Kenya*, IDS Occasional Paper No. 64, University of Nairobi, Nairobi.
- McCormick, D.; Pedersen, P. O. (eds.) 1996. *Small Enterprises Flexibility and Networking in an African Context (Kenya, Longhorn)*.
- Mulaik, S.A. (1987). A brief history of the philosophical foundations of exploratory factor Analysis, *Multivariate Behavioural Research*, 22:267-305
- Njeru, E. H. N. and Njoka J. M. (1998). *Small scale enterprise in Nairobi: The socio-cultural factors influencing investment patterns among informal sector women entrepreneurs*, Department of Sociology, University of Nairobi, Nairobi.
- Nkamnebe, A. (2009). *Women and micro Credit Financing in Nigeria: Implications for Poverty Alleviation and Fight Against Vulnerability*
- Stevenson L. & St-Onge, A. (2005) "Support for Growth-Oriented Women Entrepreneurs in Kenya," *International Labor Organization*, Geneva.
- Vonderlack, R. and Schreiner, M. (2001). *Women, Microfinance and Savings: Lessons and Proposals*. Working Paper 01-5, Centre for Social Development, Washington University at St. Louis

Appendix

Table 1: Socioeconomic Characteristics of Respondents

Socioeconomic characteristics	Category	percentage
Age (years)	< 31	57.0
	31–50	37.0
	> 50	6.0
Size	< 5	26.7
	5- 9	66.7
	10 and above	6.6
Education	No formal	8.3
	Primary school	11.7
	WAEC/GCE/SSCE	55.0
	Higher Degree	25.0
Location	Urban/semi-urban	70.0
	Rural	30.0
Time of Business	Full time	65.0
	Part time	35.0
Marital Status	Married	68.0
	Single	16.7
	Consensus	5.3
	Widowed	10.0

Source: Survey data 2010

Table 2: Factors constraining Access to microfinance services by women entrepreneur in South-south Nigeria

VARIABLE	FACTOR			
	Technical factor (1)	Economic factor (2)	Management factor (3)	Social (4)
Low accessibility of loan	.179	.081	.590	.041
Time lag between application and loan collection	-.045	.227	-.524	.030
Protocol before accessing loans	-.017	.478	-.119	.308
Transportation cost	-.475	-.081	.274	-.004
High interest rate	.024	-.431	.053	-.090
Limited amount of loan given	.152	.407	-.110	-.008
Lack of trust	.544	-.035	.154	.065
Distance	.006	.163	.176	.405
Stringent condition given	.015	-.353	.166	.065
Amount given is discretionary	-.201	-.147	.489	.078
Opening of account as a condition	.219	-.144	.515	.309
Securing of guarantor	-.188	-.273	-.227	.539
Loans are given to only people in business	.284	-.006	.108	.592
Having no knowledge of MFIs	.229	.494	.464	.034
Provision of collateral	-.291	.505	-.025	-.195
Non-willingness of MFIs to grant loan to women	.091	.592	-.136	-.210
MFIs services are concentrated in the urban centers	-.237	.281	-.100	.159
Diversion of funds	-.464	.102	-.008	-.320
Attitude of MFIs officials	-.002	.057	-.174	.112
Too many applications than what MFIs can serve	.159	.097	.106	-.531
MFIs give their loans in stages	-.110	.436	.324	-.190
Short payback period	-.649	.097	.010	.289
Loans are targeted at certain businesses	.587	.108	.066	-.189
Education level of the recipient	-.109	-.192	.405	-.068
Marital status of the recipient	.637	-.006	-.307	-.074
Recipient's year of business experience	.090	-.439	.127	-.422
Recipient's business location	.372	.002	.123	.146

Note: Factor loading of 0.4 is used (10% overlapping variance); any variable that loads **more than one** factor is dropped; also, a variable with loadings of **less than 0.40** is dropped

Table 3 Strategies to improve Access to Microfinance services by women entrepreneurs

Strategies to improve Access	Frequency	percentage	Cumulative percentage
Reduction of interest rate	45	30.0	33.3
Relax the conditions of loan	30	20.0	54.1
Bring MFIs closer to the people	25	16.7	70.8
Increase payback period	15	10.0	79.1
Sensitize more women about MFIs	20	13.3	91.7
Give priority to rural women	15	10	100
Total	150	100	100

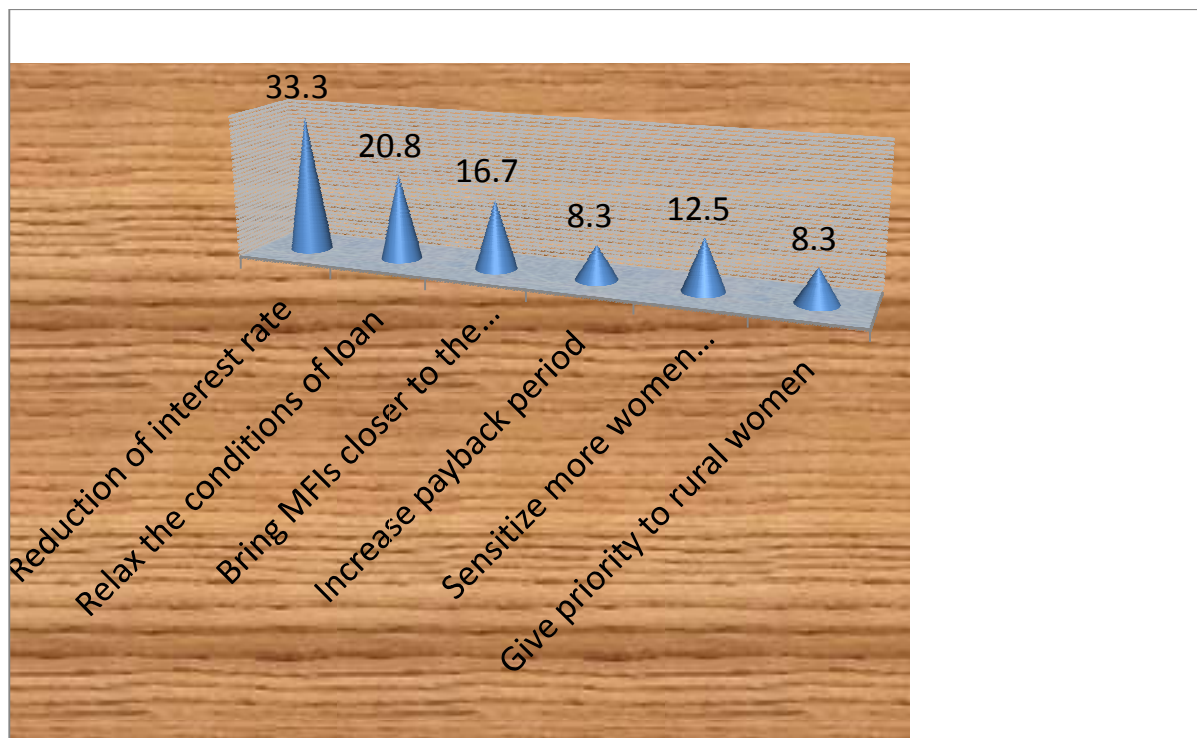


Figure 1: Strategies for improving Access to microfinance services by women entrepreneurs in South-South Nigeria