

Impact of Micro Finance Bank on Women Entrepreneurial Development in Fufore Local Government Area, Adamawa State Nigeria

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Abstract

There are series of microfinance programme and policies put in place by Nigerian government to alleviate the rate of poverty through empowering people to increase access to credit facilities. The paper tries to evaluate the impact of Fufore Micro Finance Bank (FMFB) on women entrepreneurial development. Among the objective of this study was to examine the impact of FMFB in contributing towards women economic and financial sustainability. The problem of the research emerged out of the need to assess the extent to which FMFB contributed to women entrepreneurial development. Descriptive study was used. Simple percentages and chi square were used for data analysis. The study found that women entrepreneurs knew about FMFB existence and the value of X^2_{cal} is greater than the X^2_{tab} , which indicates a positive response of FMFB. The FMFB had also influenced positively in promoting socio-economic life of women entrepreneurs. The study recommends that FMFB should come up with strategies to attract more investors and women participation in entrepreneurial activities and encourage women self-reliance and financial sustainability in Fufore.

Keywords: Credit Unions, Entrepreneurship, Micro Finance, Poverty.

JEL Classification: E50; E59; G21; H81; I38; J16; J24

1. Introduction

Reducing the circle of poverty and attaining sustainable development has eluded developing countries. Nigeria, like many other developing countries, has been making effort to accelerate the pace of her economic development by putting in place programme to alleviate the rate of poverty through empowering people and improving their access to factors of production, especially credit. Therefore, to increase the flow of financial services in the rural

areas, Nigerian government has, in the past initiated a series of micro/rural credit programmes and policies that were targeted at the poor. Among these programmes were the rural banking programme, establishment of Nigerian Agricultural Cooperative Bank (NACB), National Directorate of Employment (NDE), Peoples Bank of Nigeria (PBN), Community Banks (CBs), Family Advancement Program (FEAP), National Poverty Eradication Program (NAPEP), etc. The need to increase financial services in Nigerian rural areas and alleviate ever-increasing incidence of rural poverty, prompted the CBN to initiate well-focused and appropriate policies. The aim of these policies is to expand financial infrastructure, harmonize operating standards and provide platform for evolution of microfinance institutions. It is true that, women entrepreneurship would be significantly improved through the provision of microfinance services (Adeyemi, 2008).

The introduction of microfinance policy and framework on 15th December 2005, brings all the existing informal institutions that serve 65% of the Nigerian population under CBN supervision. The policy also transforms to Community Banks (CBs) on meeting the new capital requirement for Microfinance Banks (MFBs). Microfinance banks have been established to promote self-reliance, self-esteem and make financial services accessible to larger segment of productive Nigerian population which otherwise would have little or no access to financial services. Presently, there are many microfinance banks and community banks operating across states and local government areas. These operating units aim at improving micro small and medium entrepreneurs, eliminating gender disparity and improving women's access to financial service, (Akinboyo, 2007). Statistically, women constitute more than 50% of Nigerian population and out of this; only about 35% of them are involved in entrepreneurship, which can be under the form of micro, small, medium and large enterprises (Tarfa, 2011). These enterprises usually tend to have the flexibility and innovativeness that are critical business issues in feminism (Emmanuel and Daniya 2012). In Nigeria, irrespective of women's physical population, educational, economic and social status, they are not perfectly represented in policy making process, especially in matters of business and man power development, (Faseun and Bewayo, 2012). However, given the dynamic nature of Nigeria, a number of changes have emerged, including the recognition of the potential of women and their contribution to the economy. The objective of this study was to examine the impact of FMFB in contributing towards financial sustainability and women economic development. As Mordi (2010) observes that traditional roles occupied by the Nigerian woman in the family are changing as a result of changes in family configuration and setting which has allowed women to undertake more practical and functional roles within the society. The question in this research however, is to ascertain the fact whether micro finance and community banks have helped in financial sustainability and entrepreneurial development especially concerning women.

2. Literature Review

This section is mainly concerned with review of relevant literature to the study. Microfinance banks play a vital role in promoting socio economic development of women because viable approach to sustainable growth and development lies in the financial sector and economic advancement of women and rural areas. Microfinance or micro credit structures are essential for development of rural areas in consideration of the fact that

development concentrated in urban centers in this country. Ubom (2013) opined that provision of microfinance made a positive impact on individual household's budget and has changed the quality of lives of millions of women in developing nations. Adeyanju (2012) declared that, microfinance bank provides the means to generate income that gradually leads to sustainable development and provide the drive to develop "broad access" to financial resources crucial to the poor (among whom women are the majority) in order to provide basic requirements for sustainable economic development. Microfinance institutions have rapidly evolved in the last decade and have been able to enhance socio economic activities of rural people and women through the following ways:

Easy access to banking services: Establishment of Microfinance institutions in both rural and urban areas give easy access to banking services than when located in far distant places. Monsot (2005) opined that microfinance banks make credit directly available to the very poor thereby enhancing their self-sufficiency. The institutions have reached out to many disadvantaged micro entrepreneurs and have them to build operational and financial self-sufficiency. The idea behind microfinance was to bring at doorstep, banking services to rural and low-income segment of the society who cannot meet the requirement of orthodox commercial banks. According to the CBN (2005), microfinance is about providing services to the poor who are traditionally not served by conventional financial institutions and for easy access to banking and to help Nigerian women and poor to generate significant income or more entrepreneurial activities in the country,

Encouraging rural savings: Apart from prompting self-reliance and economic independence as well as breaking vicious circle of rural poverty, encouragement of rural savings has other significant advantages. Succinctly put, saving goes a long way in discouraging unproductive household consumption in rural areas and increases their resources base and bargaining position. By deferment of current consumption through savings, rural dwellers and women become more prudent in expending their hard-earned income investment.

Encourage self-reliance: The CBN (2005) reported that "the latent capacity of women for entrepreneurship would be significantly enhanced through the provision of micro loan to enable them engage in economic activities and to be more self reliant. In addition, rural dwellers, comprising women, need technical and financial assistance; need more funds and obviously financial and economic advice. Microfinance bank offers advisory service to its customers on current business trends. More so the CBN reports on microfinance institutions state that agriculture and small business were relatively large recipients of the bank's loan facilities while significant amount also went to restaurant business, cottage industries and substantial amount to small-scale enterprises engaged in manufacturing and transportation (CBN, 2001). Many organizations like the World Bank, UNDP, USAID, Canadian, Swedish and German Governments have all made funds available to microfinance in order to reduce poverty and enhance self-reliance (Iheduru 2002).

Alleviation of poverty: In a paper presented by Iheduru (2002) he established that it has been estimated that women comprised nearly 74% of the 19.2 million of the world's poorest people been served by microfinance institution. It is also reported in a survey carried out by United Nations Capital Development Fund (UNCFD) that out of 29 microfinance institutions, approximately 60% of these institution clients were women. Moreover, with

microfinance, the level of women poverty has decreased to the minimal level. Micro-credit delivery of microfinance institutions gives greater business opportunities, economic independence as well as sustainable development in women economic activities. According to Gbandi and Amissah (2014) microfinance clients are typically self employed, low income entrepreneur in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers, artisans and small producers such as black smiths and tailors. Usually their activities provide a stable source of income, although they are poor but generally not considered to be poorest of the poor.

Financing entrepreneurial activities: Clients of microfinance are often peasant farmers, petty traders, artisans, tailors, service providers, etc. Microfinance banks help existing business of their clients to grow or diversify and thus encourage self- sufficiency and to live above poverty level. In the findings presented at the international conference on administration and business, it was concluded that microfinance institutions, especially in Nigeria, were identified to be one of the key players in the financial industry that have positively affected individuals, business organizations, and other financial institutions. More so, microfinance banks contribute to entrepreneurial development with the help of external funding from bilateral and multilateral organizations. It is expected that with the current reforms put in place by the federal government through its regulatory authorities, microfinance institutions will be able to compete favorably in the global market and gainfully increase entrepreneurship development among women.

3. Methodology

3.1 Data

This study used both descriptive and inferential analysis to analyze its data. The descriptive analysis took the form of simple percentage, average and tables. While the inferential analysis deals with the chi square. 90 questionnaires were administered, where the questions were designed to address the research objectives and hypothesis. The data collected were analyzed using simple percentage and chi square to determine the impact of Fufore Micro Finance Bank on women entrepreneurship development of the group. In the course of the study, 90 target population were identified in the study area that comprised of women of different skills.

3.2 Population of the Study

For the purpose of this paper, four women associations in metropolis were selected based on their patronage in terms of loan collection for the period of 2015 – 2017. The population was examined to provide evidence and test the proposition that Fufore Micro Finance Bank was a relevant institution for economic and entrepreneurial advancement of women. The names of these associations were *Kauna Women Association*, *Mandimademo Women Association*, *Albarka Women Association* and *Tikkise Association of Women*. Therefore, the entire population selected for this paper was 140 women entrepreneurs

3.3 Sampling Size

Sampling is the process of selecting a given number of any parts of population for obtaining information for generalization about a larger population. For purpose of this study, the sample size selected for the study areas included *Kauna Women Association*,

Mandimademso Women Association, *Albarka* Women Association and *Tikkise* Association of Women.. The researcher made use of the formula by Yamane (1964), given below to determine the respondent size. The formula is as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = Sample size

N = Size of population

E = Precision level

Therefore:

$$n = \frac{140}{1 + 140 (0.05)^2}$$

$$n = \frac{140}{1 + 0.35}$$

$$n = \frac{140}{1.35} = 103$$

3.4 Sampling Techniques

The sampling technique that was adopted for the purpose of this study was simple random sampling technique. This is one of the methods of probability sampling in which an individual chosen at random from the population will give every individual in the population an equal chance of being selected.

The distribution of questionnaires to the staff was determined using the bowlers, proportion allocation formula which is given as:

$$n = \frac{n1(n)}{N}$$

Where n= the sample size of the study

n1=the proportion of each element

N=the population for the study

Through substitution of values from the above formula:

$$\text{Bursary} = \frac{30 \times 103}{140} = 22$$

$$\text{Central store} = \frac{35 \times 103}{140} = 26$$

$$\text{Marketing} = \frac{39 \times 103}{140} = 29$$

$$\text{Marketing} = \frac{36 \times 103}{140} = 26$$

$$\text{Therefore} = 22 + 26 + 29 + 26 = 103$$

Table 3.1: showing the sampling techniques

| S/No | Groups | Respondents |
|------|----------------------|-------------|
| 1 | <i>Kauna</i> women | 22 |
| 2 | <i>Mandimademso</i> | 26 |
| 3 | <i>Albarka</i> women | 29 |
| 4 | <i>Tikkise</i> women | 26 |
| | Total | 103 |

Source; compile by the researcher 2017

3.5 Hypothesis

Ho: Fufore micro finance bank has not influenced positively on the women entrepreneurial development.

4. Results and Discussion

4.1 Descriptive Statistics

This section focuses on presentation, analysis and discussion of results generated from association of women entrepreneurship in Fufore metropolis. The primary instrument for this research exercise was questionnaire. One hundred and three (103) copies of questionnaire administered to the women associations in Fufore metropolis out of which ninety (90) were returned. Out of the returned, seventy seven (77) copies were found to be useful representing response rate of seventy five percent (75%). Below are the data presented in frequency tables;

Table 4.1: Responses of the respondents on awareness of the existence of the Fufore Micro Finance Bank (FMFB)

| Responses | Frequency | Percentage % |
|-----------|-----------|--------------|
| Yes | 77 | 100 |
| No | 0 | 0 |
| Total | 77 | 100 |

Source: field survey, 2017

Table 4.1 depicts that, all the respondents agreed that they were aware of the existence of (FMFB). It is discernible that the sample respondents had sufficient knowledge about the bank and its existence.

Table 4.2: Respondent's responses on their membership of the association

| Responses | Frequency | Percentage % |
|-----------|-----------|--------------|
| Yes | 77 | 100 |
| No | 0 | 0 |
| Total | 77 | 100 |

Source: field survey, 2017

The data presented in Table 4.2 reveals that 100% of the respondents were members from different women associations within Fufore.

Table 4.3: Respondent's responses on Patronizing Services of Fufore Micro Finance Bank

| Responses | Frequency | Percentage % |
|-----------|-----------|--------------|
| Yes | 58 | 75.5 |
| No | 19 | 24.5 |
| Total | 77 | 100 |

Source: field survey, 2017

Table 4.3 reveals that 75.5% of the respondents had an account each with Fufore Micro Finance Bank and patronized some of its services, 24.5% constituted those that had never patronized Fufore Micro Finance Bank services.

Table 4.4: Respondent's responses on association's ability to collect loan from this Bank

| Responses | Frequency | Percentage % |
|---------------|-----------|--------------|
| Twice or more | 56 | 72.7 |
| Once | 15 | 19.5 |
| No response | 6 | 7.8 |
| Total | 77 | 100 |

Source: field survey, 2017

It can be seen from Table 4.4 that 56 of the 77 respondents (representing 72.7%) admitted that they had collected loans, at least twice or more in a year and 19.5% collected loans only once in a year from their community bank. While 7.8%, remained neutral without responding.

Table 4.5: Opinion respondent's responses on loan facilities sufficiency

| Responses | Frequency | Percentage % |
|-----------|-----------|--------------|
| Yes | 49 | 63.6 |
| No | 28 | 36.4 |
| Total | 77 | 100 |

Source: field survey, 2017

Table 4.5 shows that 63.6% of the respondents held the opinion that the credit facilities were available whereas 36.4% of the respondents disagreed, by saying that credit facilities were not available.

Table 4.6: Respondent's responses on business improvement from loan granted by Fufore Micro Finance Bank

| Responses | Frequency | Percentage % |
|-----------|-----------|--------------|
| Yes | 60 | 77.9 |
| No | 17 | 22.1 |
| Total | 77 | 100 |

Source: field survey, 2017

From Table 4.6 it reveals that 77.9% of the respondents agreed that loans from micro finance bank improved their entrepreneurial activities remarkably. 22.1% had negative responses. Majority of these respondents also testified that micro-credit (loan) from community banks facilitated their business activities and contributed to their increased standard of living through business expansion by diversifying into other businesses.

Table 4.7: Opinion of the respondent on how FMFB affects their socio-economic life

| Responses | Frequency | Percentage % |
|-------------|-----------|--------------|
| Positively | 65 | 84.4 |
| Negatively | 5 | 6.5 |
| No response | 7 | 9.1 |
| Total | 77 | 100 |

Source: field survey, 2017

Table 4.7 reveals that 84.4% of the total respondents strongly agreed that micro-credit disbursement of community bank uplifted their living standard to an optimum level but on the contrary, 6.5% disagreed that there was no significant improvement in their socio-economic status. Seven of the respondents representing 9.1% of the total respondents remained neutral without responding to the question.

Table 4.8: Opinion of respondents on how appropriate FMFB policies are on women entrepreneurial empowerment

| Responses | Frequency | Percentage % |
|-----------|-----------|--------------|
| Yes | 54 | 70.1 |
| No | 23 | 29.9 |
| Total | 77 | 100 |

Source: field survey, 2017

Table 4.8 reveals that 70.1% considered (FMFB) policies appropriate for small and medium women entrepreneurs. While 29.9% of the respondents believed that the policies were not meant for improving women's access to financial services.

Table 4.9: Respondent's responses on problems facing their in businesses

| Responses | Frequency | Percentage % |
|----------------------------|-----------|--------------|
| Inadequate capital | 40 | 51.9 |
| Bad debt | 20 | 26 |
| Social and economic factor | 10 | 12.9 |
| No response | 7 | 9.2 |
| Total | 77 | 100 |

Source: field survey, 2017

Table 4.9 shows that 51.9% of the respondents were with the opinion that inadequate capital was the major challenge they were facing in business. Although 26% believed that excessive bad debt was a serious obstacle affecting entrepreneurial development. While 12.9% expressed that social and economic factors were among the problem affecting entrepreneurs. Seven (7) respondents representing 9.2% remained neutral without responding.

4.2 Inferential analysis

The chi square table below was use to determine the impact of Fufore Micro Finance Bank (FMFB) on the women entrepreneurship development of the group.

| Categories | f_o | f_e | $f_o - f_e$ | $(f_o - f_e)^2$ | $\frac{\sum(f_o - f_e)^2}{f_e}$ |
|------------|-------|-------|-------------|-----------------|---------------------------------|
| 1 | 77 | 38.5 | 38.5 | 1482.25 | 38.5 |
| 2 | 77 | 38.5 | 38.5 | 1482.25 | 38.5 |
| 3 | 58 | 38.5 | 19.5 | 380.25 | 9.9 |
| 4 | 49 | 38.5 | 10.5 | 110.25 | 2.9 |
| 5 | 60 | 38.5 | 21.5 | 472.25 | 12.3 |
| 6 | 54 | 38.5 | 15.5 | 240.25 | 6.2 |
| 7 | 0 | 38.5 | -38.5 | 1482.25 | 38.4 |
| 8 | 0 | 38.5 | -38.5 | 1482.25 | 38.5 |
| 9 | 19 | 38.5 | 19.5 | 380.25 | 9.9 |
| 10 | 28 | 38.5 | -10.5 | 110.25 | 2.9 |
| 11 | 17 | 38.5 | -21.5 | 472.25 | 12.3 |

| Categories | f_o | f_e | $f_o - f_e$ | $(f_o - f_e)^2$ | $\frac{\sum(f_o - f_e)^2}{f_e}$ |
|------------|-------|-------|-------------|-----------------|---------------------------------|
| 12 | 23 | 38.5 | -15.5 | 240.25 | 6.2 |
| Total | 462 | | 0 | | 216.6 |

$$X^2 = \frac{\sum(f_o - f_e)^2}{f_e}$$

$$df = 12 - 1 = 11$$

$$X^2_{cal} = 216.6 \quad X^2_{tab} = 19.7$$

Since X^2 calculated is greater than X^2 tabulated, we reject the null hypothesis and accept that community bank has influenced women entrepreneurial development in Fufore Local Government Area. It is apparent from the foregoing analysis that the Fufore Micro Finance Bank has impacted positively on women entrepreneurial development. This means that FMFB has played significant role in promoting entrepreneurship among women. As you can see from the analysis, 100% of the respondents knew about the existence of FMFB. This might be because of its accessibility that gave opportunities to make financial services accessible to large segment of the society.

More so, the patronage of the bank's services from the foregoing analysis was high. About 75.5% of the respondents patronized FMFB services. This also reveals the efficiency and easy accessibility of FMFB services to micro small and medium entrepreneurs. The analyzed data also indicated that FMFB policies were excellent in poverty reduction and women empowerment. This was by placing vital financial resources in the hands of both rural and urban women that otherwise would not be available to them. This however helped them to increase their entrepreneurial activities and become self-reliant and thus raise their living standard.

5. Conclusion and Recommendation

As seen in the previous sections of this study, the respondents were aware of the existence of the community bank in the area and indicated that they belonged to an association. Majority of them had patronized the community bank in that area and agreed that there was improvement in their business with the loan collected. Since X^2 calculated is greater than X^2 tabulated, it is apparent from the foregoing analysis that the Fufore Micro Bank has impacted positively on women entrepreneurial development. This however helped them to increase their entrepreneurial activities and become self-reliant and thus raise their living standard.

Based on the findings of the study, the following recommendations are made: The policies of the FMFB as guided by the Central Bank should be maintained with increased capacity on lending powers to make available finances for the success of entrepreneurship development; Fufore Microfinance Bank should initiate sensitization programme directed at rural areas, for instance, public seminars could be held in rural areas to give them proper orientation on activities of the bank and how it could help them to improve their business; Poverty reduction can effectively be achieved in rural household provided women are given

the opportunity to obtain credit facilities and be self-reliant; and high level of investment in the community and microfinance banking system should be encouraged with a view to effectively realize the spread and establishment of community banks in all nooks and crannies of the country.

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