

Effect of Group Participation on Access to Micro-Credit among Rural Women in Osun and Oyo States, Nigeria

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Abstract

Various reports have it that poverty is more prevalent among people in rural communities with women being the most vulnerable group. Globally, improved access to micro credit is promoted as an important strategy in the struggle against poverty in developing economies. Using a sample of 104 rural women selected through multi-stage sampling technique, this study examined group participation and access to micro credit among women in rural communities of Osun and Oyo States, Nigeria. The results showed that about 85.6% of rural women belonged to micro credit groups notably religious and traders associations through which 42.3% were able to source credit. Rural women were only able to meet 40.3% of the capital need through micro-credit offered by the groups. Cooperative societies granted higher volume of credit than the local groups while women farmers had access to greater volume of credit than women traders; however, micro credit was yet to have significant impact on poverty status of the women.

Keywords: micro-credit, rural women, poverty

INTRODUCTION

Over the past two decades there has been increased recognition of micro credit as one of the leading strategies in poverty eradication among nations of the world. In effect, the World Summit for Social Development, held in Copenhagen in March 1995, underlined the importance of improving access to credit for small rural or urban producers, landless farmers and other people with low or no income, with special attention to the needs of women and disadvantaged and vulnerable groups (UNO 1998).

Records have also revealed that more than one billion people across the world today live in poverty with Nigeria harbouring over 60 million of this number (6% percent of the total figure) (Nwachukwu, 2006). As the most populous and one of the largest countries in sub-Sahara Africa, the issue of poverty in Nigeria is of concern not only in itself but also as a challenge for poverty reduction mandate in the entire African continent. Though, Nigeria is blessed with abundant physical and human resources, there had been progressively worsening welfare and poverty condition of its nationals (Okunmadewa, 2001).

However, research reports and official documents show that poor people in Nigeria tend to be concentrated in communities that lack the benefits of modern development. Rural areas and urban fringes have a slightly higher concentration of poor people (Ayanwale and Alimi 2004).

Generally, available estimates (CIA 2008, DFID 2008) have shown that about 70% of the population lives below poverty line while poverty reduction in the country has been rated to be very slow with decreasing potential for meeting the Millennium Development Goal (MDG) 2015 target. In addition, Nwachukwu et al (2007) asserted that evidence from previous surveys conducted by the Federal Office of Statistics showed that poverty in Nigeria is overwhelmingly a rural problem. Various reports (Ajetomobi 1995, World Bank 1999 quoted in Ayanwale and Alimi 2004, Ajao 2000, Ajani 2008, Kareem et al 2008) also have it that people in rural communities and especially women are the most vulnerable group in Nigeria owing to their limited access to productive resources, coping strategies, safety nets and constantly growing sense of insecurity.

This possibly explains the focusing of poverty alleviation programmes on rural communities by various administrations in Nigeria over the years as noted by Ogwumike (2002).

In recognition of micro credit as an important tool in the struggle against poverty, CBN (1999) reported the significance of credit and other inputs to agricultural output and submitted that the provision and use of these inputs in the right proportion were crucial to increasing agricultural output and productivity in Nigeria. Availability and proper usage of inputs/credit has also been empirically proved to enhance productivity level of farm households in Nigeria (Okoruwa and Oni, 2002). However, since it has also been established that women are usually at the receiving ends in accessing production incentives and it has even been suggested that such limitations could be removed through group participation. It then becomes pertinent to investigate the extent to which group participation has been able to enhance access to credit among women in rural communities in Osun and Oyo States, Nigeria.

METHODOLOGY

Data for this study were generated from a household survey of 120 women selected through a multi-stage sampling technique. The first stage involved purposive selection of two ADP zones that are predominantly rural in geographical distribution, followed by selection of ten villages from each of the zones. Rural households were randomly selected from the list of households members obtained from member of each of the villages who served as contact for the study.

However, a total of 104 questionnaires certified as containing adequate information relevant to the scope of the study were used in the analysis. Data generated were analyzed using descriptive statistics including frequency distribution, percentages, and means while chi-square statistic was used to draw inference about the dependence of group participation on poverty status of rural women. The study adopted two-third of mean household expenditure (Oke *et al* 2007) as the poverty line.

RESULTS AND DISCUSSION

Socio-economic Characteristics and Membership of micro-credit groups

The distribution of the respondents on the basis of their socio-economic characteristics and the relationship between these and membership of micro-credit group among rural women is shown on Table 1. The distribution of the women by their age group indicates that majority of the women were within the productive age of 20 to 60 years and belong to micro credit associations (85.6%). There was no significant difference in the average age of women who were members of micro credit groups (44.1) and non members (42.8). The results also indicated that majority of the rural women (62.5%) had formal education from primary schools (20.2%); secondary school (26.0%) and post secondary schools (16.3%) while a greater percentage (48%) were members of micro credit associations. The study has shown that majority of the women in micro credit group were within the productive age in addition to having formal education. This is in consonance with earlier findings (Ayanwale and Alimi 2004, Oke *et al*, 2007) that members of micro-credit groups were mostly within the productive age and had formal education

Meanwhile, trading in farm produce (82.7%) was the commonest vocation among the respondents with about 68% of the women traders belonging to micro-credit. This agrees with an earlier study (Oke *et al* 2007) that more female members of micro-credit groups were involved in non-farming businesses than farming businesses. In addition, about 52% had alternative sources of income alongside their primary vocation and were predominantly members of micro-credit groups (44.2%). The distribution of the population by religious sect is indicative of the importance of Islam (57.7%) and Christianity (42.3%) among women in rural communities of the study area. However, a greater percentage of women under the two religions were members of micro-credit associations.

Further analysis of the distribution also suggested that age group, level of education; religion and type of family had significant relationship with membership of micro-credit associations among rural women. The dominance of the population by women within the productive age and the prevalence of literate majority are reflective of availability of physical and mental strength, and innovativeness for entrepreneurial initiatives among the rural women. The combined influence of these is thus capable of stimulating increased drive for investible fund and consequently, participation in micro credit groups. In addition, an educated population is known to provide the ingredient for adequate exposure to the basic skills required in organizing, coordinating and managing not only the acquired fund but also the home grown informal sources of such fund. The relevance of these had been demonstrated in earlier studies (Ayanwale and Alimi 2004) of micro credit groups with emphasis on the importance of age and level of education on managing of micro credit group and credit sourcing.

The impact of religion on credit according to Kessey (2005), takes root in moral basis regarding the prohibition of interest (*riba*) by Muslims and this could, to some extent constitute a limiting factor on sourcing of credit from formal institutions by this group. However, emerging trends in the roles played by religious groups and associations in the struggle against poverty through economic empowerment at the grassroots is a testimony to the potential influence that religion can play in membership and functioning of micro-credit groups.

Similarly, the influence of family type (monogamous or polygamous) and its attendant influence on family size and pressure on family resources are capable of stimulating the drive from extra-household means of meeting competing ends. Consequent upon this, the drive for additional support outside personal earnings might be more pronounced within one family type and the other especially as this study has shown that members of micro-credit group have smaller family size and number of children in the household than non members. Perhaps, smaller family size affords opportunity for savings, which is a significant feature of membership of micro-credit groups.

TABLE 1: Influence of socio-economic characteristics of Respondents on Group Participation among rural women

Characteristics	Member	Non Member	Test Statistic Value
Age Group (Years)			
21-40	26(25.0)	10(9.6)	7.956 ^{C*}
41-60	63(60.6)	05(4.8)	
Average Age (years)	44.1	42.8	0.605 ^t
Level of Education			
None	39 (37.5)	0(0.0)	49.988 ^{C *}
Primary School	21 (20.2)	0(0.0)	
Secondary School	12(11.5)	15(14.4)	
Post Secondary	17(16.3)	0(0.0)	
Occupation			
Farming	05(4.8)	0(0.0)	3.669 ^C
Trading in farm produce	71(68.3)	15(4.4)	
Trading in non-farm products	5(4.8)	0(0.0)	
Civil Servant	03(2.9)	0(0.0)	
Agro-Processor			
Alternative Income Source	46(44.2)	8(7.7)	0.014 ^C
Yes	43(41.3)	7(6.7)	
No	60(57.7)	0 (0.0)	23.902 ^{C*}
Religion	29(41.3)	15(4.4)	
Islam			
Christianity	47(45.2)	0(0.0)	14.453 ^{C*}
Type of Family	42(40.4)	15(4.4)	
Monogamous	7.4	9.7	3.667 ^{t*}
Polygamous	3.8	4.3	1.890 ^{t*}
Household size (Mean)			
Number of Children (mean)			

Source: Survey data 2007

* Significant ($P \leq 0.05$). $t = T$ value $C = Chi$ Square Value

Type of Associations and Sources of Micro Credit

Table 2 shows the distribution of rural women by the type of credit associations joined and the major sources of micro-credit. The results showed that religious association and traders associations were the prominent form of micro-credit groups joined by 70.2% and 48.1% of the respondents respectively. However, credits were commonly sourced from local micro-credit groups and cooperative societies thereby underscoring the importance of local associations in financing micro-credit needs of rural women. In the same vein, the results had as envisaged earlier pinpointed the increasing importance of religious organizations in providing ground for women economic empowerment as about 70% of the respondents belonged to these associations.

TABLE 2: Type of Associations and Sources of Credit

Type of Association ^a	Frequency	Percentage
Cooperative Societies	05	4.8
Traders Association	50	48.1
Religious Association	73	70.2
Farmers Association	02	1.9
Sources of Credit		
Cooperative societies	02	1.9
Money lenders	0	
Community Banks	0	0
Commercial Banks	0	0
Government Credit Agencies	0	0
Local Micro-credit groups	28	26.9
Friends and Relatives	0	0
Cooperatives and Local micro-credit groups	11	10.6

Source: Survey data 2007

^a Multiplicity of membership of associations

The study has shown that majority of the women belong to various form of micro-credit groups thereby underscoring the contribution of previous economic empowerment policies and programmes targeted at group participation for enhanced access to credit among rural women. However, the dominance of non formal groups over others like cooperative societies undermines the impact that the policies were designed as regards sourcing credit from formal sources. This is evident in the marked dependence on local groups for credit that is not known to guarantee adequate supply in terms of volume of credit required to bring about meaningful impact on the livelihood and poverty status of the rural women. Also, the dominance of religious group is an indication of the new role and potential impact that religious groups are likely to have on credit supply to rural women. This is indeed a pointer to the need for policies directed at economic empowerment of rural women to mainstream religious association into the strategies.

Demand for Credit among Rural Women

The average investment capital need of the rural women was estimated as ₦58,827.07 out of which ₦25,721 representing (43.7%) of the capital need was sought as credit from the micro-credit groups. However, the estimates showed that ₦23,707 or (40.3%) of the credit requested for was financed by the group. This study revealed the high level of dependence of rural women on the micro-credit groups for investment capital and undoubtedly an indication of the significant role that the groups play in micro-credit financing. In addition, Table 3 shows that the investment capital

need of women farmers (N60,000) and consequently, the amount sought (N49,000) and obtained as micro-credit (N35,000) were significantly higher than those of women traders respectively ($P \leq 0.05$). However, the amount obtained as credit by women farmers (N35,000) was about 71% of the amount requested for compared to women traders who obtained about 99% (N 22,138) of their credit requisition as micro-credit.

Similarly, the results (Table 4) showed that the volume of credit requested and obtained from cooperative societies were significantly higher than those of local credit group. However, rural women rated local micro credit groups significantly higher ($P \leq 0.05$) in terms of period of loan delivery and affordability of interest rates charged more than those of cooperative societies (Table 5).

TABLE 3: Credit Demand and Use of Credit among Rural Women

	N	Minimum	Maximum	Mean	Std. Deviation
Amount Required	41	10000	70000	58,827.07	16,694.89
Amount sought as Credit	41	10000	60000	25,721.71	14,601.41
Total Obtain as Credit	41	9000	60000	23,707.31	13,092.44

Credit Demand by Purpose of Credit

	N	Need for Loan	Mean	t-Value
Amount Required	5	Farming	60,000.00	2.767*
	36	Trading	49,583.33	
Amount sought as Credit	5	Farming	49,000.00	4.836*
	36	Trading	22,361.11	
Total Obtain as Credit	5	Farming	35,000.00	2.149*
	36	Trading	22,138.88	

Source: Survey data 2007

* Significant ($P \leq 0.05$).

TABLE 4: Comparison of Credit Demand from Different Sources

Credit	Source	N	Mean	Std. Deviation	T-Value
Total sought	Cooperative	6	40833.33	20836.67	3.084*
	Local Credit Group	35	23000.00	11517.25	
Total granted	Cooperative	6	35000.00	20736.44	2.422*
	Local Credit Group	35	21771.42	10586.02	

Source: Survey data 2007

* Significant ($P \leq 0.05$).

TABLE 5: Relative Performance Score of Sources of Credit

Performance Parameter	Credit Sources	N	Mean	T-Value
Volume of Credit	Cooperative Society	23	2.92	2.491*
	Local Credit Group	40	2.65	
Period of Delivery	Cooperative Society	23	2.30	4.763*
	Local Credit Group	40	2.83	
Affordability of Interest Rate	Cooperative Society	23	1.00	2.782*
	Local Credit Group	40	2.48	

Source: Survey data 2007

* Significant ($P \leq 0.05$).

Membership of Micro-Credit Group and Poverty Status of Rural Women

It has been established that rather than being an end itself, provision of micro-credit is a tool to an end of alleviating poverty especially among rural dwellers. Hence, the yardstick for measuring the effectiveness of micro-credit groups is not limited to assessing its potential in provision of credit to its members but also to investigate whether such function has been translated to improvement in poverty status of the members. While assessment of credit delivery and recovery potential relates principally to the operational efficiency of the groups, the possibility of provided credit translating to improvement of poverty status of members relates to the use efficiency of such credit which is in turn affected by factors including the both the loanee-specific and enterprise-specific attributes.

The average monthly expenditure of the respondents was estimated as N14,559.62 and this was used in determining the poverty status into which each of the respondents belong as done by Oke et al (2007). The results presented in Table 6 showed that majority of members (77.5%) and non members (66.7%) were poor while the Chi-square value suggested that there was no significant relationship between membership of micro-credit group and poverty status of rural women. Hence; membership of micro-credit group had no significant relationship with the poverty status of rural women in the study area. This could probably be attributed to the dominance of non-formal credit institutions and its attendant problem of been able to guarantee meager amount as loan to its members. The study has earlier shown the estimate of average volume of credit as ranging from about N21,000 to N35,000 per year from both local credit group and cooperative societies respectively.

TABLE 6: Distribution of rural women by membership of micro-credit group and Poverty Status

Poverty Status	Membership of Micro-credit Group				Chi Square Value	
	Member		Non Member		Value	Remark
	Freq	%	Freq	%		
Poor	69	77.5	10	66.7	0.829	NS
Non Poor	20	22.5	05	33.3		
Total	89	100.0	15	100.0		

Source: Survey data 2007

NS=Not Significant ($P \leq 0.05$)

In addition, the average monthly expenditure profile of rural women members and non members of micro credit group (Table 7) showed that food accounted for the greatest percentage of expensed incurred personally by women in the households. However, there was no significant difference in the expenditure profile of rural women who were members of micro credit groups and non members thereby underscoring the earlier suggestion that participation in micro-credit group was yet to have any significant member in the poverty status of rural women.

TABLE 7: Comparism of Average Expenditure by Membership of Association

Expenditure	Membership of Micro-credit Group		T-statistics		
	Member	Non Member	Value	P Level	Remark
Food	12,280.90	10,226.67	1.17	0.24	NS
Cloth	876.40	493.33	1.86	0.07	NS
Household Utensils	260.67	220.00	.1.45	0.15	NS
Children's education	780.89	440.01	1.70	0.09	NS
Family Health	349.44	293.33	1.67	0.09	NS
Social Functions	430.34	360.00	1.36	0.17	NS
Total Expenditure	14,978.65	12,073.33	1.47	0.15	NS

Source: Survey data 2007

NS= Not Significant ($P \leq 0.05$)

Constraints in Sourcing of credit from micro credit groups

Table 8 showed the relative importance of constraints faced by rural women in sourcing micro-credit. The distribution shows that inability to get information on sources of credit, difficulty in coping with the required protocols, problem of finding suitable guarantor are the prominent constraints against sourcing finance from micro-credit institutions. It is however evident that the bulk of this constraints are more relevant to credit sourcing from formal micro-credit institutions rather than the non formal sectors.

Table 8: Constants in Sourcing of Micro-credit by Rural Women

Constraint	No of Respondents	Percentage
Lack of Information on Sources	104	100.0
Difficulty in Coping with Protocols	68	65.4
Issue of collateral	48	46.2
Finding Guarantor	65	62.5
High Interest Rate	29	27.9
Untimely Delivery	21	20.2
Distance to Credit Institutions	21	20.2

Source: Survey data 2007

CONCLUSION

The results obtained from this study have shown that non-formal micro credit institutions form the most prominent sources of micro-credit to rural women. Specifically, local micro credit groups including traders and religious associations represented the dominant sources of micro credit through which they were able to source about 80% of the capital need as credit. The study also showed that more credit was demanded for investment in farming than trading with cooperative societies granting higher volume of credit. However, the performance of local credit group was rated higher by the rural women in terms of promptness of credit delivery and affordability of rates charged. However, the study showed that membership of micro-credit did not have any significant relationship with the poverty status of the women. The study however suggested that policy efforts directed at giving publicity to the operations of formal micro-finance institutions through training programmes and awareness campaign could go a long way in removing some of the bottlenecks already experienced by rural women and thus enhanced their patronage of formal institutions for improved credit delivery and standard of living. Similarly, better appreciation needs to be accorded the role that is now been played by religious association in mobilizing rural women for enhanced access to micro credit.

The religious associations are likely to have structures that are easily amenable to organized reforms that could help increased access to greater volume of credit from formal sources like government credit agencies, micro-finance banks and commercial banks.

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