

Microfinancing as a Poverty Alleviation Measure: A Gender Analysis

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ABSTRACT Available statistics confirm an increase in the incidence of poverty in the country in recent years. Furthermore, rural women are the most vulnerable groups to the poverty incidence. They are denied access to productive resources most especially credit. The Non Governmental Organisations (NGOs) emerged in response to the inability of formal sources of finance to meet the need of the rural poor who constitute the bulk of the poor in the country. Farmers Development Union (FADU) as a microcredit NGO was studied to assess the extent to which it took care of the interest of the rural poor women in her microcredit administration. A random sample of 164 beneficiaries in Ibadan Oyo State was taken and analysed. Results revealed a conscious gender balancing in the administration of the facility because the random sample produced an almost equal number of male and female beneficiaries. Most of the facility was short time (less than a production season of 9 months), the monitoring and evaluation efforts of the NGO ensures a very high repayment rate, and more than 90 percent of the loan requests were granted. The savings mobilization efforts of the NGO yielded positively in that the beneficiaries saved an average amount (N27530) that was more than the average income of most members before joining the NGO. Although men have more of their loan request granted, women obtain more amount as loan on the average. The reported income obtained by men is more than that obtained by women, however, the income obtained by both is more than their income before joining the program. Furthermore, the average income obtained by the beneficiaries is more than the acknowledged threshold income of \$1.00 per day. In other words, the microcredit enabled the beneficiaries get out of the vicious cycle of poverty.

INTRODUCTION

Evidences emanating from recent statistics show that poverty is on the increase in Nigeria (UNDP-Nigeria 1998; FOS, 1999; World Bank 1999). Although poverty level declined from 46.3 percent in 1985 to 42.7 percent in 1992, it rose sharply to 65.6 percent of the population in 1996. (FOS, 1999).

In absolute terms, the population of poor Nigerians increased four-fold between 1980 and 1996, hence, in contrast to the one poor person out of every four Nigerians in 1980, two out of every three Nigerians were poor in 1996.

The results of the national survey on poverty assessment undertaken in 1997 indicated a national average income level of N3,770 with a higher average urban income compared with rural incomes. Although, incomes rose in nominal terms, they registered a decrease in real terms relations to 1992/1993 levels as a result of a rapid rate of price inflation. Furthermore, the report noted that, the total population below the poverty line rose from 34.1 percent in 1992 to 69.2 percent in 1997.

The inference from the above statements is

that the incidence of poverty in Nigeria is rising in spite of the poverty alleviation measures and programmes on the ground.

Poverty in Nigeria is acknowledged to be largely a rural phenomenon where agriculture is the predominant occupation. By 1996, 69.8 percent of rural the population were poor compared to 58.2 percent of the urban population (FOS 1999). Usually, the major source of income (of the poor) is agriculture and poverty is more prevalent among smallholder farmers (Schubert 1994). The poverty level of the agricultural sector in Nigeria was put at 71.0 percent in 1997 (UNCCA, 2001).

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. For instance, World Bank (1990) noted that more than 80 percent of all poor in Africa are ruralites.

Other attribute of Nigeria's poverty is the geographic variety. The prevalence of poverty varies geographically. In addition, poverty has been found to have gender underpinning in

Nigeria. For instance, findings from the poverty and development study conducted by the World Bank and DFID in Nigeria using participatory poverty assessment method, indicate that the consequences of being a woman in Nigeria include amongst others, the likelihood of having very limited coping strategies and safety nets, and of constantly living with a sense of insecurity (World Bank, 1999).

Given the fact that most ruralites are agricultural or farm based, reports have it that there are unequal gender access to productive resources such as land, labour and capital at the farm level. Ajetomobi (1995) and Ajao (2000) noted that in spite of the fact that women produce more food items, they are restricted in access to vital production resources. Furthermore, Olawoye (1989) reported that women in Oyo State generally have access to improved seeds and fertilizers, they however, do not have much access to other inputs notably herbicides. Dey (1984) pointed out that women need cash to pay for inputs, and since most of their food crops are consumed, money must come from other sources. In 1997, a sample survey conducted in 5 states of Nigeria showed that less women farmers have access to credit facilities compared to their male counterparts and in addition female are more likely to be granted smaller amount of credit (UNDP, 1997).

In Lagos State where the best gender ratio was obtained, 9.1 percent of women obtained credit access to 14.8 percent of men while in Kano State only 1.7 percent of women obtained such facility compared to men. This is important because the use of credit is seen as one way of increasing the productive capacity of smallholder farmers. Agriculture requires a vast amount of capital for a successful operation. Capital is needed for procuring vital inputs and services that will enable agriculture come out with output that meets both the needs of the farmer and the nation as a whole.

In fact, one of the key areas of intervention of government at various levels as regards agricultural growth and subsequent economic development is credit delivery. Unfortunately, the efforts of the government in this area through the formal credit institutions have not been effective. Indeed most of the credit institutions have not been able to make a significant impact due to several operational deficiencies among which are gross inadequacies in staffing, organization and management as well as poor loan

recovery performance (Olomola, 1994).

The liberalization of the economy since the introduction of the Structural Adjustment Programme (SAP) in 1986 has tended to exacerbate the financial problems of the ruralites. Loanable funds from government sources have dwindled considerably. The cost of borrowing has escalated substantially and the financial outlay for business enterprises has multiplied several folds, irrespective of the scale of operation.

In the face of the glaring inability of formal source(s) of finance to meet the needs of the rural poor farmers the informal sources took up the challenge. This is in form of the participation of the non-governmental organizations (NGOs) in the agricultural credit market. The NGO's are notable in the area of micro-finance, which is a "major anti-poverty strategy" being supported by several international organizations. The financial liberalization era of the SAP seems to have brought them into limelight. Several NGOs are in operation now but notable among them are the Farmers Development Union (FADU), Lift Above Poverty Organisation (LAPO), Community Development Foundation (CDF), Community Women and Development (COWAD) amongst others.

FADU is one of the leading NGO's with focus on micro finance. It was founded in 1989 as a federation of six low-income rural producers association that is devoted to enterprise development of grassroots enterprises. Currently, FADU has 108 rural offices in 29 states of Nigeria with a membership of over 500,000. It has its state capital headquarters in Ibadan, the Oyo. FADU is acclaimed to have played a significant role in micro finance and credit delivery with some innovative approaches.

The clients of the NGO's are mostly low-income earners with an income below the threshold income of \$1.00 per day. Micro finance NGO's operate within the informal sector since they are not affected by the regulatory authority of the Central Bank of Nigeria (CBN). Their focus is to ensure that the less privileged individuals who have no link with the formal financial system are not left behind in the development process.

Given these premises, the research question address by this paper is the extent to which the less privileged women are attended to by the FADU as a micro finance NGO. Could we say that FADU is gender sensitive? Has the participation

of rural poor women in FADU loan scheme had any positive effect on their income level? This we attempt to answer by carrying out a gender analysis of their operations.

THE FARMERS DEVELOPMENT UNION FADU

FADU is a Non Governmental Organisation (NGO) which was established in 1989 as a federation of six rural associations. FADU's program focuses on micro-enterprise development among poor Nigerians. FADU's credit and savings scheme is a key element of this program, with the believe that the informal sector is the most effective way to reduce poverty and attain broad-based growth at the grassroots. FADU's credit program, which include grassroots institutional support services reach over 500,000 rural Nigerians as at September 1998. Through participation in FADU's credit scheme members participate in FADU's other program which include literacy, environment, water and sanitation, health and self-help infrastructural development.

Clientele: FADU's credit scheme is group based. Only societies that are members are eligible for loans from FADU. The target of the program is the very poor who are living below N20,000 or an annual income of \$260.

Membership: Members save with the organisation. Members must have at least 25 percent of his/her loan request at savings in his/her society to qualify for loan. A society likewise must have had at least 25 percent of its loan request as savings in the union before it can obtain loan. When a society has been assisted successfully for three loans, it will graduate into matured membership, which makes it to have at least 50 percent of its loan request as savings to qualify for loan in the union.

The process of loan recovery is by the way it was disbursed. Individuals repay weekly to the society, and the society repays back into FADU that is nearest to the society. No special security is required for FADU loan.

Features of FADU Credit Scheme

- Target beneficiaries of the scheme are FADU members
- Credit is approached as a business, although accruing interests goes back into the program

to become self-sustaining.

- Loans are to societies but guaranteed by the district to the societies.
- Societies take responsibility for managing their affairs, make loan applications, disburse loans to their members, ensure repayment and disciplined behaviour of the members
- Savings in the credit scheme are compulsory for all prospective beneficiaries of the scheme
- Societies and district are trained in record keeping, group management, savings and credit administration, leadership skills and other elements of simple business administration.
- Decentralization of the credit scheme management to facilitate quick and responsive service by FADU staff to the rural beneficiaries.
- Regular monitoring and periodic evaluation of credit program performance and portfolio quantity
- Periodic training to upgrade staffs technical competence and commitment
- Group to group learning or exchange visits.

Eligibility

Eligibility of beneficiaries of the scheme, who must be members of FADU is premised on:

- Ability to repay market based loan
- Use of loan proceeds to increase income
- Aspiring to higher income levels for shaping their communities

The FADU adopts two levels of administration viz: the grassroots and the program. The grassroots structure forms the institutional base for successful savings mobilization, loan recovery and sustainability of the scheme. This structure is made up of group, society, districts, zones and delegates assembly.

The program structure is made of zonal office; area office; and the regional office; each headed by an officer. The headquarters is headed by the program coordinator. The office coordinates FADU activities generally, approves fund allocation to the regions, audits zonal, area and governing board; while also coordinating staff training and development.

Objectives of the Study

The essence of micro-credit as a useful tool for poverty alleviation cannot be overempha-

sized. Accessibility to such credit can substantially promote the economic activities of the poor, engender employment of resources and raise income level.

Given the acknowledged performance of the FADU as an NGO involved in micro credit delivery this paper aimed at assessing the socio-economic characteristics of the beneficiaries of the FADU loans according to gender, and ascertain their relative level of living compared to when they joined the scheme.

METHODOLOGY

The study used primary data from FADU assisted smallholder farmers in Ibadan, Oyo State. A simple random sample of 180 beneficiaries of FADU loan scheme were selected for interview. Cross-sectional data covering the farm year 2001 were solicited from the farmers through structured questionnaire. The amount of loan requested, amount granted, size of farm, family size, use of fertilizer, ease of obtaining farm input, sources of credit and other questions were solicited from the farmers.

The simple random sampling technique was utilized to ascertain any gender bias in the administration of the micro credit scheme. At the end of survey, only 164 questionnaires were found useful and therefore used for analysis.

The data collected were processed and analysed with the use of simple statistical tools such as the difference between two means, the students t-test .

The results presented were as valid to the extent to which the year 2001 was typical and representative of the system being studied.

RESULTS OF DATA ANALYSIS

Socio economic Characteristics

Results of the salient socioeconomic characteristics of the respondents are presented in Table 1 below. Most (48.44 percent) of the respondents fall in the age range 41-50 years, while about 70 percent fall between 31 and 50 years of age. The recipients are relatively young and in their productively active years. The gender distribution is almost equal since a simple random sample produces an almost equal number of male and female. Thus we can assert that FADU loan scheme is gender sensitive.

Most of the respondents (39.0 percent) have

Table 1: Socio-economic characteristics of respondents

<i>Variable</i>	<i>Frequency</i>	<i>%</i>	<i>Mean</i>
<i>Age (years)</i>	5	3.05	
21-30	36	21.95	
31-40	79	48.17	
41-50	41	25	
51-60	3	1.83	
>60	164	100	46.28
Total			
<i>Sex</i>			
Male	89	54.27	
Female	75	45.73	
Total	164		
<i>Family size</i>			
4-Jan	10	6.1	
8-May	64	39.02	
12-Sep	54	32.93	
13 - 16	26	15.85	
>17	10	6.1	
Total	164	100	10
<i>Education Level</i>			
No formal education	23	14.02	
Primary School completed	36	15.85	
Primary school not completed	8	4.88	
Secondary school completed	56	34.15	
Secondary school not completed	18	10.98	
Tertiary	23	14.02	
Total	164	100	3.52

Source: Analysis of Field Survey Data (2002)

a family size of between 5 and 8 people, with the average family size of 10 people.

The average number of years spent in formal institution is three and a half years. Most of the respondents (34.37 percent) completed their secondary school education, while only (14.06 percent) had no formal education.

Furthermore most (32.81 percent) of the respondents have less than 10 years of farming experience.

The implications of these socio-economic characteristics are that "the FADU beneficiaries are educated, young and have an average family size of 10. The fact that they are educated means they will be able to keep farm record, since education enables farmers to keep production and farm records and therefore boosts farm output.

FADU encourages her beneficiaries to save. Table 2 shows the savings patterns of the respondents. Most (32.81 percent) of the respondents save between N1000 and 2000 per annum, altogether about 60 percent of the respondents saves between N11000 and N30000 per annum. The average amount of savings is N27,530.00 which was about 68 percent of the mean amount of loan requested, which was N40,250.00.

Table 2 : Resource availability of the respondents

Variable	Frequency	%	Mean
<i>Saving</i>			
None	23	14.02	
≤10,000	53	32.32	
<i>Nov-00</i>			
21-3000	44	26.83	
31-4000	8	4.88	
41-5000	10	6.1	
>50,000	13	7.93	
	164		27,530.00
<i>Amount of Loan Requested</i>			
<30,000	75	45.73	
31-60,000	75	45.73	
>60,000	14	8.54	
	164		40,245.00
<i>Amount of Loan Granted</i>			
<10,000	46	28.04	
10,000- 20,000	16	9.76	
21,000 – 30,000	75	45.73	
31,000 – 40,000	19	11.59	
>40,000	8	4.88	
	164		38,000.00

Most (45.90 percent) of the respondents have between N21000 and N30000 granted to them as loan out of the amount requested. Since the beneficiaries are compelled to save to obtain credit line, both the lender and the borrower will benefit for the scheme, being stakeholders they will ensure a success of the venture.

The average amount of loan granted N38,000 is 94.44 percent of the average amount of loan requested. FADU loans are short time loans that are repayable within one production season, this is evidenced in Table 3, where most (65.57 percent) of the loan obtained is repayable between 4 to 6 months.

Table 3: Loan repayment time

Repayment time (Months)	Frequency	Percentage
4-6-Apr	108	65.85
7-9-Jul	46	28.05
10-12-Oct	10	6.10
Total	164	100.0

Source: Analysis of Field Survey Data (2002)

Table 4 shows the various forms of assistance given by FADU to her loan beneficiaries. These forms of assistance encourage monitoring and enables the NGO to assess the repayment ability of the borrower on time with a view to intervene at critical periods to prevent default. The FADU takes special interest in monitoring the loan utilization and repayment as reported by most (31.10 percent) of the respondents. Training and

Evaluation of the funded project was also a very important form of assistance as reported by 23.17 percent of the beneficiaries each. The reported forms of assistance may be responsible for the success of the FADU loan scheme. The specific forms of assistance may need to be noted by other bodies involved in microcredit delivery to enhance their effectiveness and possible efficiency.

Table 4: FADU's assistance to farmers after Loan

Form of Assistance	Frequency	Percentage
Monitoring and training	38	23.17
Monitoring loan repayment and utilization	51	31.10
Evaluation process	38	23.17
Technical assistance	6	3.66
Distribution of requested farm needs	21	12.80
None	10	6.10
Total	164	100.00

Source: Analysis of Field Survey Data (2002)

Table 5 shows the breakdown of the socioeconomic characteristics of the respondents by gender. From the table, it could be observed that the women beneficiaries are younger in age 29 years compared with 35 years for men, have more years a formal education 3.72 years compared with 3.34 years for men. The women have less years of farming experience 14.28 years while men had 22.94 years of experience. Furthermore, women have lower number of children (about two) while men had about three children on the average. In terms of access to productive resources, more women purchase land than men, although more men obtain land by lease, rent and gifts than the women.

In other words access to land by women is more by outright purchase than any other means, women have restricted access to land as a productive venture, except they want to purchase it outright which is costlier. Women seem to have less family size (about eleven) than men (about twelve), maybe because men are prone to polygamy and as a consequence have more children.

Women have more hoes and cutlass (7.92) than men (5.50) on the average, and, men make use of tractors more than women. This may be because women have smaller farm size than men, hence may not need the service of tractors.

Women obtained more loan (N36900.00 from FADU, and N25840 from Cooperatives) on the

Table 5: Gender analysis of FADU beneficiaries

Characteristics	Mean		T-ratio
	Male	Female	
Sex	89.00	75	
Age (years)	48.69	43.38	2.905*
Educational level	3.34	3.72	-0.918
Farming Experience (years)	22.94	14.28	3.330*
Rent land	8.31	5	0.235
Purchase land	15.89	60	-2.792*
Lease	19.00	10	1.069
Gift	1.83	1.72	0.998
Family size	11.75	10.5	0.26
Number of children	2.32	1.71	1.803**
Hoes	4.46	5.48	-1.456
Cutlass	5.50	7.92	-1.710**
Tractor	1.37	1.17	1.779**
Amount of spent on food	2263.64	2065.52	0.671
Amount spent on children education	6152.38	5050	0.677
Amount of loan obtained cooperative from N'000	25.00	25.84	3.856*
Amount of loan obtained from FADU	32.50	36.9	2.005*
Income obtained from farm operations	93.97	40.84	3.013*
Loan requested N'000	38.13	42.59	-0.731
Loan granted N'000	23.31	24.66	-0.348
Amount of contribution N'000	1.44	1.74	1.230
Amount put in cooperative N'000	0.59	0.943	-0.935
Total savings	35.88	17.45	2.775**

Source: Analysis of Field Survey Data (2002)

• significant at 5% level ** significant at 10% level
t-test for equality of means

average than men (N32500 from FADU and N25000 from Cooperatives). Although men have more of their loan request granted (61.13 percent) than women's (57.90 percent), women obtain more loan (N24660) than men (N23310) absolutely.

The World Bank had prescribed a threshold income of \$1.00 per day as poverty line. Results of the study showed that men reported a mean income of \$751.76, while female reported an income of \$326.72. These figures are above the World Bank's minimum threshold income of \$1.00 per day. This is encouraging given the reported widespread prevalence of poverty in the country. The amount of savings also reported translated to about \$220.24 per annum which is an indication of the success of the FADU's savings mobilization effort.

The amount of income obtained by the FADU beneficiaries also indicated an improvement when compared with the reported national

average income level of N3,770. obtained in 1997 (CBN 1999). Furthermore, the threshold income of FADU's potential beneficiaries was put at \$260 per annum. If we compare the average annual income obtained by the beneficiaries the mean annual income obtained \$721.76 by men and \$326.72 by women to the national average income we can safely assert that the welfare of beneficiaries have improved.

SUMMARY AND RECOMMENDATIONS

The results obtained from this study shows that the FADU as a micro-credit NGO has afforded women better access to agricultural finance, in the sense that almost equal access is afforded men and women in granting loans. Furthermore, the average amount of loan granted to women was more than that granted to men.

The average income obtained by beneficiaries is FADU is more than the threshold income of \$1.00 per day for the poverty line by the World Bank, in which case, the beneficiaries are above the income poverty line, although they were mostly below before their involvement in the program. We can safely assert that the micro credit program has enhanced the income level of the beneficiaries, bringing them out of the poverty cycle.

Given the increased access of women to credit through the FADU, it is suggested that innovations such as that put up by the FADU in micro credit delivery needs to be encouraged in rural areas and urban fringes, in terms of group lending scheme and close follow-up of the clients. The particular forms of assistance given by FADU to their clients may need to be closely studied and adopted by other similar institutions in the microcredit delivery to help ensure sustainability of the loan system.

The results obtained in this study are of importance to national and international agencies involved in microcredit delivery. First, that microcredit is a veritable tool in mitigating the hash effects of poverty among vulnerable groups. Second, that, the after sales service provided by the FADU as an NGO also needs to be noted as a package to induce sustainability of the group loan scheme. Furthermore group lending is an effective means of credit administration among the poor who will use peer pressure to ensure prompt payment.

However, for any meaningful project development, the nature of the loan disbursed needs to be reviewed. This is with a view to giving

more long term loans for sustainable projects that will further enhance the living standards of the beneficiaries. Poverty being a prevalent problem in developing countries need to be addressed multivariably to ameliorate its effects on the downtrodden.

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