Impact of a rural microcredit scheme on female empowerment and household vulnerability in Nigeria

2014-2015

Project milestones

Oct 2013 Initial consultation meeting between the research team and bank officials
May 2014 Selection of project for PEP support under the PAGE initiative
May 2015 Follow-up meeting with key policy stakeholders and research users to present preliminary findings
Nov 2015 Team leader advises local philanthropic foundation on design of new microcredit program for poverty alleviation and women
Dec 2015 Team and bank officials discuss findings and policy implications during a live (national) TV program
Dec 2015 Team and bank officials organize PEP national policy conference in Ikere, Ekiti, Nigeria
Dec 2015 Philanthropic foundation implements new microcredit program
Jan 2016 Team leader called on to advise design and implementation of new programs to alleviate poverty through microcredit

Context

Although 60% of Nigeria’s population lives in absolute poverty, it is women who are considered the most vulnerable population group due to the social norms and traditions that render them subservient to men. As in many other developing countries, microcredit interventions have been increasingly popular as a means to mitigate credit market failures and to improve welfare in Nigeria, especially amongst the most vulnerable groups and in rural areas where there is a high proportion of unbanked poor.

However, the initial attraction and promises of microcredit schemes have recently given way to controversy in the related literature. This is due to the largely inconclusive and limited evidence regarding any impact. Indeed, evidence relating to the impact of microcredit on vulnerability and empowerment is largely dependent on how the outcome indicators are measured and represented, especially considering the multidimensional nature and setting of such outcomes.

In 2011, the Central Bank of Nigeria (CBN) set aside funds to be lent to small and medium enterprises through microfinance banks, with the aim of significantly reducing the female population excluded from the financial system by 2020. By granting women access to credit, the initiative aims to improve their social, economic and political empowerment, as well as their household well-being.
This study aims to provide multidimensional empirical evidence to evaluate the impact of a microcredit scheme, specifically designed to reach women in rural areas of Nigeria, on the household vulnerability and the empowerment of the female beneficiaries. The researchers used and compared data collected from several thousand applicants, approximately half of whom were selected to benefit from the program, and half who weren’t.

This particular intervention is being implemented by the Amoye Microfinance Bank (AMFB) in Ikere, Ekiti State in southwest Nigeria, where it has earned a well-established reputation as a leading provider of credit for personal and business empowerment for the socioeconomic development of the community.

Key findings and conclusions

Improvements in several of the measured outcome dimensions clearly demonstrate the positive impact of microcredit on female empowerment.

Indeed, the results show that the beneficiaries of the microcredit are significantly more empowered than the non-beneficiaries, as they benefit from:

- Improved bargaining power and increased capacity for joint household decision making,
- Increased social capital due to their enhanced ability to network and undertake community activities, which also helped to build their self-confidence, and
- Increased financial inclusion (through the use of financial services).

The results also suggest that the beneficiaries are less vulnerable than non-beneficiaries, as shown by the significant reductions in both the frequency of child labour and food shortage in the household.

However, as no significant difference was detected in the other dimensions of vulnerability, the evidence is not sufficient to be considered conclusive regarding the impact of microcredit on this particular outcome.

The study was conducted using data from the (2012) follow-up survey of nearly 3000 applicants to the AMFB’s rural microcredit scheme, with similar (baseline) characteristics - half of whom were selected as beneficiaries (treatment group) and half who weren’t (control group).

This data source allowed the researchers to take a multidimensional approach to measuring household vulnerability and female empowerment, and use a regression discontinuity (RD) design to identify the impact of the program.

The microcredit scheme also generated significant positive indirect effects on the household members of the beneficiaries, who benefited in terms of per capita income, expenditure and savings.

Furthermore, there was a significant increase in the share of labour income as part of the total household income, an increased number of adults working and an increased number of hours worked per week in the households of the beneficiaries.

Finally, further analysis shows the association between the key outcomes and particular aspects of the microcredit design – such as pricing, repayment method, loan duration, and the use of the loan – were found to either enhance or diminish the impact in terms of empowerment or vulnerability.
Engaging with key policy makers, advisors and stakeholders

The PEP research team’s findings inform new policy for poverty alleviation through microcredit

While developing the research project proposal, the team consulted with key policy actors and stakeholders, from the above-mentioned banking institutions (AMFB, CBN), to the State Ministry of Labour and the National Planning Commission. Those consulted advised the team on their specific needs in terms of an evidence base to inform current policy regarding financial inclusion and female empowerment. The project raised such interest that two senior officials of the Amoye Microfinance Bank worked directly with the team on the project.

In December 2015, the team organized their PEP national policy conference in Ikere Ekiti, in collaboration with the AMFB. The event brought together over 30 participants from across the country and various sectors including policy, academia, civil society, and the media. The attendance of key institutions, such as the National Association of the Microfinance Banks in Nigeria, as well as local businesspeople and representatives of the microcredit beneficiaries (bank customers), extended the project’s reach.

The event led to fruitful discussions around the findings and possible implementation of the subsequent recommendations. Following these discussions, the AMFB announced the decision to design a new program for poverty alleviation through microcredit combined with financial products. The team leader was also appointed to the committee in charge of implementing the initiative.

Soon after, guided by the PEP project’s findings and in consultation with the team leader, the Col. Sunday Akinola (rtd) Foundation (a local philanthropist) launched the Ikere Women Poverty Alleviation Initiative. The program aims to alleviate poverty through microcredit for female micro-entrepreneurs in the local government area. Through the initiative, 3,050,000 Naira was distributed among 65 poor women-traders in Ikere Ekiti, with no repayment obligations. However, the funds must be used to improve their business in a way that aims to reduce poverty in their households. After one year there will be an assessment to determine the eligibility of the beneficiaries for increased funds through a funded cooperative.

Furthermore, following the national policy conference, the Deputy Director of the National Planning Commission expressed great interest in the research results and stated that these findings will inform the design of the national government’s program for female empowerment.

The research project and findings benefited from wide media coverage at the national level, including reports in The New Telegraph, The Nigerian Tribune, and The Nation, as well as through the Ekiti State Television. In fact, a few days before the event, the project team leader and the COO of the Amoye Bank were invited as guest speakers on a national television program, Daybreak Nigeria, to discuss the upcoming conference and the importance of microcredit as a strategy for poverty alleviation. This program alone triggered various policy responses across the country – including a request by the Deputy Governor of Ekiti State to receive the final research report.
“The key lesson learnt from the experience of our national policy conference was that the usefulness of our research findings is mainly the ability to generate discussions to inform policy, and the level of discussions generated made us feel proud about the project.”

- Dr. Damilola Olajide, Nigeria