

PEP research in action

Supporting women's empowerment through microcredit in rural Nigeria



Building capacity for local and sustainable development solutions

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2011

60% Nigerians live in absolute poverty

Women considered the most vulnerable population group.

Microcredit interventions aim to mitigate credit market failures and improve welfare

Especially in rural areas (high proportion of unbanked poor).

Central Bank of Nigeria (CBN) provides funds for microfinance banks to lend to small and medium enterprises

To significantly reduce the number of women excluded from the financial system by 2020.

To improve women's social, economic & political empowerment, and household well-being.



Local PEP researchers evaluate the **impact of a rural microcredit scheme on women's empowerment and household vulnerability**.

Findings

Method

- In collaboration with the Amoye Microfinance Bank (implementation agency) in Ikere, Ekiti State.
- Analysis of data from nearly 3000 applicants to the AMFB rural microcredit scheme with similar characteristics.
- Half selected as beneficiaries (treatment group).
- Multidimensional measurement of household vulnerability and female empowerment using a regression discontinuity design to identify the program's impact.

Female microcredit beneficiaries experience greater empowerment¹.

- Improved bargaining power
- Increased financial inclusion
- Increased social capital
- Increased capacity for joint household decision-making

However, this is not true for beneficiaries who use the loan to purchase assets (e.g. land).

And are less vulnerable¹

- Significantly fewer instances of child labour and household food shortages

This is particularly true for beneficiaries who use the loan for income-generating activities.

Variations in microcredit design—such as pricing, repayment method, loan duration, and the use of the loan—**can enhance or diminish the effects on empowerment and vulnerability**.

¹ Compared to non-beneficiaries

Recommendations for policymaking

- Continue to invest in the rural microcredit scheme, but with some improvements.
- Consider the multiple dimensions of poverty and vulnerability in designing microcredit interventions.
- Provide supply-side interventions, such as training on loan use, alongside microcredit.

Informing local & national policies

Throughout the project the team consulted with:

- Ministry of Labor
- National Planning Commission
- Central Bank of Nigeria
- Amoye Microfinance Bank (AMFB, implementation agency and project partners)

PEP national policy conference, December 2015

- Discuss findings and recommendations implementation with local and national stakeholders

As a result:

➔ AMFB announces new poverty alleviation program

- Microcredit combined with financial products

➔ Ikere Women Poverty Alleviation Initiative

- Launched by local philanthropist
- Guided by project's findings and in consultation with the team leader.
- Aims to alleviate poverty through microcredit for female micro-entrepreneurs.
- 3,050,000 Naira distributed among 65 poor women-traders in Ikere.

Director of the National Planning Commission and Deputy Governor of Ekiti State request full research report

➔ Findings inform national government's program for female empowerment



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PEP publications

Working paper 2016-01
Policy brief 135

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