

**ASSESSMENT OF MICRO FINANCE SERVICES AND CHALLENGES IN
ECONOMIC EMPOWERMENT OF MARKET WOMEN IN URUA MBAKARA, IKOT
EKPENE**

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Abstract

The study made an assessment of micro finance services and challenges in economic empowerment of market women in Urua Mbakara, Ikot Ekpene local Government Area. In order to carry out this study, specified research objectives were drawn from which null hypotheses were formulated and used for the study. The research design for this study is survey design. The population of the study consisted of market women in Urua Mabakara in Ikot Ekpene Local Government. Simple random sampling technique was used to select 383 respondents out of the population. The instrument used for data collection was questionnaire. The instrument was validated by two experts in Test and Measurement. Crombach Alpha reliability technique was used for testing the reliability of the instrument and reliability index of .91 was realized, hence the instrument was regard as being reliable. Data from completed questionnaires was subjected to independent t-test analysis. The findings showed that concluded that concluded that microfinance have been working as the instruments of economic empowerment in our society. Many people have benefited directly and indirectly from the microfinance and therefore lift up the economy of the country in general. Normally the simple access to finance for SMEs has a significant importance for the establishment of new businesses and support the growth and development of already existing business, hence foster the economic and social development of a nation. The study recommended that Microfinance should come up with mechanisms to ensure that loans borrowed are used for the right purpose: for example encourage borrowers to have a business plan, vision and mission when applying for the loans. These willmake them to use the loans proper and for the intended purpose. Microfinance should continuously review their financial policies and procedures. This will enhance the evaluation of loan applications by ensuring that loan applications are evaluated and ranked according to the sovereign by-laws governing financial market of the country. High compliance with financial market by-laws of the

country will lead to growth of both members and their Microfinance organization because the loan eligibility facilitates loan recovery and minimize administrative costs.

Keywords: Microfinance Services; Challenges; Economic; Empowerment; Market Women

Introduction

Economic development has become a worldwide main area of concern having realized the wide growth of poverty and low standards of living especially in developing countries. Poverty has become the major hindering factors to the world's economic development where out of the three billion people; half of the world's population is surviving on an income of less than 2 dollars per day (Nakakuta 2010). The level of poverty has been increasing child mortality rates in poorer communities as one out the five children in the family dies before the five years of age, basing on the fact that parents cannot afford to provide the basic necessities of life (Hubka and Zaidi, 2015).

As strategies for community economic development through eradicating poverty, the United Nations Organization (UNO) announced the millennium development goals in the year 2000 to be attained by 2015 which included addressing extreme poverty and hunger, achieve universal primary education, promote gender equality and empowering women, reduce child mortality rates, improve maternal health, combat HIV/AIDS, malaria, and other diseases, ensure environmental sustainability as well as develop a global partnership for development (United Nations, 2005; Hubka and Zaidi, 2015).

Among the strategies set by UN was availability, accessibility and usability, of microfinance services in supporting and/or empowering efforts of small and micro entrepreneurs through addressing issues like improving income level and creating jobs within communities (United Nations 2005). So for now, the pursuit of development has taken the direction of socio-economic empowerment whereby microfinance schemes taken as one of the major strategy to promote and speed up the level of economic empowerment for the poor with micro finance being one of the strategies (Anin, *at el.*, 2012).

Through the objectives of Microfinance Institutions (MFI), most countries have benefited from their operation for instance Bangladesh; in which most microfinance programs have taken up Grameen Bank methodology which regards microfinance as a basic tool for empowering very poor people in the world. Grameen Bank has made a number of achievements in line with community economic development through extend banking facilities to poor entrepreneurs, eliminate the exploitation of the poor by money lenders, create opportunities for self-employment for the vast multitude of unemployed people in rural Bangladesh (Hubka and Zaidi, 2015). This has been done through offering of small loans usually less than 200 US so as to establish small businesses and this has been supported by the constant sensitization of the local communities on the different opportunities from micro finance institutions (Arifujjaman and Rahaman, 2007).

In the sub Saharan Africa including Nigeria, community economic development still lags behind (Haupt, 2006; Kiweu, 2009). In line with this low level of economical development in Africa, it has also been found out that over 90 percent of the people have limited access to financial services from commercial banks and formal micro finance institutions which has contributing to low livelihood access leading to vicious cycle of poverty. Considering the fact that credit service is the very important tool for development of Micro and Small Entrepreneurs (MSEs), as the way to overcoming credit constraint, MSEs are now forming their groups for savings and credit assistance to themselves famed as Savings and Credit Organizations.

These organizations are normally unregistered microfinance organizations which operate under spirit of trustiness. They are working according to democratic principles for the purpose of encouraging savings, using pooled funds to make loans to members at reasonable rates of interest, and providing related financial services to enable members to improve their economic and social condition (Muzinduki, 2008; Triodos, 2012).

Statement of the Problem

Besides the booming of micro finance services offered by both formal and informal microfinance institutions to the people of Ikot Ekpene local government, the level of economic development in the area still remains very low with high rate of poverty among the community members. Most of people in the city still have limited access to the basic necessities of life like food, shelter, good health care and education. According to the Nigeria Bureau of Statistics (2012) as reported by Diyamett (2013) over 30.5% of the Ikot Ekpene lives below the poverty line with the vicious circle of poverty. The majority of them are residing in the slum areas. Limited access to these basic needs has contributed to the increase of unemployment rate especially to the youth generation. This has also contributed to an increased level of government expenditure in investing in poverty eradication programs hence contributing to the delay in other developmental programs.

In Africa, it has been established that the informal micro finance organizations are more important than the formal micro finance institutions to MSEs (collection of authors in Chipeta and Mkandawire, 2011). This is because formal MFIs have been targeting mostly medium and large scale entrepreneurs since they are considering MSEs are the risk borrowers. This being the fact, there is the need of studying the impacts of this informal savings and credit organization in helping their members and the community development at large. However, from the understanding of the researcher there are very few studies have been conducted in this area and analyze quantitatively how Microfinance bank have been empowering economy of MSEs.

Specific Objective of the Study

- To assess the improvement of the economic status as a result of microfinance loans
- Determine challenges faced in accessing and repayment of microfinance loans

Research Questions

The study had to answer the following questions

- What are the economic impacts of accessing microfinance loans to the members?
- What are the challenges in assessing and repaying microfinance loans to the members?

Research Hypotheses

There is no significant effect of economic impact of accessing microfinance loans to the members

There is no significant effect of challenges in assessing and repaying microfinance loans to themembers

Overview of Microfinance Institutions (MFIs)

The word microfinance is being used very often in development vocabulary today. Although the word is literally comprised of two words: micro and finance which literally mean small credit; the concept of microfinance goes beyond the provision of credit to the poor. Christen (1997) cited in Anin, *at el.*, (2012) defines microfinance as 'the means of providing a variety of financial services to the poor based on market- driven and commercial approaches (Christen, *ibid*). This definition encompasses provision of other financial services like savings, money transfers, payments, remittances, and insurance, among others. However many microfinance practices today still focus on micro-credit: providing the poor with small credit with the hope of improving their labour productivity and there by lead to increment in household incomes. United Nations (2005) stated that microfinance is a facility that makes it possible for the focused poor people to get a small loan to start a business, pay for school fees, procure housing or receive health care such an initiative is instrumental in changing the poverty patterns in view of improved facilities to lessen the challenge posed by startup capital. Microfinance has been changing people's lives and revitalizing communities since the beginning of trade.

Access to Microfinance Credit and Services

Lack of access to credit is indicated as a key problem for SMEs worldwide (Duursma,2007). In some cases, even where credit is available, the entrepreneur may have difficulties because the lending conditions may require collateral for the loan. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. These Unbanked SMEs may also not have collateral to access formal credit. Another issue is that these unbanked SMEs might not have the skills to run the business professionally. They may not have proper bookkeeping

procedures, inventory systems, business plans or income statements making it hard for a bank to evaluate them (Frempong, 2007). In Kenya by 2007, there were about 2.2 million MSME's, of which 88 percent are non-registered (Cowan et al. 2007). Of this non-registered group, only 23 percent have bank accounts, and only 10 percent have ever received credit from a formal source. Banks have a fiduciary duty to make prudent loans with their depositors' and investors' funds. Therefore, most limit their risk with the SME market either by not lending at all or by charging high interest rates and requiring at least 100-percent collateral coverage. Many entrepreneurs are reluctant to seek credit. Though commercial banks face several problems, the main problem that the Kenyan banks have continued to face is directly related to lax credit standards for borrowers and poor portfolio risk management. SMEs have been the hardest hit in accessing credit worldwide because they are considered a high risk group. Credit scoring would provide a framework where each applicant would be ranked in accordance with their riskiness thus allowing those with good credit history to receive credit and denying those who would probably default. A credit scoring system may therefore serve to bridge this gap in provision of information and risk assessment making it easier for SME's to access formal credit (Cowan et al., 2006).

Microfinance Empowerment and Poverty Reduction Tool

According to the World Bank, poverty is said to exist when people lack the means to satisfy their basic needs (World Bank 1998). Income poverty is a state where one lacks a normal or socially acceptable amount of money or material possessions. Income poverty is a main cause of other types of poverty like food poverty, basic needs poverty, ill health and handicap people in rural areas poverty such as Ludewa district fail to utilize other forces of production that is land, entrepreneurial, and labour. Although the Human Development Index for Tanzania rose from 0.458 in 2000 to 0.530 in 2007, poverty in the country is still widespread and acute (UNDP, 2009). Poverty is a predominantly rural phenomenon; more than 80% of Tanzania's poor live in rural areas (NBS, 2009). As a reaction towards poverty reduction, the Government of the United Republic of Tanzania has been battling against poverty through various policies like Microfinance policies and SMEs policy.

Most of entrepreneurs and SMEs are unable to generate themselves through retained earnings or equity financing therefore highly depends on external sources including financial institutions. The considerable number of research papers and consultancy reports that have cited that the access to financial institutions products and services including finances been a major problem in the growth of SME sector. A survey of the literature in the area indicates there is a significant gap in knowledge of the determinants or factors of access to financial institutions products and services by the SMEs in developing countries, including Nigeria Masheneet *et al.*, 2014; Mungayaet *et al.*, 2012; Olomi (2009).

The financial institutions lending conditions are the conditions that the borrower has to fulfill so as to qualify to get loan. These conditions include the interest rate to be paid on loan, the duration of loan repayment the minimum amount of loan and the loan collateral security. These have direct impact on loan repayment by small and medium entrepreneurs. Other reasons which affect loan repayment include low level of business education, misuse of loans

and failure of business due to economic changes.

Challenges Facing Microfinance in Providing Services to the Market Women

According to Bee (2007) the establishment of groups targeted in improving areas of the members this includes members expansion, capital expansion most of the microfinance when started the capital base was very low through shares bought by members on a weekly basis. According to Begasha (2011), few members at the start that meant a meager amount of capital but with the increased member base that implies an increase in capital. Apart from the member base the value of the shares also contributed much to the capital expansion.

Loan defaulting and failure to repay as most MFIs facing the poor repayment rate, village banks also facing the same problem contributed by inadequate opportunities for income generating activities. Theoretically this are the most glaring problems facing many of the MFIs globally and national wide now the ongoing study intend to identify the underlying problems in smoothing the implementation of MFB approach in improving the living standard specifically in ikot Ekpene.

Effective Market Theory

Is the theory which was developed by Andrew-Lo (2005) for the aim of reconciling the economic theories based on efficient market hypothesis by applying the principles of evolution to financial interactions such as competition, adaptation and natural selection. He explained more that when multiple members from a single group are competing for scarce resources from a single market then the market is considered to be highly efficient. Also when a small number of individuals are competing for abundant resources then the market is considered to be less efficient (Andrew-Lo, 2005).

The theory enabled the researcher to understand the financial interaction between savings and credit organizations and SMEs whereby SMEs depend on savings and credit cooperatives for their access to financial services especially loans, also the depends on the demands of their financial services especially credit to borrowers from small and micro business enterprises for their survival and continuation of provision of service. However the efficiency market can be a potential source of microfinance to SMEs, wherein, there is an existence of multiple number of small and micro business operators who are in need of microfinance services.

METHOD

This work adopted the survey research design. The population comprised of market women in Urua Mbakara in Ikot Ekpene of Akwa Ibom State. Out of this population, a sample of 383 respondents was selected through the stratified random sampling techniques. An instrument called "microfinance services and challenges in economic empowerment of market women questionnaire" (MSCEEMWQ) was used to obtain data on the independent and dependent variables presented in both sections A and B of the questionnaire. While section A measured the demographic data of the respondents such as name, gender, age, educational qualification

and marital status, section B measured the independent variables. The content validity of the instrument was determined by experts in test and measurement who marched the items of the instruments with the research questions in order to determine whether or not the instruments measured what they were supposed to measure. The reliability was determined through experts in test and measurement and statistics were given the instrument for rating in respect of the consistency with the research objectives. Items in which at least two experts agreed upon were regarded as suitable, the reliability coefficients was 0.85 and was considered substantially high enough to justify the use of the instrument. The exercise is expected to last for two weeks. The data collected were analyzed using t-test analysis.

Data Analysis

Hypothesis One

There is no significant effect of economic impact of accessing microfinance loans to the members. In-order to test the hypothesis Independent t-test analysis was used in comparing the mean score of the two groups.

TABLE 1

Independent t-test analysis of effect of economic impact of accessing microfinance loans to the members

Variable	N	X	SD	t
High	234	12.01	1.30	21.45*
Low	149	15.15	0.71	

***Significant at 0.05 level; df= 381; N= 383; critical t-value = 1.96**

The above table 1 presents the obtained t-value as (21.45). This value was tested for significance by comparing it with the critical t-value (1.96) at 0.05 level with 381 degree of freedom. The obtained t-value (21.45) was greater than the critical t-value (1.96). Hence, the result was significant. The result therefore means that there is significant effect of significant effect of economic impact of accessing microfinance loans to the members.

Hypothesis Two

There is no significant effect of challenges in assessing and repaying microfinance loans to the members. In-order to test the hypothesis independent t-test analysis was used in comparing the mean score of the two groups. (See table 2).

TABLE 2

Independent t-test analysis of significant effect of challenges in assessing and repaying microfinance loans to themembers

Variable	N	X	SD	t
High	201	12.07	1.34	18.31*
Low	191	15.00	1.09	

***Significant at 0.05 level; df= 381; N= 383; critical t-value = 1.96**

The above table 2 presents the obtained t-value as (18.31). This value was tested for significance by comparing it with the critical t-value (1.96) at 0.05 level with 381 degree of freedom. The obtained t-value (18.31) was greater than the critical t-value (1.96). Hence, the result was significant. The result therefore means that there is significant effect of challenges in assessing and repaying microfinance loans to themembers.

Conclusion of the Study

Based on the findings of this study, it can be concluded that microfinance have been working as the instruments of economic empowerment in our society. Many people have benefited directly and indirectly from the microfinance and therefore lift up the economy of the country in general. Normally the simple access to finance for SMEs has a significant importance for the establishment of new businesses and support the growth and development of already existing business, hence foster the economic and social development of a nation. Moreover, under crisis conditions, supporting the access to finance for SMEs and entrepreneurs is fundamental since these business or enterprises can positively contribute to the individual development and recovery of the national economies. However, most surveys emphasize that SMEs report, always, the access to finance as one of the most imperative obstacles to their well functioning and development. Moreover the study indicate that given the reduced availability and even lack of financial services and products the it needs the policy makers to focus their efforts in shaping and monitoring of the number of significant indicators, such as the share of loans granted to individuals and SMEs, based on their size, experience business opportunities, building capacity to entrepreneurs and sectors. Also the study ensured that there is no doubt that credit provides fund for implementing various socio- economic development activities. It is clear that urban and rural poor people have been unable to access financial institutions to secure credit.

Recommendation of the Study

Based on the findings of the study the following recommendations have been identified for the purpose of increasing effectiveness of microfinance. These are as follows:

- Microfinance should come up with mechanisms to ensure that loans borrowed are used for the right purpose: for example encourage borrowers to have a business plan, vision and mission when applying for the loans. These will make them to use the loans proper and for the intended purpose.
- Microfinance should continuously review their financial policies and procedures. This will enhance the evaluation of loan applications by ensuring that loan applications are evaluated and ranked according to the sovereign by-laws governing financial market of the country. High compliance with financial market by-laws of the country will lead to growth of both members and their Microfinance organization because the loan eligibility facilitates loan recovery and minimize administrative costs.
- Since the study found that Microfinance are the profitable associations to their members and in fighting for the poverty in the country. The study would like business people, especially young entrepreneurs to join Microfinance so that they can easily get capital (i.e material and skills) to finance their business
- Government should provide conducive environment for growth and development of Microfinance so that the informal sector of economy can also benefit from cheap and accessible micro credit facilities and other microfinance service.

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