

85. See Kenneth Noble, "In Nigeria, Change - More of Same (i.e., Military)" *The New York Times*, December 2, 1993 p. A2.
86. See "Abacha's Third Coming" In "Coup that Failed: The Storming of Dodan Barracks" *NewsWatch*, May 7, 1993.
87. For instance, Samuel Ogbemudia, Melford Okilo, Bamanga tukur, members of the new cabinet have at one point or another been indicted for corrupt practices.
88. S.E. Finer, op cit, p. 17-18.
89. Edward Fiet, "Pen, Word and People; Military Regimes in the Formation of Political Institutions", *World Politics*, 25 (2) January 1973, p.251-55.
90. *The New York Times*, November 19, 1993. p.A3.
91. Fawehinmi. Op. cit, p.19.
92. Kola Animashaun, "Slowly, Slowly Please", *Sunday Vanguard*, November 7, 1993, p.7.
93. Ibid.
94. Eric Nordlinger, "Soldiers in Mufti, The impact of Military Rule Upon Economic and Social Change in Non-Western States", *American Political Science Review*, 64 (4) December 1970, p. 1131-48.
95. Kenneth E. Banzon, "Democratization: Myth or Reality", in his *Development and Democratization in the Third World, Myths, Hopes and Realities*, Washington, Taylor & Francis, 1992 p. 16.
96. See "Ainyemi Joins the Army", *The African Guardian*, October 4, 1993 p.8.
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Women's Access to Credit and Finance in the 1990s

by
O.E. Obina*

Abstract

This article is concerned with identifying some of the major factors that militate against African women's access to credit and finance for productive use. It is based on a research sponsored by the Ford Foundation through the Social Science Council of Nigeria. The research was conducted with the help of questionnaires and additional qualitative information was obtained from credit institutions through personal interviews. A purposive sample of 782 credit-seeking women was carried out at near urban locations in Anambra State of Nigeria, to assess their accessibility to formal sources of credit and finance.

The economic, social and cultural factors that mostly militated against women's access to credit and finance included high rates of interest, inadequate information about alternative sources of credit, illiteracy and cultural restrictions on women's interaction with largely male bank officials. These factors imposed a limit on women's investment activities and, in turn, constituted a constraint on their production potentials.

Introduction

Women in Africa are conceptualized as bad investment risks since they lack control over land and other properties which are traditional forms of collateral securities in support of bank borrowing. This inadequacy of their collaterals raises doubts about the viability of women's ventures. Women show awareness of those doubts by saving their money in a keg in the home for their personal expenditure profiles which depict frivolous and ostentatious spending. They accord low priorities to investment or bank overdrafts and, thus, have a poor bankable image. These environmental circumstances have put women in a position of relative economic disadvantage.

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However, women are not only major producers in agriculture and commerce; they are also industrialists. Their industrial role has long been recognized as a basis for allocating them increased decision-making powers over the use of finance to promote various branches of business (Vagliani, 1958) and the multiplicity of their activities, as producers, has emphasized the income-generating nature of their functions (Elmendor F:1984).

There is a danger that, without a considerable access to credit, women's industrial capabilities may be frustrated and their efforts to broaden the economy's productive base or bring about positive changes in people's living conditions may remain frozen.

How to avert that danger in the major concern of this article. It is organized in four sub-sections including the design of the study, the processing of data gathered from an interview, major constraints on women's access to credit and suggestions for improvement. It also makes some recommendations and draws up a conclusion.

Background

Credit refers to the ability of a prospective borrower to raise funds and, at the same time, it denotes the funds being borrowed. Thus, credit is the counterpart of debt. It facilitates the mobilization and expansion of real capital by permitting the transfer of purchasing powers from savers to investors. Since finance similarly refers to the provision of money at the time it is wanted (Paish, 1958, p. 3) it follows that credit is a sub-set of finance.

In the rich countries, lack of finance was not a serious bottle-neck to economic development. Rather, the supply of finance tended to move with the demand for it because there existed well established monetary and credit institutions. Meier and Baldwin (1957, pp. 175-6) reflect that "credit expansion was important in permitting the capital accumulation to proceed without encountering a barrier of scarcity of finance." The industrial revolution, for instance, was followed by the issuance of long-term bonds to finance the building of rail-roads and other public utilities while short-term loans were expanded in favour of industrial activities.

In the poor countries, on the other hand, non-availability of short-term credit seems to be more important than the expansion of it. As a result, small-scale enterprises depend on personal savings for their operating

capital. For instance, in 1972 a study on small-scale enterprises at the University of Ife, in Nigeria, found out that 98.0 per cent of sample enterprises depended on private savings for investment capital. A similar study at the Nigerian Institute of Social and Economic Research (NISER) found out that in 1982-85, 70.0 per cent of sample small-scale industries raised their investment capital from private savings. (Osoba: 1987). In 1992, a follow-up study, on which this article is based, still found out that 98.0 per cent of women's cottage industries depended on private savings for their capital. Thus, a leading background question to this article refers to why personal savings have remained the preponderate source of investment capital in black Africa's small-scale enterprises.

I. STUDY DESIGN

Location

The study was conducted in Anambra State of Nigeria. The State has a land area of 17.675 square kilometers and a population of about 6 million by the 1991 headcount. It is located in the eastern part of the country and lies within 5-7 degrees north of the Equator and between longitudes 6.8°E and 8.5°E. Its natural vegetation is rain forest with derived savannah to the north.

The vegetation and climatic conditions are suited to the cultivation of a variety of tree and root crops which provide abundant food for people and raw materials for industries. Typical agricultural products include root crops and tubers such as yams and cassava. Other crops include cereals, rice, maize, palm fruits and a variety of vegetables. Thus, considerable processing activities, mostly of the traditional type, take place with particular respect to cassava, palm fruits, rice and maize.

Target Group

The study views women producers as comprising three broad groups according to the nature of the activities in which they are mostly engaged. At one end, there are the women professionals and those who carry on business of various descriptions including importation and exportation. Members of this group may not experience much difficulty in getting bank loans to finance their business in so far as they have the necessary collateral securities.

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At the other end, there are the women farmers who finance food crop production, mostly, with their personal resources. They apply farm inputs like fertilizers and pesticides where the tenure system grants them a direct access to land (Okoji: 1990). Sometimes they are visited by the agricultural extension workers (Okonjo: 1980) after obtaining seasonal advances in support of their farming efforts.

In-between these two groups, there are the women producers who do not aspire to get tied to the land like their grandmothers. Members of this group mostly engage themselves in agro-based processing activities using cassava, rice, palm fruits and maize as their raw materials. They require further finance to operate their small-scale businesses. It is towards this third category of women producers that the study sharpens its focus.

Methodology

The sample design which guided this study was in four stages; first agro-based cottage industries with which the study in concerned were selected and classified as: garri processing, palm produce processing, rice milling and "others". Second, the number of Anambra State Local Government Area (LGA) which were mostly known for the industries were identified:

garri processing	17
palm produce processing	16
rice milling	11
"others"	29

Third, the number of Electoral Wards which were mostly known for the industries were also identified:

garri processing	316
palm produce processing	310
rice milling	213
"others"	549

Some 10.0 per cent random sample was taken of the Electoral Wards in respect of garri processing, palm produce processing and rice milling. But with respect to "other" processing industries only 3.0 per cent sample was taken of the 549 Electoral Wards in Anambra State. Thus the Electoral Wards sampling showed:

garri processing	32
palm produce processing	31
rice milling	21
"others"	16

Fourth, since each Electoral Ward was regarded as homogeneous in terms of level of awareness, a straightforward guide was to select, for the purpose of interview, 10 producers in each Ward with respect to each of the processing industries. This exercise yielded an overall sample size of 1,000 interviewees made up of:

garri processing	320
palm produce processing	310
rice milling	210
"others"	160

The sample distribution summarized in Table 1 shows that 100 out of a total number of 549 Electoral Wards in Anambra State were selected for the study and that, as shown in column (5) of the Table, the design included a total of 1,000 possible interviewees.

Table 1: Summary of Sample Distribution

Industrial Activity (1)	Weight (2)	No. of Electoral Wards (3)	Sample of Electoral Wards (4)	Sample of Interviewees (5)
1. Garri Processing	0.1	316	32	320
2. Palm Produce Processing				
3. Rice Milling	0.1	310	31	310
4. Others	0.1	213	21	210
	0.03	549	16	160
Total			100	1,000

The method of gathering information was that of personal interview through contact persons and interviewers who had an advanced training on how to complete prepared interview forms on behalf of the respondents.

Complementary data were, also, obtained from selected credit institutions with the help of separately prepared interview forms.

II. INTERVIEW RESULTS

Response Rate

A total of 782 completed forms containing useful information were returned with respect to:

garri processing	201
palm produce processing	270
rice milling	211
"others"	100

This gave a response rate of 78.2 per cent. About 4.0 per cent of the respondents were in partnership form of business organization while the remaining 96.0 per cent were sole proprietors. This indicated that the size of business units was quite small reflecting the smallness of the operating capital which ranged between N200 and N2,000 raised from personal savings. This target group of women producers operated with very little fixed assets which, in many cases, only consisted of some sacks, one or two basins, a few mats and some measuring cans. Those items cost so little that the expenses on them could not be recollectd by most of the respondents. However, all the respondents hired the services of machines owned by other people and, mostly, employed family labour in their businesses.

Need for Business Finance

Owing to family constraints, limited managerial competence and uncertainty about competitive strength, some 1.2 per cent of the respondents showed dampened enthusiasm for additional finance from credit sources in support of their business. But the remaining 98.8 per cent indicated a strong desire to obtain finance from credit institutions to expand their on-going businesses or move into different lines within the same industry where the prospects for higher profits appeared better.

III. CONSTRAINTS ON WOMEN'S ACCESS TO CREDIT

In spite of women's great need for business finance their access to credit was constrained by a number of factors, the major ones of which are summarized in Table 2.

Table 2: *Factors Militating Against Women's Access to Credit*

FACTOR	Garri Processing (No.)	Palm Produce Processing (No.)	Rice Milling (No.)	Others (No.)	Total	
					(No.)	(%)
1.High rates of interest	103	158	85	59	405	51.8
2.Lack of information	83	104	36	33	256	33.0
3.Cultural Constraint	8	4	46	4	62	7.9
4.Illiteracy	6	3	37	3	49	6.1
5.Others	1	1	7	1	10	1.2
Total	201	270	211	100	782	100

Source: Interview Returns.

High Rates of Interest

A common belief in the mid-1980s was that African governments over-expanded their public sector expenditure programmes and that had a crowding-out effect on private sector investment activities. That reasoning was a strong justification for adopting Structural Adjustment Programmes which prescribed a cut back on the level of public expenditures to make room for compensatory expansion in private sector investment programmes.

The Structural Adjustment Programmes also sought to correct observed distortions in the economy by advocating a series of deregulation and a greater reliance on market forces for the operations of the economy. Correspondingly, domestic rates of interest rose phenomenally and the price of obtaining a credit from finance houses became unaffordable by small borrowers especially women. Table 2 shows that high rates of interest posed a constraint on access to credit in 51.8 per cent cases of women industrialists who responded to the interview.

Lack of Information

The government and a number of financial institutions had introduced, over time, various schemes designed to facilitate accessibility to credit and finance for potential investors in the small-scale enterprises sector. Even at an earlier stage when the government had recognized that small-scale industries were faced with the problem of inadequate money capital it instituted a small-scale Industries Credit Scheme at the centre and encouraged State governments to do so as well. It provided a matching grant in equal amount to ensure that the scheme was a liberalized one designed to help indigenous entrepreneurs expand the scope of existing small-scale industries or set up new ones.

The rate of interest, at the time of inception of the scheme, was lower than the market rate and the loans obtained from the scheme were repayable in convenient installments over a period of 5-7 years with a grace period of 1-2 years, depending on the nature of the industry (Federal Republic of Nigeria: 1970). Again, in Table 2 as much as 33.0 per cent of women industrialists who responded to the interview claimed that they had no information about the scheme as an alternative source of credit and finance.

Cultural Constraint

Women believed that they were discriminated against, on gender grounds, by the male dominated bank officials and that sex discrimination militated against their access to bank credit. It was discovered from the interview return data, however, that women refrained from doing business with male suspects who insisted on receiving gratifications in cash or in kind as a condition for approving loans. This "reverse discrimination" as it were, was a consequence of cultural constraints which restricted women's interaction with largely male bank officials. Table 2 shows that cultural constraints militated against women's access to credit and finance and that 7.9 per cent of the credit-seeking industrialists who responded to the interview were affected.

Illiteracy

Although Nigeria is among the Third World countries with high rates of illiteracy, our target women industrialists were not particularly affected by it. The reason was that members of the group were, generally, Primary School Certificate holders. However, due to the open nature of their industrial ventures the membership included some illiterates. In Table 2

above, 6.1 per cent of the respondents were handicapped by illiteracy which militated against their accessibility to credit and finance from formal sources.

Minimal Role of Credit Institutions

Table 3 shows that during the 1988-1990 period the number of women who benefited from bank credits was, on the average, only 7.0 per cent of the total beneficiaries in Anambra State. In terms of size of loans women, on the average, received 7.4 per cent of the total advances in the three years. But the information did not specify whether loans granted to women in that period were for agriculture, commerce or for industrial processing with which this study is concerned. Even so, it was clear from the interview data that the role of formal institutions in providing credit to women, generally, was minimal both in terms of the number of women beneficiaries and in terms of the size of total loans advanced to them.

Table 3: *Beneficiaries of Bank Credits in Anambra State 1988 - 1990*

Year	Men (%)	Women (%)	Total (%)
1988	92.5	7.5	100
1989	91.0	9.0	100
1990	95.5	4.5	100

Source: Interview Returns

Summary of Findings

The findings from the interview results were that:

1. Small-scale women industrialists raised their operating capital mainly from personal savings. The implication was that their business units were small and sole proprietorship was the predominant form of their business organization.
2. Women proprietors, mostly, employed family labour and hired machines from other people. Their fixed costs were very minimal and the amounts involved were not recollectable.

3. Women industrialists had an urgent need for additional finance, so they were keen on getting credit from formal institutions to expand their on-going units or move to different lines of production within the same industry where the level of profits appeared fairer.
4. Lack of collateral securities did not militate against women's access to credit since they had no control over land and other property that were traditional forms of collaterals in support of bank borrowing.
5. Their relative inaccessibility to credit was founded on five major factors namely, high rates of interest, lack of information about credit possibilities open to them, cultural constraints, illiteracy and minimal roles played by banks.
6. Cultural constraints that restricted interaction between women and largely male bank officials were not a form of discrimination against women on gender grounds. However, they were a form of "reverse discrimination" where women refrained from doing business with corrupt male bank officials who insisted on taking bribe in one form or the other as a condition for granting loans.
7. The degree of awareness about alternative lines of action was greater among the semi-literate women industrialists.

IV. IMPROVING WOMEN'S ACCESS TO CREDIT

Women's Regrets

The respondents expressed the disappointments that the Structural Adjustment Programme whose major objective was to broaden the economy's productive base defeated that purpose by having a contrary effect. A regime of deregulated rates of interest inflated the cost of obtaining short-term credits by small borrowers like women above the expected returns on capital invested in small businesses. The Structural Adjustment Programme thereby denied women the opportunity to use financial resources for productive purposes. That unfortunate development killed business.

Owing to non-availability of short-term credit at reasonable rates of interest, the processing industries which required more capital input than the raw materials stage of production, were starved of funds. As a result the

rate of increase in the output of agricultural raw materials grew relatively faster than the rate of expansion in the cottage industries that utilized them. The resulting stockpiling of unprocessed raw materials discouraged further production, increased the rate of unemployment and stretched out the accompanying recession into an economic depression.

Women similarly regretted that non-functional Adult Education programmes together with a near absence of Public Enlightenment Campaign exacerbated their ignorance and minimized their awareness of the alternative sources of short-term credit which were open to them.

Since women did not have control over land and other property that were traditional forms of collateral securities in support of bank borrowing they held the view that the requirement for such securities was not an applicable condition for granting short-term loans to women small borrowers. Finally, the respondents were unhappy that bribery and other corrupt practices among male bank officials reached an unprecedented level as the general economic hardship imposed by the Structural Adjustment Programmes got intensified. That development, they believed, strengthened the cultural restriction between women and male bank officials.

Information from the Banks

At the time of the study, the Central Bank of Nigeria (CBN) had directed the commercial banks to channel a mandatory 16.0 per cent of their total loans and advanced to small or medium scale industries. The distribution of the 16 percentage point was based on the annual turnovers of the industries concerned, using the following formula:

1.	Up to N25,000	1.6%
2.	N25,000 - N50,000	1.6%
3.	N50,000 - N100,000	3.2%
4.	N100,000 - N200,000	4.0%
5.	N200,000 - N500,000	5.6%

		16.0%
		=====

Source: CBN Report: 1987, p. 8.

The interest charged on the loans were as follows:

- (a) On-lending loans : Prime rate (14%) plus 1%
- (b) Direct Small Holder Loans : Prime rate plus 1%
- (c) Agro-Service Loans : Prime rate plus 2½%
- (d) Agro-Allied Industrial Loans : Prime rate plus 2½%

Our target group of women industrialists could not benefit from that CBC directive because the annual turnovers in lieu of collateral securities were above their levels of operation. However, the banks also accepted "guarantees" for loans between N1 and N10,000 in lieu of tangible forms of securities or annual turnovers. Under the on-lending scheme, loans were advanced to established institutions against repayment guarantees for on-lending to small-scale industrialists who must, first, form themselves into recognized groups.

Again, the target group of women industrialists did not organize themselves into such groups because they did not have the information about that requirement. So, neither the CBN directive nor the loans guarantee scheme was favourable to them.

Recommendations

The recommendations that emerge with respect to the information from the banks and the genuine regrets expressed by women entrepreneurs are:

1. Women's Special Credit Scheme (WSCS) should be created to promote credits, at reasonable rates of interest, among small scale women borrowers. This will protect them from competing for loanable funds, on equal terms, with big time business men.
2. Public Enlightenment Campaign should be mounted to inform women about the credit opportunities which are open to them.
3. Women's credit transactions with the banks should be accelerated with the elimination of bribery and other corrupt practices among male bank officials.
4. Adult Education Programmes should be made more functional to minimize ignorance among women.

5. The banks should continue to accept "group guarantees" in lieu of tangible collateral securities in support of women's bank borrowing.

Conclusion

A conclusion that can be drawn at the end of this study is that in the rich countries credit expansion favours the growth of industrial activities, while in the poor countries credit restrictions dampen the growth of industries, especially the small-scale type which women manage. Women in Africa are not only major producers in agriculture and commerce; they are also industrialists. Their industrial role provides a basis for allocating to them increased decision-making over the use of finance. However, without a considerable access to credit, women's industrial capabilities may be frustrated and their efforts to broaden the economy's productive base or bring about some positive changes in people's living conditions may remain frozen. It is within that general context that women's peculiar need for business finance assumes fuller meaning and significance.

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