

**THE ROLE OF MICROFINANCE IN SOCIO-ECONOMIC EMPOWERMENT OF
RURAL WOMEN: A CASE STUDY OF LIFT ABOVE POVERTY ORGANIZATION
(LAPO)**

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ABSTRACT

This paper is an evaluation of the role of microfinance in socio-economic empowerment of rural women; a case study of Lift Above Poverty Organization (LAPO) Microfinance Bank (MfB). Microfinance financial services are tools in combating the social and economic powerlessness of women. Women's access to financial services in the mainstream financial system is restricted because they lack collateral securities and information; they therefore turn to micro finance institutions. In past years, development interventions have been directed at engendering an improvement in the status and economic condition of women. The paper examined the theoretical, practicability, resourcefulness, prospects, and actual workings of the subject matter under discourse simultaneously, using primary and secondary data. Accordingly, the objectives of this study were to examine the nature and features of microfinance, appraise the relationship between microfinance and women, assess microfinance and socio-economic empowerment of women, the microfinance and empowerment of women, evaluate the challenges associated with microfinance banks in Nigeria to the empowerment of women and proffer possible solutions to the above challenges. The findings of the paper revealed that microfinance institutions provide financial services to persons who are excluded from the mainstream banking system. Financial neglect of the poor especially rural women, is due to lack of assets to be offered as collateral for institutional credit. Customs and traditions constrain rural women's access to assets and other life transforming opportunities. The underlying assumption of microfinance for development is that the availability of capital is critical to the enhancement of the income earning capability of the poor especially, poor women. In achieving this LAPO adopted various strategies for products and services delivery that are structured for their peculiar characteristics for women financing which includes appropriate targeting, tool, group lending methodology and weekly responsive products and services, client engagement, social empowerment, micro-business training, supportive staff health empowerment, financial literacy, legal aid, health empowerment.

The paper is fundamental, because it will help to empower women socio-economically, and make them financially stable, while portraying the usefulness of microfinance institutions such as Lift Above Poverty Organization (LAPO) to Nigerian economic growth and development, as well as solving problems facing humanity. It was recommended that Women's education should be a priority to the parents or spouse of a woman and the government in general as this will help to bridge the gap of gender inequality. Cultures

prohibiting the education and empowerment of girl child and women in general should be revisited to support the education and empowerment of the girl child and women in the society. Women should be encouraged to learn different trades as this will aid them to contribute to their families and the country at large. There should be gender equality in accessing banks facilities and products. The Central Bank of Nigeria (CBN) should encourage the establishment and strengthening of more Microfinance Banks (MFBs), while, the interest rate should be minimal for quick repayment of loans. The Government should make laws to enhance faster and easy access to microfinance by women.

INTRODUCTION

Microfinance is the provision of financial services to the poor who are traditionally not served by the conventional banks.¹⁻³ These financial services include credit, savings, micro-leasing and money transfer and payment services.⁴ The features that distinguish microfinance from other forms of formal financial products are; smallness of loans advanced and savings collected, near absence of assets-based collateral and simplicity of operations.^{2,5} It can be deduced from the foregoing that microfinance is a poverty alleviation strategy which operates by providing credit and other financial services to economically active and low income households and their businesses. To achieve this poverty alleviation objective, microfinance helps the poor increase their income, build viable business, reduce vulnerability to shocks and create employment.^{6,7}

The practice of microfinance is not new in Nigeria. Nigerians have always tried to provide themselves with needed finances through informal microfinance approaches like self-help groups (SHGs), rotating savings and credit associations, (ROSCAs), accumulating credit and savings associations (ASCAs) and direct borrowings from friends and relations.⁸⁻¹⁰ These approaches may have sufficed in the traditional society but the growth in the sophistication of the economy and the increasing incidence of poverty among citizens has revealed the shortcomings of this approach. The Central Bank of Nigeria (CBN) alluded to this when it pointed out that the informal financial institutions that attempt to provide microfinance services generally have limited outreach due primarily to paucity of loanable funds

It was in a bid to resolve this identified deficiency of the informal microfinance sector that the CBN in 2005 introduced a microfinance policy a prelude to the licensing of microfinance banks in Nigeria.

In the past three decades, women as agents and targets of development have been at the centre of development discourse. Tire interest in women in development is due to the fact that while women account for half of the world population and in spite of their enormous contributions to national development, their efforts are not adequately acknowledged and rewarded. Furthermore in most societies, women, are discriminated against and their access to income generating assets such as land, capital and other life transforming opportunities such as education and social participation.¹¹ Women are deprived of access to institutional financial services. Microfinance has been acknowledged as a vital tool for social and economic empowerment of low-income households and disadvantaged groups such as women.¹² Government and international development agencies mainstream targeted credit schemes which benefit the poor, especially, women into their development agenda. The

preponderance of women in the clientele of microfinance institutions is attributed to the fact that women are more vulnerable to poverty than men.¹³

Microfinance banks were therefore established because of the failure of the existing microfinance institutions to adequately address the financing needs of the poor and low income groups.¹⁴ The CBN further justified its licensing of microfinance banks with the lack of institutional capacity and weak capital base of existing community banks, existence of huge un-served market and need for increased savings opportunity.² Taking the issue of lack of capacity by existing financial institutions further the CBN pointed out that only 35% of Nigerians had access to financial services and that most of those without access to financial services dwell in the rural areas.

In the same vein, Nwankwo¹⁵ noted that over 95% of the businesses in Nigeria are small and that conventional banks choose not to finance such businesses. This is attributed to the high risks inherent in them and their inability to provide asset-based collateral. It was therefore to make up for the shortfall in the financing of the entrepreneurial poor and their small businesses that microfinance banks were established.

Statement of the Problem

It is only very few societies across developing countries, that women are treated as good as men. Customs, traditional practices and in some cases religion ascribe a lower social status to women.¹⁶ These forms of deprivation constrain the realization of their economic potentials. In many societies, women are denied rights of inheritance and are treated as mere possessions of their husbands. Women are excluded from institutional credit because they do not own land and other valuable assets accepted as collateral security for credit from conventional lending institutions. Women do not have access to information about credit opportunities in the mainstream financial system. In her study of access of women to agricultural credit in Cross River state, Omoyom-Ita found that only 4.4% of the Federal Government promoted Agricultural Credit Guarantee Scheme Fund was disbursed to women between 1979 and 1991.¹⁷

Deprivation of access of institutional credit for women indicates that 50% of the active population is denied of contribution to the national economy. This has negative implications for national development. For example as recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard of their people.¹⁸ The UNDP found a very strong correlation between its gender empowerment measure and gender-related

development indices and its Human Development Index. Overall, evidence is mounting that improved gender equality is a critical component of any development strategy. The paper is fundamental, because it will help to empower women socio-economically, and make them financially stable, while portraying the usefulness of lift above poverty organization to the Nigerian economic growth and development, as well as solving problems facing humanity.

Research Questions

1. What are the nature and features of microfinance?
2. What is the relationship between microfinance and women?
3. What is the linkage between microfinance and socio-economic empowerment of women?
4. What are the challenges associated with LAPO assistance to the microfinance and empowerment of women?
5. What are the solutions to the above challenges?

Objectives of the Study

1. To examine the nature and features of microfinance.
2. To consider the relationship between microfinance and women.
3. To assess microfinance and socio-economic empowerment of women.
4. To evaluate the challenges associated with LAPO assistance to the microfinance and empowerment of women.
5. To proffer solutions to the above challenges.

Conceptual Definition

Key concepts used in the paper are defined below:

Financial Inclusion: Financial inclusion is the availability of a range of financial services at affordable costs to all segments of the population particularly the disadvantaged and low income groups. Financial inclusion is about liberalization of access to a complete suite of financial services for all who are willing and able. It is finance for all.¹⁹

Low-income People: These also referred to as the *poor*. They engage in micro and small businesses and operate from a very slim economic base. They are usually the users of services of microfinance banks.

Microfinance and Micro-credit: Microfinance refers to loans, savings, insurance, money transfer services and other financial services targeted at low-income clients, while micro-credit refers to a small loan to a client made by banks other institutions.²⁰

Microfinance Institutions and Microfinance Banks: These are financial institutions which provide financial services to low-income people. The terms are used interchangeably in the paper.²¹

Patriarchy: A set of social relations between men, which have a material base, and which, though hierarchical, establish or create interdependence and solidarity among men that enable them to dominate women.²²

Social and Economic Empowerment: This in the context of the paper refers to the freedom which comes as a result of access to life transforming opportunities as access to capital and education. It is the ability to generate choices, develop a sense of self-worth, a belief in one's ability to secure desired change and the right to control one's life.²³

History of Microfinance Bank in Nigeria

One of Nigeria's economic peculiarities is financial dualism. There is a formal financial sector made up of the ministry of finance, the Central Bank of Nigeria (CBN), banks, other financial institutions, Nigerian Stock Exchange (NSE), etc. Beside this formal sector exists an informal financial sector with people lending and borrowing directly from each other through methods like osusu, daily contributions and through cooperatives.²⁴ The presence of a large informal finance sector in Nigeria had been blamed on several factors, some of which are; population concentration in rural areas most of which are unbanked, low literary level, loss of confidence in the banking system due to distress, elitist banking practices and absence of other financial institutions in the rural areas.²⁵

A major consequence of a large informal sector is difficulty in economic management. The experience of Nigeria in this regard is not different as the monetary authorities have had to watch impotently as their monetary policy measures fall short of desired objectives.^{26,27} Apart from the difficulties experienced in monetary management, the Nigerian governments over the years have had to grapple with poverty and unemployment.

Some of the programmes tailored to address the problems of financial dualism, poverty and unemployment by successive Nigerian governments are; rural banking scheme, Peoples Bank, operation feed the nation (OFN), green revolution, Nigerian Bank of Commerce and Industry (NBCI), Nigerian Agricultural and Cooperative Bank, Nigerian Economic Reconstruction Fund (NERFUND), National Directorate of Employment (NDE), Family

Economic Advancement Programme (FEAP), Poverty Alleviation Programme (PAP), Nigerian Industrial Development Bank (NIDB), Bank of Industry (BOI), Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), community banking and microfinance banking. Many of these programmes failed to achieve the objectives for which they were established and were scrapped.

Microfinance banks were founded because of the perceived deficiencies in the existing financing schemes for the poor and small businesses. They were licenced to begin operations in 2007 and existing community banks and NGO microfinance institutions that met the conditions spelt out by CBN for licencing were allowed to transmute into microfinance banks. To qualify for a microfinance license an existing community bank was required to increase its paid-up capital from N5m to N20m. Unlike the community banking policy framework which compulsorily confined all community banks to unit banking, the microfinance banking guideline permitted the branching of microfinance banks within a state. These changes in the policy framework establishing microfinance were due to the perceived failure of the existing microfinance framework. Adeyemi²⁸ captured this thus, “despite decades of public provision and direction of provision of microcredit, policy orientation, and the entry of new players, the supply of microcredit is still inadequate”. He identified some of the challenges which microfinance institutions face that impinge on their ability to perform to include; undercapitalization, inefficient management and regulatory and supervisory loopholes. To these Qazi, Manzoor et al,²⁹ added usurious interest rates and poor outreach. Further buttressing the challenges facing microfinance banks,³⁰ identified diversion of funds, inadequate finance, and frequent changes in government policies, heavy transaction costs, huge loan losses, low capacity and low technical skill in the industry as impediments to the growth of this subsector. These challenges many of which contributed to the failure of previous microfinance schemes are still be devilling the microfinance banking scheme in Nigeria. The paper is to examine the nature and features of microfinance, to consider the relationship between microfinance and women and to assess microfinance as socio-economic empowerment of women.

Theoretical Framework

The paper adopts feminist socialist theoretical framework as propounded by Rubin Gayle in 1975.³¹ The framework espouses the systemic character of gender inequalities and the significance of women’s work or contributions of women. Feminine theorists are critical of Marxism for its insignificant attention to women. Heidi Hartmann argues that the analytical

categories of Marxism were 'sex-blind' in that causes of gender inequity (men dominance over women) were lost in Marxist analysis of class inequality -ruling class domination over workers.³² The feminist theorists argue that the contributions of women in the domestic sphere such as child bearing and raising as well as the needs for sexual satisfaction and emotional nurturing are as important as Marxist notion of production for satisfying material needs. Mariarosa Dalla Costa asserts that housewives are exploited workers 'whose surplus was used immediately by their husband as an instrument of oppression'.³³ In capitalist and poor societies women are the *slaves* of the *wages slaves* and *poor men* respectively.³⁴

This paper will also adopt the Shane Theory of Entrepreneurship.³⁵ The theory consists of opportunity discovery, evaluation of the opportunity and the decision to exploit the opportunity. Other elements of the theory include self-employment, business operation and economic empowerment. The theory highlighted four operational measures of performance which are survival, economic growth, profitability/income, and experiencing initial public offering. Survival refers to continuation of entrepreneurial activity while growth refers to increase in the venture's sales and employment. Profitability refers to a new surplus of revenue over cost while experiencing initial public offer refers to the sale of stock to the public.³⁵ Opportunities are created by the institutional or external environment for those entrepreneurs who could identify them to start or improve their businesses and subsequently, their welfare.³⁵

Entrepreneurs' ability to identify and tap such opportunities differs between entrepreneurs. It also depends on their ability to access information and willingness to act upon the information in terms of risk; that is their attitude.³⁵ Individual attributes affect discovery of entrepreneurial opportunity.

Changes in business environment such as economic, financial, political, legal, and socio-cultural factors also affect discovery of opportunity. For example, income level of the entrepreneur, capital availability, political stability, laws concerning private enterprise and property rights, and desire for enhanced social status by the entrepreneur could affect discovery of entrepreneurial opportunity. Type of industry also affect opportunity discovery. Industrial sectors such as distribution, manufacturing, agriculture, catering, and business services are more attractive to entrepreneurs.^{35,36} The concentration of industries in a particular location could also influence discovery of entrepreneurial opportunity by those in that location³⁵. Evaluation of the identified opportunity is another stage in the entrepreneurial process, and appropriate decision at this stage leads to the decision to exploit the opportunity.³⁵ The decision to exploit the opportunity depends on the intention of the

entrepreneur, and the appropriate measure of entrepreneurial decision-making is intention, which leads to recognition of entrepreneurial opportunities.³⁵

On the historical analysis of gender inequality, the feminist theorists agree with Engels that the development of production was associated with wealth differences, class antagonisms and sexual relations; and that status of women relative to men deteriorated with the advent of class society. Mona Etienne and Eleanor Leacock seek for better understanding of gender inequalities in socioeconomic inequalities. The women also had tribal ranking societies where gender inequalities are attributable to specialization and growth of trade; stratified pre-industrial societies in which the patriarchal household become economically independent and women's work become more privatized with low ascribed status; and finally the exploitation of the industrial capitalist society in which women suffer special subjugation³⁷. Proponents of feminist theory (Ann Oakley and Claire Wallace)³⁸ holds that the modernization process places new technology and opportunities under the control of men thereby marginalizing women and reducing their status under-cutting their power and income. Efforts at gender mainstreaming began with the Women in Development (WID). The concept of Women in Development was premised on the fact that women in developing nations were left out the development process. Interventions in the form of provision of appropriate technology and credit to be were given to women to improve their income and provide for their children.³⁹ The United Nations for instance, established United Nations Development Funds for Women (UNIFEM) to reach out to the poorest women in the world. International and local institutions began to deliver development packages which consisted of micro-credit.

LITERATURE REVIEW

Rural Women

Women also contend with serious constraints which hinder their capacity to realize their potential. These gender-specific constraints are those which relate to how well women are equipped in terms of human capital endowment such as women's restricted access to formal education; and those that limit their economic productivity such as the difficulty in access to credit.

Women lack access to institutional credit from formal financial institutions. Gender imbalance in access to credit is often attributed to lack of drive among women to seek institutional credit, low level of numeracy and literacy among women and inability to understand the complexity of credit transactions.¹³ It has been reported that systems of male domination deny or limit women's access to economic resources and political participation,

and impose gender division of labour that allocate to women the most onerous, labour intensive, poorly rewarded tasks.²³

Microfinance

LAPO is a Nigerian organisation with a Microfinance Bank (MFB) dedicated to self-employment through microfinance and an NGO, a non-governmental, non-profit community development organization focused on the empowerment of the poor and the vulnerable.⁴⁰ The institution was founded as a non-profit entity by Mr. Godwin Ehigiamusoe while working as a rural co-operative officer in Delta State, Nigeria. LAPO started its activities in 1987 and was formally incorporated as a nonprofit nongovernmental organization (NGO) in 1993. In Nigeria, LAPO has partnered with the Grameen Bank. In 2010, LAPO transformed its Microfinance activities into a regulated microfinance bank, while the remaining activities continued under the LAPO NGO.

LAPO focuses on assisting the poor, especially the women, in raising their socio-economic statuses. It not only acts as a microcredit institution, but also assists clients in overcoming problems beyond the lack of funds, such as illiteracy and environmental degradation (which often aggravates poverty). It empowers women by providing opportunities for them to learn income generating skills such as sewing, food processing and soap making.

LAPO Microfinance Bank's (LAPO MFB) aspirations are reflected in their Vision and Mission statement, which is simply 'Improving Lives'. This is delivered through strong core values of integrity, innovativeness, customer-centeredness, simplicity and excellence. The bank's sustainability statement goal is to 'be a sustainable microfinance institution that supports its partners to become proactive participants in positively impacting the environment and society through sustainable practices, meeting the economic and social needs of clients while fulfilling the expectations of stakeholders'.⁴⁰

LAPO MFB believes that any improvement in the socio economic situation of the poor would initially take place with available financial services; and with the added support of physical labor and skills. In 2010, LAPO MFB obtained the approval of the Central Bank of Nigeria (CBN) to operate as a state microfinance bank and in 2012, it got an approval as a national microfinance bank. With an asset base of over 48 Billion Naira and shareholder funds in excess of 9 Billion Naira, the bank has demonstrated speedy growth from inception and has quickly evolved into the leading provider of financial services to over 2 million micro, small and medium enterprises clients in Nigeria. The bank has over 5800 employees and 386 branches across Nigeria.

LAPO MFB is a limited liability company. The bank is divided into eight zonal offices, 31 area offices efficiently managed by the Zonal Managers who report to the Head Office. LAPO MFB is governed through the Board of Directors and the Management team. LAPO Microfinance Bank provides a range of unique financial and social empowerment services to low income households, micro and small businesses. The product range includes: Enterprise loans, Clean energy loans, Housing loans, Deposits, Asset loans, Agric loans and Education loans.⁴⁰

Various writers define microfinance in varied ways. Microfinance has been defined as the provision of financial services to low-income clients including the self-employed²⁴. Microfinance also provide financial assistance to those wishes to gain income from renting out small amount of land, vehicles, animals or machinery and tools; and to other individuals and local groups in developing countries in both rural and urban areas.²⁵ In practice, microfinance is much more than disbursement, management and collection of little bits of loans; it includes the application of flexible processes and structures by which financial services are delivered to owners of micro enterprises.⁴²

LAPO MFB's engagement in microfinance is much more than business as usual. It is about the development of people, particularly women. The bank's desire is to reach the underbanked; this informs their wide network reach of 384 branches in rural communities. Part of LAPO's goals is to include a larger proportion of women into their financial scope; this is because women form a greater percentage of the financially excluded, and this is why 92% of the client base is women.

LAPO provides poor Nigerians with the following financial services:

Different types of loans:

1. Regular loan (RL), obtained by LAPO members through their groups as capital for entrepreneurship. Loan tenor is 32 weeks and equal amount of repayments with interest are paid weekly at group meetings.
2. Festival Business Loan (FBL), which enables the clients to fund business activities during festive periods. The average loan size of FBL is US\$200 and has benefited clients by ensuring them with high returns.
3. Farming Loan, developed exclusively for food crop farmers, in which the disbursement and repayment schedules follow the pattern of activities in farming cycle.

4. Credit-for-shares, allowing the poor to acquire and manage shares or stocks in profitable companies.
5. Asset loans, which are designed for clients to invest in the acquisition of income generating assets such as commercial transportation and household appliances.

Savings Programmes

There are also different types of savings programs for capital accumulation:

1. Regular savings. Clients make mandatory weekly deposits into their savings accounts at group meetings which serve as funds for investment in capital accumulation. Withdrawal is only allowed at termination of relationship with LAPO.
2. Voluntary savings, which are similarly introduced in order to aid clients with capital investment. Clients are motivated to set aside surplus funds, and so generate more funds by earning competitive interest rates on the balances.

Moreover, LAPO has set up a few subsidiaries to help tackle poverty in Nigeria. It helps to generate youth employment, to promote infrastructural development, to facilitate farmer's access to capital and physical inputs such as credit, storing and processing facilities, to acquire information on relevant farming issues and to improve the farmers and rural households' health. Micro Investment Support Services (MISS) was set up to provide microcredit services to the poor Nigerian for income generating purposes. Academy for Microfinance and Enterprise Development (AMED) was established to provide training and technical services to LAPO Group and other microfinance institutions.⁴⁰

Modern microfinance has its root in various attempts by donor agencies and governments in developing countries to enhance income earning of the small scale farmers and artisans. An improvement in the standard of living of rural dwellers was seen as dependent on enhanced productivity of farmers. Lack of financial services was regarded as the reason for the low-productivity of the poor farmers. To address the challenge of lack of finance in rural areas, credit components were incorporated into development aids and schemes to support agriculture. Cheap or subsidized credit provision was a dominant feature of many rural development strategies. These credit schemes recorded disappointing results because loan, repayment performances were poor. Operating costs were high and in most cases and credit was diverted from the intended beneficiaries⁴³. These experiences, however, set the stage for the emergence of micro-credit experiments in Latin America and Asia.

Microfinance is not new to communities in Africa. Various scholars have documented evidence of financial institutions in Africa could be traced to the 16th century⁴³. These are thrift and credit groups. These thrift and loan groups are usually organized around kinship, age-grade, common location of residence and other forms of affiliation. Indigenous financial practices and groups assume various names and operational procedures in various communities. In Northern Nigeria they are known as *Adashi*. In communities across Southern Nigeria, they are variously known as *osusu* and *Esusu*. Indigenous microfinance practice is not limited to villages. There are also several *adashi* and *osusu*,³² groups in urban communities. In cities, people who originate from the same community could organize informal thrift and loan clubs for exclusive benefit of members.

Indigenous microfinance has the features of informality of transactions; flexibility in organization, huge savings components; low pricing and limited outreach.⁴⁴ Traditional savings groups are effective institutional structures for rural savings mobilization. Traditional savings groups are effective institutional structures for rural savings mobilization. Membership of thrift and credit groups is confirmed and sustained if deposits are regularly made. Structures and operational procedures of *esusu* are not rigid. In most cases, there is no formalized recruitment process.

The rise of microfinance of finance was in response to the exclusion of low-income from financial services provided by formal institutions. Evidence exists to show that the formal financial institutions rarely provide financial services to the poor⁴⁵. In developing countries, it is estimated 75% of the population is without access to financial services apart from moneylenders, Women's World Banking.⁴⁶

What is now termed the *microfinance revolution*,¹¹ began with the experiment of Muhammad Yunus⁴⁷. The underlying reason for poverty lending or microfinance that is, the poor or owners of micro businesses remained poor because they lacked access to affordable institutional credit. This illustrates one of the ironies of economic relations that those who desperately need financial support to grow are denied only for the reason of their poverty.⁴⁸

In Nigeria modern microfinance began, as non-profit initiatives of non-governmental organizations such as Country Women Association of Nigeria (COWAN), Nsukka United Self-Help Organization (NUSHO), Farmers Development Union (FADU) and Lift Above Poverty Organization (LAPO).

THE NATURE AND FEATURES OF MICROFINANCE

The following are the features of modern microfinance;

Collateral substitution

The exclusion of low-income people from financial services is due to the conventional banking practice which gives primacy to provision of collateral as a condition precedent for credit⁴⁹. Microfinance does not require collateral from borrowers.

Microfinance represents an approach, which believes in the people (what they are) rather than solely in collateral (what they have).⁴³ In reaching the poor, pledged collateral is unnecessary. Motivation to meet repayment obligations is created by most microfinance institutions by means of social collateral or guarantees which include peer pressure, joint liability, savings, participatory loan application appraisal, effective loan utilization monitoring and prompt approval of subsequent loans of larger amounts.

Small units of services

Clients of microfinance institutions are owners of micro enterprises. They are usually petty traders, dress-makers, smallholder farmers, street vendors, hairdressers and other actors in the informal sector. In structuring financial product the capacity of the poor is considered.

High cost of transactions

Implementing flexible institutional procedures to reach micro and small enterprises is expensive. In microfinance service providers are required to maintain regular and frequent contact with service users usually outside branch offices. To reach a large number of clients, in rural Africa, credit officers will have to traverse several communities.

Group Delivery Methodology

Group based lending is the key innovation of microfinance. Borrowers are organized into small groups. Group methodology promotes high repayment rate which is supported effective membership sorting process³², operational efficiency and peer support⁴⁹.

Doorstep service delivery

Micro finance institutions take banking to the clients rather than wait for them in their branch offices. The aim is to provide services in a manner that is convenient and cost effective for the clients.

Access to repeat loans

Repeated access to financial services by identified clients has become a feature of micro-lending. Borrowers are retained to take loans over a number of cycles with subsequent loans of larger amounts.

Client centeredness

In microfinance practice, clients are not related with as faceless account holders of conventional financial institutions. Clients are engaged as partners and are usually assisted to address a range of challenges, which sometimes, are beyond the need for financial services. Microfinance institutions sometimes provide non-financial services such as enterprises development, extension support and healthcare.

RELATIONSHIP BETWEEN MICROFINANCE AND WOMEN

Women constitute a greater proportion of client base of most microfinance institutions. In 2002, women accounted for 95% of clients of Grameen Bank, Murdoch. In Ghana, female clients accounted for 67% of client base of Sinapi Aba Trust (SAT) in 2007⁵⁰. The disproportionate representation of women in client base of microfinance institutions is explained by a number of factors. It is generally believed, that female clients exhibit better credit discipline than their male counterparts and are therefore more attractive to microfinance institutions. It is also noted that women could be easily intimidated to comply with repayment obligations⁵¹. Microfinance and women have even hypothesized that exclusive concentration on women may place ideological goals ahead of technical competence which results poor portfolio quality.⁵²

Microfinance institutions focus on women for other reasons. First, women are targets of microfinance for the reason of empowerment. In most societies, customs and traditions constrain the realization of their economic potentials. They do not own land and other valuable assets accepted as collateral security for credit from conventional lending institutions.

Another reason is that female entrepreneurs undertake business activities which are usually supported with small units of financial services. Another factor is that economic empowerment is vital to addressing the low status of women. However, the dominance of women in the client base of microfinance institutions is on the decline due to increasing commercialization. Commercial microfinance banks are developing products and services (usually of large sizes) which target men.

MICROFINANCE AND SOCIO-ECONOMIC EMPOWERMENT OF WOMEN: A CASE OF LAPO CONTRIBUTIONS TO WOMEN EMPOWERMENT

Empowering women is a vital tool for alleviating poverty. Empowered women contribute to the health and productivity of whole families and communities and to improved prospects for the next generation.⁵³ There have been several institutions advocating for women empowerment, but women are still poor and vulnerable as compared to men. The main reasons for the same are economic dependence on male members, rapid increase in population, unemployment, illiteracy and lack of access to credit. Rural women play a significant role in the domestic and socio-economic life of the society and therefore, national development is not possible without developing this segment of the society.⁵⁴ For the development of poor women it is essential to improve their economic and social status. When their economic, cultural and social status improves, it is known as women empowerment.⁵⁴

The major focus of microfinance programs is to empower women as they are the most vulnerable and investing in women helps empowering them and contributes to greater economic growth and development. It is revealed in literature that increase in women's resources results in the well-being of the family.⁵⁵ Impact of microfinance on empowerment of women has given mixed results. According to Le and Raven,⁴⁵ microfinance has helped many women in their businesses, but has a limited effect on empowering women, creating upward mobility and contributing to long-term economic growth. In Indian context, microfinance was found to have a positive influence on women's social capital and normative influence, facilitating women's collective empowerment.⁵⁶ According to Hussain and Nargis⁵⁷ the longer a woman participates in microcredit programs, the more employment opportunities she has. Further there is more scope that she may decide to buy productive and non-productive assets. A study conducted in Kenya by Holvoet⁵⁸ found that when loans are combined with more investment in social intermediation, remarkable shifts in decision making patterns are visible. Another study by Naved⁵⁹ showed that women were more active in household decision making and had more control over household income after participating in microcredit programs. Moreover, participation in microcredit programs helps to increase women's welfare and reduce male bias.⁶⁰

According to Moyle et al.,⁶¹ women in income generating activities give support to personal and economic empowerment. Another study conducted by Nader⁶² found that microcredit improved health and harmony in the family. Pitt et al.⁶³ found that participation in microcredit programs help women to have access to financial and economic resources, significant role in household decision making, have greater social networks, have greater

communication in general and knowledge about family planning and parenting concerns and have greater freedom of mobility.

In achieving this LAPO adopted various strategies for products and services delivery that are structured for their peculiar characteristics for women financing which includes:

1. **APPROPRIATE TARGETING TOOL:** Successful operations of microfinance require right persons whose needs are likely to be met by the financial institution's services. LAPO pursue right targeting, as a means of reducing attrition rate and improving recovery of its loans. LAPO adopts an estimation tool for the selection of its service-beneficiaries. Clients are selected according to types of services provided (group or individual borrowers) to achieve uniformity of operations as well as monitor operational cost.
2. **GROUP LENDING METHODOLOGY AND WEEKLY:** LAPO adopts group lending method to support the financial needs of its low/ active clients. In this perspective, female owners of micro and small businesses are organized into small credit groups which in addition to credit are used for access to social and health tips and services.
3. **RESPONSIVE PRODUCTS AND SERVICES:** LAPO consistently develops and offers a bouquet of responsive products and services with focus on meeting investment and working capital needs in commerce, agriculture, affordable housing, education and clean energy. Of particular interest and value for female clients is the SUFEN (Supporting Female Entrepreneurs) with larger loan sizes those with potentials to scale up their businesses.
4. **CLIENT ENGAGEMENT:** LAPO serves its clients in an atmosphere of trust and respect. Emphasis is on reaching out to clients and enhancing interaction between them and members of LAPO's top management team in periodic in-touch visits. In this stance, each member of the Management team randomly selects a LAPO branches and works there for a period of 3 to 5 days, twice a year. Observations and reports of such visits provide valuable inputs into product and process refinement as well as enhancing client relationship management.
5. **SOCIAL EMPOWERMENT:** The integration programme is designed to address the non-credit causes and manifestations of poverty such as ignorance, illiteracy, low self-esteem and inability to participate in the formal sector of the economy. A total of 49,885 women were reached with this programme which featured topics such divorce

and separation, teenage pregnancy, widowhood rights, decision making, women's right in Nigeria, women in politics, rape, and domestic violence.

6. **MICRO-BUSINESS TRAINING:** The programme aims to strengthen the managerial capability of small business owners and helps them to define goals and objectives of their businesses. The 1,428 beneficiaries that were trained in 2015 also received lectures on bookkeeping during the period to enable them monitor their profit and loss accounts.
7. **SUPPORTIVE STAFF:** LAPO has over the years made huge investment in capacity development of its staff particularly towards delivering services to its women customers. The Loan officers or client support officers (CSOs) are trained on delivering financial services and supporting female clients in matters of basic business management, career choice for their children and maternal and child health.
8. **HEALTH EMPOWERMENT:** Since inception, the bank has been improving the lives of clients across the country. In 2015, a total of 162,050 persons were screened for various diseases while 47,407 received enlightenment programmes on disease prevention and health maintenance. Issues covered include pregnancy and child health, HIV/AIDS, diabetes, high blood pressure and malaria.
9. **FINANCIAL LITERACY:** The financial literacy programme provides the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. About 1,560 LAPO clients were reached in the programme in 2015 while 102,162 beneficiaries received bulk SMS on financial literacy and practical tips to improve their financial lifestyle.
10. **LEGAL AID:** LAPO defends and champions the rights of women who are abused, violated and unable to afford legal services. Common cases of gender specific injustices centre around domestic violence, inheritance-related customs and obnoxious traditional practices. LAPO's intervention strategies focus on counselling, meditation, litigation and referrals. During the year 2015, 3,776 clients were sensitized on these issues. During the year under review, LAPO rendered free legal service to 31 vulnerable women as explained below:
 - a. **Paternal Responsibility for Children's Welfare:** A client of LAPO reported the case of a man who was unwilling to take responsibility for the upkeep of his two grandchildren after the demise of their mother who passed on after their marital separation. LAPO took the case to the welfare department of the Edo State

Ministry of Women Affairs which compelled their father to pay ₦10,000 monthly for their upkeep.

b. **Disinheritance:** During the year, LAPO commenced legal action in the case of a woman who was disinherited with respect to her husband's property.

c. **Domestic Violence:** A gruesome case involving a man who pulled off his spouse's braided hair with his teeth during a heated argument came under legal investigation during the year under review. The woman is seeking justice with the support of LAPO. Table 3 present summary of outreach of the integrated programmes

11. **HEALTH EMPOWERMENT:** One of LAPO's operating assumptions is that poverty is reinforced by problems such as too large family size, malnutrition and disease. Time and money that would otherwise have been devoted to economically productive activities are often wasted on the treatment of preventable diseases. The underlisted health awareness and intervention services were carried out in 2015 to improve the health condition of target beneficiaries.⁶⁴

Microfinance has the capacity to enhance the economic conditions of poor households. Microfinance has been termed as the "development from the bottom". He notes that most development initiatives in agriculture, health, female empowerment enhance their impact with integration of credit programme.²⁴

Microfinance allows poor households to move from everyday survival to planning for the future, investing in better nutrition, improved living conditions, and children's health and education.²⁴

Microfinance creates access to capital for poor women who are excluded from financial services in the formal sector. With appropriate financial services, the poor are able to start or improve their businesses and are able to break out of the grip of poverty.²⁵ The following is illustrative of the power of access to financial services. A poor female producer of native soap may have her output limited by inadequate fund to acquire raw materials. She is, therefore, locked in the cycle of *little input → little output → little returns → little input*. With access to borrowed funds, she breaks out of this vicious cycle and moves into the virtuous cycle of *little resources → credits → large input → large output → large return → large input*.³⁸

Several female beneficiaries of microfinance start or manage their businesses no matter how small. Vlassoff note that because of the weaker basis of their entitlements, women are more

vulnerable and, once poor may have less option than men, for escape.⁶⁵ By providing access to financing for income-generating activities, microfinance institutions can significantly reduce women's vulnerability to poverty. Access to microfinance enables women to consolidate their asset base.

Enhanced productivity and income arising from access to financial services, microfinance clients are able to build assets and reduce vulnerability. Poor women operate from *paper-thin* economic base. For instance, accumulated savings help the poor to address expected and unexpected expenses such as school fees, death, job loss, and structural risks as floods and wars. With regular savings and income, poor households are able to plan and taken actions to mitigate external shocks.⁶⁶

Availability of credit and savings opportunities enables the poor to seize and exploit business opportunities. Increased incomes have been reported to have been invested in improving nutritional status of poor households, children's health and education.⁶⁷ With an independent source of income, a woman is enabled to negotiate her fights within the household.

It has been reported that fewer incidences of violence against women among women who were members of credit organizations than they found among the general population. Although fear of public exposure clearly played a role in the reduction of violence, there is considerable anecdotal evidence of women attributing the reduction of abuse directly to their access to credit and their economic contribution to the household budget.⁶⁸

Collateral social effects of access to capital include greater voice of women within and outside their households. With increased contribution to household budget, female members are accorded greater respect and have increased say in decision making.⁶⁹ Access to microfinance has also enhanced women's participation in political activities. Group participation and social services offered by microfinance prepare female clients for active participation in political activities.⁷⁰ For instance, LAPO Microfinance Bank has a subsidiary which provides clients with training which enhance their social and political awareness.

THE CHALLENGES OF MICROFINANCE BANKS IN NIGERIA

As highlighted in the previous section, the failure of community banking scheme and many previous government's micro-financing schemes was predicated on the challenges they faced. Many of these challenges are still bedeviling microfinance banking. This section discusses some of these;

One of the most fundamental difficulties microfinance banks in Nigeria have is the near absence of basic infrastructure. This lack of basic infrastructure compounds the operational

difficulties of these banks, which ordinarily are faced by high operational costs because of their nature of business. By dealing with many small clients microfinance banks' transaction costs are usually higher than those of conventional banks. The absence of good roads especially in the rural areas also distorts their outreach.⁷¹ All these work in concert to drive cost of operations up and put them at a very big competitive disadvantage.

In the northern part of the country, the issue of frowning at interest on loans takes a religious dimension. This part of the country is populated by mainly Muslims, a religion which abhors usury. This has hampered the development of microfinance banking in that part of the country. This was buttressed by¹⁷ who opined that "conventional microfinancing violates Islamic principles by charging interest. This matter is of concern for Muslims due to the consequences of dealing with interest (ribia)". This may account for the lopsided location of microfinance banks in country as over 75% of them are located in the southern part of the country while the northern part with a higher incidence of poverty has less than 25% of⁷¹.

Another important factor identified to militate against the performance of microfinance banks in Nigeria as identified by^{72,73} is limited support for human and institutional capacity building. The paucity of human capacity in the microfinance sub-sector in Nigeria has been an issue from the days of community banking. According to⁷⁴ one of the major problems of the microfinance sub-sector is recruitment of effective and appropriate manpower. This he ascribed to the inability of the sector to adequately remunerate staff. Other human resource problems faced by microfinance banks include lack of training opportunities and poor conditions of service. The quality of manpower in these banks is reflected in the poor performance of many of them, inefficiency and high levels of frauds and forgeries. The banks also suffer from high labour turnover a further indication of low staff motivation and poor personnel practices.

Corruption is a cankerworm that has wrecked-havoc in many sectors of the Nigerian economy. The microfinance sub-sector is not left out of the ravages of corruption. This manifests in many ways, such as, corporate governance failures, frauds and forgeries, theft and refusal by customers to repay loans. The standard of corporate governance in many microfinance banks in Nigeria is poor. Board members are known to misuse their positions to obtain facilities way above the regulatory limit for insider related loans and worse still with no intentions of repaying such facilities. They also use their positions to unduly influence and manipulate the recruitment processes in favour of their cronies. Fraud and forgeries by both insiders and outsiders to the banks are rife and people generally obtain loans with no intention to repay.

It is important to note that there is over nine hundred (900) microfinance banks today in Nigeria and they are regulated and supervised by the Central Bank of Nigeria (CBN). The CBN also has the responsibility of supervising commercial banks, development finance institutions, primary mortgage institutions, and bureau de change and credit bureaus. The multiplicity of the institutions and their diverse nature possess a regulatory challenge.

Another prevalent problem among microfinance banks is the copying, competing and mimicking the practices of commercial banks. Many microfinance bank managers and other management staff were commercial banks' staff who were either retired or sacked by their former employers. To these staff microfinance banking is just an extension of the commercial banking they know. They also come with their organizational orientation, philosophy and culture. They refuse to understand that microfinance is not micro-commercial banking but a different kind of banking requiring a different approach, philosophy and client base.

The rate of interest charged by microfinance banks leaves a lot to be desired. According to a study carried out by⁷⁵, microfinance banks charge between 30% - 100% interest on loans while they pay 4.5% to 6% on savings. Anyanwu⁷⁶ confirmed that the microfinance banks rates are way too high and may not augur well for the smooth development of this sector.

SOLUTIONS TO THE CHALLENGES FACED BY MICROFINANCE BANKS IN NIGERIA

That a lot of opportunities exist in the microfinance subsector in Nigeria is unarguable. Scholars are unanimous in their agreement that there exist a large untapped market for microfinance banks.^{77,78} buttresses this by pointing out that about 70% of the Nigerian population is engaged in the informal sector or agricultural production. Going by the country's population of over one hundred and fifty million people we can deduce that about one hundred and five million are in this sector. In the same line though differing in figures,¹⁷ held that microfinance banks in Nigeria only serve less than one million people against the over 40 million that require their services. The gap in this subsector was further demonstrated by⁷² when it showed that microcredit facilities in Nigeria account for about 0.2 percent of GDP and less than one percent of total credit to the economy.

The scenario above is indicative of an enormous market which microfinance banks can take advantage of. This large untapped market in the microfinance subsector is further enhanced by the fact that over 65% of the entire population of Nigeria has no access to banking services.⁷²

Government's renewed interest and improved regulatory environment in the microfinance sub-sector also enhances the prospects for development and success of microfinance banks. One indication of this is the implementation of training programmes for regulators, promoters and practitioners by the Central Bank of Nigeria (CBN). The CBN has even gone ahead to adapt the suggestion of Irobi⁷³ that it subsidizes the training of practitioners in the sector to reduce the burden on the banks. Today the CBN pays 60 per cent of the cost of training the management staff of these banks, this is aimed at improving capacity in the industry.

Another sign of regulatory will to ensure vibrancy in the micro-financing banking subsector is the inclusion of microfinance banks' deposits in the deposit insurance scheme. This has improved public confidence in the subsector.

CONCLUSION

Microfinance institutions provide financial services to persons who are excluded from the mainstream banking system. Financial exclusion the poor especially poor women, is due to lack of assets to be offered as collateral for institutional credit. Customs and traditions constrain women's access to assets and other life transforming opportunities. Women lack assets such as titled land, stocks, and buildings which banks demand as security. Access to financial services on affordable terms enhances women's income earning capacity.

However, the benefits of microfinance for women can be enhanced through a variety of ways such policy interventions and innovations in service delivery methodologies.

RECOMMENDATIONS

The paper recommends the following interventions in the microfinance sector for greater social and economic empowerment of women.

1. Women's education should be a priority to the parents or spouse of a woman and the government in general as this will help to bridge the gap of gender inequality.
2. Cultures prohibiting the education and empowerment of girl child and women in general should be revisited to support the education and empowerment of the girl child and women in the society. Improved banking culture among women should be encouraged.
3. Women should be encouraged to learn different trades as this will aid them to contribute to their families and the country at large.
4. There should be gender equality in accessing banks facilities and products.

5. The Central Bank of Nigeria (CBN) should encourage the establishment of more Microfinance Banks (MFBs).The government through the national Assembly should support microfinance banks such as lift above poverty organization(LAPO),and legal reforms that enhances easy and faster access of loans by women.
6. The interest rate should be minimal for quick repayment of loans and loan availability among women should be spread.

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