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Experiencing microfinance; effects on poor women entrepreneurs' livelihood strategies

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Experiencing microfinance; effects on poor women entrepreneurs' livelihood strategies

Abstract

Purpose – To address the problem of why the poorest, most disadvantaged groups such as rural African women benefit less from microfinance. We focus on the perception and experiences of ordinary rural entrepreneurial women on microfinance, in a context of extreme poverty and where family responsibility and economic activities are closely intertwined.

Design – To address the problem of why the poorest, most disadvantaged groups such as rural African women benefit less from microfinance. We focus on the perception and experiences of ordinary rural entrepreneurial women on microfinance, in a context of extreme poverty and where family responsibility and economic activities are closely intertwined.

Findings- For poor entrepreneurial women, a livelihood for survival, putting food on the table and paying school fees are priorities, not business growth. They see microcredit as debt and a great risk that could lead to irreversible losses. Family responsibilities for basic consumption needs of the household can affect their ability to repay loans; perceived dangers of microcredit may outweigh potential benefits.

Theoretical implications- Most of our theories, especially functionalist economic theory, do not take account of microfinance users experiences.

Practical implications- Microfinance providers should be aware that the poorest perceive microcredit differently and should try to reduce the intimidating barriers. Instead of providing a means for the poor to alleviate poverty, or coping strategies to manage cash flows and risks, microfinance causes fear and anxiety by demanding high rate of return in a very short period time.

Social implications - The very poorest, who should be the beneficiaries of microfinance, are less likely to be able to benefit. The condition of poverty creates different realities for those at the base of the pyramid.

Originality and contribution- This study questions the neoliberal rationality assumptions upon which microfinance rests; the paper fills a gap in the literature about how the potential borrowers themselves living in deep-rooted poverty perceive and experience microfinance.

1. Introduction

Helms (2006) claims that worldwide, 3 billion poor lack access to loans and financial services. This presents a problem for promoting enterprise which is generally agreed to be a good mechanism for reducing poverty (Agyapong, 2010) and socio-economic development (Maas and Herrington, 2011). However, microfinance offers a solution for alleviating some of the poverty related problems that characterise much of Africa. Microfinance has a particular ideological appeal in contrast to aid and charity, because it is deemed to help the poor to help themselves. Furthermore, it seems to offer a longer term mechanism, rather than the short term fix of gift aid. There is now considerable evidence that it can work at enabling some of the poor to improve their livelihoods (Hulme and Moore, 2007). Yet some observers are critical of grander claims that the new world of microenterprise finance has the potential to do in finance what the green revolution has done in agriculture (Buckley, 1997). It has also been noted that it may not be a universal solution for all (Van Roonyen et al, 2012). Indeed, particular disadvantaged and impoverished groups, such as rural women, seem to benefit less from microfinance (Kabeer, 2005). Our research objective is to try to establish if this is so, and why this arises. There is already a strong literature that looks at the supply side of microfinancing, for example Noruwa and Emeka (2012), but the explanations have been somewhat ambiguous, even ambivalent (Bandiera et al, 2013). Certainly there is evidence of the limited reach of microfinance into remoter areas (Acha, 2012). Our study extends this work by examining the experiences of most disadvantaged borrowers or potential users of microfinance.

Most microfinance studies take a functionalist approach (Nwakoby and Akpunonu, 2014), but this functionalist approach does not explain why microfinance fails to appeal to all potential users. As an alternative, this study addresses the research question from a different perspective (Karatas-Ozkan et al., 2014): how do rural women 'experience' microfinance? In other words, this research takes a phenomenological viewpoint; a micro rather than macro view, trying to understand the problem as it is encountered and experienced by rural women themselves. From the interpretation of their experiences, the study tries to account for practices, then theorise to provide explanation. The paper contributes with this alternative approach to understanding microfinance and entrepreneurship amongst Africa's poorest.

2. Poor women entrepreneurs in rural Nigeria

This paper first contextualises the research problem by framing it in what is already known about the topic. Many microfinance schemes target women because they are seen as particularly disadvantaged (Brana, 2013). The underpinning and unproblematised logic is that need, and hence demand, for microfinance is high amongst this group (Ssendi and Anderson, 2009). However, many disadvantages of female poverty can be attributed to cultural institutions and practices. Outcomes of poverty can certainly be understood in economic terms; lower education, poorer employment prospects; lower incomes and less capital. For example, Seedhouse et al (2016; 141) explain, "Nigeria is ranked 118 out of 134 in the Gender Equality index, with women at every educational level earning less than their male counterparts". Nonetheless, we argue that the causes are cultural, thus prompting us to "socially" explore the issues (Anderson, 2015).

In rural Nigeria women not only bear and look after children, but are also expected to provide their livelihoods. In many rural families women provide food, clothing and education. Moreover, in patriarchal rural societies, the division of labour is determined by gender, with women typically receiving little assistance from their spouse (Amine and Staub, 2009). Furthermore, good employment opportunities are limited by these same social institutions; socially constructing the appropriateness of "women's work". Sometimes deemed the 'feminisation of poverty', one solution is to become micro-entrepreneurs. Our study argues this has to be understood in terms of the social responsibilities of women (Chant, 2014). Women are pushed into entrepreneurship, but juggle household chores, childcare and production. Moreover, rather than being empowered (Chant, 2016); typically lacking resources and knowledge, they struggle to make a livelihood.

Nonetheless, evidence indicates that rural women are innovative, creating something out of nothing to meet the basic needs of their families (Nwoye, 2007; Ajani, 2012; Mbah and Igbokwe, 2015). However, poverty constrains what they can do (Anderson and Obeng, 2017). Typically, there is little government and institutional support, technology, training or funding available to help run these enterprises (Singh and Belwal, 2007). Poverty and distance may exclude the poor from efficient markets (Anderson and Lent, 2017) Practical realities force rural women entrepreneurs to focus on the short term goal of "putting food on the table today". Women thus take up business with the primary aim of meeting their families' basic needs. The idea of growing the enterprise remains secondary (Brünjes and Diez, 2013),

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3 although such ambitions could make the enterprise more productive. Poverty creates flexible
4 micro enterprises carrying minimum risk (Fletschner et al, 2010), because women juggle
5 responsibility for family with their limited resources, (Nwoye, 2007). This is not a minor,
6 residual or marginal problem; many poor women in traditional rural settings have micro
7 businesses. Indeed, Nagler and Naudé (2014) explain the importance of non-farm enterprises
8 for rural development. Moreover, contrary to expectations, the contribution of these
9 enterprises to rural household income has not declined, but increased. Recent studies
10 highlight that women enterprises account for a large proportion of total rural employment and
11 rural income (Mbah and Igbokwe 2015). Indeed, Ajani (2012) maintains that rural women's
12 enterprises play major roles in generating income for the rural women.
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21 Considering the difficulties that rural women entrepreneurs experience, it seems
22 useful to investigate what livelihood strategies they develop. For example, Nigerian rural
23 women favour small scale businesses with minimal risk. Indeed, women are likely to forego
24 activities that offer higher returns if these opportunities carry too much risk (Fletschner and
25 Kenney, 2014; Buvinić and Furst-Nichols, 2016.). Consequently, petty trading, subsistence
26 farming, dress-making and hair dressing appeal. These businesses are perceived as low risk,
27 requiring little risk capital and largely run as micro businesses. Furthermore, these women's
28 businesses focus on producing goods or services that meet the needs of local people (Woldie
29 and Adersua, 2004).
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37 **3. Microfinance**

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39 Microfinance programmes have become a popular tool to address poverty (Akanji, 2006).
40 The expansion of microfinance is based on the assertion that the poor can pull themselves
41 from poverty through entrepreneurship if given access to credit. However, microfinance
42 assumes the beneficiaries possess sufficient human capital, social capital and other assets for
43 growing their small businesses; so that lack of credit is the main barrier faced by the poor
44 (Taylor, 2011). This seems a problematic assumption, because running even the smallest
45 business calls for abilities, knowledge and competencies (Agyapong et al, 2011). Another
46 issue is the evidence that microfinance may not reach the poorest of the poor (Mahmood et
47 al., 2014; Diochon et al, 2016). In practice, it excludes the very poor from borrowing, failing
48 to target the poorest, most needy applicants (Weiss et al., 2003; Chemin, 2008). Moreover,
49 those who might benefit most from microfinance programmes, the poorest households, lack
50 technical and business skills (Bandiera et al., 2013). Non-income manifestations of poverty,
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3 such as education, health and security are overlooked by microfinance programs (Bradley et
4 al., 2012). Shaw (2004) reports how poorer households have low levels of formal education;
5 and that their productivity is often limited by poor health and undernutrition. Financial
6 illiteracy due to lack of education may even make the very poor unable to understand how
7 loans work.
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12 Conceptually, this study attributes this problem to the neoliberal rationality
13 assumption on which the microfinance model is developed (Webb et al., 2015).
14 Microfinance rests on neoliberal theory that the development process is driven by the
15 decisions of equally endowed, self-maximising individuals subscribing to principles of
16 economic rationality (Risman and Ferree, 1995; Rankin, 2002). This neglects how the context
17 in which these “entrepreneurs” are embedded may shape behaviours that are not entirely
18 economically rational (Dacin et al., 1999; Anderson et al, 2013). They have responsibilities
19 for their families; own no fixed capital such as land or machinery, nor do they manage the
20 household earnings (Rankin, 2001). In addition to family responsibilities, the most
21 vulnerable, the very poor at the base of the pyramid face risks which could be either
22 idiosyncratic such as illness, or covariant such as droughts. Such households attempt to “steer
23 clear of irreversible shocks” engaging in risk mitigation but incurring low returns; all to avoid
24 becoming enmeshed in a spiral of poverty (Christiaensen and Subbarao, 2005). Moreover, as
25 Taylor (2011) argues, the extremely poor may use microfinance as a means to deal with
26 unexpected expenditures and often become trapped in indebtedness.
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39 Microfinance programmes target women, arguing that credit is economically
40 empowering; increasing women’s income, improving gender equality, status within the
41 family, as well as the health, nutrition and educational status of other household members
42 (Kabeer, 2001). Furthermore, women are seen as a good credit risk by microfinance,
43 signalled by high propensity to repay (Hashemi et al., 1996). In comparison, male borrowers
44 engage in more risky business practices, or present moral hazard problems by consuming
45 credit on drink, tobacco, gambling or restaurants in town (Goetz and Gupta, 1996).
46 Nonetheless, Goetz and Gupta (1996) also found that a significant proportion of women’s
47 loans are directly ‘invested’ by male relatives, yet the female borrowers bear the liability for
48 repayment.
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56 The existing literature mainly focuses on evaluating microfinance programmes
57 (Khandker, 2005; Shetty, 2008; Alatas et al., 2012) in terms of the well-being of borrowers
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(Chemin, 2008; McIntosh et al., 2011) and the empowerment potential for women (Pitt et al., 1996; Rai and Ravi, 2011). These evaluations describe conflicting conclusions, yet they share an absence of accounts by borrowers themselves as to the impact of credit on their lives (Kabeer, 2001). Little is known about how the poor perceive microfinance. Furthermore, the existing literature lacks insights on how the “transformative” process of entrepreneurship touches the lives of those suffering from deep-rooted poverty (Tobias et al., 2013). In response, this study fills in the gap in the literature by examining how most disadvantaged borrowers or potential borrowers themselves perceive and experience microfinance in a context characterised by extreme poverty; one where family responsibility and entrepreneurial activities are closely intertwined. Accordingly, our research question is “how do poor rural women understand and experience microfinance?”

4. Methods

Our research objective was not to evaluate microfinance, but to try to understand how it was perceived by the poorest. The simplest approach was to ask micro entrepreneurs living in a very deprived region of Nigeria. One author knew the region well and had useful local contacts. A women's group leader introduced her to some poor ladies at their weekly meeting to explain the study (Maxwell, 2005). This led to some willing respondents and as an introduction to others. In formal terms, this was a purposeful sample (Tiainen and Koivunen, 2006) and used snowballing techniques (Dodd et al, 2013). Participant observations were used to establish background and to identify other, potentially different, respondents to compare with our emergent categories and findings. The participant observations involved attending meetings, listening carefully and attending marketplaces where women went about their businesses.

Data were collected in two villages in South-East Nigeria; one in Abia state and the other in Ebonyi. Both places are characterised as poor (Chukwu, 2012; Ifenkwe and Kalu 2012) and the poverty of rural women was very evident. Ifenkwe and Kalu (2012) investigate the poverty status of rural women in Abia State and find that 68 percent of rural women live below poverty line. Chukwu (2012) examines the rural poverty level in Ebonyi State. About ninety percent population in the area live below the abject poverty¹ level. “The entire rural

¹ Abject poverty lines are defined for single-person, four-person and six-person household units were annual income of N359160 (US\$983), N939510 (US\$2572) and N1427880 (US\$3909) respectively (Chukwu, (2012).

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3 population...were unable to receive enough daily calories, proteins, vitamins and minerals
4 essentially required to sustain a healthy and vigorous life” (Chukwu, 2012; 60).
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10 The sample size was 15 (rural women, aged 18 or over, who engage in business activities and
11 resident in rural communities of Abia and Ebonyi State), comprising two focus groups with 7
12 and 8 people respectively, and 10 face to face interviews. All sessions were conducted in
13 Igbo and English. The focus group discussions informed the questions used for the individual
14 in-depth interviews and considerable data were generated. All sessions took about an hour
15 and were audio-taped, transcribed verbatim and translated into English.
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21 The analyses followed Braun and Clarke (2006) six phases of thematic analysis in which
22 the codes were developed after examining the data. The first stage began by familiarising
23 with the data, reading the whole text several times to establish meanings. This involves a
24 constant moving back and forward between the entire data set and jotting down of ideas
25 about what is in the data and what is interesting about them. The second stage after
26 generating the initial list was to produce the initial codes from the data. Coding was done
27 manually by writing notes on the texts, using highlighters to indicate potential patterns and
28 identified codes were matched up with data extracts from individual transcripts. The third
29 stage began when all data have been initially coded and collated, this entails sorting the
30 different codes into potential themes. The coded data was grouped into the emerging
31 ‘themes’, patterns and structures. The fourth stage involves the refinement of the themes and
32 themes were peer-reviewed in relation to coded extracts and dataset by first, second and third
33 authors. At stage five, the initial themes were defined identifying the essence of what each
34 theme is about and determine what aspect of the data each theme captures. The sixth stage
35 involves writing up the story, providing sufficient evidence of the themes within the data.
36 This form of analysis is sometimes referred to as constant comparative analysis (Jack et al,
37 2015).
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50 Our findings were achieved by adopting thematic analysis method which facilitates
51 identification, analysis and reporting of patterns within data (Braun and Clarke, 2006). Our
52 objective was to understand how rural women perceive microfinance, the risks they consider
53 and influences on participation and usage. As Jack et al (2008) argue, conclusions reached
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3 from these methods are not generalisable to a wider population, but may be generalised at a
4 conceptual level.
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6 7 **4. Data and analyses** 8

9 10 4.1 Poor women, entrepreneurial activities and their family responsibilities 11

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13 Insert Table 1 about here please
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15 Table 1 describes our respondents' background and entrepreneurial activities. Our
16 respondents explained their income was inadequate and how they live in poverty. *"The family
17 income is not sufficient to meet daily living expenses at all, but we have to manage trusting
18 God to send us help"* (Mary). *"We are managing to survive."* (Adaeze). *"We manage with
19 what we have as things are too expensive in the village"* (Chika). *"...not sufficient, I have to
20 borrow to pay my children's fees and manage my hairdressing business."* (Nnenna).
21 *"Sometimes income falls short, I have to borrow"* (Chinyere). *"Not sufficient at all."*
22 (Obioma). *"Not sufficient, but I have to manage"* (Favour). They described their poverty as a
23 result of no employment opportunities and economic stress; women are pushed to venture
24 into a variety of economic activities. The small businesses operated by our respondents are
25 mainly in food and vegetable retailing or poultry and petty trading. They don't employ
26 anyone and require little specialised skills or capital. The businesses largely rely on local
27 customers and target the basic needs of the village. Ezinne tells us, *"Selling food stuff is the
28 ideal market in my village as people will buy food no matter what. I am not considering
29 another business"*, although earning the lowest income among our respondents. *"Selling of
30 food stuff is the ideal market in this village. I buy directly from farmers and sell my goods at
31 the main market where people in the city come to buy food stuff in bulk from villagers"*
32 (Obioma). *"Food stuff is the main thing that people from the city buys from us villagers when
33 they come to our village market"* (Mary). *"I was selling vegetables but I switched to this
34 business (poultry) because it was more lucrative and I make good profit as well as for our
35 own consumption"* (Oluchi). What they do is shaped by social experience (Anderson and
36 Obeng, 2017), lack of alternatives and driven by family dynamics (Halkias et al., 2011). *"I
37 could not find employment, so I decided to start my own business and do what I learnt from
38 my mother – sewing"* (Favour). *"The business that I am doing is the kind of business my
39 mother traded when she was much younger"* (Adaeze).
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Our respondents all work hard, on average they spend nine hours per day on businesses. At the same time, they must complete household chores and fulfil traditional family responsibilities as wives and mothers performing their household duties. Their objective is to meet families' basic needs and pay for their children's education. The respondents had large families, varying between three and eight, but typically six children. *"I hardly have any rest from family responsibilities and business and extended family members"* (Ezinne). *"I am doing everything humanly possible to continue their education after the death of their father and that is why I work tirelessly just to make ends meet. I have to do everything for my children with no support from anybody except God"* (Chinyere). *"I can make some money to support my family, especially my children's education as my husband cannot do it alone...; things are too expensive in this country and we do not know what tomorrow holds"* (Ebere). *"I have to do this business so as to pay for my children school fees which is very important to me as I want my children to have better education than I had"* (Favour). *"My health has been bad last year... I was asked to reduce my stress but it is not possible as I have to work hard - running my business and family in order to improve our wellbeing and send children to school at least up to secondary school"* (Adaeze). *"To support my family as my husband's farm work was not sufficient for our consumption and daily needs."* (Oluchi). *"I have to cater for my children and old parent and parent-in-law. (The business) is our only option for survival, improve my children welfare like investing in their education so as to come out of poverty one day"* (Nnenna).

Thus our data demonstrates how entrepreneurship is taken up for survival, rather than opportunity. Our respondents' primary concern was earning enough to feed the family, but their responsibilities extended to looking after the family.

4.3 Poverty, risks and the perception of microfinance services

Table 1 shows the respondents' low levels of formal education. The highest education level is secondary school; while half of the respondents have primary education with low or no literacy. *"I cannot read or write"* (Obioma). *"I have low literacy due to poor education"* (Chika). Importantly, low education levels affect the respondents' perception of microfinance. *"Microfinance services are for the rich and educated. They are not easy to use especially for rural people like me with little or no education"* (Mary). *"I lack basic financial and literacy skills due to poor education"* (Adaeze). *"I lack some basic knowledge on how they (microfinance) operate and also have low literacy"* (Chika). *"I don't trust them*

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3 (microfinance). It is those that went to school that microfinance is meant for as illiterate like
4 me cannot manage with all the paper work” (Obioma). Table 1 also shows that four
5 respondents were taking out microfinance loans at the time of interviews. One respondent had
6 the experience of using microfinance when she lived in the city. The other five respondents
7 expressed how they were worried about the risks and that they would never borrow from
8 microfinance.
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17 Table 2, our thematic analysis shows how family responsibilities and extreme poverty
18 constrain the respondents and the implications for their perception and experience of
19 microfinance. Consumption needs are particularly pressing for the poor women. The
20 respondents have to make a living each day and have no slack or spare resources on which to
21 fall back. Lines between businesses and households are often blurred. Six of our respondents
22 do not separate business money from their family uses. Three respondents kept business and
23 family money separately most of time, but “On some occasions, I use business money on
24 family matters, e.g. children’s maintenance” (Chinyere); “But on some crucial occasions, use
25 business money on family matter, e.g. children’s school fees” (Ebere); “sometimes I mixed
26 them up” (Nnenna). The pool of resources that poor women have - basic equipment, time and
27 money - is often used for their family responsibilities. None of our respondents owns land or
28 insurance and have only minimal space and equipment. “I have only my stall, tables and pan
29 that I used to put the food stuff. No modern equipment” (Ezinne). “I don’t really have
30 equipment other than the shop, shelves, tables and the goods” (Chinyere). “I have only my
31 shop and goods” (Chika). “What I have are feeding pans and trolleys and cages used in
32 keeping the birds” (Oluchi). Consequently their livelihoods are precarious, always on the
33 edge of disaster and their tiny incomes are vulnerable. Yet the pressure to provide for the
34 family is relentless.
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48 The experiencing of vulnerability had significant effects on how they perceived
49 microfinance. Indeed, rather than seeing opportunity and benefits, the cost of not repaying
50 was seen as catastrophic. Formal theory would suggest that borrowing costs are ‘marginal’-
51 will the benefits exceed the cost of borrowing? But for these enterprising women, not being
52 able to repay a loan risked irreversible consequences. This poorest and the most
53 disadvantaged group are reluctant to take out loans from microfinance. “If one fails to pay the
54 weekly repayment as at when due one will lose the collateral and face a lot of harassment
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3 *from group members and Bank Officials. I do not want to be the talk of the town in my*
4 *village - lose face...*
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7 *Furthermore, participating in microfinance is a great risk because markets in the*
8 *village is not certain and if anything should go wrong in my business – say armed robber*
9 *attack me or people who buys my food stuff on credit did not pay on time or bad omen*
10 *happens to me then my family will be in serious problem as our property would be sold and*
11 *family will be in distress.” (Ezinne).*
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17 *“How I will be able to pay back the loan when there is bad market” (Obioma).*
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20 *“Worry about approval of loan and how to pay back the loan as money borrowed*
21 *may be spent on family as well as the worry about the business in the village which is very*
22 *slow” (Favour).*
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26 *“Microfinance is worrisome. The repayment period is not fair on rural people as it is*
27 *hard to invest the loan on business because market in the rural areas is very slow. There is*
28 *the worry of how to pay back the loan and the risk of losing my property and family” (Chika).*
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31 Several respondents express their fear about non-repayment. *“There is the fear of*
32 *getting into risk of loans which may lead to me losing my goods, family and properties as*
33 *well as face in the community. I cannot guarantee whether I will be able to meet up the*
34 *weekly repayment due to bad market in the village among other things... once given the loan,*
35 *microfinance bank starts to demand for repayment on weekly basis whether you sell or not*
36 *and failure to do so will amount to harassment among other maltreatment. In short, I can’t*
37 *risk it; I just don’t want to enter inside trouble of debt of any kind. I prefer to struggle and*
38 *whatever I am able to get. I manage it as I have no husband who will come to my rescue in*
39 *case of trouble.” (Adaeze).*
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47 *“I don’t use microfinance because... the risk of losing property, worry about investing*
48 *the money on business as money invested on business may not generate income... besides I*
49 *do not like being in debt as the repercussion is grievous”(Mary).*
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53 For our respondents the dangers outweigh potential benefits. Moreover, even using a
54 loan can be problematic. The demands of family, lack of financial literacy and the
55 precariousness of their livelihoods mean that the loan may be used for immediate needs rather
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3 than business. Our respondents mentioned that loans are not only used on businesses, also
4 often for basic family needs, feeding their children or paying hospital expenses. *“The loans I*
5 *have received helped me to... feed my children, pay their school fees and face life challenges*
6 *in this hard country.”* (Nnenna). Ebere explained, *“I use part of the loan from microfinance*
7 *to cater for hospital expense.”* She was *“worried about how to meet up as money may be*
8 *used for other purposes like paying children’s school fees...because of hardship in the*
9 *village.”* The use of loans for productive activities is clearly compromised by the familial
10 responsibilities.

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17 Most pressing however was the anxiety over repayments. Chinyere told us how she
18 *“worried about how to pay back the loan especially my huge family responsibilities.”* Indeed
19 she explained how she had to pawn her goods to make payments, *“I sometimes have to hawk*
20 *some of my goods in order to raise the money (to pay back)”* (Chinyere). With few alternative
21 resources, they may have to resort to moneylenders with usurious interest rates.

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27 *“When I am unable to pay, I have to borrow from moneylender as I don’t want to lose*
28 *my face among group members, although, that means I have to pay about 50% (monthly)*
29 *interest rate compared to microfinance bank 5% (monthly) interest rate.* (Ebere).

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33 Oluchi told us she felt repayments brought pressure. *“The repayment period is too*
34 *short...How I am going to pay my dues when there is no market, incurring debt as a result of*
35 *borrowing from other group e.g. local money lender to pay off old loan, losing my business if*
36 *unable to pay”* Nnenna made a similar point, *“... I have to work twice hard in order to meet*
37 *up with the repayment ...I sometimes have to go and borrow from local money lender to make*
38 *up my dues”*.

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43 It is clear that our respondents’ experiences about microfinance led them to see a loan
44 as high risk. This risk was not simply financial, but also about respect and reputation.
45 However the real deterrent for borrowing was that not being able to make repayments could
46 push them over the edge, to the worst kind of poverty from which they could not recover.

5. Discussion

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54 Microfinance programmes focus on credit as the solution to poverty. However, in addition to
55 the lack of credit, poor women cope with a variety of difficulties, such as lack of assets and
56 security, little or no support, limited mobility, lack of access to technology with low levels of
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3 skills and education. Illiteracy makes the process of borrowing more difficult and
4 importantly, hard to understand. Microfinance processes thus raise intimidating barriers for
5 the poorest. Furthermore, credit is seen as debt and this constitutes a great risk for the poorest
6 and most vulnerable. In the absence of sufficient assets to smooth consumption, shocks such
7 as a lean season and robbery were feared by our respondents. This could lead to irreversible
8 losses, such as asset depletion, reduced nutrient intake, or interruption of education that
9 permanently reduces human capital, locking their victims in perpetual poverty (Christiaensen
10 and Subbarao, 2005). Aware that the potential losses are not simply marginal (e.g. having a
11 little less money to spend) but more of a cusp point from which they are unlikely to recover,
12 the poorest were reluctant to take the risks of borrowing from microfinance.
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21 Insert table 2 about here please
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23 African poor rural women bear a “double burden” of full-time economic activities and
24 all domestic responsibilities. For them, a livelihood for the children, paying school fees and
25 putting food on the table are priorities, not business growth. The persisting responsibilities of
26 poor women to meet the basic consumption needs of the family affect their ability to repay
27 microfinance, because the assumption is that repayments will come from anticipated extra
28 profits. But the circumstances of poverty determine whether the loans may be diverted to
29 livelihood, rather than income enhancement. Strict weekly repayments place strain on these
30 women, especially with periods of low market demand and in the times of emergency or
31 economic shocks. Microfinance does not contribute to the coping strategies for the poor and
32 vulnerable; they struggle to manage cash flow, risks and repayments. When livelihood hangs
33 in the balance, the perceived dangers of microcredit may outweigh potential benefits.
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42 **6. Conclusions**

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45 Entrepreneurship as a solution to poverty has highlighted the development of microfinance.
46 However, unrealistic assumptions about rationality and separation between business and
47 family uses may be misleading for understanding how micro enterprises work in the context
48 of extreme poverty and vulnerability. Poor women’s income-generating activities are
49 critically different from profit or growth maximum businesses. They focus on supporting and
50 maintaining themselves (Gudeman and Rivera, 1990) and entrepreneurship is simply a way
51 for poor households to make ends meet (Eversole, 2002). The goal for poor women engaging
52 in entrepreneurial activities is to maintain livelihoods and family well-being. Businesses
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3 rarely expand, nor is expansion necessarily attractive. As Adaeze explained, “*It is a small*
4 *business and I manage it myself with the help of my children who assist me in the shop after*
5 *school*” (Adaeze). “*It is a one-man-business which I run on my own*” (Chinyere). “*Except my*
6 *children who are still living with me*” (Mary). “*Only my children help me sometimes, as my*
7 *business is still small*” (Chika). The entrepreneurial activities provide for the subsistence
8 needs of their families. However, the growth potential of these small enterprises to create
9 paid employment, achieve economies of scale, create greater welfare impact is limited.
10 Because many female microenterprises work at subsistence level, microfinance as a means to
11 alleviate poverty through micro entrepreneurship is not always an appealing solution.
12 Consequently, the contribution of this study is in presenting an alternative approach to
13 understanding microfinance and entrepreneurship amongst Africa’s poorest.
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22 **6.1 Implications for policy and practice**

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25 Studies on women perception of microfinance and entrepreneurship amongst Africa’s poorest
26 are scarce. This study has enhanced the understanding on how rural women experience
27 microfinance and the risk they consider. The study has importance to rural women, Nigerian
28 Government, MFIs, organisations and researchers that are trying to serve rural communities
29 and seeking to understand women’s experiences and perception of microfinance in rural
30 Nigeria. Knowledge of experience and perception of rural women will help to inform what
31 should be addressed in the development and implementation of microfinance services
32 intended to empower and assist rural women. The key to “improved (microfinance) service
33 delivery is what we knew from the beginning: know your customer.” (McCarter, 2006). As a
34 result, the findings of the study might be beneficial for stakeholders mentioned above by
35 creating awareness of what is the state of the art regarding rural women and available
36 microfinance services and areas that require enhancement. Thus, the finding of this study has
37 suggested the need to revise microfinance services to widely address the barriers and
38 minimise the risk rural women consider. Furthermore, it has revealed how and why loans
39 acquired from microfinance institutions may be diverted to meet pressing family needs. It has
40 shown that although microfinance may be seen as a viable solution to poverty alleviation, the
41 poorest group such as rural women see the dangers as outweighing potential benefits. These
42 findings can be used by microfinance institutions and other stakeholders to inform how they
43 tailor microfinance services for the poorest groups. For example, demanding high rate of
44 return from the poorest without any flexibility could cause fear and anxiety for the service
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3 user and these could become intimidating barriers to accessing the service. Furthermore, the
4 information on the barriers rural poor women face to access credit may help in the planning
5 and implementation of appropriate microfinance interventions.
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9 **6.2 Limitations and further research**

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11 Limitations of this study, which are common in qualitative research, border on the issues of
12 generalisation and selection bias. Being a qualitative study, the findings could not be
13 generalised to a wider population but may be at a conceptual level. This is because
14 information from these rural women in South-East Nigeria may only be applicable to others
15 from the same region or tribal affiliation. Although, care was taken to ensure that the right
16 kind of people were involved in this study, there is a chance that some women who met the
17 criteria but may have had other constraints such as ill-health or unaware of the study may
18 have been omitted. Despite these limitations, however, this study has shown how perception
19 of microfinance is context specific and it differs across people and cultures. This study has
20 created more questions than answers and hence provoked more research in the area of
21 microfinance for the poorest of the poor in developing countries. More studies could be
22 conducted in other cultural groups to examine how rural and urban women experience and
23 use microfinance. More specific research may be conducted to give a more distinct
24 understanding and depth to the influence of socio cultural background on rural women's
25 participation in microfinance services in African countries. This study has paved way for
26 further studies in the area of microfinance in developing economies.
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