MICROFINANCE FOR SMALL-SCALE ENTERPRISES DEVELOPMENT IN ANAMBRA STATE, NIGERIA: A GENDER ANALYSIS

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Abstract

This study examined the place of microfinance in small- scale enterprises development for poverty reduction, employment generation and women involvement in programme implementation in. Anambra State, Nigeria. Two government micro-finance institutions (MFIs) and two microfinance banks (MFBs) were purposely sampled for the study. Institutions relevant in the provision of micro credit for small-scale enterprises development were discussed. Microfinance institutions were classified into formal and informal. Most formal MFIs were funded through deposits, savings, donations, loans and grants from individuals, government and donor agencies while the MFBs received their funds through people's deposits, savings and shares. Number of approvals (5,099) fell short of applications (8,555) by 40.4% Higher number of men applied for financial support than women. They were equally favoured in approvals and disbursements. However, women who received micro credits recorded higher rate of repayment (74.2%) than the men (50%), because they were better organized and fear defaulting. The setbacks in microfinance activities included insufficient funds, evasion of repayment, poor quality staff and supervision. Government polices should be tailored towards the provision of more facilities, joint liability group lending strategy (ie NGOs, women groups and cooperative societies), adequate supervision and training as well as introduction of commercial interest rates in order to increase participation and enhance repayment.

Introduction

Poverty level in Nigeria has been extremely high, with about two thirds of the population living below the poverty line (Akanji, 2002). The pains of poverty are not only threatening the sustenance of our hard earned democracy, but even the existence of our country as a nation (Kpakol, 2001).A number of development-oriented policies are required to reverse the negative cycle of growing rural poverty, deficient food production systems, lack of food security and resource degradation. Women have to be fully involved in this process of empowerment and self-responsibility of rural people. Education, training and equal access to all services and resources particularly credits are crucial prerequisites for equal involvement of women in the process of rural development (Ezenwa and Okafor, 2006).

Lack of access to credit is generally seen as one of the main reasons why many people in developing economics remain poor. Usually, the poor have no access to loans from the banking system, because they cannot put up acceptable collateral and/or because the costs incurred by banks for screening and monitoring the activities of the poor and of enforcing their contracts, are too high to make lending to this group profitable (Hermes and Lensink, 2004). Access to financial services as opined by Ehiqiamusoe (2005), enables poor household to move from a state of "everyday for survival" to planning for the future, investing in better nutrition, children's education and health. It also assists in empowering women socially. Thus, the latent capacity of the poor for entrepreneurship would be significantly enhanced by the provision of microfinance services, which would enable them engage in economic activities and be more self-reliant, increase employment opportunities, household income and wealth (Iweala, 2005)

To fight and conquer poverty requires actions at the local, national and global levels. This is necessary to expand people's opportunities, empower them and increase their security (World Bank, 2001). These actions could be taken through the operation of microfinance as a strategy for poverty reduction. Though the number, asset base and clients of microfinance operations have been on the increase in the past ten years, the number of beneficiaries is an insignificant proportion of over 60 million people that are in need of microfinance services (Anyanwu, 2004; Rural Financial Services Programme(RFSP), 2003).

Financing small-scale enterprises development through joint liability group lending or cooperative societies increases participation and enhances repayment rates which may contribute to improving the sustainability of these programmes (Akanji, 2002; Anyanwu, 2004; Oke, Adeyemo and Agbonlahor, 2007; Cassar,Crowley and Wydlick, 2007; Cull,Demirgy and Morduch, 2007). Consequently, a big number of groups and institutions have been created over more than 15 years to meet some of the needs for financial and non- financial services, particularly in rural poor areas. The non-governmental organizations and public sector microfinance institutions were encouraged to mobilize and help thousands of women to rediscover their human dignity and rise above poverty and ignorance through their various services (CBN, 2000). The CBN further stressed that results produced by the Nigerian microfinance institutions have been remarkable, however, many of them need to enhance their capacity, increase their managerial skills and provide more technical assistance to their clients.

This study seeks to examine gender issues in microfinance for small-scale enterprises development for poverty reduction and employment generation using Anambra State as a case study. The specific objectives include:

- to identify the institutions involved in microfinance for small-scale enterprises development;
- to examine gender issues in microfinancing for small-scale enterprises development.
- to identify problems militating against the programme and proffer solutions.

To achieve these objectives, the paper is divided into 6 sections. Following from the introduction above, Section 2 looks at the conceptual framework. Section 3 analyses the institutions involved in the delivery of microfinance. Section 4 reviews the study methodology, while Section 5 presents the results and discussions. Section 6, which comprises recommendations and conclusion, concludes the paper.

Definition and Classification of Microfinance and Small- Scale Enterprises

Definition and Classification of Microfinance

Microfinance refers to financial services provided to low-income people, usually to help support self-employment. Examples of microfinance products include: Small loans, savings plans, insurance, payment transfers and other services that are provided in small increments to low income individuals. These services help families to start and build "micro" enterprises, the very small businesses that are important sources of employment, income and economic vitality in developing countries (CBN, 2006). The current view of microfinance, however, includes a broader range of services, mainly credit, savings opportunities, insurance and money transfer, which the poor who lack access to traditional formal institutions needed to achieve meaningful improvement in their business activities (Iganga, 2007).

Three features distinguish microfinance from other formal financial products. These according to Ogbunka (2003) and Kimotha (2005) are:

a. The smallness of loans advanced or savings collected.
b. The absence of asset–based collaterals; and
c. Simplicity of operations

The average size of microfinance loans varies from country to country, in most cases, it is equivalent to $120-$150 in the domestic currency. For example, in Philippines the average loan size is $124 (Kpakol, 2005). In Nigeria as at 2004 it was as small as N8,800, reflecting the small size of activities that are covered by microfinance. The credits range from N5000 to N13,762, hence the main activities funded were petty–trading, micro hair–dressing, sewing, low level agro-allied activities, etc (Anyanwu, 2004).

Ehigiamusoe (2005), conceptualizes microfinance from a broader perspective, as he defined it as "flexible processes and structures by which financial services are delivered to owners of micro enterprises on a sustainable basis". In this regard, microfinance recognizes the peculiar challenges of micro enterprises and the constraints faced by their owners. It recognizes the inability of the poor to provide tangible collateral securities. It, therefore, promotes security substitution.

Classification of Microfinance Institutions (MFIs)

The Central bank of Nigeria (CBN, 2000) classified microfinance institutions into two: formal and informal. The formal financial system provides services to about 35% of the economically active population and includes institutions such as Nigerian Agricultural Cooperative and Rural

Development Bank (NACRDB), National Poverty Eradication Programme (NAPEP), Commercial Bank, Microfinance Banks(MFBs), African Development Bank(ADB), United Nations Development Programme(UNDP), etc. The remaining 65% are often served by the informal financial sector, through Non-Governmental Organizatins(NGO), microfinance institutions, money lenders, friends, relatives and credit unions.

Scholars like Olomola (2002), Otu et al (2003) and Oke (2007) supported the classification given by the CBN. However, Olomola (2002) went further to add that the informal finance operates outside the purview of legal, fiscal, regulatory and prudential framework of the monetary and financial authorities. Such institutions include the traditional groups that provide savings and credit services to their members and operate under different names: ‘isusu’ among the Ibos of South Eastern Nigeria, ‘etoto’ for the Yorubas of South Western Nigeria and ‘adashi’ in the North for the Hausas.

In his study, Cull et al (2007) classified microfinance institutions into 3 types, namely: group lending systems, village banking and individual–based lending. This classification has similarities with the ones mentioned earlier.

Small-Scale Enterprises

Opinions vary as to where to draw the line between “small” and “big” business. This is because the classification into small, medium or large-scale is a subjective and quantitative judgment (Ekpenyong and Nyong, 1992; CBN, 1993). Even within a country and among countries, the definition of small-scale enterprise varies according to peculiar needs of public polices (Schimitz, 1982; CBN, 1993). There are, however, some common indicators in most definitions, namely the size of capital investment (fixed assets), value of turnover (gross output) and number of paid employees. The popularity of these indicators derives largely from their ease of measurement.

Specifically, Mohammed (1990) defined small-scale enterprise as a business unit with fixed assets (excluding land) plus cost of investment projects below N400,000.00. The Central Bank of Nigeria (CBN) Monetary Policy circular No 22 of 1988 defined a small-scale enterprise as one in which total investment (including land and working capital) did not exceed N500,000 and the annual turn-over did not exceed N5.0 million. Following the persistent depreciation of the exchange rate of the naira, the maximum size of capital has been raised to N5.0 million and the turnover to N25.0 million since 1990 especially for the purpose of Commercial Bank Loans to small scale industries.

In summary, Obitayo (1991) stated that a small-scale enterprise is a business unit having capital cost (investment and working capital) not exceeding N750,000 and employing not more than 50 full time workers.

Institutions Involved in the Provision of Microfinance for Small-Scale Enterprises Development

The practice of microfinance in Nigeria is culturally rooted and dates back to several centuries. The traditional informal microfinance institutions and modern / formal microfinance institutions have been identified to have played active roles in the past and at present in proving microfinance to alleviate poverty and raise the standard of living of our people. The traditional microfinance institutions provide access to credit for the rural and urban low-income earners. They are mainly informal Self Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs). Other providers of microfinance services include saving collectors and cooperative societies. The informal financial institutions generally have limited outreach due primarily to paucity of loanable funds.

Successive government administrations in Nigeria have used the formal/modern microfinance institutions to enhance the flow of financial services to the poor. Notable among them are:

1. The Nigerian Agricultural and Cooperative Bank Limited (NACB) established in 1973 and re-baptized Nigerian Agricultural Cooperative and Rural Development Bank(NACRDB)-2000.
2. The Nigerian Bank for Commerce and Industry (NBCI) established in 1973
3. The Agricultural Development Programmes (ADPs) initiated in 1978.
4. The Agricultural Credit Guarantee Scheme (ACGS) established in 1977.
5. The National Directorate of Employment (NDE) set up in 1987.
6. The Nigeria Agricultural Insurance Corporation (NAIC)-1988.
7. The establishment of the People's Bank of Nigeria (PBN)- 1989. Re-named Community Banks and then Microfinance Banks (MFBs) in 2007
8. The Family Economic Advancement Programme (FEAP)- 1995.
9. The Bank of Industry (BOI) – 2000.
10. The Small and Medium Enterprises Equity Investment Scheme (SMEEIS)-2001.
11. The National Poverty Eradication Programme (NAPEP) – 2003.
12. The Universal Banks (Commercial Banks) which can undertake microfinance services, either as an activity or a product.

Other institutions that assist in the provision of microfinance for enterprises development include the Multinational Corporations and Oil Companies ,Donor Agencies such as the UNDP, the ADB and the World Bank Group. Finally,the NGOs which took off in the early '80s also champion the cause of micro and rural entrepreneurs, with a shift from the supply-led approach to a demand driven strategy.

Methodology

Nigeria is made up of 36 states including the Federal Capital Territory, Abuja. In each State, Government MFIs, NGO-MFIs, as well as Commercial Banks and Microfinance Banks abound. Anambra State was chosen for the study because of its commerce oriented nature. Two government MFIs (Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) and National Poverty Eradication Programme (NAPEP) and two MFBs (NICE Micro Finance Bank and Adazi-Nnukwu Micro Finance Bank) were purposely sampled for the study. The informal sector made up of the 'isusu', friends, relations, etc could not be used as a result of inadequate records. The government MFIs were sampled because they have as their sole objective, the provision of microfinance for small-scale enterprises development for employment creation, poverty reduction and rural development. While the two MFBs were selected for comparison. Their selection was also based on the cooperative attitude and readiness of their officers to provide information relating to microfinance activities.

A total of 80 questionnaires were distributed for the study. Forty of them to workers of the four MFIs and another 40 to beneficiaries of micro credits from the institutions. Ten workers and 10 beneficiaries from each of the four MFIs were randomly sampled from the lists provided by the officers of the MFIs, giving a total of 80 respondents for the study. Data collected covered such issues as gender contents of loan applications, approvals and disbursements; loan repayment rates and sizes applied for; enterprises funded with the facilities and problems encountered in the provision of microfinance by the MFIs. Secondary data from related articles and institutional publications enabled the completion of some missing links. Descriptive statistics such as means, frequencies and percentages were employed in data analysis.

Results and Discussions

The Microfinance Banks and Enterprises Financed with Microfinance Loans by Beneficiaries

The idea of MFBs was conceived in 2005 via the CBN Microfinance Policy Guideline which mandated all Community Banks in Nigeria to upgrade to MFBs with a minimum share capital base of ₦ 20 million before the end of year 2007.The consequence of this mandate is that most funds for the activities of the MFBs are sourced from deposites of customers, shareholders' funds and grants/donations from individuals, organizations, and so on. The mission statements of the banks include among others:

1. Making micro credits available to the poor.
2. Dealing with creditors in groups
3. Creditors to deposit savings in the bank.
4. Using the peer pressure of the group to ensure loan repayment.
5. De-emphasise asset based collaterals and use the collective pledge of the group to repay and a compulsory deposit of about 10% of beneficiaries' loan size as collateral.

Achievement of the stated objectives will improve skill acquisition through enterprises development, accelerate wealth creation among enterprising poor people and eradicate poverty (Iheduru, 2002).

Utilization of Microfinance by Beneficiaries of the MFIs

The beneficiaries of microfinance loans invest them in various enterprises (Table 1). Results indicated that beneficiaries of the loans financed more non-farming activities (67.4%) than farming activities (32.6%). Non-farming enterprises patronized ranged from trading (40.4%), food processing (10.5%) to construction (2.0%), while farming activities ranged from vegetable production (10.6%), poultry (8.4%) to tree cropping (1.0%). On the contrary, most beneficiaries of micro credits from government MFIs funded mainly farming enterprises (79.5%) than non-farming projects (20.5%). This suggests more compliance on the part of government MFIs to funding of those enterprises that will impact on the lives of farmers and farming communities.

Table 1 Microfinance Utilization by Beneficiaries of MFI/MFB

Farming	Percentage		Non-farming	Percentage	
Enterprises	MFB	MFI	Enterprises	MFB	MFI
Arable cropping	75	25.0	Trading	40.4	-
Tree Cropping	1.0	10.0	Food Processing	10.5	17.0
Vegetable Production	10.6	26.0	Arts and Craft	3.4	3.5
Fish Farming	2.5	8.0	Transportation	2.5	-
Fishing	-	1.5	Construction	2.0	-
Poultry	8.4	7.5	Others	8.6	-
Other livestock	2.5	1.5			
All Farming	32.6	79.5	All Non-Farming	67.4	20.5

Size of Loan Application, Approvals, Disbursements and Repayments

Further results of the survey as reflected in Table 2 showed that a total of 8,555 applications were filled by 4,873 men and 3,682 women in the four MFIs. Out of these figures, approvals were given to applications by 2,790 men and 2,309 women amounting to a total of 5,099 approvals or 59.6% of all applications and a shortfall of 40.4%. The MFIs must be encouraged to mobilize more funds to enable them reach out to numerous less privileged people who could not be served by the Commercial Banks.

Table 2: Distribution of MFIs According to Loan Applications, Approvals, Disbursements and Repayments , 2007

N.A = Not available

		Microfinance Institution										
S/No	Attributes	NAPEP		NACRDB		AMFB		NMFB		TOTAL /%		GRAND TOTAL
		M	F	M	F	M	F	M	F	M	F	M and F
1	Applications (No)	500	350	4259	2678	60	54	700	600	4873	3682	8555
2	Approvals (No. /%)	230 (46.0)	202 (57.7)	2122 (49.8)	1590 (59.4)	53 (88.3)	26 (48.1)	385 (55.0)	486 (81.0)	2790 (57.3)	2309 (62.7)	5099 (59.6)
3	Disbursemen t (No/%)	210 (91.3)	180 (89.1)	(1951 (19.9)	1002 (63.0)	53 (100)	26 (100)	385 (100)	486 (100)	2599 (93.2)	1694 (73.4)	4293 (84.2)
4	Repayments No/%	NA	NA	1501 (76.9)	.990 (98.8)	44 (67.8)	26 (100)	220 (100)	405 (83.3)	1765 (67.9)	1421 (83.9)	3186 (74.2)

M = Male

F = Female

Table 3 below shows the distribution of microfinance loans according to applications, approvals, disbursements and repayments. The total disbursement of #463.9 million made by the MFIs fell shot of approval (#483.3 million) by #20.4 million or 43%. The shortfall may be attributed to problem of insufficient funds available to the institutions for disbursement (Table 5), and to amounts the MFIs appraised as adequate for the enterprises. Even at that, men were favoured (#291.1 million or 62.8% of the total amount disbursed) than women (#172.8% or 37.2% of total disbursements). This result compares positively with the 40% average recorded for women cooperators in the baseline data of MFIs in 21 districts covered by RFSP-Tanzania in 2003 (RFSP,2003). There is therefore the need to tailor more credit facilities to the women who constitute majority of the rural poor in order to empower and enable them contribute meaningfully to family up-keeps (Ehigiamusoe,2005).

Repayment of Micro Credits by Beneficiaries of the MFIs

The repayment of micro credits obtained by clients of the MFIs (Table 3) was 59% for both men and women. However, analysis on gender basis showed that women recorded higher repayment rate (75.2%) than men (50%).A similar result of higher repayment rate recorded by the women was reported by Adeolu and Taiwo (2004); International Federation for Agricultural Development(IFAD), (2007). Again, the lowest repayment rate recorded by client of the MFBs (74%) was greater than the 47.9% of clients of government MFIs. The fact that male borrowers of the MFBs achieved higher repayment rate than male borrowers of government MFIs suggests that male clients of MFBs being part owners of the banks and known members of the immediate societies where the banks were located had there reputation to protect.

Table 3: Distribution of MFI Loan Sizes According to Applications, Approvals, Disbursements and Repayments, 2007.

N.A = Not available

		Microfinance Institution										
S/No	Attributes	NAPEP (₦ Million)		NACRDB (₦ Million)		AMFB (₦ Million)		NMFB (₦ Million)		TOTAL /% (₦ Million)		GRAND TOTAL (₦ Million)
		M	F	M	F	M	F	M	F	M	F	M and F
1	Applications	15.3	13.0	896.5	420.9	3.4	1.3	63.2	50.1	978.4	485.3	1463.7
2	Approvals (Amt/%))	10.1 (66)	8.3 (64)	245.6 (64)	151.3 (35.9)	3.4 (100)	1.3 (100)	37.4 (59.9)	27.0 (54)	296.4 (30)	187.9 (39	484.3
3	Loan Disbursement (Amt/%)	10.1 (100)	8.3 (100)	240.6 (98)	138.7 (91.7)	3.4 (100)	1.3 (100)	37.0 (99)	24.5 (91)	291.1 (98)	172.8 (92)	463.9
4	Repayments (Amt /%)	NA	NA	115.2 (47.9)	106.8 (77)	2.9 (85.3)	1.3 (100)	27.5 (74)	20.5 (84)	145.6 (50)	128.3 (74.2)	273.9 (59)

M = Male F = Female

The high repayment rates recorded in the microfinance sector are traceable to the collective responsibility of clients who are required to be in groups though utilization of the loans is on individual basis. Grouping of clients enhances the security of credits because they jointly assume responsibility for repayment (Oke et al,2007; Cassar et al,2007; Cull et al,2007). A defaulting member jeopardizes the chances of other members in the group getting new loans, thus they put pressure on one another to ensure repayment for the collective good of all.

Other Gender Issues in Microfinance for Small-Scale Enterprise Development

Women are generally looked at as the weaker sex, but are known to be very enterprising. This reason, in addition to the problem of lack of adequate information might be the reason less number of them applied for micro credits than men. Iheduru (2002) made a similar observation and attributed it to women having a lower capital absorptive capacity than men. Majority of the women who showed interest in micro credit applied for smaller sizes due to fear of default and the sanctions that may be meted out to defaulters (Table 4).

Women are noted to get better and faster services from NGOs where they constituted most of the members and play active role in policy formulation (Oke et al,2007). However, in government MFIs and the MFBs where they equally comprised a significant proportion of share owners and depositors they were marginalized in loan approvals and disbursements.

More results of the survey (Table 4) established higher repayment rates and smaller loan sizes for women than men in both the MFBs and government MFIs. Reasons adduced for this by the loan beneficiaries include fear of default (85%), channeling of credit to specific projects (78%), sincerity and commitment (78%), and better managerial ability (55%). Lower repayment rates by men may also be due to their inability to repay because of poor commitment to mutual guarantee of the group earlier confirmed by Snow and Buss (2001); Cheston and Kuhn (2006). Moreso, Iheduru (2002) likened it to men having higher propensity for loan diversion.

Table 4: Distribution of Microfinance Beneficiaries According to Reasons for High Repayment Rates and Small Loan Sizes Recorded by the Women

Reasons	Response	Percentage
Fear of default	34	85
Channeling of credit to specific projects	31	78
More sincere and committed	31	78
Better management ability	22	55
Prefer smaller credit	18	45
Provision of false information	5	13

Source: Survey data
Note: High figures in the table are due to multiple answers.

Problems of Micro Finance For Small- Scale Enterprises Development

Small-scale enterprise development in Nigeria has been negatively affected by a myriad of problems. In this study, the most important constraints militating against microfinance are analyzed in Table 5. The most important of these constraints are discussed below:

Inadequate Funds: It is obvious that one of the major problems encountered by MFIs and MFBs is insufficient funds, which scored 88 per cent. Due to this factor, the microfinance agencies are not able to meet the increasing demand for credit by the small-scale entrepreneurs who constitute the bulk of their clients Inadequate funds for disbursement to the ever-growing number of people who needed micro credits, was heightened by the dwindling loanable funds from government sources and donor agencies as well as increasing cost of borrowing.

Inadequate Monitoring and Supervision:Inadequate monitoring and supervision by the respective arms of the MFIs as a result of insufficient and poor quality staff has been identified as one of the problems militating against micro finance projects. This situation was worse in the informal sector with very weak institutional governance and managerial structure. This constraint, which accounted for 35 per cent of the responses given by the respondents, also explains why there were high default rates particularly among the government owned MFIs.

Effect of Inflation: Due to rising inflation, which has remained above the planned single digit level, the financial outlay of business enterprises has multiplied several fold irrespective of the scale of operation and consequently the average loan sizes approved by the MFIs were inadequate to meet the financial demands of small-scale enterprises.

High Loan Default Rates: High loan default rates, which scored 45 per cent, is a major problem militating against MFIs. Massive loan delinquencies recorded by government MFIs were due to false information provided by the clients especially men some of whom relocate after obtaining loans. This problem, if not well tackled, could threaten the sustainability of such programmes.

Others constraints found to be militating against micro finance for small enterprise development include poor documentation, concessional interest rates, high administration costs and administrative bottlenecks as well as poor logistic support and inadequate collaterals.

Table 5: Distribution Of Officers of MFI/MFB According to Problems Militating Against Microfinance Programmes.

Problems	**Response**	**Percentage**
Insufficient funds	35	88
Inadequate monitoring and supervision	21	53
Effect of inflation on project costs	20	50
High loan default rates	18	45
Gender disparity	15	38
Lack of knowledge about credit facilities	12	30
High administration cost	10	25
Poor logistic support	5	8
Lack of collateral	2	5

Source: Survey data.
Note: High figures in the table are due to multiple answers.

Recommendations and Conclusion

This paper examined microfinance for small-scale enterprises development while emphasizing gender issues. To achieve this objective, the study defined and classified microfinance and small-scale enterprises. It also identified institutions involved in the provision of micro credit for small-scale enterprises development; analyzed number and size of applications for microfinance in selected MFIs, approvals and disbursements as well as repayment rates. Gender involvement in microfinance programme implementation and problems militating against the provision of microfinance were also addressed.To ameliorate the situation, the following recommendations aimed at improving the availability of microfinance for small-scale enterprises development are put forward:

- **Institutional Support**: Improving the lives of the poor requires developing institutions, improving government performance and changing political structures and attitudes towards the poor and the vulnerable group (ie. women.) Microfinance banks and implementing government agencies such as NACRDB, NAPEP, NDE and State Women Commissions must be supported and encouraged to recruit more professional staff. This will help to reduce administrative bottlenecks, ensure proper monitoring of activities and increase participation.

- **Group Lending**: Disbursement of micro credits to groups especially women groups, NGOs and cooperative societies rather than individuals should be encouraged as a way of overcoming the problems of high transaction costs and loan defaults as well as a means of extending the coverage of beneficiaries.

- **Public Enlightenment Programmes**: Seminars, workshops and enlightenment campaigns should be organized for micro enterprise groups and staff of MFIs in order to improve the quality of services and ensure compliance to the micro credit terms.

- **SMEEIS**: Micro finance Banks are closer to the people and recorded higher repayment rates than government MFIs. They should, therefore, be encouraged to take advantage of the Small and Medium Enterprise Equity Investment Scheme (SMEEIS) instituted by the Bankers' Committee, and the Development Finance Institution (DFI) funds in order to widen their financial base.

- **Flexible Collaterals/Securities**: Implementing institutions should de-emphasize physical collaterals in the use of loan but should allow for guarantees that match the loan volumes such as personal guarantees and peer pressures. Group lending is efficient because it externalizes costs.

- **Market-Determined Interest Rates**: Micro entrepreneurs have shown willingness to pay high interest rates for services that are fast and meet their needs. The informal microfinance institutions are known to charge commercial interest rates, which enable them to be self-sustaining and respond fast to the demand for micro credits. Thus, the concessional interest rates often associated with MFIs need to be revisited.

- **Training/Sensitization**: For successful small-scale enterprises development for employment generation, government policies must be tailored towards sensitization and training of women to embrace micro credits and financing of enterprise development through joint liability group lending that has been proved to increase participation of the poor and vulnerable and enhance repayment.

Conclusion

Micro finance for small-scale enterprises development is indeed a strategy for poverty reduction and women empowerment. Funds available for micro credit activities through the formal MFIs were raised through savings, deposits, donations, loans and grants from government, individuals and donor agencies. However, they are insufficient to cover most of the people who need them as reflected in the differences among numbers and volumes of applications, approvals and disbursements.

More funds could be mobilized, by the MFIs by encouraging savings, reducing administrative bottlenecks, accessing the SMEEIS fund and applying commercial interest rates. Group lending has been found to be efficient because it externalizes costs and it is a means of reaching more less-privileged people especially the very poor and women. Women though marginalized in micro credit provisions, recorded higher repayment rates because they were better organized and had fear of credit. Microfinance institutions had their setbacks in micro credit administration, but their activities could be improved through sound government policies that would ensure stability and sustainability.

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