Impact of Non-Financial Services of Microfinance Banks (MFBs) on the Performance of Women Entrepreneurs in Nigeria

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Abstract

The paper evaluated the impact of non-financial services of MFBs on the performance of women micro entrepreneurs in Kaduna state, Nigeria. The paper made use of a sample of 384 women entrepreneurs who had accessed microfinance facilities out of the 24 Microfinance Banks (MFBs) with in the period under study and who fit into the petty trader's categorization by the Kaduna state Poverty Alleviation Unit in Nigeria. With the use of cross sectional survey design, the study collected and utilized primary quantitative data by use of structured questionnaires and analyzed by the use of ordered logit regression analysis. The study found training and network meetings to be the only non-financial services of MFBs that significantly influenced the performance of the women entrepreneurs. It was therefore concluded that the non-financial services offered by the MFBs have not impacted on the performance of the women traders, except in the aspect of training and network meetings. In line with these findings, the study recommended that the MFBs should be empowered by the government to provide entrepreneurship training from time to time to their clients and organize meetings that will pull people in the same line of business to enhance performance.

Keywords: Microfinance Banks, non-financial services, performance, entrepreneurs, training, network meetings

1. Introduction

Finance is an inevitable tool for economic activities and the financial institution is the immediate provider of financial as well as non-financial resources for its clients. The financial institutions are of two types; the conventional and the non-conventional of which the MFBs are one. The conventional banks have created a market niche in which they have defined the players of the market. The players of this banking system are large enterprises which are judged to be credit worthy. These players exclude those who are assessed to be un-bankable such as the small entrepreneurs and farmers and women who lack collateral, steady employment and a verifiable credit history and therefore unable to gain access to traditional financial credit facility. MFBs therefore arose as a need to provide a platform for the under banked segment of the economy that may not be able to meet the stringent requirements of the conventional banks.

Microfinance according to Central Bank of Nigeria (CBN) (2005) is the provision of financial services to the economically active poor and low income households. These services include credit, savings, micro-leasing, micro-insurance, and payment transfer to enable them to engage in income generating activities. The services of microfinance are micro in nature. Microloan is generally defined in terms of the amount of loan as a percentage of average per capita income. In Nigeria, with a per capita GDP of N93,600 (about $585) in 2011, loans up to N100,000 (approximately $600) would be regarded as micro loans, while micro savings are defined as savings accounts with a balance of less than N15,000 (approximately $100) (Trading Economies, 2012).

Microfinance therefore provides similar products and services to their customers just as formal financial institutions such as savings(investing), loans(credit services) and insurance(risk management) the difference is in the scale and method of delivery. However, Brau and Woller (2004) asserted microfinance banks are not complete without integrating non-financial services along with the financial services. A lot of non-financial services exist in the microfinance industry which include; business education (Nourse 2001), health education (Smith 2002), training (Edgcomb 2002; Cook, Paul and Kristen, 2001; Dumas, 2001; Fasoranti, Akinrinola and Ajibefun, 2006), pre-loan training, group membership and cross guarantee ship (Ogunrinola & Alege, 2007).

The focus of microfinance right from conception in its modern form according to the Grameen Foundation of Bangladesh has always been on women. The question however, has always been on the extent to which women access microfinance facilities and the extent to which access to such scheme impacts positively on their businesses? In view of the indispensable role of finance to the performance of small businesses and the adoption of microfinance as the main source of financing for such small businesses in the country, it is imperative to study the extent to which microfinance in particular the non-financial aspect has enhanced small business performance. More recently, Babajide (2011) in her thesis did an extensive work on micro and small enterprises in South-West

Nigeria and discovered that non-financial services of microfinance scheme have impacted significantly on business performance. The study however was carried out in the Western part of the country and did not look at the extent to which these non- financial services impact on traders themselves, specifically women in the Northern part of the country.

The objective of this paper therefore is to examine the effect of non-financial services of MFBs in enhancing the performance of women traders in Kaduna state Nigeria.
The study tested the null hypothesis that non-financial services of MFBs have no significant role in enhancing the performance of women traders in Kaduna state.

In the manufacturing sector today, human capital is still essential for most factories to carry out a variety of manual operations, in spite of the rapid advancement of automation technology and robotics. Futuristic vision of "unmanned manufacturing" (Deen 1993) is forbiddingly expensive, because all its hardware components need to be computer controlled so as to freely communicate with each other; and yet, most of the outcomes are not promising (Sun & Venuvinod 2001). By and large, factories equipped with relatively simple machinery controls will require continuous attendance of human operators; for examples, textile mills, leather products, and medical appliances. With limited capital investments in production equipment, the main budget of their fixed costs lies on the workforce size (Techawiboonwong *et al.* 2006).

With regard to cost-effectiveness, labour planning always opts for the minimum amount of workers needed to deal with the daily operations, as well as the probable rate of disturbance (Lim *et al.* 2008). The workforce disturbance is often ascribed to absenteeism and turnover, which may result in considerable loss of productivity for any labour-intensive division (Easton & Goodale 2002). Buffering with redundant skilled workers (Molleman & Slomp 1999) or relief workers (Redding 2004) might be a direct solution to absenteeism; however, the rising labour cost must be justifiable due to the fact that underutilisation of labour during low demand seasons is considered a waste of resources. Absenteeism is the measure of unplanned absences from workplace due to some reasons like personal emergency, accident, illness, etc. Turnover occurs when an active worker resigns from the company of his own accord, thus leaving a vacant post until a replacement is found. If such disturbance has caused a large number of tasks become unattended and overdue, the company is then vulnerable to overtime cost, shrunk capacity and productivity, extra queuing time, lost business income, etc. In order to prevent these deteriorative effects, optimising the number of workers can be helpful. As a fundamental branch of knowledge in manufacturing business, workforce management will never fall behind the times. Therefore, it is worth an attempt to incorporate a novel methodology, such as HMS, into the state of the art of workforce sizing.

2. Empirical Studies

Kipesha (2013) studied the performance of MFIs in Tanzania by integrating financial and non financial metrics using a balanced score card approach with five dimensions made up of financial and non financial aspects. The findings of the study indicated low performance among the MFIs studied. In this case they appeared to have performed more on the non financial measures than on the financial measures.

In another study on Ghana Living Standard Survey (GLSS) data for 1998 through 1999, by Masakure, Cranfield and Henson (2008), which covered the effect of microfinance non-financial services on the performance of microenterprises, observed a weakness in the study of some of the widely used measures of skill and knowledge acquisition to explain microenterprise performance. While the literature argued that apprenticeships positively influenced performance such that former apprentices transferred the knowledge they acquired to their own businesses, their result failed to support that view. Although the majority of entrepreneurs in microenterprises in Ghana did not have apprenticeship training, those that did, often ended up operating in sectors outside of that which their apprenticeship was served. They, therefore, argued that the weak explanatory power of having completed an apprenticeship is an artifact of the variables themselves, which prove to be poor proxies for the entrepreneurs' knowledge base and management skills in the context of their current enterprise. They concluded that in real world situation, it is necessary to know not only the level of education and/or training entrepreneurs have received, but also the relevance of the skills they have acquired for their business if non-financial services are anything to go by.

The impact of microcredit and training on the efficiency of small scale entrepreneurs in Ondo State was examined by Fasoranti et al, (2006). Technical efficiency of entrepreneurs was identified to be influenced by human capital variables (characterized by level of education, business experience and age) and socio-economic/institutional variables (characterized by loan interest, loan size, contact with lender, training programme and training experience). They estimated this by use of stochastic production function frontier also

called the composed error model of Aigner and ordinary least square. The study is premised on determining the link between access to credit, training and technical efficiency and highlighting other significant factors that influence the level of efficiency in baking, furniture making, and burnt brick making micro-enterprises. The result obtained showed initial outlay and man hour to be the most significant factors influencing value of output for bakers, while capital outlay, man hour worked and expenditure on equipment in that order to be significant factor influencing value of output for furniture makers. For the burnt brick firms, capital outlay and labour were found to be the most important factors influencing the value of output. The findings of that study showed the significant determinants of technical efficiency of bakers, furniture makers and burnt brick makers to be age of operators, business experience, level of education, training experience, credit access, working capital and initial capital outlay. They therefore concluded that well structured training has positive impact on entrepreneur's level of efficiency.

In the same Western Nigeria, Ogunrinola and Alege (2007) using pre-loan training, group membership and cross guaranteeship as the non-financial services along with microcredit, found MFI to be of benefit to micro businesses in the rural based areas of Lagos State. Forty-two (42) of the enterprises that received microcredit reported business success as a result of the use of the loan they had received. The micro-entrepreneurs in the study area achieved a very high loan repayment rate of 96 per cent and a reduction in the rate of business failure and also restricted rural–urban migration. The study confirmed that pre-loan training, group membership and cross guarantee-ship had positive impact on microenterprise development in Lagos state.

Babajide (2011) used cross-sectional data obtained through a survey across the South Western geo-political zone to examine the effects of non-financial services of microfinance institutions on the performance of MSEs with the use of multiple regression techniques. She used advisory services, pre-loan training, group membership, cross guarantee-ship, networking meetings, business training, and supervision as proxies for non-financial services in order to see if they affect microenterprise performance. Though the result was not conclusive, it tends toward establishing positive relationship between the dependent and the independent variables.

3. Methodology
The study was cross sectional and used a self developed questionnaire to collect data from subjects in Kaduna state. The choice of Kaduna was based on the fact that Kaduna is the most cosmopolitan state in the North with the highest number of MFBs in the North–West zone and at the same time, apart from Abuja, also has the highest number of MFBs in the Northern part of Nigeria (Other Financial Institutions Department, 2009). With the use of random sampling with replacement, seventeen (17) banks were sampled. As the total population of women traders was not definite at the point of this study, the formula for determining sample size for indefinite population suggested by Smith (2014) was used as a result 384 women were sampled. In order to recruit the women, seventeen (17) MFBs that had women traders who fell under category A, B and C of the petty traders categorization of the Report (2008) on petty traders data collection and who accessed bank facilities out of the twenty-four (24) MFBs in the state were visited. The remaining seven (7) banks were left out because they did not have women clients that satisfied the criteria discussed earlier. Each of the selected banks was visited once. Relationship officer (s) of the bank led the researcher to their clients' shop. The questionnaires were purposively administered to those willing to participate.

4. Model Specification and Technique of Data Analysis
Ordered logit regression tool was used since the likert scale was used. The independent variables were the non-financial services of training, advisory services and supervision/monitoring. Performance which was the dependent variable was depicted in this study as changes in income, assets, savings and empowerment. These were chosen because as argued by Hulme (1997), they are the most important, are relatively easy to measure and are the ones that are frequently used to assess impact at the enterprise level.
Simeyo, Martin, Nyamao, Ojera and Odondo (2011) worked on the effect of microfinance services on performance of youth micro enterprises in Kenya. The services they examined were both financial and non financial in nature. Their model was therefore used to examine the hypothesis with the exclusion of the financial aspect of microfinance (loans and savings). The model of Simeyo *et al* is:

$Mp = \alpha + \beta_1 L + \beta_2 S + \beta_3 T + \varepsilon$--1
Where, Mp --- Micro enterprise performance, α ------ Constant (autonomous performance)
L ----- Loan, S ----- Savings mobilization, T------ Training in Micro enterprise investment, $\beta_{1....} B_3$ ------
Coefficients of independent variables and ε --- Error term

This is now modified for this study as:

$Wp = \alpha + \beta_1 T + \beta_2 AS + \beta_3 M + \beta_4 N +_{\beta5S}/M + \epsilon$--------------------------------2

Where:

Wp = Women Performance

Wp is the function AK(changes in income), AS(assets), S(savings) and EMP(empowerment)

T = Training

AS = Advisory Services

M = Member of a Group

N = Network meetings

S/M = Supervision/Monitoring

5. Results

The study states that non-financial services of MFBs have no significant role in enhancing the performance of women traders. The non-financial services are; training, advisory services, group membership, network meetings and supervision while performance from literature is represented by increased income, assets, savings and empowerment. In order to test this hypothesis, ordered logit multiple regression tool is used to relate the predictor variables (non-financial services) with the dependent variables (performance).

There is a positive significant relationship between training and performance throughout (z-Statistic > 2, p < 0.05). The contribution of training on performance generally though is not high as can be seen from the coefficients. Notwithstanding though, training has the highest contribution on performance when compared with the other non-financial services Table 1. There is no significant relationship between the other non-financial services that is advisory services, group membership and supervision (z-Statistic < 2, p > 0.05) on performance except network meetings (z-Statistics > 2, p < 0.05) when compared with the performance indicator Savings. The predictor variable Membership of a Group and Supervision shows a negative non significant relationship with all the performance indicators while Advisory Services shows a non significant relationship. In a study conducted by Simeyo *et al*., 2011 an observation was made that micro entrepreneurs should be given individual loans instead of group loans as they seem to perform better with individual loans. Although training shows a significant relationship with performance, in the area of empowerment, there was no relationship (p > 0.05, coefficient 10%).The relationship between network meetings and performance was not constant as it had a positive non significant relationship with two of the performance indicators (additional income and asset) and a significant positive relationship with savings and a significant negative relationship with empowerment.

6. Discussion of Results

The significant positive relationship between training with additional income, assets and savings was consistent with previous research which showed that acquiring relevant training led to improved business performance (Webster and Fidler, 1996; Simeyo et al, 2011; Babajide, 2011). Since the relationship between membership of a group and performance was not significant even though negative, we cannot infer anything only that Simeyo et al (2011) had earlier on made an observation that micro entrepreneurs should be given individual loans instead of group loans as they seemed to perform better with individual loans. This was the same thing with supervision which contributed negatively to performance implying that the supervision done by the MFBs did not contribute to their performance. Although surprising, it is generally expected that bank supervision should have a positive impact on client performance. Advisory service was observed to have a positive relationship with performance though it was not significant. This implies that the advisory services of the banks did not help in improving the performance of the women traders especially in the area of savings where a negative relationship was observed. In this regard a lot still needs to be done by banks to make women entrepreneurs see the need to save as the advice given by the bank was seen not to impact the women. We can infer from the findings that network meetings has been able to impact positively on the women's' ability to save from their businesses. This is because of the significant and positive relationship between network meetings and the performance indicator savings. This confirms Henry (2006), but at the same time, from the same result network meetings has not been able to empower them instead the more meetings they have, the more disempowered they women become. We can conclude from this analysis that the non financial services of MFBs did not have any significant impact on the performance of women entrepreneurs, except training and network meetings and even at that these non-financial services were not able to empower the women.

7. Conclusion

The study assessed the impact of non financial services of microfinance banks on the performance of women entrepreneurs in Kaduna state. From the findings of this study, it was concluded that the non financial services of MFBs did not have any significant impact on the performance of women entrepreneurs, except in the area of training which had a significant impact on additional income, asset acquisition and savings and network

meetings which impacted mainly on saving None of these non-financial services impacted on empowerment.

8. Recommendations

Training was found to have a positive significant relationship on the income, assets and savings of entrepreneurs, therefore entrepreneurs should be encouraged by the MFBs to improve on their business skill through appropriate training. At the same time, MFBs should be empowered by the government to provide entrepreneurship training from time to time for their entrepreneurs to equip them and develop their managerial capabilities.

Network meetings was seen to significantly contribute positively to performance especially in the area of their savings therefore MFBs should be encouraged to organize meetings that will pull people in the same line of business together so as to share experiences that will enhance their business performance. This therefore is a positive tool to use to encourage savings since the women savings capacity was found to be low. The experiences gained from such meetings are expected will encourage the women traders on the need to save.

Table 1

	Coefficient	Std. Error	z-Statistic	Prob.
ACQUIREDTRAINING	0.319802	0.069356	4.611049	0.0000
ADVISORYSERVICE	0.133468	0.093319	1.430239	0.1526
MEMBERGROUP	-0.192502	0.127082	-1.514787	0.1298
NETWORKMEETINGS	0.109057	0.147251	0.740619	0.4589
SUPERVISEDMONITORED	-0.042119	0.082484	-0.510634	0.6096

Dependent Variable: Additional Income

	Coefficient	Std. Error	z-Statistic	Prob.
ACQUIREDTRAINING	0.203255	0.068308	2.975570	0.0029
ADVISORYSERVICE	0.123963	0.093441	1.326643	0.1846
MEMBERGROUP	-0.258516	0.129013	-2.003797	0.0451
NETWORKMEETINGS	0.052979	0.148433	0.356920	0.7212
SUPERVISEDMONITORED	-0.024957	0.081368	-0.306718	0.7591

Dependent Variable: Asset

	Coefficient	Std. Error	z-Statistic	Prob.
ACQUIREDTRAINING	0.144077	0.067133	2.146137	0.0319
ADVISORYSERVICE	-0.004627	0.090582	-0.051085	0.9593
MEMBERGROUP	-0.508740	0.132463	-3.840632	0.0001
NETWORKMEETINGS	0.380150	0.149191	2.548072	0.0108
SUPERVISEDMONITORED	0.106322	0.079998	1.329061	0.1838

Dependent Variable: Savings

	Coefficient	Std. Error	z-Statistic	Prob.
ACQUIREDTRAININ	0.102103	0.075054	1.360397	0.1737
ADVISORYSERVICE	0.082388	0.104593	0.787704	0.4309
MEMBERGROUP	-0.091224	0.144410	-0.631702	0.5276
NETWORKMEETINGS	-0.404225	0.168616	-2.397308	0.0165
SUPERVISEDMONITORED	-0.061252	0.089491	-0.684451	0.4937

Dependent Variable: Empowerment

Ordered Logit Result between Non-financial Services and Performance

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