Participation as a Medium for Economic Empowerment among Microfinance Scheme Beneficiaries in Kano, Nigeria

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Abstract: Participation is a vital component in community development projects such as microfinance scheme. The aim of microfinance is the provision of micro-financial services to economically-active-poor and low income households to enable them engage in income generating activities. This initiative could only be achieved through people participation in the scheme. This study examined the change in income among farmers beneficiaries of microfinance scheme in Kano. Data was collected from 364 respondents using structured questionnaire from six local government areas of Kano state. Paired sample t-test shows significant difference between income before ($M = \text{₦}122,058.242, SD = \text{₦}116,312.049$) and income after ($M = \text{₦}175,137.088, SD = \text{₦}72,611.637$) participating in microfinance scheme ($t_{(363)} = -14.803, p < .05, \text{effect size} = .613$). Based on this analysis the authors concluded that beneficiaries of microfinance scheme in Kano were economically empowered. The authors recommended that participating in microfinance scheme is an appropriate strategy to achieve economic empowerment.

Key words: Change in income • Economic empowerment • Community development • Microfinance scheme • Farmer beneficiaries • Participation

INTRODUCTION

Community development aims to involve the poor community in the process of building their life. It is also a strategy that has been used by governments at local level to assist poor people to improve their income and living standard through possible initiatives of the community members [1]. Participation is a vital component of community development process and initiatives such as microfinance scheme. Community development project can only be successful if the community members consciously identify themselves with a project and such identification gives them the strength to make change in their community [2]. Consequently, sustainability and effectiveness of community development depends on the level of people’s participation in community development initiatives to improve their life. Therefore, participation in microfinance scheme enables micro-entrepreneurs to get access to finance, income generation, build assets, as well as creating opportunities for poor households to plan for future [3].

The main idea behind microfinance scheme is poverty alleviation and empowerment through financial arrangement designed to help the rural poor to transform their economic condition [4]. This is why microfinance has appeared to be an effective tool for poverty alleviation in developing nations [5] and recognized as one of the key approaches to achieve sustainable community development as well [6]. In general, the concept of microfinance is defined as giving poor families small loans to help them to involve in productive activities or expand their micro businesses [7, 8]. This kind of loans is simply referred to microcredit which is small loans that are given to finance self-employment activities.
In the context of poverty, empowering the poor through microfinance scheme is an ultimate solution to poverty reduction. It is through this scheme that creation and enhancement of basic capabilities [9] take place which enable the process for achieving economic empowerment of the poor [10]. Moyle, Dollard and Biswas [11] and Mayoux [12] described economic empowerment as getting income in and by promoting freedom of decision making among individuals group members of community. Mwansa and Osei-Hwedie [9] argued that by getting productive assets through savings, microloans, or assistance, then individuals can increase their ability to generate income by starting or expanding income generating activity. This route can lead to breaking the cycle of poverty [13]. Hayes [13] further stressed that, as households pull themselves out of poverty, they can improve their access to basic needs, improve their housing and better educate their children.

Previous studies showed the influence of participation in community development project such as microfinance scheme that leads to poverty reduction and empowerment. A research conducted by Sadoulet, Janvry and Davis [14] show that, the multiplier effect of cash benefits received under the “Procampo program” agricultural support for small scale farmers in Mexico has increased the income of the beneficiaries. Similarly, Nawaz [15] found that, there was a statistical significant change in socio-economic indicators of the borrower after participating in microfinance in a village in Bangladesh. Also, there was an increased in their purchasing power, improvement in housing condition and improvement in education for children [15]. In another study conducted in Nigeria by Emerole et al. [3] revealed that farmers who have participated in the savings and loan schemes of the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) in Abia State, have benefited in terms of increase in income, improvement in standard of living and self-employment. Similarly, Kudi, Ojudogbo, Banta and Hassan [16] study on UNDP microfinance program in Kaduna State has shown that there was optimum benefits to participated farmers in terms of improvement in their income and standard of living. The study also established that farmers’ income in the study area was higher than those who did not participate in the program. Furthermore, Oluwaseyi and Oludotun [17] revealed that microfinance program has impacted significantly on the business of hairdressers in Oshodi Isolo local Government area in Lagos state and added that, microfinance banks has given hope to the poor by improving their income and standard of living in Nigeria.

Based on these arguments, the paper aimed to examine and explain how participation can bring change in income among farmers beneficiaries of microfinance scheme in Kano. The authors proposed the following test hypothesis that; $H_1$: There is no significant difference between annual income before and after beneficiaries participation in microfinance scheme in Kano

**MATERIALS AND METHODS**

In this quantitative study, a total of 364 respondents were surveyed out of the entire population of 6,523 beneficiaries of microfinance scheme under Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) in Kano state of Nigeria. Sample size was determined based on Krejcie and Morgan [18] criteria which shows the exact sample size of population of 7,000 is 364 at $a = .05$ level of significance (95% confident interval). A multistage cluster sampling technique was used to select the respondents from six local government areas (LGAs) in Kano, Nigeria. These LGAs includes; Kura, Danbatta, Gezawa, Wudil, Tudun Wada and Minjibir. Structured questionnaire was used as an instrument for data collection in this study. The instrument was adopted from the exiting literature and modified to suite the study area. Participation instrument was adapted from the World Bank [19] Impact Evaluation of the Microfinance Training of Trainers Course which has 10 items with a 5 Likert scale options from 1 = Strongly Disagree to 5 = Strongly Agree. While the income before and after participating in microfinance scheme was collected as continuous data.

**RESULT AND DISCUSSION**

Table 1 below illustrates the paired sample t-test which shows that, on average, annual income of beneficiaries is significantly greater after participating in microfinance ($M = N175,137.084$ “$1,130”, $SD = N122,058.242$ “$787$”), than annual income before participating in the scheme ($M = N122,058.242$ “$787$”, $SD = N161,312.049$ “$750$”), $t(363) = -14.803$, $p < .05$, effect size = .613, thus $H_1$ is rejected. This finding indicated that,

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1. Nigerian currency (Naira) is denoted by ‘₦’. As at 15/01/2014, ₦155 is equivalent to USD1 and this conversion is subject to change based on the current exchange rate.
To determine the effect size of significance difference in an independent sample t-test, Field, [20, p. 341] suggested converting 't'² to 'r'. To convert 'r' to percentage (%) thus, squared the 'r' value and multiply by 100 (r² × 100) [21, p. 80].

![Fig. 1: Estimated marginal means of annual incomes](image)

**Table 1: Paired sample t-test on difference between annual income before and income after participating in microfinance scheme**

<table>
<thead>
<tr>
<th>Variable</th>
<th>M</th>
<th>SD</th>
<th>t</th>
<th>p</th>
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</thead>
<tbody>
<tr>
<td>Annual Income</td>
<td></td>
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<tr>
<td>Annual income before</td>
<td>₦122,058.242</td>
<td>₦72,611.637</td>
<td>-14.803</td>
<td>.000</td>
</tr>
<tr>
<td>Annual income after</td>
<td>₦175,137.088</td>
<td>₦116,312.049</td>
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the income of the respondents has highly improved based on the effect size² of .613 which leads to about 37.6% increase in their annual income³.

Even though, the increase is physically not large (i.e. 37.6%) but, it is significant because it has improved the purchasing power of the beneficiaries. Based on casual conversation with them majority reported that they can afford to buy new cloth for their families, bought domestic appliances such as electronics (TV set, recorder, DVD, electric iron etc.), settle hospital bills, buy reading and learning materials and pay school fee of their children. They also have saving for unforeseen circumstances especially for the renovation of their houses during rainy season. The respondents now can afford mobile phones, farm on their own not working for someone as a full-time laborer. Thus, majority of them now do not borrow money from family and friends for their day to day activities and even some of them owned a vehicle like bicycle and motorcycle. This change in their income eventually led to improvement in their standard of living and change in their life style.

Therefore, in line with this finding, the income and living standard of the respondents has generally improved due to their engagement in agricultural activities with the financial support from Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB). Increased in their level of income has consequently led to an increase in their living standard due to their participation in microfinance scheme which enhanced their capability in economic activities. Thus, the authors perceived these kind of changes in income and standard of living as a form of economic empowerment. This finding is in agreement with Nawaz [15] study who found that, there was a statistical significant change in socio-economic indicators of the borrower who participated in microfinance in a village in Bangladesh. Similarly, Olusanya and Oluwatosin [17] revealed that, microfinance program has impacted significantly on the business of hairdressers and added that, microfinance banks has given hope to the poor by improving their income and standard of living in Nigeria. However, the process of empowerment in the study areas depends on available rural infrastructure in the respective local government. The following line graph in Figure 1 depicts the variation in estimated marginal means of income before and after participating in microfinance scheme in terms of the selected local government area in Kano State.

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² To determine the effect size of significance difference in an independent sample t-test, Field, [20, p. 341] suggested converting ‘t’ to ‘r’.

³ To convert ‘r’ to percentage (%) thus, squared the ‘r’ value and multiply by 100 (r² × 100) [21, p. 80].
Based on the six local government areas selected in Kano state, the line graph shown that, Tudun Wada local government area has the highest estimated marginal mean of income (before: N310,948 "$2,006" and after: N383,975 "$2,477”). Availability of the irrigation facilities enable farmers in that area to cultivate throughout the year. Tudun Wada local government area is the largest rice market in Kano state. Kura local government area is the second highest estimated marginal mean of income (before: N217,335 “$1,402” and after: N290,363 “$1,873”)

In that area, farmers almost depends on rainy season farming activities and there are a lot Fulani⁴ who are rearing domestic animals for both human and industrial consumption. The presence of those Fulani complements the agriculture activities in terms of ‘trade by barter’⁵ between them and the farmers.

Minjibir local government area is the fourth highest with the estimated marginal mean of income (before: N121,825 “$786” and after: N194,854 “$1,257”), followed by Wudil local government area with the estimated marginal mean of income (before: N121,344 “$783” and after: N194,373 “$1,254”) and lastly, Danbatta local government area has the least estimated marginal mean of income (before: N70,624 “$456” and after: N143,652 “$927”). Majority of farmers in these three local government areas depends on rainy season farming. Thus, their agricultural production is low compared to the other three local government areas. Most of their production is grains such as corn, guinea corn, millet, beans, nuts etc. which are mainly food crops.

CONCLUSION

Participating in microfinance scheme bring change in income and standard of living of the beneficiaries which the authors identified as economic empowerment and with regards to this, the authors recommended that participating in microfinance scheme is an appropriate strategy to achieve economic empowerment.

REFERENCES


⁴ Fulani is a particular tribe mostly found in Northern Nigeria and some parts of West Africa whom their main occupation is rearing animals such as cows, sheep, goats etc. Those kind of people usually roam about in the forest with their animals.
⁵ In some cases, there is local arrangement between the farmers and Fulani in such a way that after harvest, the farmers invites Fulani to graze their animals in their farm land for certain period of time. This means, the animals will consume the remaining leaves and stems in the farm land and deposit their waste as organic manure. This drastically reduces the cost of production to farmers because they boycott purchase of fertilizer.


