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Access of Rural Women Dwellers to Financial Services in Imo State of Nigeria

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Abstract

This study explored access of rural women to financial services in Imo State of Nigeria. Specifically, it examined the challenges faced by rural women in accessing financial instruments, the factors that influence rural women's access to financial instruments and the measures that can be taken to ameliorate the challenges faced by rural women in accessing financial services. The area of the study was rural areas of Imo State. A total of 350 female respondents were used for this study and structured questionnaire was the instrument for data collection. Results from the study show that lack of information and relative unavailability of formal financial institutions are challenges that limit rural women access to financial instruments. To ameliorate these challenges, financial education and introduction of rural financial services are needed.

Keywords: Financial Accessibility Financial Education, Gender, Services, Family, Finance.

Introduction

Financial inclusion is a situation which exists when there is access for people of all races, and classes who are of age to a full range of financial products and services such as savings, credit and insurance at reasonable costs. It can also be seen as a situation whereby individuals and families have access to useful and affordable financial products and services that meet their needs, and these products and services are delivered in a responsible and sustainable way (Vargas, 2011). According to Mbutor and Mba (2013), financial inclusion is generally defined at ensuring access to formal financial services at an affordable cost in a fair and transparent manner. Nwanne (2015) defines it as the provision of access to and usage of diverse, convenient, affordable financial services at an affordable price to the generality of the population.

There is a high level of attention on the part of economic policy makers in the pursuit of financial inclusion. This is due to the fact that countries with higher degrees of financial inclusion have higher rates of economic growth. Khan (2011) reported that empirical economic evidence shows that there is a distinct rise in the income level of countries with higher number of branches and deposits of commercial banks and higher number of banks per 100,000 adults as well as number of deposit accounts per 1000 adults. This is observed in high income countries than in the low and middle income countries. Financial inclusion therefore portends to positive developments, especially for developing economies. There is a tendency that people who are financially included tend to be more productive, consumer more and invest more. Furthermore, financial inclusion encourages investment and entrepreneurship, as credit is available to entrepreneurs and small business people. Okafor (2012) observed that financial inclusion encourages poverty reduction, especially in developing economies and it reduces rural to urban migration, since there are no geographical constraints to financial access. Financial inclusion also increases productivity and consumption, and these are needed for economic growth and development. Nigerian policy makers have identified financial inclusion as a veritable tool for attaining sustainable economic development and growth. Furthermore, financial inclusion is also one of Sustainable Development Goals (SDGs), and thus plays a vital role in attaining economic development. It increases access to credit facilities needed for start-up businesses, expansion and helps in financial intermediation, wherein the surplus sector of the economy is linked with the deficit sector of the economy. It also helps in savings mobilization. According to Zioklui (2001), savings mobilization in developing countries is vital for capital deepening, which enables countries to

There are challenges that militate against effective financial inclusion in spite of its advantages. Studies have shown that there are gender gaps in financial inclusion, especially in rural areas of developing countries. Fanta and Mutosonziwa (2016) mentioned that there is a significant difference in access to finance in SADC economies between male and female entrepreneurs. Furthermore, Nanziri (2016) explained that women in rural areas of less developed countries (LDCs) have lower level of access to financial services, and this is attributable to challenges not limited to lower level of education, lack of information and limited access to sources of funding. Also, Aterido, Beck and Iacovone (2013) opined that rural women have limited access to financial to financial services, especially credit facilities due to lack of information and knowledge about requirements for accessing such. This has made communities to forgo the output that would have been produced if there is unlimited access for women to credit facilities for entrepreneurial start up and expansion.

Access to financial services is an important direct and indirect contributor in achieving gender empowerment and entrepreneurship growth. Claessens and Feijen (2007) mentioned that better access to financial services helps to increase income and therefore the possibility of increasing the scope of entrepreneurship and also embarking on community development projects. Clamara, Pena and Tuesta (2014) also mentioned that financial inclusion of women, especially in formal credit and insurance organizations helps in improving female entrepreneurship and also improves overall formal finance coverage of rural areas. Furthermore, Pitt, Khander and Catwright (2006), access to credit leads to women taking a greater role in household decision making, having greater access to financial and economic resources, increased access to social networks, having greater freedom and mobility.

Limited access to financial instruments, especially on the part of rural dwellers brings herculean challenges, especially pertaining to economic development and capacity utilization. In rural areas of developing countries such as Nigeria, there is a limited access to formal credit facilities, especially for female entrepreneurs. Adigun and Kama (2012) mentioned that challenges such as low financial literacy, inadequate infrastructure and inefficient technology have contributed in causing a significant disparity in financial inclusion. They further mentioned that there is also significant gender disparity in financial inclusion in theses rural areas due to the fact that rural women engaged in entrepreneurship mainly make use of informal financial instruments such as savings groups and credit unions. They have limited to no access to formal financial instruments. In Nigeria, there is a need for sustainability of financial inclusion. Nwanne (2015) opined that sustained financial inclusion of rural dwellers is a catalyst for rural economic development and a veritable measure that can be used to reduce rural to urban migration. It is in the backdrop of this that this study aims ascertaining the challenges faced by rural women in accessing financial services as well as promulgate possible solutions to these challenges.

Women are more excluded than men both on firm and individual levels. According to Henderson, Hering, Horton and Thomas (2015), female owned businesses in South American countries are more likely to be financially constrained than other comparable firms. Furthermore, Beck and Honohan (2008) in their study of countries in East Europe also mentioned that female borrowers are less likely to secure a loan when the loan officer is a male. They further mentioned that men are more favourably treated when it comes to access to credit lines than women in these countries and women minority loan applicants are concerned that this treatment has nothing to do with their credit worthiness.

The reasons for gender disparities in financial inclusion, especially in Nigeria has been attributed to various factors which include, but are not limited to, low level of financial literacy, poverty, lack of information on funding opportunities, inadequate coverage of formal financial sector in rural areas and inability to provide collateral for loans. Abdu, Buba, Adamu and Muhammed (2015) in their study mentioned that there is a significant gender gap in financial inclusion in Nigeria. They further mentioned that only 44% of Nigerians are financially included, and that only 34% of these financially included people are women. This disparity, they mentioned, is brought about by socioeconomic variables such as income disparity, archaic traditional beliefs and lower level of education. Furthermore, Nwankwo and Nwankwo (2014) mentioned that sustaining financial inclusion of rural dwellers in Nigeria constitutes mainstream for economic development and growth. They further asserted that rural areas are disadvantaged in financial coverage in Nigeria, with female rural dwellers being more disadvantaged than their male counterparts. They opined that there is a need to educate rural dwellers, especially women, on the importance of banking in order to facilitate the Central Bank of Nigeria (CBN) financial inclusion policy.

This study therefore aims at not only ascertaining the causes of existing gender disparities in financial inclusion, but also promulgating remedial measures in order to reduce these disparities.

Purpose of the Study

This study explored the access of rural women to financial instruments in rural areas of Imo State. Specifically, the study determined;

(i) challenges that rural women in Imo State face in accessing financial instruments;

(ii) factors that contribute to women's low level of access to financial instruments in rural areas of Imo State and;

(iii) possible solutions that could reduce the challenges of accessing financial instruments by rural women in Imo State.

Research Questions

1. What are the challenges that rural women of Imo State have in accessing financial instruments?
2. What are the factors that contribute to the low level of access of rural women's access to financial instruments?
3. What possible solutions can be promulgated to ameliorate the challenges that rural women in Imo state face in accessing finance?

Methodology

Design of study: The study adopted a descriptive survey research design.

Area of study: The study area was Imo State, located in the South East of Nigeria. The state is made up of twenty seven (27) local government areas. There are three senatorial zones in the state namely Imo North, Imo East and Imo West. It is made up of urban and rural areas.

Population for the study: The population for the study consisted of 2,142 female entrepreneurs in the area. These were made up of 622 in the business of food processing, 728 engage in farming and 798 in petty trading (Small and Medium Enterprise Development Agency of Nigeria, 2016). These women operated mainly micro small enterprises with capitalization of less than N300,000 (three hundred thousand naira). These women were mostly married with family, and engaged in these businesses to support their families financially. Furthermore, these businesses employed direct and indirect relations of the business operators, most times not paying them in formal wage, in order to reduce operation cost. These businesses were also registered in their respective Local Government Areas with relevant permits. These businesses are sole proprietorships owned and fully operated by rural women, and the businesses served their immediate rural and some urban communities.

Sample and Sampling Technique: Simple random sampling technique was used for this study. Yaro Yammane formula was adopted for a sample of 350 female entrepreneurs in order to make for a 5% margin of error and 95% confidence interval, with 103 in food processing enterprise, 115 in farming and 130 engaged in petty trading. The number of entrepreneurs selected in each type of business was determined by sample ratio.

Instrument for Data Collection: The instrument used for data collection was a structured questionnaire and secondary data. The title of the questionnaire was "Gender and Financial Inclusion". The questionnaire was face validated three experts from the University of Nigeria Nsukka, from Business Education and Educational Foundations. The reliability of the instrument was determined using the Cronbach Alpha reliability method and reliability coefficient of 0.93 was obtained.

Method of Data Collection and Analysis: Data was collected with the help of two trained research assistants by hand within five weeks, coordinated by the researcher. Out of the 350 copies of the questionnaire distributed, a total of 320 were filled and returned, indicating a 94% return rate. Mean and percentage were used to answer the research questions, while T-test was sued in testing the null hypothesis at a 0.05 level of significance.

Findings of the study

Table 1: Mean ratings of challenges faced by rural women of Imo State in accessing finance

S/N	Financial Instrument	$\overline{X}$	SD	Remarks
1	inadequate information about financing opportunities	3.91	.84	S
2	lack of proper financial records	3.21	.65	NS
3	gender bias of financial institutions	3.12	.68	NS
4	improper documentation of financing needs	3.94	.82	S
5	limited formal financing opportunities	3.82	.79	S

Key: X = Mean for female respondents. SD = standard deviation for respondents. S = significant lack of access. NS = non-significant lack of access.

Table 1 indicates that inadequate information, improper documentation of financing needs and limited financing opportunities for rural dwellers are significant challenges rural women face in accessing financial instruments. However, lack of proper records and gender bias are not significant challenges faced by rural women in accessing financial instruments.

Table 2: **Mean rating of factors contributing to low level access of rural female dwellers to financial inclusion.**

S/N	Contributing Factor	$\overline{X}$	SD	Remarks
1.	Lack of information on funding opportunities	3.92	.74	S
2.	Bias on the part of potential outside investors	3.97	.55	S
3.	Traditional beliefs about female-owned enterprise	3.56	.52	S
4.	Non-availability of collateral for loans	3.62	.72	S
5.	Low level of financial literacy	4.01	.64	S
6.	Inability to maintain minimum bank account balance	3.22	.82	NS
7.	Geographical distance from a financial institution	3.51	.54	S

Table 2 indicates that inability to maintain a minimum bank account balance was not a significant factor contributing to gender disparity in financial inclusion, as highlighted by the mean score of 3.22. However, there is significant gender bias on the part of potential external investors and a non-availability of collateral for loans. The lack of information on funding opportunities significantly impeded the success of female entrepreneurs. Furthermore, investors in developing economies like Nigeria are still negatively biased towards funding business organizations owned and operated by women (Bayero, 2015). This has also significantly limited funds available for female entrepreneurs, especially those in rural areas. Lack of financial literacy has also had a significantly adverse on the accessibility of formal financing on the part of many women entrepreneurs. This also limits their knowledge of available funding opportunities (Nanziri, 2016).

Table 3: Measures for ameliorating challenges faced by rural women in accessing financial services

S/N	Possible solution	$\overline{X}$	SD	Remarks
1.	Financial education geared towards rural women	3.76	.72	S
2.	Introducing agency banking in rural areas	3.56	.51	S
3.	Introduction of innovative savings products	3.61	.65	S
4.	Digitization of financial products delivery channels	3.32	.74	NS

Table 3 indicates that almost all the solutions promulgated for ameliorating gender disparity in financial inclusion in Imo State.

However, digitization of financial products delivery channels was not a significant measure, as indicated by its mean score of 3.32. The introduction of rural banking and creation of innovative savings products significantly contribute in ameliorating the funding challenges that female entrepreneurs encounter. This rural banking brings formal financial instruments nearer to the rural dwellers and increases their access to credit facilities and savings instruments. Also, theses financial institutions by situating in rural areas help bring about business growth and development as well as improved capacity utilization. Furthermore, financial education geared towards female rural entrepreneurs also improves their knowledge level and thus accessibility to formal financial instruments (Zins and Weil, 2016).

Discussion of Findings

The findings of this study were in consonance with the findings of Mbutor and Mba (2013) who were of the view that lack of information about funding opportunities is a significant challenge militating against rural women's access to funding. Furthermore, the findings agreed with Okoye, Adetiloye, Erin and Modebe (2010) who mentioned that access of rural entrepreneurs to credit facilities is limited as a result of limited access to information and also lack of proper documentation. In addition, the findings of the study are in agreement with the postulations of Abdu *et.al*. (2015) who mentioned that financial education is needed for rural women in order for them to utilize the available formal financial sources that are available to them.

The forms of funding that are available for female entrepreneurs include (but not limited to) loans and non-refundable grants). In order to effectively utilize these facilities, adequate information flow is vital, and this makes it imperative that female entrepreneurs have unfettered access to information about funding opportunities. Furthermore, access to information on formal financial instruments also increases the likelihood of increased inclusion of female entrepreneurs. Furthermore, there is a strong link between financial inclusion and entrepreneurial success. According to Bayero (2015), in order to improve the entrepreneurial propensity of women, there is a need to increase their level of access to financial instruments. The study further mentioned that financial institutions need to promulgate gender friendly policies in areas of product design, marketing and delivery; also, financial literacy programs aimed specifically for women in order to make them informed of financial management skills and funding opportunities that are available to them.

Conclusion

From the findings of the study, it was concluded that inadequate access for financial instruments is a major challenge for rural women as it adversely affects their entrepreneurial propensity and also reduces their spending power. Furthermore, increased access to financial services helps in empowering of women, as it enables them to be able to expand the scope of their enterprise and thus increase their purchasing power. It is therefore vital that bottlenecks militating against rural women's access to financial instruments be removed in order for them to contribute to economic development and growth. The non-availability of rural baking is also another challenge that reduces rural women access to financial instruments. This is because there is a relatively low level of banking coverage for rural dwellers, and this also in turn reduces their access to formal financial services, which also includes savings and credit facilities.

Recommendation

Based on the results of the study, the following recommendations were made:

- ❖ Financial education and literacy programmes that are geared towards women, especially rural female dwellers on financial management tips and enlightening them on the benefits of using the formal financial sector.
- ❖ Introduction of agency banking and mobile banking in rural areas will help females in rural communities who are excluded from owning a bank account due to remoteness of their areas of habitation.
- ❖ Creation of innovative financial instruments geared towards women via its marketing, implementation and accessibility in order to get female entrepreneurs better informed of funding opportunities available to them.

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