Experiencing microfinance
Effects on poor women entrepreneurs’ livelihood strategies

Irene Ukanwa, Lin Xiong and Alistair Anderson
Robert Gordon University, Aberdeen, UK

Purpose
The purpose of this paper is to address the problem of why the poorest, most disadvantaged groups such as rural African women, benefit less from microfinance. The authors 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/methodology/approach
The authors purposefully sampled 15 poor females with small businesses in two Nigerian villages. The key characteristic guiding the sampling was that the respondents had to be poor. The authors held two focus groups and ten interviews to capture their experience and understanding of microfinance. The authors used thematic analysis to establish patterns in the data.

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.

Research limitations/implications
The theories, especially functionalist economic theory, do not take account of microfinance users’ experiences.

Practical implications
Microfinance should be aware that the poorest perceive microcredit differently and should eliminate the intimidating barriers raised to them. Instead of providing a means for the poor to alleviate poverty or coping strategies for them to manage cash flows and risks, microfinance causes fear and anxiety by demanding high rate of return in a very short period of 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/value
This research questions the neoliberal rationality assumptions that microfinance rests on; the paper fills a gap in the literature, i.e. how the potential borrowers themselves living in deep-rooted poverty perceive and experience microfinance.

Keywords Africa, Poverty, Microfinance, Livelihood strategies, Micro entrepreneurship, Poor women entrepreneurs

Paper type Research paper

1. Introduction
Helms (2006) claims that worldwide, three 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 Rooyen 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):

**RQ1. 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, and 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, p. 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, 2008). 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), although such ambitions could make the enterprise more productive.
Poverty creates flexible micro enterprises carrying minimum risk (Fletschner et al., 2010), because women juggle responsibility for family with their limited resources (Nwoye, 2007). This is not a minor, residual or marginal problem; many poor women in traditional rural settings have micro businesses. Indeed, Nagler and Naudé (2014) explain the importance of non-farm enterprises for rural development. Moreover, contrary to expectations, the contribution of these enterprises to rural household income has not declined, but increased. Recent studies highlight that women enterprises account for a large proportion of total rural employment and rural income (Mbah and Igbokwe, 2015). Indeed, Ajani (2012) maintains that rural women’s enterprises play major roles in generating income for the rural women.

Considering the difficulties that rural women entrepreneurs experience, it seems useful to investigate what livelihood strategies they develop. For example, Nigerian rural women favour small-scale businesses with minimal risk. Indeed, women are likely to forego activities that offer higher returns if these opportunities carry too much risk (Fletschner and Kenney, 2014; Buvinić and Furst-Nichols, 2016). Consequently, petty trading, subsistence farming, dress-making and hair dressing appeal to them. These businesses are perceived as low risk, requiring little risk capital and largely run as micro businesses. Furthermore, these women’s businesses focus on producing goods or services that meet the needs of local people (Woldie and Adersua, 2004).

3. Microfinance

Microfinance programmes have become a popular tool to address poverty (Akanji, 2006). The expansion of microfinance is based on the assertion that the poor can pull themselves from poverty through entrepreneurship if given access to credit. However, microfinance assumes the beneficiaries possess sufficient human capital, social capital and other assets for growing their small businesses; so that lack of credit is the main barrier faced by the poor (Taylor, 2011). This seems a problematic assumption, because running even the smallest business calls for abilities, knowledge and competencies (Agyapong et al., 2011). Another issue is the evidence that microfinance may not reach the poorest of the poor (Mahmood et al., 2014; Diochon et al., 2016). In practice, it excludes the very poor from borrowing, failing to target the poorest, most needy applicants (Weiss et al., 2003; Chemin, 2008). Moreover, those who might benefit most from microfinance programmes, the poorest households, lack technical and business skills (Bandiera et al., 2013). Non-income manifestations of poverty, such as education, health and security are overlooked by microfinance programs (Bradley et al., 2012). Shaw (2004) reports how poorer households have low levels of formal education; and that their productivity is often limited by poor health and undernutrition. Financial illiteracy due to lack of education may even make the very poor unable to understand how loans work.

Conceptually, this study attributes this problem to the neoliberal rationality assumption on which the microfinance model is developed (Webb et al., 2015). Microfinance rests on neoliberal theory that the development process is driven by the decisions of equally endowed, self-maximising individuals subscribing to principles of economic rationality (Risman and Ferree, 1995; Rankin, 2002). This neglects how the context in which these “entrepreneurs” are embedded may shape behaviours that are not entirely economically rational (Dacin et al., 1999; Anderson et al., 2013). They have responsibilities for their families; own no fixed capital such as land or machinery, nor do they manage the household earnings (Rankin, 2001). In addition to family responsibilities, the most vulnerable, the very poor at the base of the pyramid face risks which could be either idiosyncratic such as illness, or covariant such as droughts. Such households attempt to “steer clear of irreversible shocks” engaging in risk mitigation but incurring low returns; all to avoid becoming enmeshed in a spiral of poverty (Christiaensen and Subbarao, 2005). Moreover, as Taylor (2011) argues, the extremely poor may use microfinance as a means to deal with unexpected expenditures and often become trapped in indebtedness.
Microfinance programmes target women, arguing that credit is economically empowering; increasing women’s income, improving gender equality, status within the family, as well as the health, nutrition and educational status of other household members (Kabeer, 2001). Furthermore, women are seen as a good credit risk by microfinance, signalled by high propensity to repay (Hashemi et al., 1996). In comparison, male borrowers engage in more risky business practices, or present moral hazard problems by consuming credit on drink, tobacco, gambling or restaurants in town (Goetz and Gupta, 1996). Nonetheless, Goetz and Gupta (1996) also found that a significant proportion of women’s loans are directly “invested” by male relatives, yet the female borrowers bear the liability for repayment.

The existing literature mainly focusses on evaluating microfinance programmes (Khandker, 2005; Shetty, 2008; Alatas et al., 2012) in terms of the well-being of borrowers (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 perceives 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 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:

**RQ1.** 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 per cent of rural women live below the poverty line. Chukwu (2012) examines the rural poverty level in Ebonyi State. About 90 per cent population in the area live below the abject poverty[1] level. “The entire rural population [...] were unable to receive enough daily calories, proteins, vitamins and minerals essentially required to sustain a healthy and vigorous life” (Chukwu, 2012, p. 60).

The sample size was 15 (rural women, aged 18 or over, who engage in business activities and resident in rural communities of Abia and Ebonyi State), comprising two focus groups with seven and eight people, respectively, and ten face-to-face interviews. All sessions were conducted in Igbo and English. The focus group discussions informed the questions used for the individual in-depth interviews and considerable data were generated. All sessions took about an hour and were audio-taped, transcribed verbatim and translated into English.
The analyses followed Braun and Clarke’s (2006) six phases of thematic analysis in which the codes were developed after examining the data. The first stage began by familiarising with the data, reading the whole text several times to establish meanings. This involves a constant moving back and forward between the entire data set and jotting down of ideas about what is in the data and what is interesting about them. The second stage after generating the initial list was to produce the initial codes from the data. Coding was done manually by writing notes on the texts, using highlighters to indicate potential patterns and identified codes were matched up with data extracts from individual transcripts. The third stage began when all data have been initially coded and collated, this entails sorting the different codes into potential themes. The coded data were grouped into the emerging “themes”, patterns and structures. The fourth stage involves the refinement of the themes and themes were peer-reviewed in relation to coded extracts and data set by first, second and third authors. At stage five, the initial themes were defined identifying the essence of what each theme is about and determine which aspect of the data each theme captures. The sixth stage involves writing up the story, providing sufficient evidence of the themes within the data. This form of analysis is sometimes referred to as constant comparative analysis (Jack et al., 2015).

Our findings were achieved by adopting thematic analysis method which facilitates identification, analysis and reporting of patterns within data (Braun and Clarke, 2006). Our objective was to understand how rural women perceive microfinance, the risks they consider and influences on participation and usage. As Jack et al. (2008) argue, conclusions reached from these methods are not generalisable to a wider population, but may be generalised at a conceptual level.

5. Data and analyses

5.1 Poor women, entrepreneurial activities and their family responsibilities

Table I describes our respondents’ background and entrepreneurial activities. Our respondents explained their income was inadequate and how they live in poverty. “The family income is not sufficient to meet daily living expenses at all, but we have to manage trusting God to send us help” (Mary). “We are managing to survive” (Adaeze). “We manage with what we have as things are too expensive in the village” (Chika). “[...] not sufficient, I have to borrow to pay my children’s fees and manage my hairdressing business” (Nnenna). “Sometimes income falls short, I have to borrow” (Chinyere). “Not sufficient at all” (Obioma). “Not sufficient, but I have to manage” (Favour). They described their poverty as a result of no employment opportunities and economic stress; women are pushed to venture into a variety of economic activities. The small businesses operated by our respondents are mainly in food and vegetable retailing or poultry and petty trading. They do not employ anyone and require little specialised skills or capital. The businesses largely rely on local customers and target the basic needs of the village. Ezinne tells us, “Selling food stuff is the ideal market in my village as people will buy food no matter what. I am not considering another business”, although earning the lowest income among our respondents. “Selling of food stuff is the ideal market in this village. I buy directly from farmers and sell my goods at the main market where people in the city come to buy food stuff in bulk from villagers” (Obioma). “Food stuff is the main thing that people from the city buys from us villagers when they come to our village market” (Mary). “I was selling vegetables but I switched to this business (poultry) because it was more lucrative and I make good profit as well as for our own consumption” (Oluchi). What they do is shaped by social experience (Anderson and Obeng, 2017), lack of alternatives and driven by family dynamics (Halkias et al., 2011). “I could not find employment, so I decided to start my own business and do what I learnt from my mother – sewing” (Favour). “The business that I am doing is the kind of business my mother traded when she was much younger” (Adaeze).
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Business</th>
<th>Age</th>
<th>Number of dependent children</th>
<th>Education</th>
<th>Time in business</th>
<th>Business size</th>
<th>Time spent on business per day</th>
<th>Business income per month (Naira)</th>
<th>Took out/had had/never had a microfinance loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaeze</td>
<td>Retail and food stuff business</td>
<td>47</td>
<td>8</td>
<td>Primary</td>
<td>8 years</td>
<td>1</td>
<td>9 hours</td>
<td>37,500</td>
<td>Never</td>
</tr>
<tr>
<td>Chika</td>
<td>Retail, selling assorted goods, e.g. vegetables, and homewares</td>
<td>58</td>
<td>9</td>
<td>Primary</td>
<td>15 years</td>
<td>1</td>
<td>10 hours</td>
<td>40,000</td>
<td>Never</td>
</tr>
<tr>
<td>Chinyere</td>
<td>Retail shop selling assorted food and season agricultural products</td>
<td>35</td>
<td>4</td>
<td>Secondary</td>
<td>9 years</td>
<td>1</td>
<td>8-10 hours</td>
<td>50,000</td>
<td>Taking out a loan when interviewed</td>
</tr>
<tr>
<td>Ebere</td>
<td>Hairdressing</td>
<td>26</td>
<td>3</td>
<td>Secondary, vocational certificate</td>
<td>5 years</td>
<td>1 (1 unpaid apprentice)</td>
<td>8-10 hours</td>
<td>48,000</td>
<td>Taking out a loan when interviewed</td>
</tr>
<tr>
<td>Ezinne</td>
<td>Food retail business</td>
<td>57</td>
<td>7</td>
<td>Primary</td>
<td>10 years</td>
<td>1</td>
<td>10 hours</td>
<td>30,000</td>
<td>Never</td>
</tr>
<tr>
<td>Mary</td>
<td>Farming and petty trading</td>
<td>40</td>
<td>8</td>
<td>Primary</td>
<td>23 years</td>
<td>1</td>
<td>10 hours</td>
<td>45,000</td>
<td>Never</td>
</tr>
<tr>
<td>Nnenna</td>
<td>Hairdressing</td>
<td>55</td>
<td>8</td>
<td>Secondary, vocational certificate</td>
<td>10 years</td>
<td>1 (4 unpaid apprentices)</td>
<td>10 hours</td>
<td>100,000</td>
<td>Taking out a loan when interviewed</td>
</tr>
<tr>
<td>Favour</td>
<td>Weaving and dress-making</td>
<td>28</td>
<td>4</td>
<td>Secondary</td>
<td>5 years</td>
<td>1 (4 unpaid apprentices)</td>
<td>8-10 hours</td>
<td>100,000</td>
<td>Had had a loan when living in the city Never</td>
</tr>
<tr>
<td>Obioma</td>
<td>Processing and marketing of food</td>
<td>64</td>
<td>6</td>
<td>Primary</td>
<td>30 years</td>
<td>1</td>
<td>8-10 hours</td>
<td>51,000</td>
<td>Never</td>
</tr>
<tr>
<td>Oluchi</td>
<td>Poultry</td>
<td>50</td>
<td>4</td>
<td>Secondary</td>
<td>10 years</td>
<td>3</td>
<td>8-10 hours</td>
<td>200,000</td>
<td>Taking out a loan when interviewed</td>
</tr>
</tbody>
</table>

**Note:** 400 Naira is approximately £1, so incomes range from £75-250 per month
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 well-being 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 demonstrate 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.

5.2 Poverty, risks and the perception of microfinance services

Table I 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 (microfinance). It is those that went to school that microfinance is meant for as illiterate like me cannot manage with all the paper work” (Obioma). Table I also shows that four respondents were taking out microfinance loans at the time of interviews. One respondent had the experience of using microfinance when she lived in the city. The other five respondents expressed how they were worried about the risks and that they would never borrow from microfinance.

Our thematic analysis presented in Table II shows how family responsibilities and extreme poverty constrain the respondents and the implications for their perception and experience of microfinance. Consumption needs are particularly pressing for the poor women. The respondents have to make a living each day and have no slack or spare resources on which to fall back. Lines between businesses and households are often blurred. Six of our respondents do not separate business money from their family uses. Three respondents kept business and family money separately most of the time, but “On some occasions, I use business money on family matters, e.g. children’s maintenance” (Chinyere); “But on some crucial occasions, use business money on family matter, e.g. children’s school fees” (Ebere); “sometimes I mixed them up” (Nnenna). The pool of resources that poor women have – basic equipment, time and money – is often used for their family responsibilities. None of our respondents owns land or insurance and have only minimal
<table>
<thead>
<tr>
<th>Theme</th>
<th>Examples from the interview raw data</th>
<th>This tells us</th>
<th>Interpretations for entrepreneurs' experience</th>
<th>The implications for microfinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family responsibilities</td>
<td>I have 7 children – 6 girls and a son. Also, my parents and grandparent are depending on me. I have a lot of stress. I hardly have any rest from family responsibilities and business [...] The family income is majorly from my business and little from my husband. The income is not sufficient at all. We manage to use it to keep soul and body together trusting God to send us help (Ezinne)</td>
<td>Make up living under long-term poverty and vulnerability</td>
<td>To survive, send children to schools and to improve family well-being are priority, instead of aiming for business growth</td>
<td>Loans are needed for livelihood</td>
</tr>
<tr>
<td></td>
<td>I have 4 children. They are all in school (primary and secondary). 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. My health has not been good as I have to do everything for my children with no support from anybody except God. My family source of income is from my business. It is not sufficient. My daughter is always sick and frequent health centre for her treatment which cost a fortune. The cost is still form my business. Sometimes the income falls short, I have to borrow (Chinyere)</td>
<td>Their income is not sufficient or close to consumption</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I have 8 children – 7 girls and a son. I provide support to my grandmother sometimes. Three of my children are married and with their husbands while the rest are still living with me and I take care of them on my own. My husband abandoned us with little or no support for his children. I have had series of malaria and anaemia due to poor living condition last year. I hardly have any rest from family responsibilities and business and extended family members. I was asked to reduce my stress but it is not possible as I have to work hard – running my business and family. The family income is not sufficient to meet my day to day living expenses at all. We are managing to survive (Adaeze)</td>
<td>“Events” seem to bring them closer to catastrophe</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I am a widow. I have 8 children. Three are living with me. I have my parent, 3 siblings and mother-in-law. They are all dependent on me. I tried to continue my children’s education after the death of my husband even though that has meant I don’t rest in order to raise their school fees [...] My health has not been good as I have been through thick and thin, running from pillar to post, life has not been easy at all. My family source of income is from my business. The income is not sufficient for day to day living expenses, but I have to borrow to pay my children school fees and manage my hairdressing business.” (Nnenna)</td>
<td>High risks associated with not being able to pay back</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(continued)
Table II.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Examples from the interview raw data</th>
<th>This tells us</th>
<th>The implications for microfinance experience</th>
<th>The implications for microfinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The understanding of microfinance services</td>
<td>Microfinance is not meant for people like me. I have nobody to surety me as my husband does not like me to do anything with microfinance bank due to some of the negative experience of some women in my village. Women who was humiliated for unable to repay her loan due to ill-health and the group members mounted pressure on her despite her poor health and that further aggravated her ill-health and yet, the group members sold her properties and used the money to pay her dues and she was left with nothing and was not accepted back into the group. The women later died. I have no land and do not want to die before my time (Ezinne) Microfinance is for the rich as their requirement is not what the poor can afford. I cannot read or write well, have no financial skills, family commitment plus I have no land to use as a surety; and the ability to repay the loan when the market is bad (Obioma) Microfinance is for a few individuals who have collateral, relatives in the bank or in power. It is not for the very poor people like me (Favour) Microfinance services are not easy to use especially for rural people like me with little or no education. They are for the rich and educated. Their requirements are not what poor people can afford, e.g. making compulsory deposit/savings is not easy for business in the rural areas where market is very slow and seasonal as farming is where we generate most of our market goods. Furthermore, microfinance does not show mercy in the event of default. The majority of the groups could not pay back and were prosecuted and lost all (Mary) Microfinance banks are for the rich and government workers. They are not for the poor as they do not consider the situation of rural women especially when default occurs. Their services are not within the reach of the poor as microfinance shows no mercy to defaulters by giving them more time to pay their loan (Adaize) I have heard about microfinance. Microfinance is not easy to use and is worrisome. When microfinance lends you money for business, you will start to pay back the following week and on weekly basis whether you sell or not or else your property will be taken away among other charges. More so, there is none in my village and I cannot</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Risks are irreversible for the poorest and vulnerable</td>
<td>The perception of microfinance is different for the poorest</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The most disadvantaged and impoverished group are reluctant to borrow from microfinance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not all of the loans are used to facilitate productive investment</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Theme</th>
<th>Examples from the interview raw data</th>
<th>This tells us</th>
<th>Interpretations for entrepreneurs' experience</th>
<th>The implications for microfinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>travel miles in search of credit from them when I can borrow from local money lender within (Chika)</td>
<td>Any woman who wants to benefit from microloan from microfinance bank must be ready to comply with their terms and conditions as loan taken must be repaid (Chinyere)</td>
<td>Beneficial to borrow from microfinance</td>
<td>Weekly repayments with high interest rates charged are difficult to meet</td>
<td></td>
</tr>
<tr>
<td>The experience of microfinance</td>
<td>The risk (of borrowing from microfinance) relates to failure to meet expected repayment. It is worrisome as failure of any member of the group will mean the rest of the group members will have to make the payment; however, the defaulter will face some harassment (Ebere)</td>
<td>Loans are used on business and family Great concern on repayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Microfinance is beneficial as it can help me to sustain and expand my business which means more profit for me to spend on my family however, it comes with its own risk as I have to worry about how I will generate the money to pay my weekly dues especially when market is not moving and sometimes I have to go and borrow elsewhere to repay my loan (Oluchi)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Any woman who wants to benefit from microloan from microfinance bank must be ready to comply with their terms and conditions as loan taken must be repaid (Nnenna)</td>
<td>Great concern on repayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I do not participate in microfinance services. Participating in microfinance services is a great risk because market in the village is not certain and if anything should go wrong in my business – say armed robber attack me or people who buys my food stuff on credit did not pay on time or bad omen.happens to me then my family will be in serious problem as our property would be sold and family will be in distress (Ezinne)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Never. Microfinance is not easy or straightforward for poor rural women who are struggling to meet daily needs. I do not want to start worrying about paying back, what if anything should go wrong in my business (Obioma)</td>
<td>Microfinance processes raise intimidating barriers to the poorest</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I borrowed when I was in the city. The loan helped me to purchase my weaving machine. When I came to live in this village, I wanted to borrow loan to buy more equipment and buy other goods for sale but was not successful due to lack of collateral. The risk of borrowing from microfinance is the worry about loan approval and how to pay back the loan as money borrowed may be spent on family; the business in village is very slow (Favour)</td>
<td>Great difficulties; and fear about not being able to repay</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(continued)
No! I don’t want due to many reasons. First, I don’t have land to use as collateral and besides I do not like being in debt as the repercussion is grievous. A friend who has used it before but has stop using it as she suffered a lot in their hand. Also, I don’t want to spend the little money that I have on transport to and from the headquarters where microfinance bank is situated as there is none microfinance in my village, and lastly, I don’t have bank account as I could not open one due to the rigid process in opening one as am not educated (Mary)

There is the fear of getting into risk of loans which may lead to me losing my goods, family and properties as well as face in the community in the event of default which I cannot guarantee whether I will be able to meet up the weekly repayment due to bad market in the village among other things. I don’t want to start worrying about how to pay back loan within a short period of time. As once given the loan, microfinance starts to demand for repayment on weekly basis whether you sell or not and failure to do so will amount to harassment among other maltreatment. In short, I can’t risk it and so I don’t like borrowing or participating in microfinance services (Adaeze)

I prefer local lenders. There is the worry of how to pay back the loan and the risk of losing my property and family in the event of default. I lack some basic knowledge on how they operate and also have low literacy due to poor education. More so, I do not have collateral such as land that I can use to surety myself. On the other hand, my role as a mother and wife means I hardly do things on my own without my husband’s approval coupled with the fact that I hardly have time to travel far in search of credit (Chika)

I’ve benefited from microfinance services through the Women’s Association. The loans I have received helped me to revitalise my business, feed my children, pay their school fees and face life challenges. Worry about how to pay back the loan especially my huge family responsibilities and meeting up the stipulated time” (Chinyere)

### Table II.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Examples from the interview raw data</th>
<th>Interpretations for entrepreneurs’ experience</th>
<th>The implications for microfinance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance has not reached the poorest</td>
<td>Great concern about short weekly repayments. Non-repayment can have terrible consequences</td>
<td>The danger of borrowing from microfinance for the most disadvantaged group outweighs the potential benefits</td>
<td>Benefits of microfinance on business and family</td>
</tr>
<tr>
<td>Theme</td>
<td>Examples from the interview raw data</td>
<td>This tells us</td>
<td>Interpretations for entrepreneurs’ experience</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>High rate of return from productive</td>
<td>Microfinance has helped me to buy business tool, generate income that I used for family welfare and sustains my business which helped me to gained respect both at home and in the community. I am worried how to pay back the loan as money may be used on family matters, I also have the feelings of uncertainty about the business environment in the village as market does not move like in the city as there is abject poverty in the village. When I am unable I have to borrow from moneylender as I don’t want to lose my face among group members, although, that means I have to pay about 50% (monthly) interest rate compared to microfinance bank 5% (monthly) interest rate. Worried about other members as I know that if anyone fails to repay her loan, every other person in the group will contribute to pay microfinance and the consequences for my business and family. Should that happens makes me to fear and anxiety (Ebere) I have used the lending services as I have borrowed up to 3 times from microfinance bank as well as saving and insurance scheme to safeguard my chickens. Microfinance is easy to use, quick and help you save regularly. The repayment period is too short and at times you have to go to borrow from local money lender to repay loan (Oluchi) I make regular savings through microfinance, and borrow from it through my group. The loans I have received helped me to restart my business, feed my children, pay their school fees and face life challenges as a widow in this hard country that I found myself. Microfinance services are easy and straightforward to use. I am worried about how to pay back the loan especially meeting up the stipulated time. However, I made up my mind not to borrow big sum of money that I am not sure I will be able to pay back. I have to work twice hard in order to meet up with the repayment but it could have been worse without the loan support (Nnenna)</td>
<td>Microfinance is not a sufficient solution to poverty in a short period of time is needed to cover the repayment</td>
<td>Microfinance is not a sufficient solution to poverty</td>
</tr>
</tbody>
</table>

Table II.
space and equipment. “I have only my stall, tables and pan that I used to put the food stuff. No modern equipment” (Ezinne). “I don’t really have equipment other than the shop, shelves, tables and the goods” (Chinyere). “I have only my shop and goods” (Chika). “What I have are feeding pans and trolleys and cages used in keeping the birds” (Oluchi). Consequently their livelihoods are precarious, always on the edge of disaster and their tiny incomes are vulnerable. Yet the pressure to provide for the family is relentless.

The experiencing of vulnerability had significant effects on how they perceived microfinance. Indeed, rather than seeing opportunity and benefits, the cost of not repaying was seen as catastrophic. Formal theory would suggest that borrowing costs are “marginal” – will the benefits exceed the cost of borrowing? But for these enterprising women, not being able to repay a loan risked irreversible consequences. This poorest and the most disadvantaged group are reluctant to take out loans from microfinance. “If one fails to pay the weekly repayment as at when due one will lose the collateral and face a lot of harassment from group members and Bank Officials. I do not want to be the talk of the town in my village – lose face […]”

Furthermore, participating in microfinance is a great risk because markets in the village is not certain and if anything should go wrong in my business – say armed robber attack me or people who buys my food stuff on credit did not pay on time or bad omen happens to me then my family will be in serious problem as our property would be sold and family will be in distress (Ezinne).

How I will be able to pay back the loan when there is bad market (Obioma).

Worry about approval of loan and how to pay back the loan as money borrowed may be spent on family as well as the worry about the business in the village which is very slow (Favour).

Microfinance is worrisome. The repayment period is not fair on rural people as it is hard to invest the loan on business because market in the rural areas is very slow. There is the worry of how to pay back the loan and the risk of losing my property and family (Chika).

Several respondents express their fear about non-repayment. “There is the fear of getting into risk of loans which may lead to me losing my goods, family and properties as well as face in the community. I cannot guarantee whether I will be able to meet up the weekly repayment due to bad market in the village among other things […] once given the loan, microfinance bank starts to demand for repayment on weekly basis whether you sell or not and failure to do so will amount to harassment among other maltreatment. In short, I can’t risk it; I just don’t want to enter inside trouble of debt of any kind. I prefer to struggle and whatever I am able to get. I manage it as I have no husband who will come to my rescue in case of trouble” (Adaeze):

I don’t use microfinance because […] the risk of losing property, worry about investing the money on business as money invested on business may not generate income […] besides I do not like being in debt as the repercussion is grievous (Mary).

For our respondents, the dangers outweigh potential benefits. Moreover, even using a loan can be problematic. The demands of family, lack of financial literacy and the precariousness of their livelihoods mean that the loan may be used for immediate needs rather than business. Our respondents mentioned that loans are not only used on businesses, also often for basic family needs, feeding their children or paying hospital expenses. “The loans I have received helped me to […] feed my children, pay their school fees and face life challenges in this hard country” (Nnenna). Ebere explained, “I use part of the loan from microfinance to cater for hospital expense.” She was “worried about how to meet up as money may be used for other purposes like paying children’s school fees […] because of hardship in the village”. The use of loans for productive activities is clearly compromised by the familial responsibilities.

Most pressing however was the anxiety over repayments. Chinyere told us how she “worried about how to pay back the loan especially my huge family responsibilities”.

440
Indeed she explained how she had to pawn her goods to make payments, “I sometimes have to hawk some of my goods in order to raise the money (to pay back)” (Chinyere). With few alternative resources, they may have to resort to moneylenders with usurious interest rates:

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

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

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

6. Discussion
Microfinance programmes focus on credit as the solution to poverty. However, in addition to the lack of credit, poor women cope with a variety of difficulties, such as lack of assets and security, little or no support, limited mobility, lack of access to technology with low levels of skills and education. Illiteracy makes the process of borrowing more difficult and importantly, hard to understand. Microfinance processes thus raise intimidating barriers for the poorest. Furthermore, credit is seen as debt and this constitutes a great risk for the poorest and most vulnerable. In the absence of sufficient assets to smooth consumption, shocks such as a lean season and robbery were feared by our respondents. This could lead to irreversible losses, such as asset depletion, reduced nutrient intake or interruption of education that permanently reduces human capital, locking their victims in perpetual poverty (Christiaensen and Subbarao, 2005). Aware that the potential losses are not simply marginal (e.g. having a little less money to spend) but more of a cusp point from which they are unlikely to recover, the poorest were reluctant to take the risks of borrowing from microfinance.

African poor rural women bear a “double burden” of full-time economic activities and all domestic responsibilities. For them, a livelihood for the children, paying school fees and putting food on the table are priorities, not business growth. The persisting responsibilities of poor women to meet the basic consumption needs of the family affect their ability to repay microfinance, because the assumption is that repayments will come from anticipated extra profits. But the circumstances of poverty determine whether the loans may be diverted to livelihood, rather than income enhancement. Strict weekly repayments place strain on these women, especially with periods of low market demand and in the times of emergency or economic shocks. Microfinance does not contribute to the coping strategies for the poor and vulnerable; they struggle to manage cash flow, risks and repayments. When livelihood hangs in the balance, the perceived dangers of microcredit may outweigh potential benefits.

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

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

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

Note
1. Abject poverty lines are defined for single-person, four-person and six-person household units were annual income of N359,160 (US$983), N939,510 (US$2,572) and N1,427,880 (US$3,909), respectively (Chukwu, 2012).

References


**Corresponding author**

Alistair Anderson can be contacted at: a.r.anderson@rgu.ac.uk

For instructions on how to order reprints of this article, please visit our website:

[www.emeraldgrouppublishing.com/licensing/reprints.htm](http://www.emeraldgrouppublishing.com/licensing/reprints.htm)

Or contact us for further details: permissions@emeraldinsight.com