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The Challenges of SUSTAINABLE GROWTH and POVERTY REDUCTION IN NIGERIA

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The Conference was organized by the Department of Economics and Development Studies, Igbinedion University, Okada. The editors are particularly grateful to the Technical Committee, headed by Professor (Mrs) Anyiwe, whose concerted efforts led to the review of the papers, complied for this volume.

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Introduction

Economic growth and poverty reduction, undoubtedly, are two of the most challenging development issues in the Third World today. They are also two of the most stubborn development problems in post-independence Nigeria. Sustained economic under-performance and rising poverty became dominant features of the nation's development profile, particularly between 1960 1n2 2000. This unenviable trend has resulted in an economic crisis characterized by low per capita real income, low economic growth; high inflation and unemployment; and for many years acute balance-of-payment difficulties and an unsustainable debt burden. Nigeria's extreme reliance on the petroleum industry, to the detriment of other sectors and the mismanagement of oil revenues lie at the heart of the nation's perennial economic under-performance. The oil industry accounts for more than 80 percent of annual government revenue and 92 percent of the nation's annual foreign exchange earnings. It also accounts for one-half of the nation's annual Gross Domestic Product (GDP). However, the nation's oil industry is an enclave economy, with little linkages to other sectors. Consequently, the manufacturing and agricultural sectors have been unable to make significant contributions to the nation's GDP, undermining the structural integrity of the economy. The marginalization of the non-oil sector holds grave economic and social consequences for the nation's policy makers. Nigeria's economic profile, which features natural resource abundance and widespread poverty, has been described as a paradox. The unwholesome trend has triggered political, social and economic instability and threatens to reverse the nation's meager development gains since political independence in 1960.

At the turn of the Millennium, the international community identified poverty reduction as the over-arching goal of policy makers, with the articulation of the Millennium Development Goals (MDGs), which aim at reducing global poverty by one-half by 2015. Nigeria has subscribed to the aims of the MDGs and has implemented policy measures to combat endemic poverty at the local and national levels. However, the majority of the population remains impoverished, with serious consequences for the economy. A combination of sustained economic under-performance and rising poverty levels have informed the convocation of this conference with the theme "The Challenges of Sustainable Growth and Poverty Reduction".

The conference provided a platform for researchers, academics, policy makers and development experts to articulate issues pertinent to Nigeria's economic growth and poverty reduction strategies. The conference also provided the impetus for economic growth and charted a new roadmap towards sustainable poverty reduction in the years ahead.

This book of readings is structured into three sections:

- Economic growth and development
- Poverty reduction strategies
- The challenges of the Niger Delta

All papers complied in the book have been subjected to a blind peer review mechanism. Therefore, the book volume is recommended as an appropriate resource material for teaching, researchers, Development Partners and public and private sector policymakers in Nigeria.

The editors, on behalf of the Department of Economics and Development Studies, Igbinedion University, Okada wish to express their profound gratitude to all conference participants and authors who have responded to the call for papers. The quality of the papers is yet another step towards the realization of the nation's economic policy objectives aimed at sustainable growth and development and poverty reduction.

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November 2008

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Informal Savings and Poverty Reduction among Women in MSEs: An Exploratory Study

By

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Abstract

Micro and Small Enterprises in Nigeria, (MSEs) has increasingly been contributing to the rapid growth of Nigerian economy in recent years. It has been producing over half of industry value added and more than half of Nigerian Gross National income. Aside from this, it has also accounted for poverty alleviation, employment creation and wealth creation among the populace of Nigeria. In terms of finance, Women in MSEs accessibility to formal financial institution has remained to be very low. Upon this thrust, this study aims at examining the effect of informal savings on poverty reduction among women in MSEs. Primary and secondary data were used in carried out the study. The instrument of questionnaire was issued in obtaining the data required for the study. The data gathered was analysised using descriptive analysis and regression analysis. The results revealed that although strong significant relationship exist between informal savings and business performance of women in MSEs, informal finance scheme is usually encounter problem such as not having sufficient funds to satisfy the financial needs of MSEs operators, lack of access to information, illiteracy etc. Among other things, it was recommended that the government should assist the informal *financial institutions by establishing a Credit Guarantee Fund Scheme that can help in augmenting their financial base.*

Keywords: *Informal Savings, Women Entrepreneurs, Micro and Small Enterprises*

Introduction

Women in MSEs are usually constrained in their business operations due to lack of access to the required funds, property ownership and community/cultural bond. The global economic recession has negative effect on the world economy especially the developing economics. Women are now becoming conscious of the need for their participation in the economic mainstream of the nation. The involvement of women in business, politics, and national development contributes positively to the economic growth and development of the nation. Statistically, out of 60% of the women population, more than 30% of them have been recorded to be in one public and private position or the other. Majority of them engage in MSEs as their full or part time business and they form more than 60% of the total MSEs operators of the Nigerian economy (Kantor, 1999). Their participation in the mainstream of MSEs is perhaps been elucidated due to the advantages of the micro and small enterprises which include lower capital requirement for its operation, fewer number of employees, easy to be located, lack of government regulation, mobility and flexibility of the business, simple accounting and bookkeeping requirement, lack of sophisticated technology requirement etc.

However, the operations of MSEs are not free from challenges especially among women operators. Some of challenges include; inability to raise the required funds through formal financial institutions due to high interest rate, collateral security, requirement of guarantor(s), provision of feasibility studies, preparation of the projected cash flow and financial statement for their MSEs as required by their lender etc. These constraints have giving birth to alternative sources of funds for businesses hence the establishment of various initiatives such as informal financial scheme. Women form trade associations, unions, social networks, operative society and thrift initiatives to act as financial intermediary to their business financial challenges. Reasons for the establishment of these financial initiatives are to ensure that their business financial challenges are solved through informal savings and credit. Members of such associations are compelled to contribute money for the running the associations from which they can borrow funds when the need arises. As Tichereva (2003) observed "most organizations target women for contribution to their financial challenges due to the fact that women were marginalized and had no access to credit from the conventional banks".

These contributions are done in daily, weekly, monthly, bi-monthly basis as long as it is convenient to the member. Other forms of informal financial initiatives are being form through a money pool contributed by an individual or individuals who is/are willing to assist the poor that can not have access to the formal financial institution fund. Through these initiatives, a lot of women in MSEs have benefited in terms of business finance. The questions now are how many of these women in MSEs actually used the money collected from these associations for the development and financing of their businesses? What then is the impact of such fund on business performance of women in MSEs? In the process of providing answers to these questions, the study is divided into five sections. Section one is the introduction, section is the conceptual framework/literature review, section three is the methodology, section four is the data analysis while section five is the discussion, conclusion and recommendations.

Conceptual Framework/ Literature Review

The Concept of Poverty

Poverty is the inability of an individual, group or nation to provide shelter, nutrition, and other material goods that enable people to live a good life (Ray, 1998). The concept of poverty includes material deprivation, (eg food, shelter) and access to services (eg. Health, education). It tends to encompass a range of non material conditions such as a lack of rights, insecurity, powerlessness and indignity (Vandenberg, 2006). The focus of the concept and perspective upon which poverty is based determines its definition. As Fonjong and Endeley (2004) rightly argue it is very difficult to provide a simple definition of poverty because the word poverty is deeper in meaning than whatever definition one adopts. This is because poverty is a dynamic concept which varies over time and space. Due to the difficulty in providing a concession definition of poverty, World Bank (1999) proposed a definition of "relative poverty". This makes the concept itself to be subject to elements of time, space, income and gender. It is a muilt-dimensional process that spreads through a whole range of economic, political, social, cultural, and deprivations

According to UNDP (1998) one third of people in developing countries live in income poverty . Poverty means more than being impoverished and lack of financial means; it has to do with one's state of mind and perception to issues of life. World Bank (1999) defines poverty as those earning an income below the poverty line of $1 per day. The Human Development Report in 1997 also defines poverty as the denial of opportunities and choices most basic to human development in order to live a long, healthy, creative life, and to enjoy a decent standard of living, freedom, dignity, self-esteem and the respect for all (UNDP, 1998). Examining closer the above definitions of poverty, Fonjong and Endeley (2004) was rightly to suggest that poverty is not a condition but a process, it expresses a dynamic situation of lack, despair and misery. In Nigeria, the causes of poverty can be traceable to the fall in crude oil (from 2.3million per day in 1973/1974 to 2.0million per day in 1980 and from the average of $36.50 in 1981 to $10.00 in 1986 which led to the country's accumulation of debts, reduction in the nation's GNI and increase in government expenditures); poor quality governance; corruption; unemployment; inflation and low productivity; illiteracy, lack of economic opportunities; indulgence, illegal drugs, alcoholism, excessive procreation, polygamous household, and lack of infrastructures (Ireland, 1997).

The Concept of MSEs

Several authors, institutions and organizations have defined MSEs differently. Many criteria have been adopted in defining MSEs this include; number of workers, capital base, asset value of a business, sales volume etc. These criteria vary from organization to organization and from institution to institution (Abonge, 2001). Downing (1995) defines an enterprise as "any activity that produces goods, half of which are marketed" while Mead and liedholn (1998) in an attempt to define MSEs, classified enterprises having between 1-50 workers as MSEs. In furtherance to this, Moumbok (1988) used the functions and practices of individuals as basis for defining MSEs. According to him, "MSEs are where wages and salaried workers replace apprentices or they both co-exist within the same firm". United Nation's Economic Commission for Africa (ECA) also defined MSEs as the businesses/activities/enterprises of men and women

- Involved in manufacturing activities and services provision eg. maintenance, repair, food preparation, construction and transport.
- Employing fewer than 10 people and in most cases even fewer than five.
- Often unregistered and not complying with legislated standard and regulations.
- Often operating from semi-permanent location eg. on foreign land, in open air, in urban or rural areas.
- Using little capital of their own savings or borrowing from family members and friends (cited in Fonjong and Endeley 2004).

The Cameroon Ministry of Women and Social Affairs (MINASCOF) (1997) also defines MSEs "as enterprises having between 1-10 workers and whose operators are mostly women. However, for the purpose of this study the definition of MSEs given by Fongong & Endeley (2004) will be adopted which defined women in MSEs as

> business operations whose size of their start-up capital is usually small ranging from 5,000 Cafa (N18,180.20) or less and their initial capital is usually provided by family, relatives, friends, or from very ting savings, and which operate with 1 to 5 workers. Most of them, do not have any

professional training in what they do, their motivations into a particular actively are different as well as individual business objectives. Their profit margins are usually low and the rate of business growth also slow.

The adoption of Fongong & Endeley's (2004) definition is based on the criteria they used such as numbers of workers, source of capital and capital and assets base.

Women's Involvement in MSEs

Reasons for women involvement in MSEs differs greatly and are in different dimension such as; reduction of tension and strife in a household, enhancement of self esteem, involvement in family decision making process, poverty alleviation and community welfare (Fonjong and Endeley, 2004). Through MSEs, women can provide basic needs for their families. Explaining further on this, UNCDF (2004) argued that success in providing basic needs for family and contributing to household income which results in increase in women's self-esteem and improvement in their personal financial situation instills confidence in household decision-making in Nigeria. Data from the Federal office of statistics revealed that the majority of women in MSEs engage mainly on agriculture manufacturing service and trade.

Table1: Percentage Distribution of Persons by Industry (%)

Industry	*Males*	*Females*
Agriculture	63.0	47.8
Mining	0.1	0.0
Manufacturing	4.0	3.7
Utility	1.0	0.0
Construction	1.0	0.0
Trade	**12.0**	**37.6**
Transport	5.0	0.1
Finance	0.8	0.3
Service	14.0	10.2

Source: Federal office of statistics adopted from Community Women and Development (COWAD) 2004

In support of the above data, Fonjong and Endeley (2004) listed out some of the activities of women in MSEs to include; food and fruit vendors, hair dresses, telephone call box operators, provision store operators, seamstresses, local beer parlor, inner decorators, fish smoking, roasted corn and corn selling, local wine vendor, roasted plantain selling etc. Most of them operate from the smallest available space to market stalls. Even some of them transact their businesses from their homes, under the trees, along the road, at motor park, bus stop, kiosks, open air markets, offices, markets, stores and shops, schools hospital etc. (Fonjong and Endeley, 2004). As COWAD (2004) observed, "these women occupation yield little income, because they have little possibility for savings, access to credit and investment".

H1: Women in MSEs do not use the money borrowed from informal savings scheme only for business transactions.

Informal Savings

Informal savings has its origin from the law of fundamental human right of free existence and association. This law played a vital role in creating a conducive environment for MSEs to come together as a group in order to raise funds for enhancing the activities of its members. The freedom of association enables men and women SMEs and MSEs sector to come together as groups and put together their resources for raising the initial capital for their business. This has given many of them the opportunity to improve their lives and businesses. As Fonjong and Endeley (2004) opined "most of the MSEs operate in a cluster and this is necessary as it is obvious that no gainful venture can survive or prosper alone, as a tree can never make a forest." Integration among MSEs operators has actually given birth to many good activities in the developing economics.

The rationale behind the emergence of informal savings can also be seen from the challenges the MSEs operators encounter in the process of obtaining loans and advances from the formal financial institutions. UNCDF (2004) identified top three main reasons for the emergence of informal savings as "loan policies and procedures, savings policies and procedures; and lending methodology of the formal financial institution. Hence, informal savings act as alternative to micro financial institutions (MFIs) loan and it plays an important role in ensuring that MSEs operators are financially positioned. The most commonly type of informal savings are "ESUSU" "Esusu" is a Yoruba word which means "contributing something together for particular usage" It is commonly used both in the urban and rural areas of African Countries and is a good example of informal savings for financing of MSEs. "Esusu" is a contributory social system and it involves savings mobilization and credit scheme (Fonjong and Endeley, 2004). The contribution is usually done on daily basis to be distributed back to the contributors at the end of the month or the year in proportion to their contribution or at the demand of the contributors. The keeper of such fund charges a commission say 20% of every N1000 saved or the first portion of the daily contribution. Its main purpose is to encourage savings among the micro and small scale business operators. The second type of informal savings is called "AJO" and it involves contribution of a specified amount of money on daily basis to be collected at the end of every month by one contributor and another person at the end of another month. This continues on and on until it gets to the turn of all the contributors. This can also be in form of rotating savings and credit associations (ROSCAs) or savings and credits cooperatives (SACCOs). The ROSCAs is a movement through the spectrum from simple to complex money association aimed at adapting to the changing tastes of it's members attracting persons of heterogeneous backgrounds and most importantly formalizing their operation with a high degree of sophistication (Odozi, 1982; Stevenson and St-Onge, 2005).

Informal savings has been commended to be the easiest and simplest system of micro credit for the development and financing of MSEs and in recent times has developed beyond the periodic deposition of fixed sum of money (Orode, 2000). It forms about 25% of the total start –up capital of most micro, small and medium businesses (Anao and Osazee, 1990). It started as a small informal saving system and gradually matured into a more organized system that today social organizations, trade unions, formal institutions including banks (eg former Omega Bank Plc) are now involved in informal savings because of its benefits. As Orode (2000) argues that informal system continue to win the patronage of over 70% of Nigerians and among these are women in MSEs.

Informal Savings and Poverty Reduction among Women in MSEs

The importance of the informal savings in financing the women MSEs operators in developing economies and in Nigeria particularly, necessitate the need for the government to support their activities. Emphasizing this further, Zo Randrianmaro (2002) opined that "the private sector is the engine for Africa's economic development and it is now beyond dispute that the only source of finance that can provide the long term finance required for economic growth and poverty reduction is the private sector, both national and internationally". Financial services clearly play central role in the lives of the poor and informal savings is mainly targeted to help women to cope with economic vulnerability and substance (UNCDF, 2004). Stevenson and St-Onge (2005) are of the opinion that thousands of ROSCAs serve as a source of credit for millions of low-income people and estimates are that 76% of group members are women. As was noted by UNCDF (2004) "informal savings is one main way women overcome poverty and all forms of lack, want and in dealing with sickness, diseases, emergencies, businesses and crisis..." in all countries. Most financial institutions in formulating their loan and savings policies and procedures do not make provisions for accommodating MSEs operators who may not be able to meet up with the their lending requirements and procedures.

As UNCDF (2004) rightly observed "lack of target promotion of economic participation of women and a lack of suitable financial products to address the needs of the relatively heterogeneous group (women in MSEs) that makes up as a result of these problem". Considering the role of women in business, capacity building and national development, their empowerment through informal finance is important so as to reduce the incidence of dissonance and discouragement resulting from disappointment received from some financial institutions. Women in MSEs in coping with the barriers in accessing services and credit of formal financial institutions now seek for an alternative for meeting their financial needs through informal savings. Commenting on this, UNCDF (2004) emphasized that "the barriers in accessing services of formal financial sector remain high for the poor especially women...and graduation from formal to semi-formal then to informal may take many years". Informal savings ensures that women accessibility to financial services is established and this is spear headed by agents such as individual, groups, co-operation society, trade associations, trade union and Non-governmental organizations (NGOs).

H2: Negative relationship exists between informal finance activities and business performance of women in MSEs.

Methodology

Research Design

To achieve the objective of this study, questionnaire as the research instrument was used to conduct a field survey targeting women in MSEs as our respondents. Hypotheses were formulated and used to seek the respondents' opinions.

Research Instrument

A sample size of 200 women entrepreneurs in Micro and Small Enterprises was taken from Lagos Metropolis based on random sampling method. 156 or 78% of the questionnaires were returned. Two sets of questions (closed-ended and open-ended) were proposed. Section A of the questionnaire contains the personal bio-data of the respondents while section B contains thirty items questions mainly on the business activities of women entrepreneurs and their transactions with informal financial institutions. More of closed-ended questions were emphasized which yielded quantifiable information appropriate for statistical analysis. Most of the questions on this section gave the respondents opportunity to choose from the different options given.

Data Analysis

Descriptive analysis and regression analysis were adopted for analyzing the questionnaires. While descriptive method was adopted in analyzing all the questions in the questionnaires, regression analysis was used in testing the hypotheses. To analyze the hypotheses, the questionnaires were coded and values that range between 1-5 were assigned to the questions.

Survey Results

Demographic Variables

Table 1 shows the survey results of the demographic variables that relate to the women in MSEs under the study. Out of the 156 respondents, 43 or 27.6% of them are in the age bracket of 18-25, 53 or 34% are in the age bracket of 26-30, 39 or 25% are in the age bracket of 31-35 while 21 of them are between the age of 36 and 40. The table also shows 39.7% of the respondents have SSCE, 21.2% have OND certificate, 22.4% are BSc/HND holders while 9.6% are MSc holders. Looking at their type of business, the table shows that 41.7 of them are into trading, 19.2% of them are into manufacturing and agriculture business while 10.9% are in the service industries. Information on their stage of business reveals that 41.7% of them agreed that their business is under introduction stage, while 39.1% accepted that their business is in the growth stage, while 14.7% of them said that their business is in the maturity stage. While 148 or 94.9% of the respondents agreed that they have benefited from the informal savings services and 8 or 5.1%of them says that they have not benefited. 39.1% of the respondents have benefited a range of loan of 1,000-49,999, 26.3% of them benefited a range of loan of 50,000-99,999, 16.7% of them have obtain loan in the range of 100,000-149,999, while 12.2% have benefited loan of 150,000 and above.

Table 2 Profile of the Academics

S/n		Variables	Frequencies	Percentages
1	Age	18 – 25	43	27.6
		26 - 30	53	34.0
		31 - 35	39	25.0
		36 - 40	21	13.5
		Total	156	100.0

2.	Education qualification	SSCE OND BSc MSc others Total	62 33 35 15 3 148	39.7 21.2 22.4 9.6 1.9 94.9
3	Type of business	Trading manufacturing agriculture service other Total	65 30 30 17 8 150	41.7 19.2 19.2 10.9 5.1 96.2
4	Business Stages	Introduction stage growth stage maturity stage Total	65 61 23 149	41.7 39.1 14.7 95.5
5	Capital Invested	150,000-299,999 100,000-149,999 50000-99999 below 50000 Total	53 54 30 17 154	34.0 34.6 19.2 10.9 98.7
6	Loan Beneficiary	Yes no Total	148 8 156	94.9 5.1 100.0
7	Max. Loan Borrowed	1,000-49,999 50,000-99,999 100,000-149,999 150,000 and above Total	61 41 26 19 147	39.1 26.3 16.7 12.2 94.2
8	Collection of Interest	Yes no Total	87 62 149	55.8 39.7

Source: Field Reports, 2008

Informal Savings and Poverty Reduction among women in MSEs

The results of the descriptive analysis in Table 2 show that the respondents responded positively to the 4 items used to describe the impact of informal savings as a poverty reduction strategy on the business transactions of women in MSEs. On the usage of the informal savings loan, 62.8.% invested the loan into their business, 29.5% of them used it to pay school fees of their children, while 7.7% of them used it for payment of rent. The result shows that more than 30% of the loan collected is invested in payment of school fees or rent. Also looking at the collection of collateral security on the loan, 18.6% of them agreed that they were asked to bring collateral while 81.4% of them said that they never gave collateral for the money collected. Information on the other services offered by the informal finance providers, 44.9% of the respondents have received marketing services, 36.5% of them have accounting services, while 17.9% of them benefited on the area of counseling. 93.5% of them agreed that their transaction with the informal financial institutions has positive impact on their business, 6.5% disagreed with the statement. Also 94.9% of the respondents are of the opinion that informal savings is beneficial to their business, 5.1% of them says no to the question.

Table 3 Informal Savings and Poverty Reduction among women in MSEs

S/No	Variables		Frequencies	Percentages (%)
1	Purpose of Seeking for Loan	Business School Rent	98 46 12	62.8 29.5 7.7
2	Collateral	Yes no Total	29 127 156	18.6 81.4 100.0
3	Other Services Rendered by Informal Savings	Marketing Accounting Counseling Others	70 57 28 1	44.9 36.5 17.9 .6
4	If informal Saving has a positive impact to women in MSEs	Yes No	143 13	93.5 6.5
5	If Informal Savings is beneficiary to their business	Yes No	148 8	94.9 5.1

Source: Field Reports, 2008

Regression Analysis

To test hypothesis one, independent variable (what they actually did with money collected) and dependent variable (what the money is meant for) provided us with the information to test the hypothesis. The two variables were regressed. The result in Table 4 shows that although positive relationship exists between independent variable and dependent variable, it is not significant. The value obtained (.465) is not significantly correlated with the dependent variable. The alternative hypothesis is therefore rejected while the null hypothesis which states that women in MSEs do not use money borrowed from informal savings scheme only for financing their business transactions is accepted.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.059	.003	-.003	.6364	2.086

a Predictors: (Constant), what the money is meant for

b Dependent Variable: what they did with the money collected

Table 4 Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1.343	.153		8.783	.000
	money	7.843E-02	.107	.059	.732	.465

a Dependent Variable: what did with the money collect

To test hypothesis two, regression analysis was also adopted to test the relationship between the informal savings (independent variables) and business performance of women in MSEs (dependent variables).

Variables such as loan offered to women, monitoring of such loan and offering of other services were used in measuring the independent variables while the dependent variable was measured with the effect of such loan on the business of women in MSEs. The independent variables were regressed against the dependent variable. Table 5 shows that significant relationships exist between the business performance of women in MSEs and the variables used in measuring informal savings. Table 5 revealed that strong significant values of .003, .022 and .000 for; offering loan to women, monitoring of such loan and offering of other services respectively are significantly correlated towards the business performance of women in MSEs based on 1% and 5% significant level. The model shows that 14% of the independent variables was able to explain the dependent variables (R^2= 140) and the F-value = 7.217 in Table 6 which is significant at 1% connotes that the model is neither mis-specified nor biased. The result also implies that a unit change in loan offered to women, monitoring of such loan and offering of other services will affect the level of business performance with -.247, .186 and .162 respectively.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.374	.140	.121	.4259	1.928

a Predictors: (Constant), collect, assist, monitor

b Dependent Variable: business performance

Table 5 Coefficients

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	1.070	.140		7.634	.000
	Monitor	-.247	.082	-.259	-2.989	.003

	Assist	.186	.080	.197	2.319	.022
	Collect	.162	.045	.298	3.631	.000

a Dependent Variable: business performance

Table 6 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.928	3	1.309	7.217	.000
	Residual	24.130	133	.181		
	Total	28.058	136			

a Predictors: (Constant), collect, assist, monitor

b Dependent Variable: business performance

Discussion, Conclusion and Recommendations

The success of women entrepreneurs in their enterprises enables them to feed, house, educate and take care of their other needs. Finance plays important role in making this a reality. Access to the required credit helps them to own and operate micro enterprise so as to alleviate the poverty and the economic recession that is ravaging their live. Informal savings which may exits in form of loan broking, private lending, underground banking, trade credit, pawning housing or rotational savings and credit has the tendency of helping women in MSEs to over come their financial short comings. The MSEs operators' inability to meet up with the requirements of financial institutions in terms of collateral security, high interest rate, guarantor, etc, gave birth to an alternative loan scheme from the informal financial institutions. As Zhang (2005) argues, informal savings have the advantages of collecting information about the borrower which make them have the ability of solving the asymmetric information faced with formal finance institution and avoid the occurrence of adverse select and moral hazard. Apart from this, informal savings alleviate poverty incidences among the MSEs operators by their non collection of collateral security from their borrowers.

The peculiarity of the business activities of most women in MSEs necessitates the use of informal savings. The nature and size of these businesses are so small and insignificant that formal and micro-finance institutions in most cases feel very reluctant to support them financially; hence informal and personal savings become the last resort. Women in MSEs exclusion from the national social security system limit both their access to income and assets and this has negative effect on their social and moral statues (COWAD, 2004). Informal savings therefore stands as a specific intervention to expend the social security system of Nigeria to include the women gender. As COWAD (2004) rightly opined that "enhancing women access to financial services is the most fundamental activity in broadening social security system to effectively cover women workers". However, it has also been noticed that "Esusu and Ajo System" of savings have some challenges which affect their effective operation. These include; poor accounting principles, lack of adequate banking facilities, frequent occurrences of cases of fraudulence from collectors, lack of good leadership, operating with insufficient funds, lack of access to information, lack of formal education etc. These problems have retarded the advancement of the rotating credit system in the developing economies especially in this 21st century that MSEs operators are skeptical to finance their businesses using informal savings (Fonjong and Endeley, 2004).

This study therefore recommends that the government should consider the important role of the informal saving in the economy and find out how to alleviate some of the challenges they face so as to reduce the risk involve in the operation of informal finance. The Central Bank can control their activities through its regulations and policies by attaching them to microfinance and commercial banks who will act as a watch dog in monitoring their operations. The operators of the informal finance should also endeavour to go for training in area of technological issues and accounting principles and practices. The government should also assist the informal financial institutions by establishing a Credit Guarantee Fund Scheme that can help in augmenting the financial base of this sub-sector and made to official register with the government through this scheme.

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The Challenges of Sustainable Growth and Poverty Reduction in Nigeria

Economic growth and poverty reduction, undoubtedly, are two of the most challenging development issues in the Third World today. They are also two of the most stubborn development problems in post-independence Nigeria. Sustained economic under-performance and rising poverty became dominant features of the nation's development profile, particularly between 1960 and 2000. This unenviable trend has resulted in an economic crisis characterized by low per capita real income, low economic growth, high inflation and unemployment; and for many years acute balance-of-payment difficulties and an unsustainable debt burden. Nigeria's extreme reliance on the petroleum industry, to the detriment of other sectors and the mismanagement of oil revenues lie at the heart of the nation's perennial economic under-performance. The oil industry accounts for more than 80 percent of annual government revenue and 92 percent of the nation's annual foreign exchange earnings. It also accounts for one-half of the nation's annual Gross Domestic Product (GDP). However, the nation's oil industry is an enclave economy, with little linkages to other sectors. Consequently, the manufacturing and agricultural sectors have been unable to make significant contributions to the nation's GDP, reducing the structural integrity of the economy. The marginalization of the non-oil sector holds grave economic and social consequences for the nation's policy makers. Nigeria's economic profile, which features natural resource abundance and widespread poverty, has been described as a paradox. The unwholesome trend has triggered political, social and economic instability and threatens to reverse the nation's meager development gains since political independence in 1960.

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