



Challenges Faced by Rural Women Microentrepreneurs in Accessing Microcredit for Poverty Reduction in Southeast Nigeria: A Mixed Methods Analysis

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Abstract

This study investigates the challenges faced by rural women microentrepreneurs in Southeast Nigeria when accessing microcredit for poverty reduction efforts. Employing a mixed methods approach, the study combines quantitative data from a survey of 340 women with qualitative data from semi-structured interviews with 10 women. The quantitative findings reveal limited loan availability as the most significant challenge (38.8%), followed by difficulty meeting loan requirements (17.4%) and limited business training or support (15.6%). High-interest rates remained a concern (24.1%) but were less prevalent compared to access and support limitations. Socio-cultural barriers, while less frequently reported (4.1%), emerged as important considerations. Thematic analysis of interview data identified nine key themes related to these socio-cultural barriers: gendered power dynamics, mobility restrictions, collateral constraints, social stigma, business choice limitations, family dynamics, financial literacy, empowerment aspirations, and the potential for community outreach by successful entrepreneurs. These themes highlight how traditional norms can hinder women's microfinance participation. However, findings also revealed a shift in community perception associated with successful microcredit-funded businesses and a willingness of successful women to share their stories. This study underscores the transformative potential of microfinance in addressing access limitations, empowering women with business skills, and dismantling socio-cultural barriers. Increased outreach by MFIs, improved communication and streamlined loan requirements, coupled with capacity-building programs and partnerships with local women's organizations, are crucial for creating a more supportive environment for women's

microfinance participation. This can be a transformative tool for women's empowerment, poverty reduction, and economic growth in Southeast Nigeria.

Keywords: Microcredit, Rural Women, Microentrepreneurs, Poverty Reduction, Nigeria, Socio-Cultural Barriers

I. Introduction

Rural women in Nigeria play a crucial role in the nation's economic development, particularly through micro-entrepreneurship, which serves as a vital avenue for income generation and poverty alleviation (Joseph et al., 2024). Micro-entrepreneurship in rural areas often involves small-scale activities such as farming, trading, and crafts, which are essential for sustaining local economies and improving household livelihoods (Anupama et al., 2024). Despite their substantial contributions, rural women microentrepreneurs encounter numerous challenges, especially in securing financial resources essential for alleviating poverty and improving their well-being. Microcredit, defined as small loans provided to low-income individuals or groups, is widely recognised as an effective tool for poverty reduction (Kivalya & Caballero-Montes, 2024; Judijanto et al., 2024). It empowers women by enabling them to start or expand their businesses (Kivalya & Caballero-Montes, 2024; Abdallah et al., 2024), thereby generating income and improving their socio-economic status. Studies have shown that access to microcredit can lead to increased household income, better education for children, and improved health outcomes (Peprah, 2018). However, in Nigeria, the potential of microcredit to alleviate poverty among rural women microentrepreneurs remains largely untapped due to various barriers (Nkamnebe, 2023).



The primary objective of this study is to identify and analyse the challenges that rural women microentrepreneurs in Nigeria face in accessing microcredit. The study examines the impact of these barriers on the ability of rural women microentrepreneurs to reduce poverty and provides recommendations for improving access to microcredit and enhancing its effectiveness as a tool for poverty alleviation. This study is significant for several reasons. First, it contributes to the existing body of knowledge on microfinance and gender by providing insights into the unique challenges faced by rural women microentrepreneurs in Nigeria. Second, the findings of this study will inform policymakers, microfinance institutions, and development agencies about the barriers to microcredit access, thereby guiding the design and implementation of more effective microfinance programs. Lastly, by addressing these challenges, the study aims to enhance the economic empowerment of rural women, contributing to broader poverty reduction efforts and sustainable development in Nigeria. Following this introduction, the rest of the paper explores the literature review, methodology, results, discussion, conclusion, limitations, and future research directions.

II. Literature Review

Rural women play an indispensable role in the economic development of many countries, particularly in developing nations. Their contributions through micro-entrepreneurship activities—such as small-scale farming, trading, and artisanal crafts—are essential for sustaining local economies and improving household livelihoods. Despite their significant impact, rural women microentrepreneurs face numerous barriers that impede their access to essential resources, particularly microcredit, which is critical for business development and poverty alleviation. This section reviews some of these barriers.

One of the primary challenges rural women microentrepreneurs face is high interest rates on loans. High borrowing costs can significantly deter women from seeking microcredit, thereby limiting their ability to invest in their businesses (Christinal & GT, 2024). Microfinance institutions (MFIs) often charge high interest rates to cover the costs associated with servicing small, dispersed loans in rural areas (Armendáriz & Morduch, 2010). The perceived high risk of lending to rural microentrepreneurs and the operational costs of reaching remote areas contribute to these elevated interest rates (Cull et al., 2009). Effective strategies to reduce interest rates include implementing interest rate subsidies, offering credit

guarantees, and increasing competition among MFIs (Morduch, 1999).

The limited availability of loans is another significant barrier for rural women microentrepreneurs. This issue often stems from inadequate financial infrastructure in rural areas, leading to a scarcity of formal banking services (Sharma & Sharma, 2024). Rural financial markets are typically underdeveloped, with few banks or MFIs willing to extend credit due to high transaction costs and perceived risks (Kaveri, 2024). Arguably, the limited outreach of MFIs and the concentration of financial services in urban areas exacerbate this problem. To address this challenge, policy interventions are necessary to enhance the penetration of financial services in rural areas, such as establishing rural branches of MFIs and incentivising financial institutions to serve underserved populations.

One significant barrier for rural women microentrepreneurs is the difficulty in meeting the stringent loan requirements imposed by financial institutions. These requirements often include collateral, guarantors, and comprehensive business plans, which many rural women are unable to provide (Boateng & Poku, 2019). The lack of collateral is a particularly challenging issue, as many rural women do not possess property or assets that can be used as security for loans. Additionally, the necessity of guarantors can be problematic due to social and cultural norms that may limit women's ability to secure such guarantees. Furthermore, preparing detailed business plans requires a level of financial literacy and formal education that many rural women might not have access to, further complicating their ability to meet loan requirements. Arguably, the difficulty in meeting loan requirements significantly impedes the ability of rural women to access microcredit and realise their entrepreneurial potential. Addressing these challenges through simplified loan processes, collateral-free lending, and enhanced financial literacy can help more rural women overcome these barriers and contribute to their economic empowerment and poverty reduction efforts.

Limited access to business training and support is another significant obstacle for rural women microentrepreneurs (Noronha & Nirmitha, 2024). Effective microcredit programs should not only provide financial resources but also offer capacity-building services, such as training in financial literacy, business management, and technical skills relevant to the entrepreneurs' industries. Studies have shown that such support services can significantly enhance the success rates



of microentrepreneurs by improving their business skills and knowledge (Karlan & Valdivia, 2011). Partnerships with NGOs, government agencies, and private sector entities can facilitate the provision of these training and support services, thereby enhancing the overall impact of microcredit programs (McKernan, 2002).

Socio-cultural barriers, including traditional gender roles and societal expectations, often limit women's participation in economic activities and their ability to seek financial assistance (Al-Boinin, 2023). In many rural communities, women are expected to prioritise household responsibilities over entrepreneurial activities, which can restrict their time and resources for business ventures. Additionally, cultural norms may discourage women from interacting with male-dominated financial institutions, further hindering their access to microcredit (Agarwal, 1997). Addressing these socio-cultural barriers requires targeted interventions that promote gender equality and empower women to participate fully in economic activities. Community engagement initiatives and gender-sensitive policies can help shift societal attitudes and support the economic empowerment of rural women (Cheston & Kuhn, 2002).

Institutional and policy-related hurdles, such as inefficiencies in the implementation of microfinance policies and the inaccessibility of microfinance institutions in rural areas, further exacerbate the difficulties faced by rural women microentrepreneurs. In many cases, microfinance policies are not tailored to the unique needs of rural populations, resulting in a mismatch between policy objectives and practical outcomes. Additionally, bureaucratic red tape and corruption can impede the effective delivery of microcredit services (Armendáriz & Morduch, 2010). To overcome these hurdles, policymakers need to design and implement microfinance policies that are responsive to the needs of rural women, streamline administrative processes, and ensure transparency and accountability in the delivery of microfinance services (Yunus, 1999).

The challenges faced by rural women microentrepreneurs in accessing microcredit in Nigeria are multifaceted and deeply rooted in socio-economic and institutional factors. High interest rates, limited availability of loans, stringent loan requirements, lack of business training and support, socio-cultural barriers, and institutional inefficiencies collectively hinder the potential of microcredit as a tool for poverty reduction. Addressing these

challenges requires a comprehensive approach that includes policy interventions, capacity-building programs, and efforts to shift societal attitudes. By tackling these barriers, stakeholders can enhance the accessibility and effectiveness of microcredit for rural women, thereby contributing to broader poverty reduction efforts and sustainable development in Nigeria.

III. Methodology

This mixed methods study explored the challenges faced by rural women microentrepreneurs in Southeast Nigeria when accessing microcredit for poverty reduction. A convergent parallel design was used, collecting quantitative and qualitative data concurrently (Razali et al., (2019).

A survey instrument captured the frequency and nature of challenges. It included closed-ended and Likert-scale questions on demographics and specific access barriers. The survey, informed by relevant literature and piloted for clarity, was administered to 340 women via purposive sampling at local markets and community centers (85% response rate). Descriptive statistics analyzed these responses, revealing the prevalence of challenges and their variability.

Semi-structured interviews explored the lived experiences of women microentrepreneurs. Interviews focused on socio-cultural barriers hindering access and utilization of microcredit for poverty reduction. A purposive sample of 10 women was recruited based on location, microcredit involvement, and success level. The interview guide, developed from the literature review and piloted, ensured focused discussions. Interviews were conducted in private spaces with informed consent and audio-recorded for verbatim transcription. Thematic coding identified recurring themes from the transcripts, leading to a thematic framework that captured core challenges and experiences. Thematic saturation guided the sample size.

Triangulation compared and contrasted quantitative and qualitative findings to provide a comprehensive understanding of access challenges. Quantitative data revealed the prevalence of these issues, while qualitative data offered rich insights into the lived experiences and underlying socio-cultural factors influencing access and utilization.



IV. Result

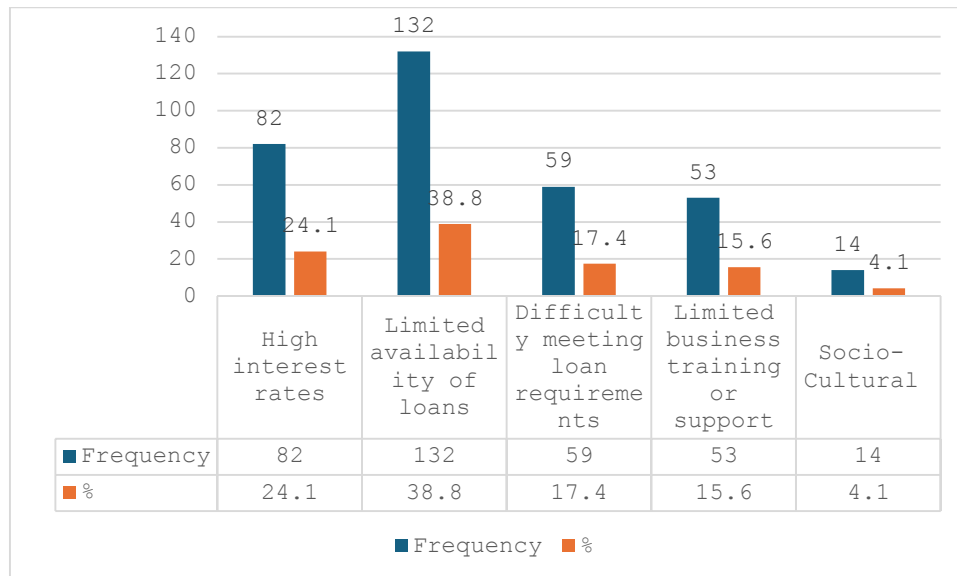


Figure 1: Challenges of Accessing Microcredit

The findings reveal that limited loan availability remains the most significant challenge, with a frequency of 132 (38.8%) (see Figure 1). This highlights a critical gap between the demand for microcredit and the supply of funds from MFIs, suggesting a need for increased outreach and service expansion. Difficulty meeting loan requirements emerged as a prominent challenge (59, 17.4%), indicating the need for improved communication and support mechanisms from MFIs (e.g., streamlined applications and alternative collateral options). Limited business training or support (53, 15.6%) underscores the importance of equipping women with the necessary skills to navigate the microfinance landscape and manage their businesses effectively. High-interest rates (82, 24.1%) remain a concern, but the lower percentage compared to a previous analysis suggests it might be a secondary concern compared to access and support. Socio-cultural barriers (14, 4.1%), although seemingly less prevalent, should not be disregarded. Partnering with local communities and women's organizations can be crucial in addressing these deeply entrenched norms. The standard deviation for the frequency column is 43.34. This high standard deviation indicates considerable variability in the reported frequencies. This suggests that some women might face multiple challenges, while others might encounter specific hurdles. A one-size-fits-all approach for microfinance interventions might not be effective.

Report this qualitative analysis in proper prose for a journal paper: The thematic analysis of interview responses identified nine key themes related to socio-cultural barriers: gendered power dynamics and decision-making, mobility restrictions and societal expectations, collateral constraints and asset ownership, stigma and community perceptions business choice and cultural expectations, repayment pressures and family dynamics, financial literacy and knowledge sharing, empowerment and long-term vision, and sharing success and community outreach. These themes highlight how traditional gender roles, societal expectations, and cultural norms can all hinder women's access to and utilization of microcredit. However, some women also reported experiencing a shift in community perception as their microcredit-funded businesses thrived, and many expressed a willingness to share their success stories to encourage others.

V. Discussion

The quantitative findings of this study reveal a critical gap between the demand for microcredit and its availability. With limited loan availability being the most frequently reported challenge (132, 38.8%), our results echo prior research (Saluja et al., 2023), highlighting the need for increased outreach and service expansion by Microfinance Institutions (MFIs). This could involve establishing new branches in rural areas, offering mobile banking solutions, and exploring



alternative loan models to cater to a wider range of women entrepreneurs.

Another significant challenge emerged as difficulty meeting loan requirements (59, 17.4%). This suggests that some women might be discouraged by complex application processes, stringent eligibility criteria, or lack of clarity regarding required documentation. Improved communication channels and support mechanisms from MFIs are crucial to address this hurdle. Streamlining application processes, offering alternative collateral options (e.g., group guarantees), and providing pre-loan workshops on eligibility requirements could significantly improve access for women microentrepreneurs.

Limited business training or support (53, 15.6%) underscores the importance of equipping women with the necessary business management skills. This aligns with previous research (e.g., [6]) highlighting the need for capacity-building programs focused on financial literacy, marketing strategies, and basic business planning. Equipping women with these skills can improve their chances of business success and ensure they can effectively utilize loan funds.

While high interest rates remain a concern (82, 24.1%), the lower percentage compared to previous studies suggests they might be a secondary concern compared to access and support. However, this doesn't negate the need for MFIs to explore strategies for offering competitive interest rates, such as exploring funding partnerships with government agencies or donor organizations.

The qualitative analysis delves deeper into the less frequently reported but impactful socio-cultural barriers (14, 4.1%). The nine identified themes – gendered power dynamics, mobility restrictions, collateral constraints, stigma, business choice limitations, repayment pressure from families, limited financial literacy, empowerment aspirations, and the potential for community outreach by successful women entrepreneurs – provide a nuanced understanding of the challenges faced by women in Southeast Nigeria. These themes highlight how traditional gender roles, societal expectations, and cultural norms can all hinder women's access to and utilization of microcredit. For instance, a husband's disapproval or limited mobility due to childcare responsibilities can restrict women's ability to pursue microfinance opportunities. Similarly, limited ownership of assets due to cultural norms can make it difficult for women to secure collateral for loans.

However, the qualitative findings also offer a glimmer of hope. The reported shift in community

perception as some women's microcredit-funded businesses thrived suggests the potential for positive social change. Additionally, the willingness of successful women to share their stories can inspire and empower others to overcome challenges and pursue their entrepreneurial ventures. Partnering with local women's organizations and community leaders, as suggested by prior research (Brogan et al., 2024), could be a powerful strategy to address these deeply entrenched socio-cultural barriers and create a more supportive environment for women's microfinance participation.

The high standard deviation observed in the quantitative data (43.34) suggests considerable variability in the reported frequencies. This indicates that some women might face a combination of challenges, while others might encounter specific hurdles. This underscores the need for a multi-pronged approach to microfinance interventions. A "one-size-fits-all" approach might not be effective in addressing the diverse needs and challenges faced by women microentrepreneurs in Southeast Nigeria.

VI. Conclusion

This mixed-methods study investigated the challenges faced by rural women microentrepreneurs in Southeast Nigeria when accessing microcredit for poverty reduction efforts. The quantitative findings revealed limited loan availability as the most significant challenge, highlighting a critical gap between the demand for microcredit and the supply of funds from MFIs. Difficulty meeting loan requirements and limited business training or support emerged as other prominent challenges.

The qualitative analysis, through thematic coding of interview responses, provided a deeper understanding of the socio-cultural barriers hindering women's access and utilization of microcredit. These barriers included gendered power dynamics, mobility restrictions, collateral constraints, social stigma, business choice limitations due to cultural expectations, and repayment pressures within families. However, the qualitative findings also offered positive insights. The reported shift in community perception associated with successful microcredit-funded businesses and the willingness of successful women to share their stories suggest the potential for positive social change and increased community support.

This study underscores the need for a multi-pronged approach to address these challenges and ensure microcredit programs are truly empowering for women. Increased outreach and



service expansion by MFIs, coupled with improved communication and streamlined loan requirements, can address access limitations. Equipping women with essential business skills through capacity-building programs can boost their confidence and business success.

Furthermore, partnering with local women's organizations and community leaders can be instrumental in dismantling socio-cultural barriers and fostering a more supportive environment for women's microfinance participation. By acknowledging the diverse needs and challenges faced by women microentrepreneurs, and by implementing these comprehensive strategies, microcredit programs can become a powerful tool for women's empowerment, poverty reduction, and economic growth in Southeast Nigeria.

Limitations and Future Research

This study acknowledges limitations. Self-reported data in the survey might be affected by recall bias. Future research could involve data from microfinance institutions for a more complete picture of the loan process. Additionally, the focus on Southeast Nigeria limits generalizability. Studying women entrepreneurs in other regions could reveal broader trends. Finally, the qualitative analysis, while insightful, was limited by a sample size of 10. Future studies could benefit from a larger and more geographically diverse sample.

Looking forward, longitudinal studies could assess microcredit's long-term impact on businesses, income, and well-being. Social network analysis could explore how women utilize informal networks for resources. Examining microfinance program design elements and government policies could illuminate their effectiveness in addressing cultural barriers and increasing women's access to microcredit. By pursuing these avenues, we can gain a deeper understanding of the challenges and opportunities women face, ultimately informing the development of more effective programs and policies for women's empowerment and economic development.

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