ENHANCING ACCESS TO FINANCE FOR WOMEN-OWNED ENTERPRISES

LEARNINGS FROM A TECHNICAL STUDY ON LOW UTILISATION OF FINANCIAL PRODUCTS AND INTERVENTIONS BY WOMEN-OWNED ENTERPRISES IN NIGERIA

ICREPORT

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BUSINESS ENVIRONMENT REFORMS FOR WOMEN ECONOMIC EMPOWERMENT SERIES

Implemented by

LIST OF ABBREVIATIONS

A2F	Access to Finance
ABP	Anchor Borrowers Program
AFDB	African Development Bank
AFI	Alliance for Financial Inclusion
ASeM	Alternative Securities Market
BDS	Business Development Services
BDSPs	Business Development Service Providers
BMO	Business Member Organisations
BOA	Bank of Agriculture
BoI	Bank of Industry
CAC	Corporate Affairs Commission
CBN	Central Bank of Nigeria
CBs	Commercial Banks
CIFI	Creative Industry Financing Initiatives
C of O	Certificate of Occupancy
CSOs	Civil Society Organisations
DBN	Development Bank of Nigeria
DFIs	Development Financial Institutions
EFInA	Enhancing Access to Financial Innovation and Access
FGD	Focus Group Discussion
FMWASD	Federal Ministry of Women Affairs and Social Development
FSPs	Financial Service Providers
GDP	Gross Domestic Product
ICR	Investment Climate Reform Facility
IFC	International Finance Corporation
ILO	International Labour Organisation
KII	Key Informant Interview
MDAs	Ministries, Departments and Agencies
MFBs	Microfinance Banks
MFIs	Microfinance Institutions
MPFN	Microfinance Policy, Supervisory and Regulatory Framework for Nigeria
MPR	Monetary Policy Rate
MSME	Medium. Small and Micro Enterprises
MSMEDF	Micro, Small, and Medium Enterprises Development Fund
NAPEP	National Poverty Eradication Programme
NBS	Nigerian Bureau of Statistics
NEXIM	Nigerian Export Import Bank
NFIS	National Financial Inclusion Strategy
NGOs	Non-Governmental Organisations
NIDB	Nigerian Industrial Development Bank
NSE	Nigerian Stock Exchange
NYIF	Nigeria Youth Investment Fund
OECD	The Organisation for Economic Cooperation and Development Providers
PWC	PricewaterhouseCoopers
SDGs	Sustainable Development Goals
SMEDAN	Small and Medium Enterprise Development Agency of Nigeria
SMEs	Small and Medium Scale Enterprises
TIES	Tertiary Institutions Entrepreneurship Scheme
UN	United Nations
UNIDO	United Nations Industrial Development Organisation
WBG	World Bank Group
WoE	Women Business Owners
WEE	Women's Economic Empowerment
WEF	World Economic Forum
WFI	Women Financial Inclusion
WFID	Women's Financial Inclusion Data
WOE	Women-Owned Enterprises
WTO	World Trade Organisation
YEDP	Youth Entrepreneurship Development Programme

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EXECUTIVE SUMMARY

ABOUT THE REPORT

This report is part of the Investment Climate Reform (ICR) Facility's technical assistance to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the apex agency in charge of MSME development in Nigeria. The report examines the state of access to finance by women-owned enterprises in Nigeria.

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) with assistance from the ICR Facility commissioned this study to identify issues contributing to the low utilisation of financial interventions by Women-Owned Enterprises. Two broad areas of intervention have been evaluated in this study – namely the state of the supply side actors and the state of the demand side actors. The roles of other intermediary stakeholders were also evaluated, and actionable recommendations were developed.

EXECUTIVE SUMMARY

Women's economic empowerment is key to ensuring that women not only enjoy equal rights and liberties but also, that they are able to contribute to a nation's socio-economic progress.

Beyond the subject of social justice, women's economic empowerment is also recognised as a critical driver of sustainable economic growth. When women are economically empowered, they contribute to poverty reduction, improved family well-being, and the overall development of communities and nations (UN Women, 2023).

This report provides an evaluation of the state of access to finance by Women-Owned Enterprises (WoEs) in Nigeria, providing insights into the barriers and challenges faced by Women-Owned Enterprises in accessing finance as well as best practices and recommendations for facilitating interventions and driving the increased uptake of financial products by WoEs in Nigeria. Key success criteria are identified, with recommendations on how best to scale them. The study also outlines the key policy initiatives that would improve access to finance for WoEs in general.

METHODOLOGY

The study was conducted in the six geo-political zones of Nigeria and across 5 trade areas. It adopted a mixed methodology, exploring both qualitative and quantitative methods to provide a comprehensive understanding of the factors influencing access to finance for Women-Owned Enterprises.

The research protocol involved desk reviews, focus group discussions, key informant interviews and expert surveys.

Key domain areas analysed in the study include business structure, access conditions, current demand profile, supply conditions, barrier analysis, influence of unlicensed financing institutions, securitisation frameworks and roles of enabling institutions. Study respondents include public and private providers of finance, business development service providers, enabling institutions, regulatory organisations, development organisations, impact investors and women business owners.

KEY FINDINGS ON THE STATE OF ACCESS TO FINANCE FOR WoEs

1. Only 25.9% of respondents reported accessing finance from commercial financing institutions.
2. WoEs currently prefer non-loan financing options (family, esusu and cooperatives), however, when seeking loans, microfinance banks are the preferred source because of the flexibility in collateral requirement and the relative speed of disbursement.
3. Microfinance banks currently do not have the needed capital to meet the demand for finance from WoEs.
4. There is a considerable demand for unlicensed loan financing institutions (loan sharks) by WoEs despite the attendant risks.
5. There is significant lack of confidence by WoEs in public sector funded grants and finance schemes because of the perceived high levels of corruption, lack of transparency and nepotism in their administration.
6. Women-Owned Enterprises, are perceived to be prudent in relation to their demand for finance and to have better loan repayment behaviour making them a niche but vulnerable market segment that can be easily exploited by predatory actors.
7. Though majority of women reported not experiencing a negative bias in the supply of finance; as subsets of the MSME sector in Nigeria, there is a general deficiency in the supply of finance to them; with an estimated 2.9 trillion-naira gap in the supply of finance for WoEs.
8. Due to relatively high interest rates, and poor collateral capacity, the supply of financing for assets like manufacturing equipment and other processing equipment is very low.

FACTORS INFLUENCING THE LOW ACCESS TO FINANCE FOR WoEs

The key demand side factors include:

1. Low annual turnover
2. Low level of education and financial literacy
3. Low asset ownership
4. Low level of business formalisation
5. Poor participation in women cooperatives
6. Poor access to business development services
7. Cultural and motherhood factors
8. Generally high level of fear of negative perception and harassment associated with loan defaults.
9. Low awareness and poor uptake of insurance products

The key supply side factors include:

1. Insufficient capital base of Microfinance banks (MFBs) to meet the demand of Women-Owned Enterprises.
2. A projected 2.9 trillion-naira gap in finance supply for Women-Owned Enterprises in Nigeria
3. High interest rates from commercial banks and MFBs
4. Challenges in the design and administration of public sector and DFI Interventions.
5. Operation of unlicensed loan institutions
6. Collateral requirements by banks

KEY RECOMMENDATIONS

Policy Recommendations

- The Federal Government of Nigeria should capitalise the MSME Development Fund (MSME-DF) to 3 trillion naira and prioritise MFBs for delivery; and dedicate 35% for WoEs.
- CBN should restore the 20% loan provisioning for MSMEs by commercial banks with 35% for Women-Owned Enterprises and encourage banks to tailor all new and existing financial products to accommodate Women-Owned Enterprises.
- CBN should institutionalise compulsory gender reporting, safeguarding and whistleblowing frameworks in banking institutions.
- CBN should establish and disseminate a policy framework regulating the operations of unlicensed financial institutions.
- CBN to develop a tiered set of corporate account opening requirements that recognises limitations of the informal sector.

Best Practice Frameworks for Financial Institutions

- Expand access to Business Development Services (BDS) and integrate same in the delivery of access to finance products.
- Support the utilisation of telecommunication platforms for promoting awareness and access.
- Simplify loan application processes and communicate clear service timelines.
- Implement more comprehensive value-chain-specific financing solutions that cover the entire ecosystem from access to input to market access.
- Integrate and promote insurance packages as mitigants to credit risks, including climate change risks.
- Increase adoption of alternative forms of collateral, such as movable assets, business inventories, cash flow lending and group guarantee.

Best Practice Frameworks for Development Partners and Public Sector Actors

- Development and promotion of gender support networks for financial education.
- Increased promotion of women cooperatives and other joint action interventions as access to finance enablers.
- Enhance and prioritise partnerships with commercial banks, MFBs, and BDSPs in the delivery of MSME-dedicated financing and financial literacy interventions.
- Leverage BDS and Joint Action Interventions as enablers in all access to finance interventions.
- Stipulation of at least a minimum level of securitisation to ensure sustainability for all access to finance (loan) interventions.
- Support the supply of asset titles and similar collateral assets that will enhance the securitisation capacity of MSMEs and WoEs (e.g., land ownership documents, and physical facilities for MSME warehouse financing).

SMEDAN - Specific Recommendations

- SMEDAN should lobby the Corporate Affairs Commission (CAC) to reduce the cost of business name registration for MSMEs to N5,000.
- SMEDAN should lobby the Federal Government for a single-digit 1 trillion-naira MSME Equipment Finance Fund implemented in collaboration with BoI through MFBs, commercial banks and equipment leasing organisations.
- Collaborate with relevant stakeholders to establish a digital platform for the dissemination of Access to Finance information for WoEs via text message and social media technologies.

INTRODUCTION

Women-Owned Enterprises IN NIGERIA (WoEs)

Nigeria has a population of over 218 million (NBS, 2023), with women constituting 49.5%. The Nigerian MSME sector accounts for 46.31% of the GDP, 96.7% of all businesses, 6.7% of exports and 87.9% of employment. Out Of every 100 businesses in the country, 32.9 are female-owned (NBS/SMEDAN, 2022).

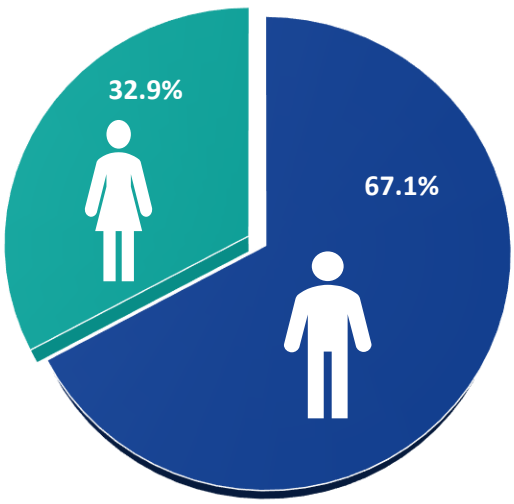


Figure 1: Ownership Structure of MSMEs in Nigeria

Source: SMEDAN 2021

SMEDAN has acknowledged a significant disparity in women's ability to effectively demand financial interventions. Hence, the need for a detailed study to provide more insight into factors mitigating access to finance by Women-Owned Enterprises.

Nigeria ranks 130th out of 153 nations in the Global Gap Index (2023) with a gender parity index of 63.7%, indicating a poor level of gender equality in comparison to its peers. In 2023, the nation came in at number 27 in Africa.

For further context, the nation's political empowerment subindex decreased from 11.9% in 2013 to 4.1% in 2023 as a result of a reduction in the proportion of Nigerian women in parliamentary and ministerial roles.

Female entrepreneurs in the MSME sector generally lag behind their male counterparts due to societal and cultural norms, poor capacity development, lack of workplace support structures, and non-selective government policies. These factors affect their ability to access essential resources, including finance, thereby making men-owned enterprises outperform those owned by women.

Despite financial institutions reporting better loan recovery with women, there are still barriers limiting the supply of finance to the MSME sector and the effective demand for it, particularly among Women-Owned Enterprises (EFinA, 2021).

WOMEN'S FINANCIAL INCLUSION

The 2019 EFInA Assessment of Women's Financial Inclusion Survey reveals a significant gender gap in financial inclusion in Nigeria, with 36% of women being financially excluded compared to 24% of men. Key drivers of this exclusion among women include low income, low education, and low trust in both formal and informal financial service providers.

Although financial exclusion for women has decreased significantly over the years, from 57% in 2008 to 41.1% in 2018 and down to 36% in 2019 (EFinA 2008; 2018; 2019), a significant gender gap in financial inclusion remains. This gap is even more pronounced in the formal sector, where men significantly hold more formal financial accounts than women. Persistent barriers such as lower access to education, limited financial literacy, lack of trust, and socio-cultural norms continue to hinder women's full participation in the formal financial system.

Additionally, the report revealed that more women (33%) than men (15%) seem to rely on informal financial institutions, such as cooperative societies and savings groups, without having formal accounts. While in formal settings, the men (61%) are more financially included than women (31%), underscoring the disparity in formal financial access. Key drivers of men's financial inclusion also revolve around income, education, and trust in both formal and informal financial service providers. Gender remains a significant factor, with men still benefiting more from formal financial systems compared to women.

NIGERIAN ACCESS TO FINANCE VALUE CHAIN

The Nigerian access to finance value chain is characterised by a series of interconnected stages and players that collectively contribute to the provision of financial services and other resources to MSMEs in the country. The effectiveness of the value chain depends on effective collaboration among stakeholders, regulatory clarity, and continuous efforts to address the evolving needs of MSMEs.

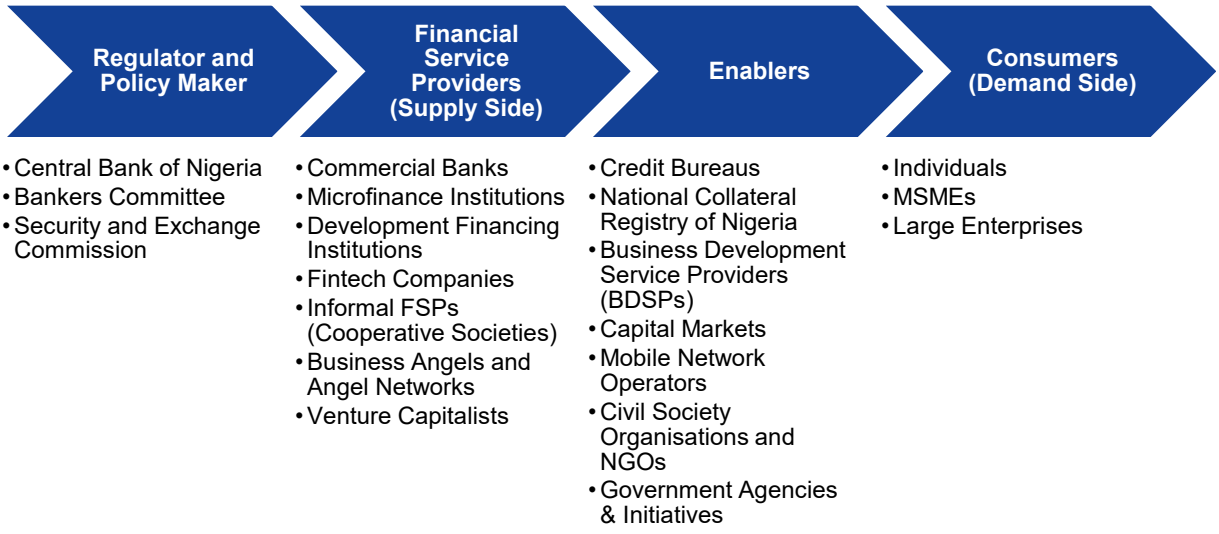


Figure 2: Nigerian access to finance value chain

Data from the CBN Financial Bulletin (Q2, 2023), show that loans to MSMEs account for only 1.26% of the 34.8 trillion Naira loaned to the private sector by the banking sector, far below the earlier CBN mandatory target of 20% for commercial banks which was abolished in 1996, indicating significant underfunding of the MSME sector despite its contribution to GDP and employment.

1. WED in Nigeria: https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@africa/@ro-abidjan/@ilo-abuja/documents/genericdocument/wcms_863586.pdf
2. EFInA: https://efina.org.ng/wp-content/uploads/2021/10/A2F-2020-Final-Report.pdf

STATE OF ACCESS TO FINANCE FOR WoEs

WoE ACCESS TO FINANCE

1. Business External Financial Needs of WoEs.

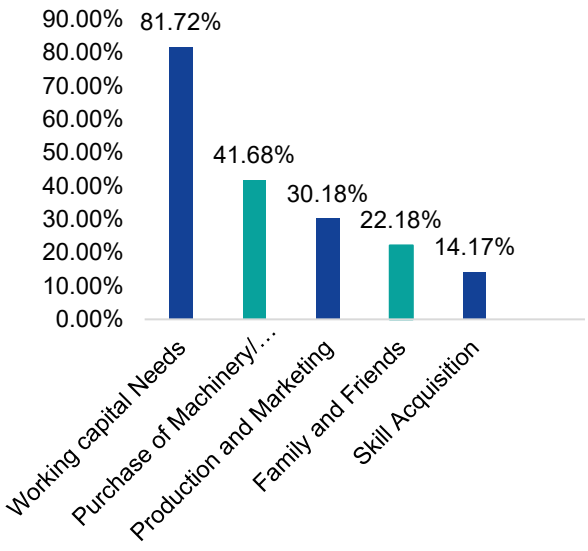


Figure 3: Business External Financial Needs of WoEs

The primary external financing needs of Women-Owned Enterprises (WoEs) in Nigeria are predominantly for working capital, accounting for 81.72% of their requirement.

2. Preferred Sources of Capital for WoEs

Commercial loans are not utilised as the preferred source of financing for WoEs. Personal savings (76.4%), family and friends (50.5%) and Esusu (31%) are the top 3 preferred sources of financing.

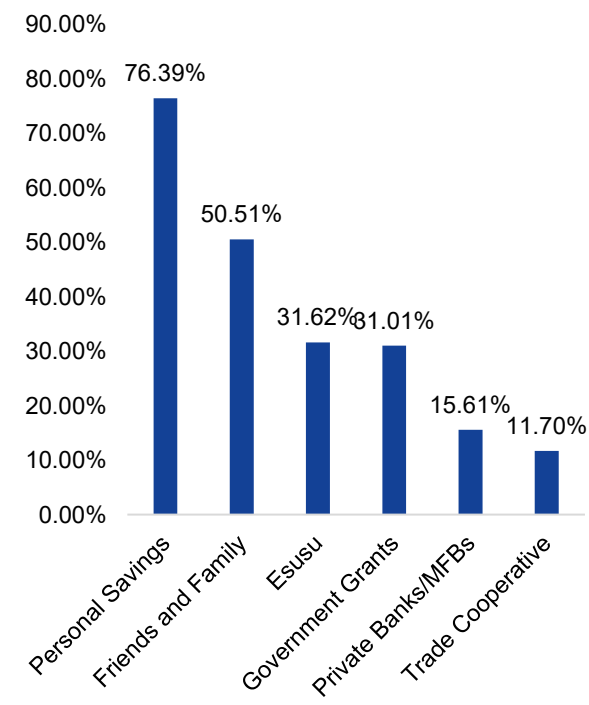


Figure 4: Top 6 Preferred Sources of Capital

3. Access to Finance from Traditional Institutions

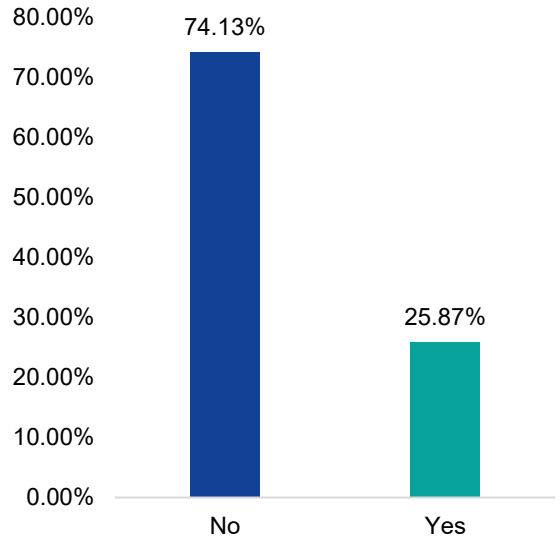


Figure 5: Level of Access to Finance among WoEs

Only 25.9% of women entrepreneurs in Nigeria have been able to access financing from private commercial institutions, such as microfinance institutions and banks, throughout their entire business history.

4. Distribution of Loans Accessed by WoEs

The distribution of loan amounts showed that 37% of those surveyed accessed loans under NGN200,000, 39% accessed between NGN200,000 and NGN 1 million, and 24% accessed between NGN 1 million and NGN 20 million. The typical duration of these loans were between 6 months to 2 years.

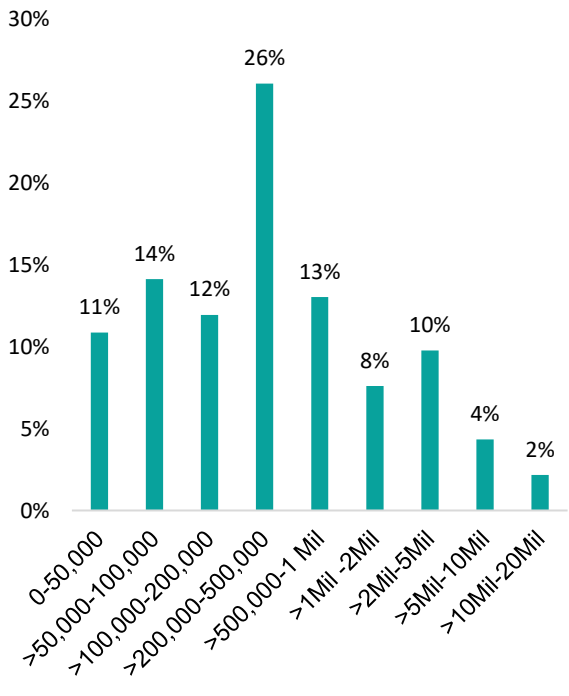


Figure 6: The Range of Loans Accessed by WoEs

WoE ACCESS TO FINANCE

5. WoEs Prefer Microfinance Banks

When seeking loans, microfinance banks represent the most considered source of financing for WoEs.

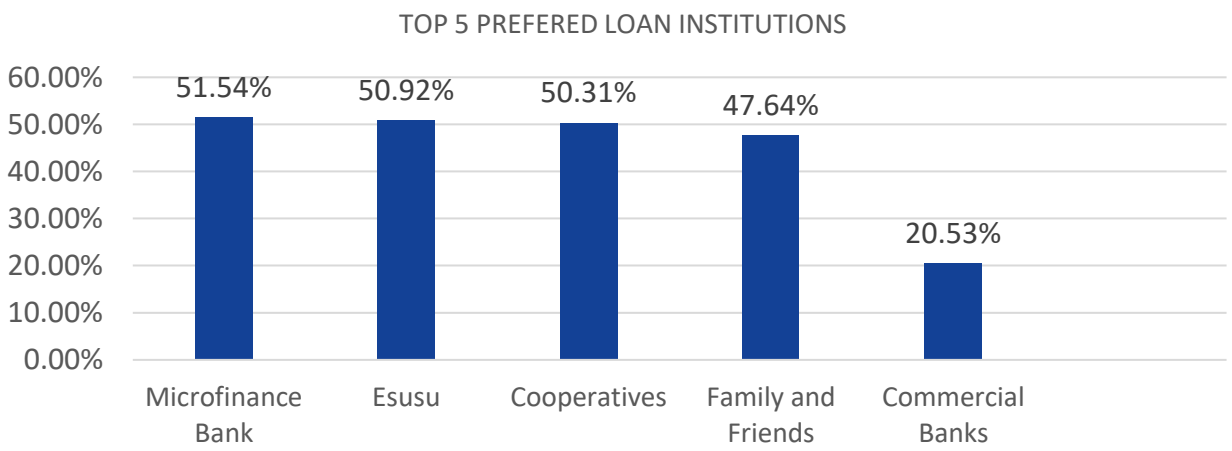


Figure 7: Business External Financial Needs of WoEs

WOMEN-OWNED ENTERPRISES AS A NICHE BUT VULNERABLE MARKET SEGMENT

Respondents reported perceiving women as being more prudent with demanding finance and are also better at loan repayment.

Loan repayment rates among WoEs are notably high. In the survey, 69.85% of those who've accessed loans have fully repaid and 26.98% maintain good repayment history.

This aligns with insights from supply-side actors, where about 85% of private and public providers agreed that women generally exhibit better loan repayment behaviours compared to men.

Because of this tendency to quickly repay loans, relatively lower levels of financial literacy, women are significantly vulnerable to loan sharks and to predatory attitudes of agents of financial institutions.

This underscores the need for gender and safeguarding training for staff and agents of financial institutions and the need for toll-free whistleblowing channels as a way of curtailing such incidents.

"The bank agent wanted me to bribe him for the loan and frustrated the process for me when I wasn't forthcoming. I had to forfeit it".
E.E (school owner).

"The agent wasn't ticking each time I paid, by the time I went back to the bank, I was told I was still owing, and I couldn't prove that I had been paying".
U.M (Restaurant Owner)

"I have heard of requests for sexual favours by bank staff for a loan to be approved".
B. A (School Owner)

ANALYSIS OF EXISTING SUPPLY OF FINANCE

Based on analysis of WoEs' GDP contribution and available loan supply, the data below depicts the demand for loans by WoEs.

- MSMEs' share of GDP is currently 46.3%; however, their share of private sector loans from the banking sector is insignificant at 1.29% (CBN Financial Bulletin, 2023 Q2).
- WoEs' share of GDP is estimated at 15.23% based on the 32.9% WoEs' proportion of MSME.
- Most WoEs (83.3%) operate with an annual turnover of less than 5 million naira ($3400).
- It is estimated that for WoEs, the financing need would be 3.08 trillion naira. To meet this need, 9% of banking sector financing should be dedicated to WoEs.
- 83.31% of WoEs will need an average loan size of 107,000 naira. This accords with the loan size findings and preference for Microfinance banks.

Table 1: Projected Financing Gaps for WoEs

MSME Category	% of MSMEs	Population	Weighted Average Loan Size (Naira)	Annual Loan Size WoEs (Naira)	Share of Loan Size
Nano Enterprises	83.31%	33,036,068	106,941	1,162,326,829,257	37.7%
Micro Enterprises	15.000%	5,948,158	495,667	969,991,859,643	31.5%
Small Enterprises	1.560%	618,608	3,000,000	610,566,496,722	19.8%
Medium Enterprises	0.130%	51,551	20,000,000	339,203,609,290	11.0%
Total	100.00%	39,654,385		3,082,088,794,911	100.0%

Source: SMEDAN, Octoville Analysis

Table 2: Loans and Advances of Traditional Financial Institutions (Commercial banks and MFBs)

2022	Commercial Banks	Microfinance Banks	Total
Q1	22,585.30	445.63	23,030.94
Q2	23,853.61	532.34	24,385.95
Q3	24,968.69	568.04	25,536.74
Q4	26,019.84	623.39	26,643.23
Total Assets (Q4, 2022)	78,037.00	1,489.80	

Source: CBN Bulletin, 2022

Analysis of CBN data on Deposit Money Bank Loans and Advances reveals that, as of Q4 2022:

- Commercial bank loans are at least 40X larger than those of Microfinance banks.
- Microfinance banks need to increase their current capacity by 15X to adequately meet the access to finance needs of WoEs and MSMEs. Therefore, it is reasonable to conclude that there is a significant supply problem.

WoEs PREFERENCE FOR MICROFINANCE BANKS (MFBS)

When seeking loans, Microfinance banks represent the most considered source of financing for WoEs. WoEs prefer MFBs because of the size of financing available, the short application process, the flexibility of securitisation and the reach.

Figure 8: WoEs Preference for microfinance bank

Limitations of Microfinance Banks (MFBs)

Despite the favourable features and advantages that microfinance banks (MFBs) offer to Women-Owned Enterprises (WoEs) in Nigeria, there are also some limitations that prevent them from fully meeting the demand.

Interest Rate

Adjusted to a per-annum basis, interest rates on loans from MFBs are generally higher than commercial banks by up to an extra 5-10%. As at the time of writing this report (July 2024), the interest rate was approximately 26.75% per annum.

Capital Adequacy and Public Confidence

MFBs have a lower assets-to-equity ratio and this is because they are smaller, serving low-income individuals and microenterprises with low deposit capacity. Hence MFBs lack adequate funds to serve all approved loan requests.

Technology

MFBs typically have smaller budgets compared to commercial banks; hence, they do not have the capacity to procure technology at scale.

Staff Training and Expertise

MFBs primarily serve underbanked populations, including small businesses, micro-entrepreneurs and low-income individuals. Their staff need expertise in understanding the specific needs and challenges faced by these clients.

Figure 9: Limitations of Microfinance Banks (MFBs)

DEMAND FOR LOAN SHARK SERVICES

While loan sharks offer quick and easy access to funds, their high cost, unsustainable nature and predatory practices make them a risky option for MSMEs and WoEs.

Majority of the WoEs seemed to prefer discussing the experiences of other WoEs with loan sharks rather than theirs. This preference is likely due to the negative perceptions associated with engaging with loan sharks.

WoEs were divided in their support of the services of loan sharks for their businesses. The majority of their complaints bordered around issues such as;

1. High interest rates which can trap borrowers in an endless cycle of debt and hinder business growth,
2. Intimidation tactics and unethical methods of loan sharks including cyberbullying, humiliation and false accusations in recovering loans and;
3. Lack of transparency in terms of contracts.

Supply-side actors affirmed that they are aware of the services of loan sharks and acknowledge the speed and ease of access advantage of their loans (no documentation required, no credit check done, proximity and lack of insurance). They, however, argued that it came at a significant cost and that such loans are not sustainable means of funding businesses on the long term.

They emphasised that loan sharks and their services preyed on women's ignorance of financial systems. They also argued that loan sharks do not encourage women to build a credit history and dampen the confidence of women in approaching the financial industry for loans.

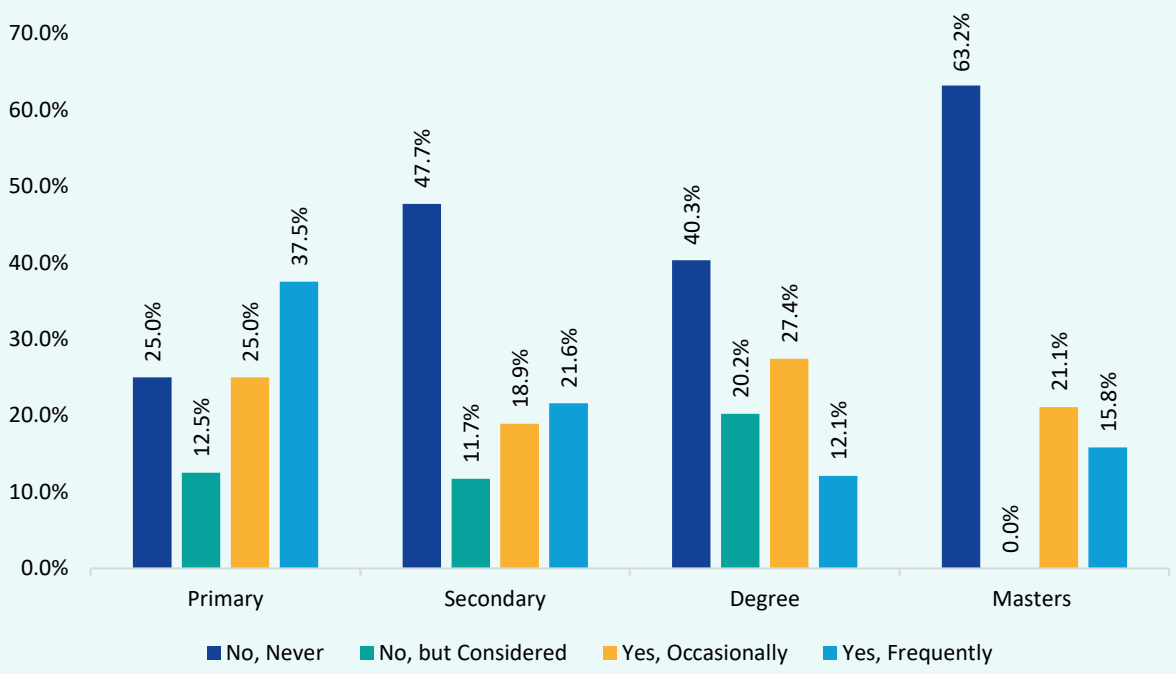


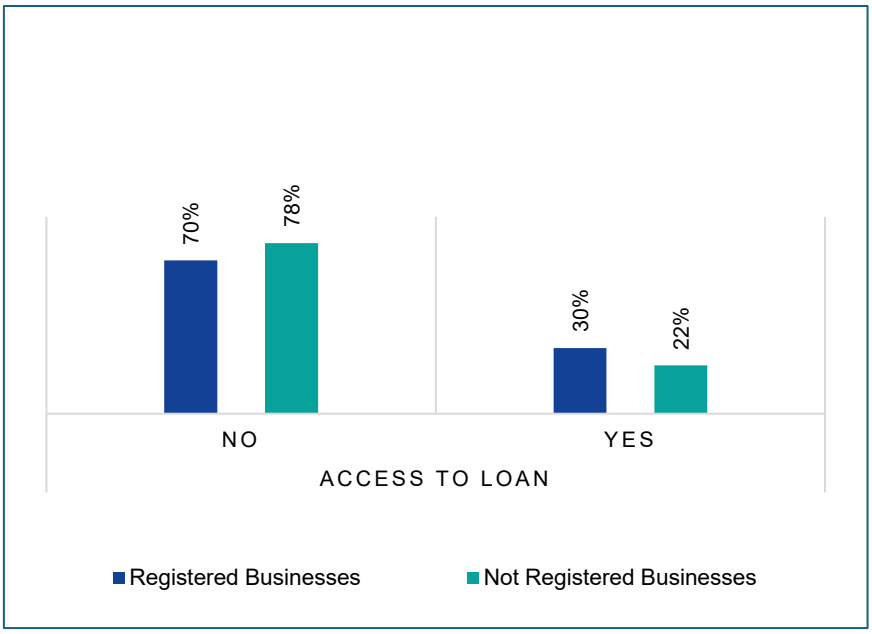
Figure 10: Level of Education and Access to Loans from Alternative Financial Institutions (Loan Sharks)

- The utilisation of loan shark services by WoEs decreased as level of education and annual turnover increased.
- While women with higher education levels appeared less likely to be aware of these services, it didn't mean that they didn't occasionally access loans from loan sharks. 12.1% and 15.8% of Degree and Master's holders frequently accessed loans from loan sharks respectively, despite showing a seemingly low awareness of them.
- Loan sharks have more popularity and utilisation amongst women of primary education and lower annual turnover. This finding is unsurprising, considering that 89.5% of respondents have an annual turnover of less than 5 million naira (USD 3400).

KEY FACTORS DRIVING THE RELATIVELY LOWER DEMAND FOR FINANCE BY WoEs

FIRM FACTORS INFLUENCING DEMAND FOR FINANCE AMONG WoEs.

1. Poor Business Formalisation



"Business name registration which costs about 10,000 naira, is a basic loan requirement by most financial institutions. It is also needed to open corporate accounts."

Figure 11: Relationship Between Business Registration Status and Access to Finance.

The level of formalisation and registration among Women-Owned Enterprises (WoEs) in Nigeria is relatively low.

50.72% of WoEs had no form of registration, while 35.9% had solely business name registration and 2.46% were incorporated and registered with CAC. Due to the low adoption of business name registration, as an alternative, microfinance institutions are increasingly supporting WoEs with similar businesses or from the same communities to form cooperative societies.

Many registered Women-Owned Enterprises (WoEs) operate without formal business structures and financial management practices. They often keep their finances away from formal banking systems. This creates a challenge for WoEs seeking financing because financial institutions typically assess loan eligibility based on verifiable bank account information, not just self-reported data.

2. Turnover and Access to Finance

89.5% of respondents had an annual turnover of less than 5,000,000 naira ($3400).

There is a positive correlation between corporate account ownership, age of business, turnover and access to finance for WoEs. As the age of business increases, turnover increases, so does ownership of corporate accounts and access to finance.

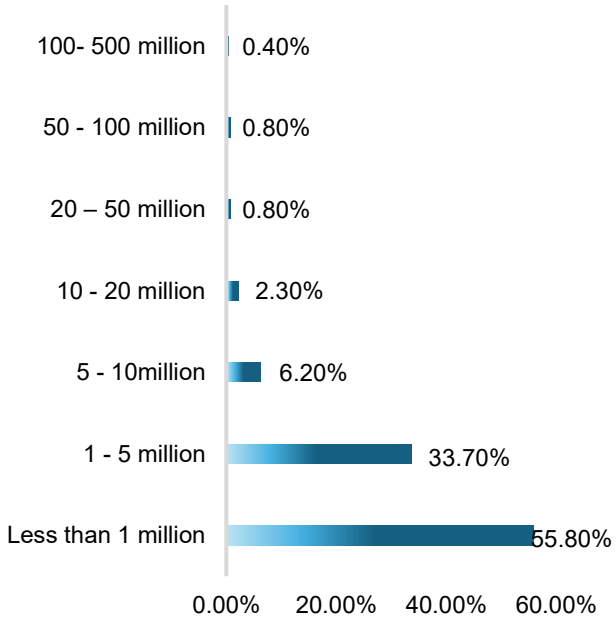


Figure 12: Business Annual Turnover of WoEs

3. Level of Education

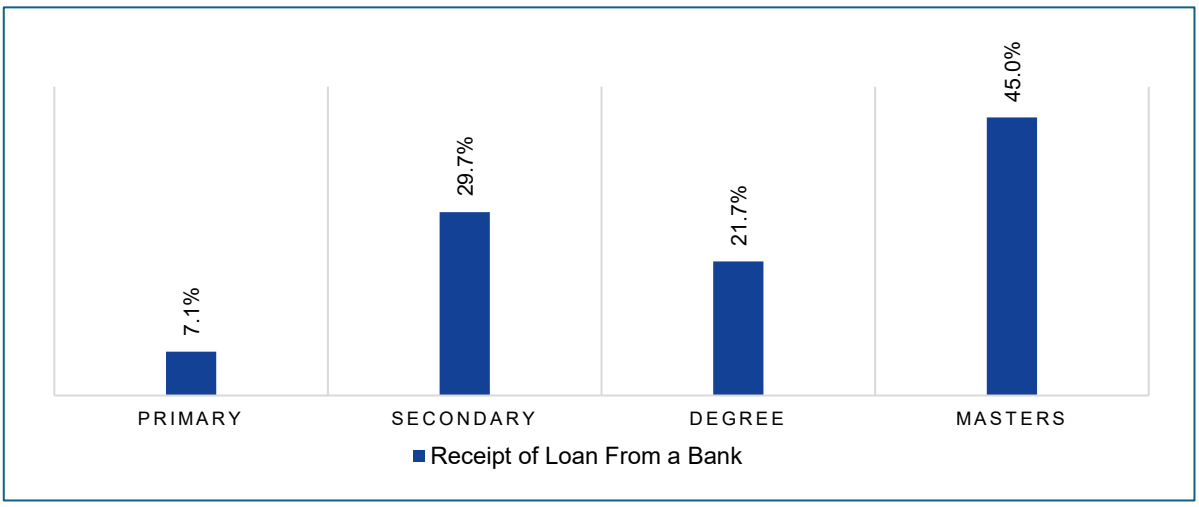


Figure 13: Relationship Between Education and Access to Finance

There is a significant association between WoEs level of education and their successful demand for loans from formal commercial or microfinance banks. The proportion of loan access significantly increased with every increase in the level of education.

Education plays a key role in how comfortable WoEs feel discussing their financial needs with financial institutions. Women with higher education levels tend to be more confident in these conversations and have a higher likelihood of owning assets which they can pledge as security for a loan product.

4. Low Asset Ownership

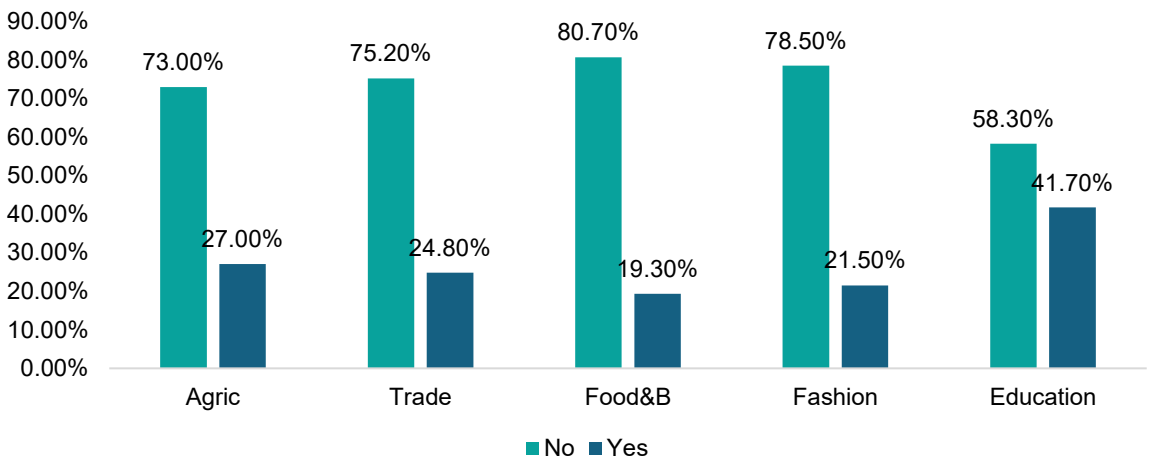


Figure 14: Access to Finance by Value Chain

WoEs in the education sector enjoyed considerably higher access to finance (41.7%) compared to other sectors (ranging from 19.3% to 27%). This disparity might be due to several factors. For instance, educational institutions tend to have larger asset bases, better financial literacy practices and higher turnover, making them more attractive clients for lenders.

Interestingly, despite higher access, the education sector also reported the highest loan denial rate (46.7%), when compared to the average Loan denial rate of (27.78%) suggesting a relatively strong demand and competition for financing in this sector.

5. Poor Cooperative Membership

Only 20.74% of study respondents were members of a savings and loans cooperative. Cooperative membership was, however, observed to significantly increase (33.00%) access to finance among WoEs when compared to non-cooperative members (23.30%).

Private finance providers use cooperative membership for product promotion, measuring the credibility of members, cross guarantee, and mobilising loan repayment, especially in rural areas.

Microfinance banks reported that they use cooperatives to promote their products which enables them to give collateral-free loans with cross-guarantees among members. It also provides an avenue for assessing MSME capacity through credit history within the cooperative.

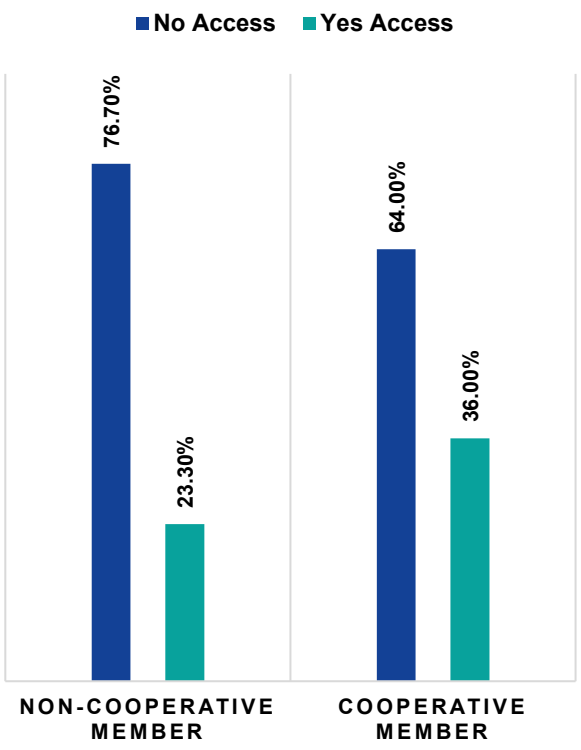


Figure 15: Relationship Between Cooperative Membership and Access to Finance

6. Access to Business Development Service Providers (BDSP)

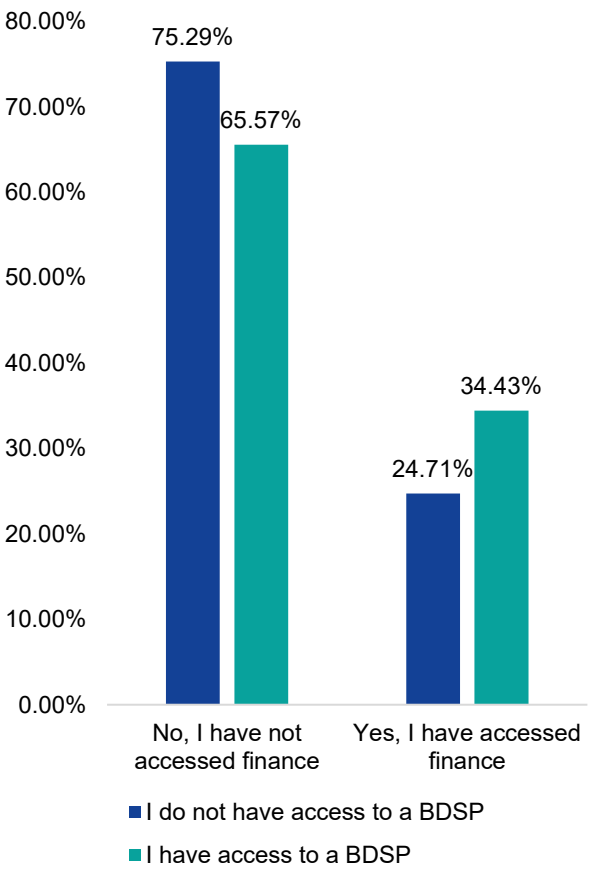


Figure 16: Relationship Between Access to BDSP Services and Access to Finance

A vast majority (88.08%) of WoEs lack access to BDSPs. Those with access (11.92%) enjoy significantly better access to finance (34.43%) when compared to those without (24.71%).

BDSP support includes business advice and coaching, leading to improved financial management and growth for WoEs. Limited access to BDSPs hinders WoE ability to effectively grow their businesses.

MESO AND MOTHERHOOD FACTORS THAT AFFECT WOMEN'S ACCESS TO FINANCE

1. Generally high level of fear of negative perception and harassment associated with loan defaults.

WoEs predominantly prefer non-banking finance options such as personal savings (76.39%), support from family and friends (50.51%), Esusu contributions (31.62%) and government grants (31.01%) over formal financial institutions.

This high percentage reflects a strong inclination towards self-reliance and the avoidance of debt as well as the importance of trust and personal relationships in financial transactions for women entrepreneurs.

The focus group discussion (FGD) data highlights three major perspectives as to why this is true: 1) Peace of Mind, 2) Trust in Informal Financial Systems and 3) The flexibility and accessibility of alternative finance sources.

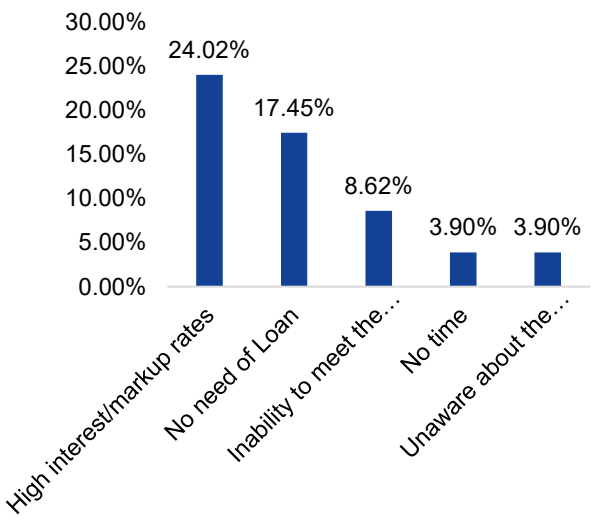


Figure 17: Top Five Reasons for Low Loan Demand Among WoEs (Relating to Finance Institutions)

2. Family and Marriage as Significant Barriers

55.65% of the respondents said their family members played a significant role when they wanted to borrow money. The influence of family and marital status on financial decisions indicates that women's financial autonomy is often constrained by household dynamics. Although majority of the married respondents said their care responsibilities are not an additional burden, a substantial percentage (33.47%) admitted that their care responsibilities were an additional burden, making them unable to save up enough to repay loans. This affects their willingness and ability to seek financial support.

Although cooperative membership has played a significant role in helping these women own assets independent of family influence, more effort is needed to enlighten women on how to make informed decisions about their businesses.

3. WoEs Confirm that Macro and Meso Factors are Major Barriers

Income Level (47.02%), Negative Experience of Peers (37.37%), Level of Education (10.06%), Societal Values (9.45%) and Location (proximity to financial intermediaries) (8.83%) are the top 5 factors that hamper the access of WoEs to financial services.

Only 30% of supply-side actors identified cultural beliefs and religion, particularly in northern Nigeria, as significant barriers preventing WoEs from accessing finance. 80% indicated that level of education plays a crucial role in hindering women's access to finance.

4. Low Awareness and Poor Uptake of Insurance Products

83% of women-owned enterprises are unaware of insurance options available to them, while only 17% are aware.

Very few women (5%) have any business insurance. Insurance usage is higher among those with higher level of education. WoEs indicated that they only think about insurance products for expensive goods or when required by loan agreements.

Insurance is often viewed more as a reactive risk management strategy rather than a proactive one. In many cases, the purchase of insurance is contingent upon meeting certain requirements, such as obtaining a loan.

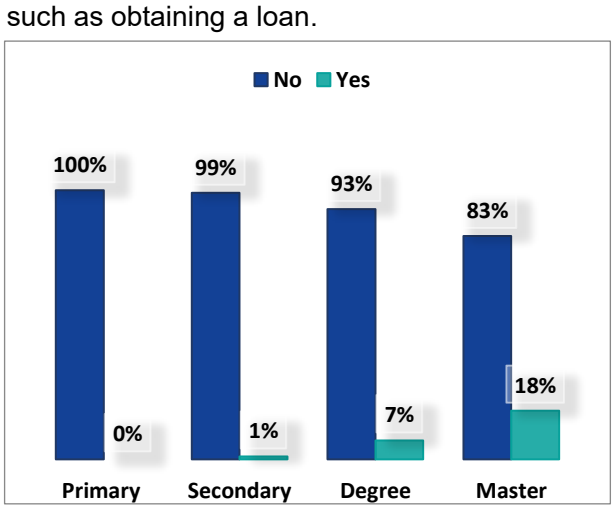


Figure 18: Awareness of Insurance Products by Level of Education

SUPPLY-SIDE FACTORS INFLUENCING WoE ACCESS TO FINANCE

1. High Interest Rate

Women-Owned MSMEs recognised the high interest rate from commercial banks and MFBs as a critical factor influencing their access to finance. This is due to the relatively high inflationary regime in Nigeria.

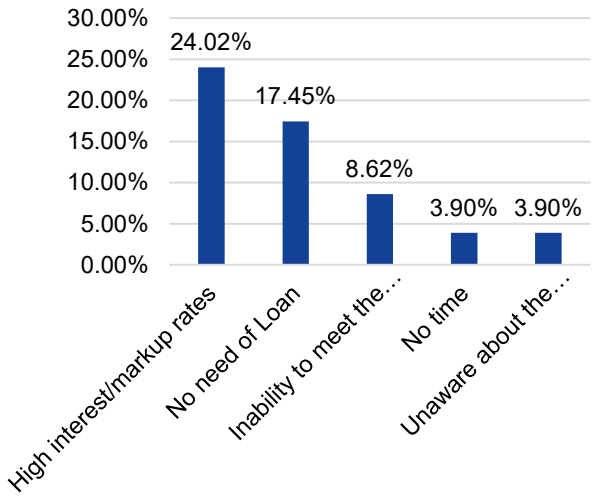


Figure 19: Supply Side factors affecting Loan Demand

2. Inadequacy of Existing Financial Supply

There is a significant disparity between perceptions on adequacy of supply of finance for WoEs. While commercial bank representatives insist that the challenge is not supply but demand, Microfinance bank representatives believe that they do not have a big enough capital base to meet the demands of WoEs and other MSMEs.

The majority of WoEs (83.3%) prefer MFBs due to their ability to offer smaller loans. However, MFBs are often limited by their capital base and cannot fully address this market need. This creates a gap for commercial banks with available funds, but they struggle to find qualified borrowers due to limitations in demand capacity.

3. Poor Securitisation Capacity of WoEs

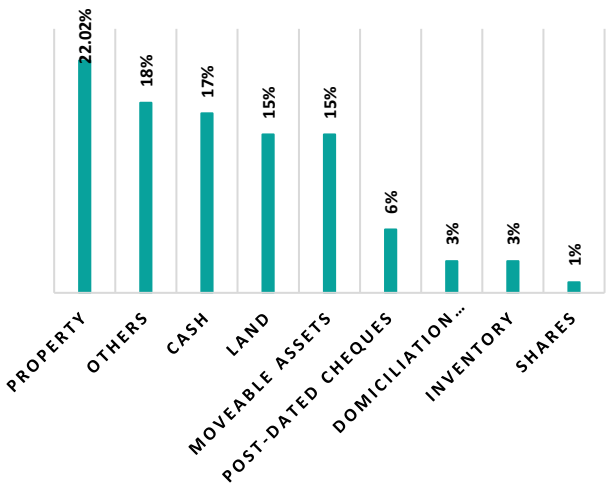


Figure 20:Most Frequently Requested Securitisation

The securitisation measure required by banks varied with the type of loan requested.

Landed properties (22%), cash (17%), land (15%) and movable assets (15%) are the commonly required instruments.

Women are generally constrained in their ability to provide landed properties and land as collateral; as this are generally not registered in their name.

It was observed that MFB micro-loans require no tangible collaterals; they may only require a guarantor. For loans above N100,000, MFBs typically require post-dated cheques and two guarantors. In cases where the women cannot provide a collateral or guarantor, they are asked to join a cooperative or cluster.

4. Poor planning and management of public sector and Development actor backed financial interventions.

One crucial factor identified in the planning process of most Public Sector and DFI interventions is the timing of implementation, particularly for value chains like agriculture, where funding must align with the planting season to be truly effective. Mismatched timing can render financial support less impactful, as it fails to coincide with critical periods in the production cycle.

Key respondents highlighted that the majority of public sector and DFI initiatives would benefit significantly from a phased approach, starting on a smaller scale. This would allow for careful fine-tuning and adjustments before expanding the program, ensuring that it effectively met the needs of its beneficiaries.

5. High risk burden on commercial banks and sometimes high interest rates of Development Finance Interventions

One significant supply-side factor influencing access to finance for Women-Owned Enterprises (WoEs) is the high-risk burden placed on commercial banks and the often high interest rates associated with Development Finance Interventions (DFIs).

The stringent conditions attached to these loans further complicate access. For instance, BOI typically does not issue loans below 10 million naira, which can be prohibitive for many WoEs, especially those in the early stages of business development. Additionally, there's a growing perception that some of these interventions have become increasingly profit-oriented, straying from their original mission of providing accessible and affordable finance to underserved sectors.

CHALLENGES WITH PUBLIC SECTOR AND DEVELOPMENT FINANCE INSTITUTION (DFI) INTERVENTIONS

Interventions provided by the public sector and development organisations often take the form of grants, On-lending schemes, credit guarantee schemes, in-kind support (such as facilitating access to input supplies and off-taker agreements), as well as single-interest loans from state governments, DFIs and the Central Bank of Nigeria (CBN).

Challenges in Public Sector and DFI Interventions

1. Risk Burden on Commercial Banks

For some of the DFI interventions, particularly for the Bank of Industry; the loans require commercial banks to provide a guarantee to BOI to be able to access the funds. Hence, the commercial bank fully bears the risk. Commercial bank respondents consider this as a disincentive to Onlending the finance.

2. Programme Planning and Management

Poor planning and execution of government-led initiatives hinder their effectiveness.

A review of the popular Federal Government-promoted agricultural financing programme (the Anchor Borrowers Programme) revealed that while the programme's core concept was sound, its biggest hurdle was poor planning and execution as timing is critical for agricultural programmes. Ideally, funding availability should coincide with planting seasons.

In addition, aligning public sector initiatives with election cycles is a setup for failure because beneficiaries often perceive such programmes as mere political gestures.

3. Politicisation and Corruption

Government loans and grants often don't seem to reach intended beneficiaries.
Primary findings show that some respondents consider government loans and grants to be politicised and inaccessible by the intended beneficiaries.

From observation, there is very low confidence by WoEs in public sector financing. This stems from negative experiences with government agents and banks involved in these programmes. Additionally, some government agencies acquire a poor reputation amongst WoEs due to allegations of political favouritism and tribal bias amongst their staff. Government loans and grants seem to be poorly designed for sustainability.

Also, high default rates reportedly plague these programmes, partly due to the mistaken belief amongst beneficiaries that government funds don't need to be repaid.

4. High Interest Rates

Though most of the DFI packages are single digit, Development Bank of Nigeria funding purportedly designed for MSMEs is double-digit. Although, this is because it is benchmarked with the MPR, it is still a disincentive for commercial banks to on-lend it.

RECOMMENDATIONS AND CONCLUSION

CASE STUDIES OF ACCESS TO FINANCE INTERVENTIONS FOR WoEs FROM DFIS, STATE ACTORS AND MICROFINANCE BANKS.

Commercial Bank Women-Focused Access to Finance

A. Exclusive Banking Facility for Women

Alt Bank's "AltHaven"

Alternative Bank (a CBN-licensed non-interest Commercial Bank) has made efforts to support WoEs. The bank observed that successful women business owners prefer organic growth and face difficulties in accessing finance due to less structured business operations. Also, compared to their male counterparts, women entrepreneurs encountered longer delays in opening business accounts.

Recognising the limitations of the offerings from most organisations such as discounts and training programmes, Alt Bank's approach emphasised a holistic end-to-end product.
A key example of this approach is the creation of a dedicated branch in Abuja specifically for women (AltHaven). A representative from Alt Bank explained that Alt Bank created AltHaven as a safe space for women to network, share experiences and build connections.

Services and Facilities at AltHaven

AltHaven offers a one-stop location with a range of services which are offered at a great discount to women with Alt Bank accounts. These services include:

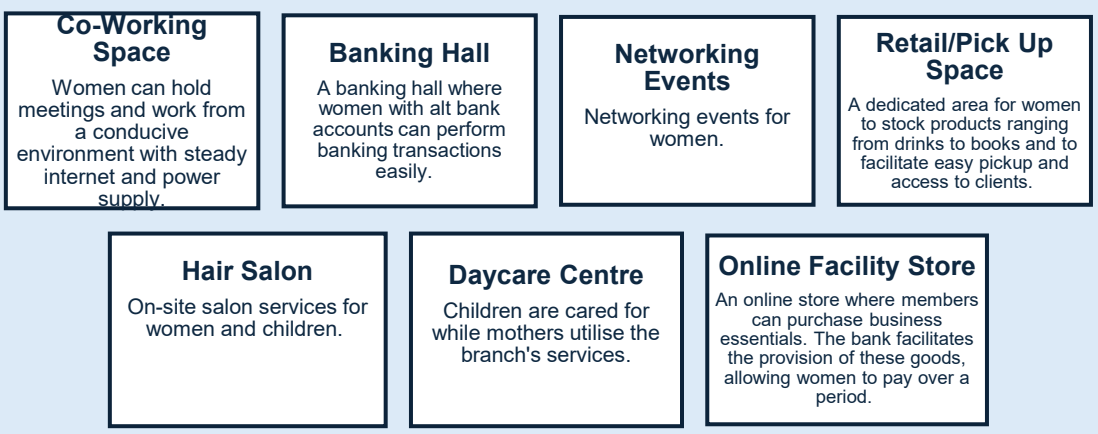


Figure 21:Services and facilities at AltHaven

B. End-to-End Value Chain Specific Women Focused Access to Finance

In Kano State, Alt Bank financed electric tricycles for women. The project is in collaboration with the UK government's Foreign, Commonwealth & Development Office (FCDO) and Qoray Mobility. Under the arrangement, Alt Bank provides financing and helps structure the programme, while the UK's FCDO-funded LINKS programme focuses on stakeholder engagement, training the women and certifying mechanics for the effective servicing of the tricycles.

Collaborations with women cooperatives in Kano and the Kano state government was emphasised. The state government plays a crucial role in ensuring regulations don't hinder the project's long-term success. The Kano project launched with an initial group of 120 women. With positive outcomes, there are plans to expand the programme to include 500 women in the next phase.

Microfinance Bank-Led Development Partner-Funded Women Access to Finance Programme

Programme Actors	Details
Lead Partner	Microfinance bank
Supporting Actors	State government, Cooperatives, NGOs and DFIs
Programme Features	- Targeted at 3000 farmers within the rice, maize, and cowpea value chain in Yobe state - Operating within six communities in the state - Provision of treated seeds, machinery and fertilisers to enhance agricultural productivity - Insurance products to safeguard the farmers' investments - Seasonal soil tests to ensure optimal input selection - Training the farmers on farming best practices based on geographical region - Integration with Business Development Services Provision
Key Factors	- Lack of fixed asset collateral requirements - Value-Chain Specificity - Strong institutional partnerships - Leveraging cooperatives to foster collective growth and sustainability - Reach of the Microfinance Bank

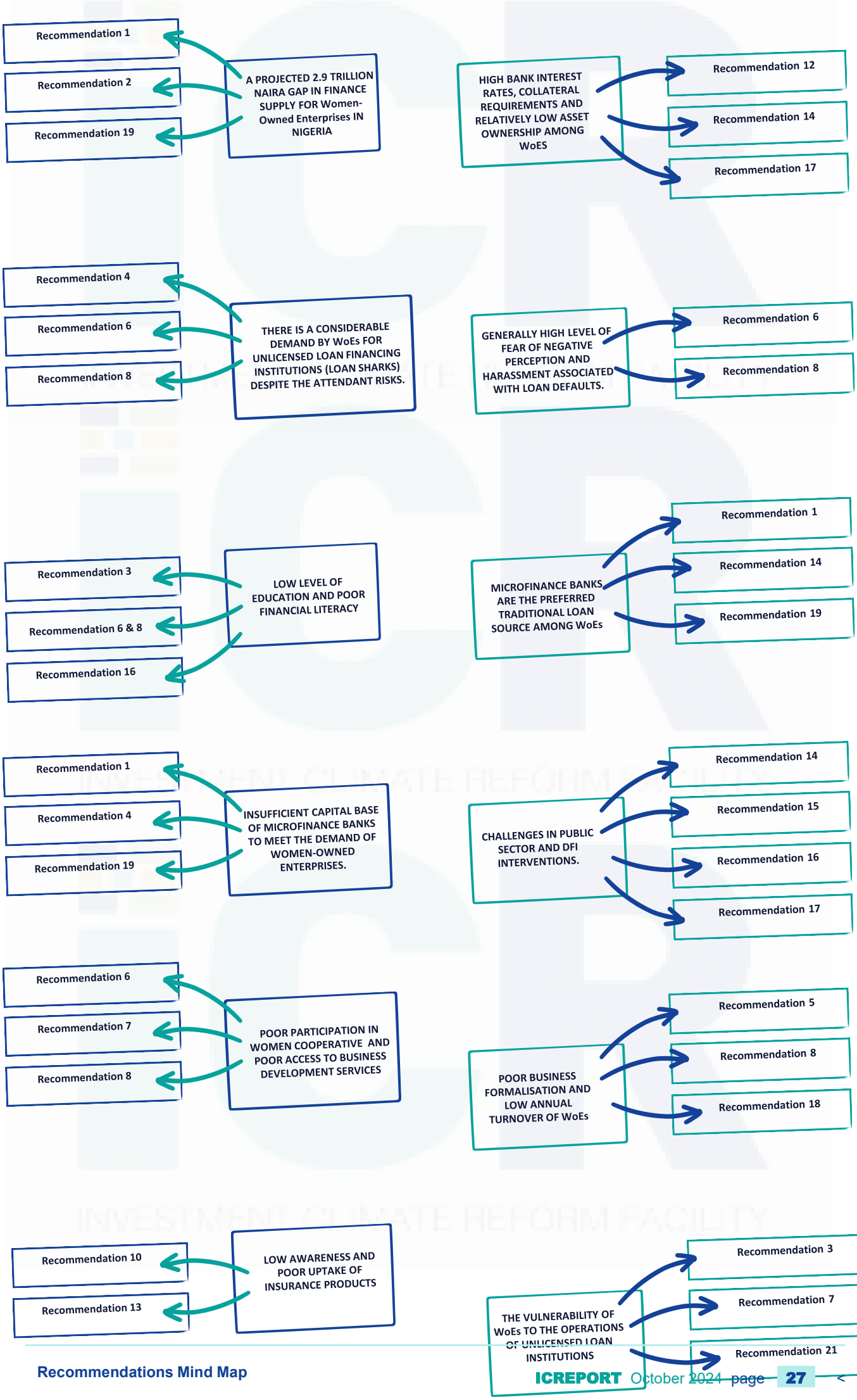
State Led Mechanism for Increasing Microfinance Bank Funding Capacity

Programme Actors	Details
Lead Partner	Rivers State Ministry of MSME Development
Supporting Actors	Microfinance Banks
Programme Features	- Targeted at MSMEs and WoEs in Rivers State - Provision of dedicated funds for MFBs to access at zero interest rate - Participating MFBs provided loans to beneficiaries - MFBs provided regular feedback reports on the disbursement rate from the banks - Satisfactory repayment rate - Bank utilised typical securitisation measures
Key Factors	- Effective institutional collaboration - Avoided branding the loan as government funded to prevent misconceptions and improve repayment rates

Development Organisation-Led MSME Specific Access to Finance (Loan)

Programme Actors	Details
Lead Partner	Impact investor
Supporting Actors	Commercial Bank
Programme features	- Targeted at Youth-led MSMEs in the agricultural sector; with a gender component; aiming to help them earn a reputable and dignified livelihood - Providing a zero-interest matching fund to reduce the cost of funds - Enabled MSME beneficiaries to access funding at single-digit interest rates - The first iteration witnessed some challenges due to branding as a grant and poor planning, next iteration has been more successful
Key factors	- Avoided branding the loan as donor-funded to prevent misconceptions and improve repayment rates after initial challenges - Effective institutional collaboration - Value Chain Specific Product

RECOMMENDATIONS MIND MAP



RECOMMENDATIONS

Recommendation	Details of Recommendation	Implementation Actors
1. The Federal Government of Nigeria should capitalise the MSME Development Fund (MSMEDF) to 3 Trillion naira and prioritise MFBs for Delivery, of which 35% should be dedicated to WoEs.	Increase the funding dedicated to the MSMEDF to ensure there is sufficient capital for microfinance banks to extend more credit to WoEs. The current size of the fund is N220 billion; this is quite insufficient in light of the supply gap. By prioritising MFBs (70% of the fund size), the public sector can help bridge the supply gap, particularly for the micro and nano enterprises.	• Federal Government of Nigeria
2. CBN should restore the 20% commercial bank loan provisioning for MSMEs, of which 35% should be dedicated to WoEs.	Mandate that all banks should allocate at least 20% of their loan portfolio specifically to financing MSMEs, of which 35% shall be to WoEs. A similar policy existed until 1996.	• CBN
3. CBN should institutionalise gender safeguarding and whistleblowing frameworks in banking institutions.	Promote the establishment of whistleblowing platforms within banks, specifically designed to report gender-related offenses. This initiative should prioritise the protection and confidentiality of whistleblowers, include comprehensive staff training and ensure accessible and toll-free reporting channels, especially in rural areas. It should also stipulate that financial institutions disaggregate loan disbursement data by gender to track WOE access to finance.	• CBN
4. CBN should establish and disseminate policy on unlicensed financial institutions.	CBN should develop regulations for unlicensed financial institutions to protect women-owned MSMEs and ensure fair practices. The regulations should include minimum data reporting requirements, safeguarding measures and minimum WoE risk management protocols.	• CBN
5. Develop a tiered set of corporate account opening requirements that recognise the limitations of the informal sector.	Avoid a one-size-fits-all strategy to requirements for account opening and embrace a tiered approach particularly for informal businesses that lack normal board structure.	• CBN • Financial institutions.
6. Development and promotion of gender support networks for financial education in collaboration with existing social institutions.	Create support networks and counselling services specifically for women business owners, helping them gain the necessary confidence, navigate family dynamics and make competent financial decisions. Set up community-based support groups where women can share experiences, offer advice and provide moral and business support to each other. Establish mentorship and role modeling programmes, connecting Women-Owned Enterprises (WoEs) with credible, successful women entrepreneurs. Tailor these connections to the specific needs of each WOE, providing them with role models to look up to in accessing finance and fostering a mindset shift. Mentors will offer step-by-step support and open doors to valuable networks, ensuring WoEs can navigate the financial landscape effectively.	• Public Sector • Development Partners • Financial Institutions

Recommendation	Details of Recommendation	Implementation Actors
7. Increase Promotion of Cooperatives and other Joint Action interventions as Access to Finance Enablers.	Encourage and support WoEs to collaborate in groups to improve access to information and group access to finance opportunities. Encourage women to join cooperative societies, which can provide collective bargaining power and access to financial resources. Promote cooperative models that focus on savings, credit and investment opportunities for women. Utilise women groups and women banking agents to distribute financial products effectively at the grassroot level.	• Public Sector Enablers • Development Partners • Financial Institutions
8. Expand Access to Business Development Services (BDS) and create a comprehensive mapping of Business Development Services Providers (BDSPs) based on location.	Implement programmes that increase the free or discounted supply of BDS providers, including business advisers, coaches, accountants and lawyers, to support WoEs in managing and growing their businesses. Incorporate a BDS component into finance interventions to build the repayment capacity of women-owned MSMEs. Develop partnerships between financial institutions and BDS providers to offer bundled services that combine financing with business development support. Ensure that these services are affordable and accessible, especially in rural areas.	• Financial Institutions • Public Sector Enablers • Development Partners
9. Support the Utilisation of Telecommunication Platforms for Promoting Awareness and Access.	Financial Institutions and Mobile Money Operators should promote the adoption of telecommunication platforms for promoting awareness and access to financial products.	• Financial Institutions • Telcos
10. Simplify Loan Application Processes and Provide Service Timelines	Financial institutions should make efforts to streamline the loan application process to make loans more accessible to WoEs. This can be achieved by reducing paperwork, offering guidance through the process and providing clear, step-by-step instructions and clarity on projected duration for loan approval.	• Financial Institutions
11. Implement more Comprehensive Value-Chain-Specific Financing Solutions that Cover the Entire Ecosystem from Access to Input to Access to Market.	Implement end-to-end A2F initiatives that cover the entire spectrum of prevalent gaps, from access to basic banking, business formalisation and capacity development, to advanced financial products for a particular value chain (e.g. maize farming, furniture industry, Keke operations). This ensures better understanding of WoEs' needs and the inherent credit risks. Use technology to streamline processes and make financial services more accessible to women in remote areas.	• Financial Institutions
12. Integrate and Promote Insurance Packages as Mitigants to Credit Risks, including Climate Change Risk.	Banks should include mandatory insurance service requirements to mitigate key business risks, including climate risks.	• Financial Institutions • Development Finance Actors
13. Increase adoption of alternative forms of collateral like movable assets, business inventories, cash flow and group guarantees.	Develop financial products that require alternative forms of collateral such as movable assets, business inventories, cash flow and group guarantees.	• Financial Institutions • Development Finance Actors

Recommendation	Details of Recommendation	Implementation Actors
14. Enhance and Prioritise Partnerships with Commercial Banks and MFBs in the Delivery of MSME Dedicated Financing.	Development organisations should support CBs and MFBs to derisk their WoEs' and MSME Access to finance products. This can be implemented via provision of Credit Guarantees, Matching Funds, BDS Grant Provisioning, Cooperative Training Grant Provision, Technology grants. A minimum performance yardstick should be stipulated with regular monitoring to ensure banks comply with the product features.	• Public Sector Actors • NGOs • Impact Investors • Development Finance Institutions
15. Leverage BDS and Joint Action Interventions as Enablers in all Access to Finance Interventions.	Business Development Service Provision and Joint Action Interventions should be inculcated in all access to finance interventions as they significantly increase the capacity of WoEs to effectively demand finance.	• Public Sector Actors • NGOs • Impact Investors • Development Finance Institutions
16. Development Interventions should stipulate a minimum commercial securitisation requirement to ensure sustainability.	Public Sector and NGO-led access to finance interventions should seek to build the access to finance capacity of MSMEs and WoEs by encouraging minimum securitisation requirements to avoid promoting a culture of loan defaults. For grant products, other non-financial-outcome measures like productivity goals, turnover and employment targets should be inculcated as minimum project measurements to ensure accountability. Avoid branding donor or public sector loans as "public" to prevent selection bias	• Public Sector Actors • NGOs • Impact Investors • Development Finance Institutions
17. Support the supply of asset titles and similar collateral assets that will enhance the securitisation capacity of MSMEs and WoEs (e.g. C of O, Asset titles).	This can be implemented via specific interventions like fast-tracking of land title processing, provision of collateralisable land and infrastructure for MSME infrastructure projects; provision of secured public spaces for women owned MSME warehouse financing etc.	• Public Sector • Development Organisations • Development Finance Institutions
18. SMEDAN should lobby CAC to reduce the cost of Business Name Registration for MSMEs to N5,000 and scale the Integration of CAC/NIN registration with Banking functions.	Collaborate with CAC to scale the adoption of bank-led CAC and NIN registration. Negotiate to reduce registration amount to N5,000. Encourage banks to bundle Business Name Registration with account opening to streamline processes for WoEs and MSMEs in general.	• SMEDAN • CAC
19. SMEDAN should lobby FG for a Single Digit 1 Trillion Naira MSME Equipment Finance Fund implemented in collaboration with BoI through MFBs, Commercial Banks and Equipment Leasing Organisations.	This is in recognition of the unique nature of WoEs' asset financing challenges and the need for single-digit equipment financing. This can be implemented within WOE clusters as a Common Facility Centre financing scheme. This can be implemented in collaboration with state government actors who will provide counterpart non-financial support in the form of capacity-building interventions to the MSMEs and joint action-strengthening interventions.	• SMEDAN • Federal Government
20. SMEDAN should Establish a Digital Platform for the Dissemination of Access to Finance information for WoEs via text message and social media technologies.	SMEDAN should prioritise the development of a digital platform for financial literacy delivery, BDSP registration, Access to Finance product registration and best practices for Access to Finance across the nation.	• SMEDAN

CONCLUSION

The findings of this study indicate that Women-Owned Enterprises (WoEs) represent an untapped potential for enhancing the productivity and competitiveness of the Nigerian economy. As the apex agency responsible for MSME development, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) has the critical task of facilitating finance for this sector and driving the implementation of several recommendations made in this report to address the factors influencing the demand for financial products by WoEs.

The 2.9 trillion naira supply gap for women-owned enterprises underscores the scale of needed interventions and highlights the limitations of the public sector as the sole implementation partner for this initiative. Thus, SMEDAN should ideally act as a facilitator, mobilising key actors within the access-to-finance value chain to adopt and implement the recommendations, particularly at the sub-national levels.

Other public sector stakeholders, development organisations, impact investors, and financial institutions also have significant roles. A collaborative approach among these actors is necessary to ensure sustainable access to finance.

WoEs represent a niche market with a strong tendency to meet loan repayment terms but are highly vulnerable to predatory behaviour. Therefore, deliberate efforts are needed to prevent the negative exploitation of this market. The study shows that with appropriate interventions, the effective demand capacity of WoEs can be increased sustainably, significantly boosting their contribution to the national economy and improving the resilience of vulnerable households.

ACKNOWLEDGEMENTS

This report would not have been possible without the collective efforts and commitment of all who contributed to it. We extend our deepest gratitude to all the women business owners who participated in this study. Your courage, resilience, and willingness to share your experiences have been invaluable to our understanding of the challenges and opportunities in accessing finance.

We also appreciate the field agents and interviewees who provided crucial insights and data. Your contributions have significantly enriched the quality and depth of this report.

Our sincere thanks to the various organisations and partners who supported this technical study. We hope that our findings contribute to meaningful progress towards financial inclusion for women entrepreneurs in Nigeria.

And finally, we would like to thank the SMEDAN team, led by Mr Onesi-Lawani Daberuje and the ICR Facility team led by Irene Danquah, Kobina Bosomtwe, Su Wint Wah, and Yahaya Joseph Janga, without whose initiative, inputs and support this report would not have been written.

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