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Full Length Research Paper

Strategies for effective loan delivery to small – scale enterprises in rural Nigeria

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Economic growth and development cannot be achieved without putting in place well-focused programmes to reduce poverty through empowering the rural entrepreneurs with credit. In noting this, government has initiated many programmes to enhance adequate loan to rural entrepreneurs. However, these programmes have achieved mixed successes. This paper therefore examines the determinants of loan acquisition to rural enterprise and recommends best practices. The study noted that channel of loan delivery to rural entrepreneurs is politicized with huge bureaucratic network, which makes the loan almost inaccessible to rural entrepreneurs. In addition, the study noted that the major factors that determine loan acquisition by rural entrepreneurs are type of enterprise, gender of operator, experience of the operator as well as past loan history. The study therefore recommended a financial institution, which will not only be a joint venture of government, non-governmental organizations, rural entrepreneurs and rural communities but also less bureaucratic and requires asset-less collateral. The author trusts that such recommendations will enhance rural entrepreneur's capacity to fight poverty

Key words: Rural enterprise, financial institutions, poverty, loan, Nigeria.

INTRODUCTION

In most African countries, small and medium enterprises (SME) account for a significant share of production and employment and are therefore directly influencing poverty alleviation. In Nigeria, the unemployment situation is worrisome. Recently, statistics has shown that 70% of country's employable population are unemployed, the majority of whom resides in rural areas notwithstanding the recent rural-urban drift (CBN, 2005; Zhixiong, 2004).

The dominance of SME in developing economies is attributed to multiple causes. One fact is that the bad state of the infrastructure leads to relatively isolated markets with limited demand, which can best be served by small-scale localized production. SMEs contribute immensely to GDP, which has a considerable influence in growth of economy. The second factor is that the majority of the small-scale producers are located in rural areas, absorbing workers when seasonal effects reduce agricultural employment (Kellee, 2002; Liu and Zongshun, 2001). Similarly, in Nigeria the story is not different as 90% of the total enterprises are small-scale helping to alleviate poverty in different dimensions (Nmachi, 2007).

In dynamic terms, the influence of SMEs is emphasized by several facts. First, resources are localized. Second, they exert little or no pressure on country's foreign currency reserves. Third, they provide a flexible and skilled production base. Fourth, they generate new markets. Fifth, they employ low technology, which is usually environmental friendly. Finally, they are particularly crucial for the economic dynamics of rural areas in particular and the whole economy in general (Mead and Liedholm 1998; Okpukpara, 2006).

Rural entrepreneurs have two sources of loan. They are informal and formal financial institutions. Formal Loans are loan from financial institutions registered with government organization called Corporate Affairs Commission in Nigeria (CAC). This body is responsible for Registration of any business in Nigeria.

Informal loans are loans from financial institutions that are not registered. The example of such are age grade unions, churches, friends, relatives, unregistered cooperatives, “isusu or susu” union among others. The informal financial institutions are prevalent in areas where individuals are quite familiar with and confident in one another as well as cover small geographic areas. It is a financial institution that considers the moral hazards. Though their interest rate is relatively very high, some charged as high as 150% per annum, the rural entrepreneurs and rural farmers continue to patronize them in both savings deposit and loan request. This is because informal financial institutions accept their “tiny” deposit and give them loan with little or no collateral. In addition, they are familiar with all the members of their management. In fact, it has been reported that that most of their workers are usually indigene of that area. Notwithstanding the high interest rate, the repayment rates of rural entrepreneur in informal financial institutions have been reported to be over 85% on average (Ijere, 1991). However, some literatures have reported that the default rate of loan recipients from informal financial institutions is even as low as 8% on average (Okpukpara, 2005; Popkin, 1997).

In spite of these laudable goals of rural enterprise in Nigerian economy, the rural enterprise owners or operators are faced with discrimination from formal financial institutions because of their inability to meet with their stringent measures such as asset collateral, long bureaucratic procedures, solid financial base among others (Okpukpara, 2005; Mead and Liedholm, 1998). Worse still, the informal financial institutions generally have limited outreach due primarily to paucity of loanable funds (Okpukpara, 2006). Therefore, most rural entrepreneurs are seeking for the opportunities to increase their production through provision of soft loan that will enable them produce at least break-even point. They often constrained by lack of asset collateral (Hickson, 1997; Zeller et al., 2002). Therefore, there is need to encourage the rural entrepreneurs to join in the economic transformation of Nigeria in particular and developing countries in general through the provision of soft loan to engage in profitable businesses especially those of rural small-scale industries. In addition, rural enterprise contributed much on both Nigerian economies as a whole and rural economy in particular. In the last two decades, is repeatedly reported that limited supply of credit appear to be a major constraint facing rural enterprises (Liedholm and Mead, 1987; Tybout, 2000). In view of significance of rural enterprise to improve farmer’s income and to create job opportunities for rural residents, honest effort to help rural enterprise overcome this constraint associated with credit availability to rural Industrialists should be the major concern of government at all levels through restructuring an effective rural banking system.

Specifically, in Nigeria, the formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to formal financial services (CBN, 2005). This 65% are often served by the informal financial sector. In order to enhance the flow of financial services to Nigerian rural areas, Government has, in the past, initiated a series of publicly-financed micro/rural credit programmes and policies targeted at the poor and SMEs. Notable among such programmes were the Rural Banking Programme, sectoral allocation of credits, a concessionary interest rate, and the Agricultural Credit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs), and the Family Economic Advancement Programme (FEAP). In 2000, Government merged the NACB with the PBN and FEAP to form the Nigerian Agricultural Co- operative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Programme (NAPEP) with the mandate of providing financial services to alleviate poverty (CBN, 2005). However, these programmes has performed poorly and fall far below the target of the programmed due to poor targeting, lack of bottom-up approach, and more importantly lack of organized ways of administering loan to the rural enterprises. Though loan in formal financial programmes are available, there is always difficulty in accessing them because of complex procedures and requirement for loan applicants who are illiterate with “tiny” finances (Okpukpara, 2005; Adams and Fitchett, 1992). The implication of this is that rural enterprises often fold up as soon as they are established. This negates the spirit of recent Nigerian project for economic emancipation National Economic Empowerment Strategies (NEEDS).

Nigeria is currently undergoing economic transformation, which is tagged, (NEEDs). This programme is targeted for poverty alleviation and wealth creation through employment. The success of this programme (NEEDs) could only be possible when the rural entrepreneurial spirit is rekindled, sustained and their enterprise well funded for greater productivity.

Many works that was done on credit or loan in the recent time lack a detailed investigation on the links between availability of loan and existence of rural enterprise (Zeller et al., 2002; Hashemin and Rosenberg, 2006). Most of these studies concentrated on credit and rural farmers (Okpukpara, 2006). Thus neglecting how best to mobilize and extend loan to rural enterprise, which is not only a sustainable business during the off- and on- agricultural seasons in rural areas, but also a measure of economic wellbeing. The implication of this is that not only reluctance of rural entrepreneur establishing an enterprise but also the few that were able to establish in rural areas wined up as soon as they are established because of inadequate finance to promote sustainability. Similar experiences have also been reported in other African countries (Mead and Liedholm, 1998; Baydas, 1994).

This paper therefore examines the channels and determinants of loan delivery to rural enterprises (which most researches have neglected in the recent time in most of

Table 1. Mean distribution of socioeconomic characterristics of rural enterprises.

Factors	Mean
Age (Years)	11.4
Capital based (Nigerian Naira)	25,320
Number of Employee (Numeric)	4
Income/month (Nigerian Naira)	131,278
Average Working Capital (in Naira)	31,245
Informal Loan (percent)	79%
Formal Loan (percent)	22%
Access loan (numeric)	34
Did not access loan (numeric)	102

the African countries) and recommended best practice for a far-reaching result.

MATERIALS AND METHODS

The study was conducted in Abia and Anambra State. The states were purposively selected because of high population of entrepreneurs and enterprise in rural areas, while the enterprises studied were picked at random to minimize bias. Though 150 enterprises were targeted through random sampling techniques, information was eventually collected from 136 enterprises because of invalid responses. Therefore, the analysis was based on 136 enterprises. In addition, information was also gathered from a random sample of 34 rural financial institutions distributed as 20 informal financial institutions and 14 formal financial institutions in the study areas.

Information for this study was generated from primary and secondary sources. The primary data were collected with two sets of questionnaires, personal observation and focus group discussion. The first set of questionnaire was distributed to entrepreneur while the second set of the questionnaire was distributed to financial institutions. The questionnaires collected information on socio-economic characteristics of the enterprise, amount of loan solicited for and amount actually granted the length of time between the application, approval and "handmark" of the loan, source of loan, type of collateral required, why the loan application was rejected etc. Data was analyzed using descriptive and logit regression techniques with STATA 10.2 version software.

The econometric model

The author's model tries to understand the factors that influence the probability of rural enterprises obtain loan from financial institutions. The choice of analysis model is based on available data. We assume that obtaining loan and not obtaining loan are interdependent. The choice of whether to obtain loan or not which is the dependent variable in this case not continuous but represents a discrete 0 or no loan and 1 or obtain loan choices. The expected value of the dependent variable can be interpreted as the probability that a particular enterprise with certain characteristics will obtain loan. This probability could only take values between 0 and 1. Estimating the probability of loan accessibility according to different rural enterprise characteristics can be done in various ways. However, probit and logit are the most prevalent choice models, as with them estimated probabilities fall between 0 and 1. A probit model is based on a cumulative normal probability function, while a logit model uses cumulative logistic probability function (Pindyck and Rubinfeld, 19 81). Both models lead to similar results, as only the scale of the β coefficients is different and the logistic probability function has a fatter tail (Maddala, 1983; Davidson and McKinnon, 1993). Logit model is used in this study to calculate the characteristics that make a rural enterprise obtain loan, subject to characteristics of enterprise in South East Nigeria.

The Logit Model can be specified as follows (equation 2) (Pindyck and Rubinfeld, 1981):

$$P_i = f(\alpha + \beta X_i) = \frac{1}{1 + \frac{1}{e^{-(\alpha + \beta X j)}}} \quad \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where: e = natural logarithm (=2.718).
Pi = Loan recipient probability, given certain rural enterprise attributes.
Xi = attribute of i-th enterprise.
Equation 2 can be transformed into equation 3 (Pindyck ad Rubinfeld, 1981; Kennedy, 1992) which depicts the logarithm of the probability that rural enterprise will get loan or not:

$$Log \frac{P_i}{1 - P_i} = \alpha + \beta x_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

The Logit Model can be estimated for two different kinds of data: grouped or ungrouped data (Kennedy, 1992). STATA 10.2 software was used to estimate the logit regression model.

Log {P(adoption)/1 – P(adoption)} = $\beta_o + \beta_1 x_1 + \beta_2 x_2 + \ldots \beta_n x_n$ ……………..... (4)

A list of all the independent variables used in the Logit Model along with their units is presented in Appendix 1.

RESULT AND DISCUSSIONS

First, the socioeconomic factors considered in this work includes, age of the enterprise, capital base, number of employee, sources of loan and income of the enterprise. The result is presented in Table 1.
Note: Formal Loans are loan from financial institutions registered with government organization called Corporate Affairs Commission in Nigeria (CAC). This body is responsible for registration of any business in Nigeria. Informal loans are loans from financial institutions that are not registered. The example of such are age grade unions, churches, friends, relatives, unregistered cooperatives, isusu or susu union among others.

The result shows that the average age of enterprise in the study areas was 11 years 4 months, while the mean capital based in the business was N25, 350. The socioeconomic result also shows that rural entrepreneur employed an average of four persons in their enterprise, while they realized an average of N131, 278 per month as revenue (not profit). However, about 34 representing (25% of sampled enterprises) were able to secure loan for their businesses. The analysis of those obtained loan shows that in financial recipient obtained their loan from

Table 2. Factors that enhanced access to loan by different rural financial institutions from rural entrepreneurs point of view.

Factors	Formal Financial Institutions	Informal Financial Institutions
Bank Politics	+	+
Previous loan repayment records	+	+
More competition	+	+
Magnitude of Interest rate	+	+
Fixed Asset Required for collateral	+	_
Bureaucratic procedure in obtaining the loan.	+	_

Table 3. Loan processing in formal and informal financial institutions.

Item Considered	Formal	Informal
Average Amount of Loan Requested	179000	26456
Average Amount Approved	98000	24839
Average Processing Time (loan "Handmarking"–Application time) [in days]	34	5

formal (7 enterprises or 22%) and informal financial institutions (27 enterprise or 79%). The table also shows that the average working capital was N31,245 monthly. The result also shows that any N1 invested yields an average of N4.20. This shows that rural enterprise could be profitable when the right incentives are applied. The further analysis of the result shows that there was not only more patronage of loan applicants in informal financial institution but also more rural enterprise had more access to loan in informal institutions (that is, 79% of 34 loan applicants).

It is important to note that there are certain critical factors that induce rural enterprise to demand for loan as observed from oral interview. These includes, need to invest in new equipment as technology changes very fast, shortage of working capital, and need to increase equity of a newly established enterprises. Though all the aforementioned points are important, the most critical of them all is the shortage of working capital. This also constrained most rural enterprise from existence.

Generally, rural enterprises source their loan from formal and informal financial institutions. These institutions are uniquely differentiated from each by some characteristics. These characteristics are confinement in well-known localities, low administrative and staff overloads, their interest rates are not regulated, their scale is low and shallowness of intermediation. Some of the perceived characteristics of financial institutions that motivate the rural entrepreneurs to access loan are examined in Table 2.

The Table shows that lending in rural financial institutions was slightly differentiated along formal and informal institutions. For instance, while some characteristics exist in both institutions, there were clear differences in both institutions concerning the use of fixed asset as collateral and bureaucratic processes involved. This indicates the reason behind the success of informal financial institution in lending to rural entrepreneur because they lack type of asset often required by formal financial institutions.

The activities of financial institutions concerning the processing time and amount of loan requested and the amount granted to rural entrepreneur is examined in Table 3.

The result shows that only 55% of the loan applications in the formal financial institutions were approved for rural entrepreneurs, while 94% of loan applied in informal financial institutions was approved for rural entrepreneurs in the study area. The processing time also favoured loan applicants in informal financial institutions as it takes as high as one month and some days and as low as five days on average to process a loan in formal and informal financial institutions respectively. This signals a lot, in loan servicing by formal and informal financial institutions to rural entrepreneurs. Specifically, it is very clear that formal financial institutions could not serve the majority of rural enterprise in terms of loaned amount and amount of time required in processing the loan. Similar result has been found elsewhere (Rhyne, 1992). The low response of loan request from Informal financial institutions by rural entrepreneur may have been attributed to factors such as unfriendly attitude, long chain of bureaucracy among others that characterized formal financial institutions. In addition, formal financial institutions regard the rural enterprise as overtly risky and unattractive. In addition, informal financial institutions are not active in lending large volume of money. It is therefore important to examine why the formal and informal financial institutions has responded relatively low and succeeded in loan delivery services to rural enterprise respectively.

The collateral requirement by formal and informal financial institutions is examined in Table 4. The Table shows

Table 4. Distribution of collateral requirement by types of financial institutions.

Collateral Requirement	Formal (%)	Informal (%)
Fixed Asset:		
Land	65	5
a) Building	79	3
b) Vehicle	100	9
c) Other equipment	29	27
Share Certificate	85	4
Guarantors	3	100
Group	61	100

that fixed assets did not serve as major collateral in informal financial institutions that guaranteed the loan recipient. This is because less than 10% of institutions interviewed showed concern about fixed asset in guaranteeing the loan especially building and land asset. However, ownership of fixed asset is a major factor in getting loan from formal financial institutions. The Table shows that shares and group could be accepted as collateral for the loan applicants in formal financial institutions. The Table also shows that guarantors and group was accepted collateral in all the informal financial institutions interviewed. The implication of this is that informal financial institutions are using asset-less collateral probably because they are familiar with their customers (that is "Know your Customer" strategy). In addition, the interview held also noted that most of the loan requests in informal financial institutions were illiterates and indigenes of the areas where the informal financial institution is situated.

This may further add to the reason for accepting asset-less collateral. However, most of loan applicants in formal financial institutions usually came from outside the environment. Hence, the only way of ensuring the security of their fund is through providing commensurate collateral for any loan. In addition, most of them are educated and relatively rich when compared with those in informal financial institutions. It is important to emphasize that group is acceptable to all types of financial institutions. The essence of this show that not only the risk associated with default when group is involved is minimal but also it is important to organize rural enterprise into cooperatives which is part of business development services (Mark, 2001).

The survey also noted that there were significant differences between factors that constraints rural enterprise in obtaining loan in formal and informal financial institutions. These reasons from rural financial institutions point of view are presented in Table 5.

The Table shows that all the financial institution interviewed accepted repayment record and number of loan applicants as factor that constraint them from lending to every enterprise that requested for loan in rural areas. The magnitude of loan applicants will always necessitate loan rationing, which financial institution has to contain with. This makes the screening of loan applicants more strict, which will give more room for a credible repayment enterprise. Further, though lending rate is not an important factor in both institutions, it is far less important in informal financial institutions. This shows that rural enterprises are not too sensitive to interest rate charged on borrowed funds, which shows that rural entrepreneur always de-emphasize lending rate provided the loan is available. It is important also to note that boardroom politics played an important role in lending to rural enterprise especially in formal financial institutions. This factor is as a result of many processes, which the loan processes, has to pass including the Board of Directors. However, this factor (politics) is largely de-emphasized in informal financial institutions, probably that they have small loan applicants that reside near the institution. This is similar to result found in China (Zhixiong, 2004), which reported a correlation between the probability of getting loan and acquaintance with bank staffs. Relations of bank staff are more likely to get loan if they meet other loan criteria set by the bank (such as collateral requirement and repayment history).

Determinants of loan supply to rural entrepreneurs

The result of logit regression analysis (Table 6) implies that the predictors were significant as indicated by the chi-square result. In addition, the pseudo R^2 showed that the independent variables used are good predictor of dependent variable (loan supply). However, the magnitude of the predictor shows that there are other variables that determine loan demand (about 41%) that were not captured in the model. The details of the dependent and independent variables are presented in Appendix 1 and 2.

The result shows that loan history, type of enterprise, ownership of fixed asset, experience and gender of the operator were factor that has considerable influence on probability of obtaining loan from financial institutions by rural entrepreneur. Specifically, history of past loan, experience and gender of the owner were positively related to the dependent variable. However, the type of enterprise was negatively related to the dependent variable.

The history of past loan is positively related to the dependent variable. This is consistent with a priori expectation because the lender may want to know whether the applicant has been repayment worthy in the past loan. This is important to the lender because there is always high correlation between the past loan repayment history and ability to repay current loan (Amino et al., 2003; Feder et al., 1988). The lender always seeks thi information from the network of financial institutions especially formal financial institution.

Though ownership of fixed asset was significant, this relationship was weak. This is an indication that majority

Table 5. Obstacles in obtaining loan from formal and informal financial institutions from the point of view of financial institutions.

Factors	Formal Financial Institutions	Informal Financial Institutions
Bank or Board Room Politics	75%	45%
Previous loan repayment records	100	100
More competition	100	100
Magnitude of lending rate	19	1
Fixed Asset Collateral	78	1
Bureaucratic procedure in obtaining the loan	64	2
Asset –Less Collateral	0	100

Table 6. The logit regression results.

Independent	Logit	Logit
Variables	Coefficients	t - values
Toass	1.51	0.90
Tout	0.57	0.60
Ows	-0 .12	-1.21
Ag	0.29	0.11
Lrh	0.18	12.22**
Ofass	0.18	1.99**
Tent	-0.52	-9.30**
Eotop	0.71	4.51**
Gotop	0.34	2.97**
Edu	0.22	0.98
Log likelihood	29.65	
Pseduo R^2	0.56	
Chi^2		35.22**
Number of cases	136	

Note: ** = significant at 5% probability level.

of lenders to the small entrepreneur are informal financial institutions which is also consistent with the result in the descriptive statistics. However, it should be noted that the majority of formal financial institutions require asset to collateralize the loan.

The study also observed that agricultural enterprises were always discriminated from lending by financial institutions. It is important to note that the majority of rural enterprises are agricultural (both processed agricultural commodity and raw agricultural production). Major reason for not lending to agricultural enterprises was that a lot of risks are involved in agricultural production. This is also acknowledged in the literature (Okpukpara, 2006; Wai, 1972). It is because of the risky nature of agricultural enterprise that makes financial institutions especially formal financial institutions adamant to granting them loan to agricultural enterprise.

Experience of the owner in that business also matters. This is probably to ensure that business will not fail in the management aspect. The result shows that applicant with higher experience is more likely to obtain loan than those with limited experience. Similar result has been found elsewhere (Daniel and Mead, 1998).

The enterprises operated by female were less likely to obtain loan than those operated by male counterpart. This further portrays the difficulties female entrepreneur face in obtaining loan for business. This is acknowledged in the literature (Okpukpara, 2005). The difficulty of female entrepreneur faces in obtaining loan ranges from lack of asset to even traditional and customary factors in African institutions. These factors have to be played down to encourage the female entrepreneur to do business.

Generally, the result of logit regression shows that the major factors considered by financial institution in giving loan is history of past loan, type of enterprise, experience of the owner in that business, gender and ownership of fixed asset in that order.

Conclusion and Recommendations

The result is able to establish a number of issues with serious policy implications. This result is able to establish that loan repayment history is most important factor that motivates financial institution to lend to rural entrepreneur. Therefore, it is important to provide entrepreneurial education and basic business management to rural entrepreneurs so that they will be able to effectively manage loan in a way to ensure loan repayment. It also necessary to establish business incubation centers in rural areas where information on basic business management could be sourced. It is hoped that these measures will re-tool the rural entrepreneur towards greater productivity.

The study is also able to establish that agricultural enterprise is less likely to be financed by financial institutions especially formal financial institutions. Therefore, it is necessary to establish a functional micro insurance outfit for small-scale enterprises. This will minimize risk absorption by financial institution in case of failure. Thus, enhance confidence in granting loans to and doing

Appendix 1. Definition of variables and their units used for econometric model.

Dependent variable	Dummy, 1 if received loan from financial institution, 0 otherwise
Independent variables	
Total asset in Naira (Toass)	In Nigerian currency, Naira
Total output (Tout)	In Nigerian currency, Naira
Ownership structure (Ows)	1 if sole proprietorship, 0 otherwise
Age of enterprise (Ag)	In years
Loan repayment history (Lrh)	Dummy, 1 if obtained loan and repaid fully in any period with financial institutions, 0 otherwise
Ownership of fixed asset (Ofass)	Dummy, 1 if own fixed asset, 0 otherwise
Type of enterprise (Tent)	Dummy, 1 if agricultural enterprise, 0 otherwise
Experience of the operators (Eotop)	In years
Gender of the operator (Gotop)	Dummy 1 if male, 0 otherwise
Educational background of the operator (Edu)	In years

Appendix 2. The logit regression results.

Independent Variables	Logit Coefficients	Logit t - values
Toass	1.51	0.90
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Edu	0.22	0.98
Log likelihood	29.65	
Pseduo R^2	0.56	
Chi^2		35.22**
Number of cases	136	

Note: ** = significant at 5% probability level.

businesses with small-scale enterprises in rural areas. Ownership of fixed asset is also important factor considered by financial institutions in granting loan to rural enterprise. However, many rural entrepreneurs lacks asset to collateralize their loan. Therefore, government and non-governmental organization should jointly establish microfinance institution that would be able to grant loan to rural entrepreneur with some kind of asset-less requirement such as guarantor, shares and the likes. This institution will be able to absorb some risk associated with lending to rural enterprises, such as institutional risks, situational risks among others. This will give greater opportunity to rural entrepreneur to have access to loan. This is possible if the rural entrepreneurs are able to form a production line groups (that is enterprise producing the same or similar products), all the members will guarantee each other in the group.

Therefore, every member in the group will be certified that every member in the group is credible otherwise he/she will pull out of group. In this they will be able to reduce moral hazards. Through this way, they will form a sort of cooperative that will assure the bank of the security of loan. Through this process also, the members will share information and purchase inputs at a reduced prices, which equally will sustain the enterprise and repayment possibilities.

(If you are going to suggest a subsidized, uncollateralized lending process, you need a lot more detail on how this program will work. There is too much risk and moral hazard involved.)

The result also noted that it is more likely to grant loan to male rural entrepreneur than their female counterpart. Therefore, financial institutions should encourage to lend female entrepreneur through appropriate policies such as promulgating a law that each financial institutions should lend at least a stated amount or percentage in year etc. to rural entrepreneur.

In descriptive statistics, boardroom politics play major role in discriminating loan applicants in rural areas. Therefore, the boardroom politics or relationship with bank staff should be de-emphasized. This will ensure credibility in loan delivery to the qualified enterprise. This is important because when unqualified rural enterprise is favoured, there is always a repayment difficulty. Consequently, there will always be multipliers effect on the bank to honour future loan applicants because of reduced savings in the institution.

In conclusion therefore, the financial institutions should be encouraged to lend money to rural entrepreneurs by not only government taking up some of the risk in lending but also providing some incentives to rural enterprises as well as financial institutions playing down on gender inequality in loan disbursement.

Therefore, it is important to establish a financial institution, which will not only be a joint venture of government, non-governmental organizations, rural entrepreneurs and rural communities so that the sustainability of such institution will be a responsibility of all the stakeholders in rural financing. In addition, rural financial institutions should consider asset-less collateral because of the nature of their service clients. This will ensure greater credit access to rural enterprise.

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