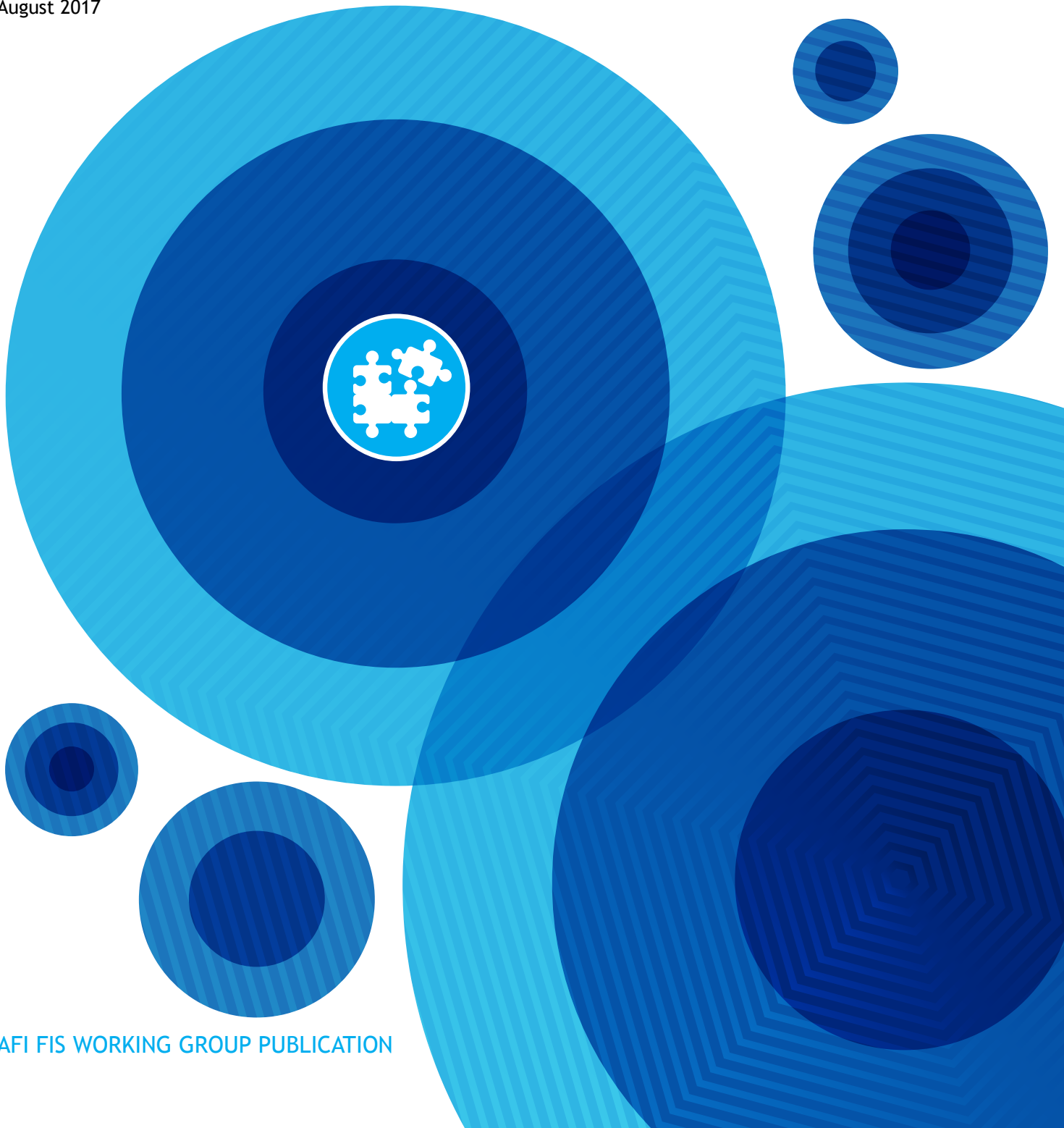




BRINGING
SMART
POLICIES
TO LIFE

WOMEN FINANCING: A CASE STUDY OF LAPO MICROFINANCE BANK LIMITED

Case Study No. 6
August 2017



CONTENTS

| | |
|---|----|
| Background | 3 |
| Rationale | 4 |
| Performance Outreach | 5 |
| Strategies Adopted by Lapo MfB for Women Financing | 6 |
| Lessons in Financing Female Business | 8 |
| Conclusion | 10 |
| Our Team | 11 |

BACKGROUND

Contacts with the Grameen Bank in 1991 and subsequent international exposures encouraged Mr. Godwin Ehigiamusoe, the Chief Executive Officer of the LAPO Microfinance Bank Limited to resign from government services in pursuit of a full-time LAPO vision. Today what started as an NGO in late 1980s is one of the leading microfinance banks in West Africa, with over 3 million clients, 91% of which are women.

As at today, LAPO's Mission and Vision Statements of "Improving Lives" through financial services have not only been successfully pursued but filled with positive impacts on poor households. The success story is partly derived from the founder's sincere desire to work with the active poor and a strong commitment to improving lives and eliminating poverty.

ORGANIZATIONAL COMMITMENT TO WOMEN FINANCE

Products

The poor, especially women, are very enterprising. They engage in wide range of economic activities such as vending, weaving, farming and food processing. In carrying out their businesses, they are often confronted with lack of access to affordable credit. The situation is further compounded by the fact that they do not possess title deeds on land, stocks and other forms of acceptable collateral securities. Poor Women are therefore constrained to short-term loans from moneylenders who charge exploitative rates as high as 300% per annum, a factor which exacerbates their poverty and financial distress. LAPO addresses the challenges through provision of a range of financial services on affordable conditions.



Dr. Godwin Ehigiamusoe



RATIONALE

According to Enhancing Financial Innovation and Access (EFInA) report (2016), 40.1 million of Nigeria's 96.4 million adults, representing 41.6 percent, were financially excluded. Expectedly, financial access was favourably skewed towards males. For instance, 21.4million females, representing 42.7% of the total adult female population, were financially excluded while 15.6 million of total male adults representing 35.8% of the total male adult population were financially excluded (EFInA, 2014).

The justifications for LAPO MfB's delve into providing financial services that are specifically suited to the needs of women are as follows:

UNFAIR SOCIETAL TREATMENT

Women face huge social and economic burdens while very few societies across developing countries accord equal treatment between men and women. Customs, traditional practices and in some cases religion, ascribe a lower social status to women and this undermines the realization of their economic potential.

DOMINANCE IN MICRO-ENTERPRISES AND NEED FOR GROWTH

Women dominate the informal sector in both urban and rural economics. They engage in micro enterprise such as subsistence farming, trading, food vending, tailoring, basic craft work and other economic activities in the informal sector. Institutional credit will assist them to scale up their businesses, support their families, as well as make more contributions to the economic growth process.

MULTIPLIER EFFECTS OF THE IMPACT OF MICROFINANCE SERVICES

When a woman's income earning capacity increases, the entire household especially children, benefit more than when a man's income increases. In seeking to improve the standard of living of poor households LAPO prioritizes women's access to finance as an important agenda. In addition economic empowerment of women is vital to emancipating them globally and supporting them to negotiate their rights within the household.

“I joined LAPO in 2007, I was struggling to make ends meet. Since I joined LAPO, it's been a wonderful experience, my business has moved forward. I have also introduced friends and family to LAPO because LAPO has done well. If you are faithful with repayment, you can trust LAPO to always be there to support you. LAPO has the cheapest interest rates as far as I know.”

Mrs. Lilian Egbuna
(Lagos, Nigeria)



Mrs. Lilian Egbuna (Lagos State, Nigeria)

PERFORMANCE OUTREACH

LAPO MfB has maintained consistent growth on women finance over the years. This performance could be attributed to uncommon commitment of its staff, management, board and clients. Table 1 opposite presents LAPO's financial service growth and proportion of the total clients that were women between data from 2005 and 2016.

In terms of absolute number, LAPO clients have been on the increase since 2005 till date. Women on the average maintained over 90% of the total clients during the period. The gender dimension is also reflected in the workforce where over 55% of the total workforce have been females compared to males.

LAPO MfB operates in 29 out of the 36 states in Nigeria, including the Federal Capital Territory, Abuja. As it turned out to be, focus on women by LAPO MfB has demonstrated that they are good users of financial services, as shown in their excellent repayment records. Portfolio growth in their favour had not only grown over the years, but the Portfolio at Risk (PAR) in LAPO MfB as a measure of portfolio performance (see table 2) had been very impressive over the year.

From Table 2, the bank had maintained steady portfolio growth throughout the period (2006 - 2016) with the highest rate in 2006 when a 130% growth rate was recorded. The Growth rate hovered around 50% till 2009 when it witnessed a drop (23%) owing to the transformation from Non-Governmental (non-profit) Organization into a regulated micro finance bank with the attendant re- structuring and legal and regulatory implications. In 2010, LAPO bounced back to a portfolio growth rate of 84%, and has maintained an average growth of more than 33% since then. The increasing portfolio growth has been attributed to women lending and saving potentials. Women (active women) borrowers constitute more than 80% of the clients and had taken over 80% of the total loan portfolio in each year.

TABLE 1: COMPARATIVE CLIENTS' GROWTH BY GENDER (2005 - 2016)

| YEAR | TOTAL CLIENTS | PERCENTAGE GROWTH | PROPORTION FEMALE (%) | PROPORTION OF MALE (%) |
|------|---------------|-------------------|-----------------------|------------------------|
| 2005 | 48,735 | Nil | Nil | Nil |
| 2006 | 88,430 | 81.45% | 96% | 4% |
| 2007 | 135,974 | 53.76% | 92% | 8% |
| 2008 | 230,742 | 69.70% | 93% | 7% |
| 2009 | 243,055 | 5.00% | 91% | 9% |
| 2010 | 355,502 | 46.00% | 95% | 5% |
| 2011 | 518,187 | 45.76% | 93% | 7% |
| 2012 | 756,904 | 46.07% | 92% | 8% |
| 2013 | 1,038,340 | 37.18% | 94% | 6% |
| 2014 | 1,414,896 | 36.26% | 89% | 11% |
| 2015 | 2,073,879 | 47.00% | 88% | 12% |
| 2016 | 2,631,977 | 27.00% | 91% | 9% |

MAP OF NIGERIA SHOWING LAPO MFB LTD OPERATIONAL OFFICES

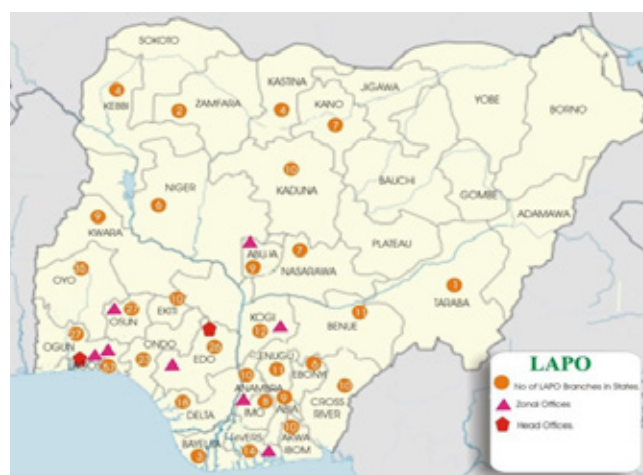


TABLE 2: LOAN PORTFOLIO GROWTH AND QUALITY AS AT DECEMBER 31ST 2006 - 2016

| YEAR | LOAN PORTFOLIO | PERCENTAGE GROWTH | PORTFOLIO AT RISK (% >1DAY) |
|------|----------------|-------------------|-----------------------------|
| 2005 | 441,858,238 | nil | 4% |
| 2006 | 1,014,785,252 | 130% | 3% |
| 2007 | 1,951,474,947 | 92% | 5% |
| 2008 | 3,257,974,135 | 67% | 4% |
| 2009 | 4,011,475,395 | 23% | 7.33% |
| 2010 | 7,376,307,395 | 84% | 2.67% |
| 2011 | 11,375,190,536 | 54% | 1.62% |
| 2012 | 16,854,955,974 | 48% | 2.02% |
| 2013 | 23,483,107,725 | 39% | 1.84% |
| 2014 | 33,249,923,377 | 42% | 7.35% |
| 2015 | 42,983,543,267 | 29% | 4.5% |
| 2016 | 52,331,682,528 | 22% | 5.76% |

STRATEGIES ADOPTED BY LAPO MfB FOR WOMEN FINANCING

A vital element of LAPO's support for women is its firm commitment delivery methodologies, products and services that are structured for their peculiar characteristics. Specific strategies adopted are:

APPROPRIATE TARGETING TOOL

Successful operations of microfinance require right persons whose needs are likely to be met by the financial institution's services. LAPO MfB pursue right targeting, as a means of reducing attrition rate and improving recovery of its loans. LAPO MfB adopts an estimation tool for the selection of its service-beneficiaries. In 2012, LAPO MfB further adopted Progress out of Poverty index (PPI) to support objective and reliable evaluation of its services. Clients are selected according to types of services provided (group or individual borrowers) to achieve uniformity of operations as well as monitor operational cost.

GROUP LENDING METHODOLOGY AND WEEKLY

LAPO MfB adopts group lending method to support the financial needs of its low/ active clients. In this perspective, female owners of micro and small businesses are organized into small credit groups which in addition to credit are used for access to social and health tips and services. Repayment schedules are structured in a manner that reflects the cash-flow patterns of micro and small businesses in which the women are engaged.

RESPONSIVE PRODUCTS AND SERVICES

LAPO MfB consistently develops and offers a bouquet of responsive products and services with focus on meeting investment and working capital needs in commerce, agriculture, affordable housing, education and clean energy. Of particular interest and value for female clients is the SUFEN (Supporting female Entrepreneurs) with larger loan sizes those with potentials to scale up their businesses.

CLIENT ENGAGEMENT

LAPO MfB serves its clients in an atmosphere of trust and respect. Emphasis is on reaching out to clients and enhancing interaction between them and members of LAPO MfB's top management team in periodic in-touch visits. In this stance, each member of the Management team randomly selects a LAPO MfB branches and works there for a period of 3 to 5 days, twice a year. Observations and reports of such visits provide valuable inputs into product and process refinement as well as enhancing client relationship management. Dedicated client call centre has been set up for efficient feedback processes.

SOCIAL EMPOWERMENT

The integration programme is designed to address the non-credit causes and manifestations of poverty such as ignorance, illiteracy, low self-esteem and inability to participate in the formal sector of the economy. A total of 49,885 clients were reached with this programme which featured topics such divorce and separation, teenage pregnancy, widowhood rights, decision making, women's right in Nigeria, women in politics, rape, and domestic violence.

MICRO-BUSINESS TRAINING

The programme aims to strengthen the managerial capability of small business owners and helps them to define goals and objectives of their businesses. The 1,428 beneficiaries that were trained in 2015 also received lectures on bookkeeping during the period to enable them monitor their profit and loss accounts.

SUPPORTIVE STAFF

LAPO has over the years made huge investment in capacity development of its staff particularly towards delivering services to its women customers. The Loan officers or client support officers (CSOs) are trained on delivering financial services and supporting female clients in matters of basic business management, career choice for their children and maternal and child health.



Weekly group meeting at Ogba, Lagos State, Nigeria July, 2017

HEALTH EMPOWERMENT

Since inception, the bank has been improving the lives of clients across the country. In 2015, a total of 162,050 persons were screened for various diseases while 47,407 received enlightenment programmes on disease prevention and health maintenance. Issues covered include pregnancy and child health, HIV/AIDS, diabetes, high blood pressure and malaria.

FINANCIAL LITERACY

The financial literacy programme provides the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. About 1,560 LAPO MFB clients were reached in the programme in 2015 while 102,162 beneficiaries received bulk SMS on financial literacy and practical tips to improve their financial lifestyle.

LEGAL AID

LAPO defends and champions the rights of women who are abused, violated and unable to afford legal services. Common cases of gender specific injustices centre around domestic violence, inheritance-related customs and obnoxious traditional practices. LAPO's intervention strategies focus on counselling, mediation, litigation and referrals. During the year 2015, 3,776 clients were sensitized on these issues. During the year under review, LAPO rendered free legal service to 31 vulnerable women as explained below:

a. Paternal Responsibility for Children's Welfare:

A client of LAPO MfB reported the case of a man who was unwilling to take responsibility for the upkeep of his two grandchildren after the demise of their mother who passed on after their marital separation. LAPO took the case to the welfare department of the Edo State Ministry of Women Affairs which compelled their father to pay N10,000 monthly for their upkeep.

b. Disinheritance:

During the year, LAPO commenced legal action in the case of a woman who was disinherited with respect to her husband's property.

c. Domestic Violence:

A gruesome case involving a man who pulled off his spouse's braided hair with his teeth during a heated argument came under legal investigation during the year under review. The woman is seeking justice with the support of LAPO. Table 3 present summary of outreach of the integrated programmes

HEALTH EMPOWERMENT

One of LAPO MfB's operating assumptions is that poverty is reinforced by problems such as too large family size, malnutrition and disease. Time and money that would otherwise have been devoted to economically productive activities are often wasted on the treatment of preventable diseases. Health intervention has therefore always been one of our poverty alleviation strategies. The underlisted health awareness and intervention services were carried out in 2015 to improve the health condition of target beneficiaries. Health screening and referral services - see table 4 below.

TABLE 3: SUMMARY OF OUTREACH AND INTEGRATED PROGRAMMES

| PROGRAMME | CLIENTS REACHED | | |
|---|-----------------|----------------|----------------|
| | MALE | FEMALE | TOTAL |
| Health Empowerment with Microfinance Services | 7055 | 27,156 | 34,211 |
| Social Empowerment with Microfinance Services | 3,448 | 12,226 | 15,674 |
| Micro Business Training | 254 | 1,174 | 1,428 |
| Financial Literacy | 275 | 1,285 | 1,560 |
| SMS on Financial Literacy | 15,018 | 87,144 | 102,162 |
| Legal Aid Sensitization | 529 | 3,247 | 3,776 |
| Legal Aid Services | 5 | 31 | 36 |
| Total | 26,584 | 132,263 | 158,847 |

TABLE 4: SUMMARY OF HEALTH INTERVENTION SERVICES

| SCREENING AND REFERRAL SERVICE | PARTICIPANTS REACHED | | |
|--------------------------------|----------------------|----------------|----------------|
| | MALE | FEMALE | TOTAL |
| Blood sugar test | 6,458 | 30,651 | 37,109 |
| Blood Pressure Test | 8,512 | 43,663 | 52,175 |
| RDT Malaria Test | 6,900 | 32,864 | 39,764 |
| HIV Test | 3,097 | 14,252 | 17,349 |
| Hepatitis B Test | 2,228 | 10,832 | 13,060 |
| Referral Service | 473 | 2,120 | 2,593 |
| Total | 60,532 | 101,518 | 162,050 |

HEALTH EDUCATION SERVICE

Clients are empowered with preventive health information for the overall improvement of their health status. Under this programme, the clients are properly and extensively sensitized on health issues such as malaria (in children and pregnancy), modern family planning methods, pregnancy care, hepatitis-B, child immunization, diarrhea in children, Cervical Cancer, HIV/AIDS and the dangers of self-medication.

Over the years, LAPO's impact on the lives of Nigerians and LAPO clients has risen exponentially. In 2015 alone, a total of 449,730 clients were assisted with free health services, social development and education services.

LESSONS IN FINANCING FEMALE BUSINESS

Prioritizing finance for female enterprises is central to development and poverty alleviation. The following are some of the recommendations or suggestions which LAPO MfB will like to share with institutions that want to focus on women financing:

STRONG INSTITUTIONAL COMMITMENT

Financial institutions should make firm commitment to access to finance for female owners of enterprises as a strategy for achieving gender equity and inclusive development.

RESPONSIVE FINANCIAL SERVICES

Product and service offerings for female entrepreneurs should take cognisance of the social context in which women live and work in any country. Products and services with well-structured delivery approaches should take into accounts the needs of enterprises dominated by women. For instance, women in some countries dominate farming and allied enterprises.

GO BEYOND FINANCE

Many women are hard-working and desirous to grow their enterprises. However, they lack capacity. For success, lending institutions which focus on female entrepreneurs should incorporate capacity building components such as business development services into their financial service packages.

COMMITMENT TO INNOVATIONS AND CREATIVITY

Innovativeness is the key to sustaining or retaining female clients. The MFI should be able to monitor and act on time in terms of the changes which staff and clients expects from the institution. Creating both social and financial products that have both business and household impacts have better value to clients than concentrating solely on financial or business benefits. There is the need to also leverage on technology to enhance ease of access for clients.

TABLE 5: SUMMARY OF HEALTH EDUCATION SERVICES TO CLIENTS

| PROGRAMME | MALE | FEMALE | TOTAL |
|-----------------------------|---------------|---------------|----------------|
| Health Education | 6,076 | 26,328 | 32,404 |
| Health Education (B.C.M) | 3,305 | 13,037 | 16,342 |
| SMS on Health Sensitization | 17,284 | 57,818 | 75,102 |
| Total | 26,665 | 97,183 | 123,848 |

UNDERSTANDING SOCIO-CULTURAL CONTEXT

Depending on the socio-cultural context, female clients are more likely to work and understand the language of their own gender. This is very important in resolving conflicts in the unions and sometimes in dealing with problematic clients. Thus, it is better for MFIs to have higher ratio of female staff to male counterparts if the organization is a pro-woman organization.

Mrs. Anuka Beatrice recalled that meeting financial obligations in the family was difficult as income from her hairstyling business could not go round as it was grossly undercapitalized.

A neighbour directed her to LAPO while searching for funds to stock the shop with weave-ons. Excitedly, she attended the first meeting with her friend and subsequently became a beneficiary of LAPO and a member of Love Union.

With her first loan of N10,000 (USD 27.4), she purchased weave-ons, attachments and hair relaxers in bulk and with subsequent loans of N15,000 (USD 41) and N20,000 (USD 54.8), she scaled up the business further. Her current loan is N500,000 (USD 1,369.86).

Mrs Anuka Beatrice makes an average of N50,000 (USD 137) as profit daily.

“LAPO helped me to expand to this level. Life was not easy for me then. Today, I am happier. I contribute significantly to my family budget, especially on feeding and education. My children now eat good food and dress better. LAPO is my Pride”



Mrs. Anuka Beatrice (Asaba, Nigeria)

Prior to joining LAPO, Madam Igbe depended on income from petty fruit selling and the sum of N4,000 (USD 11) she earned as a cleaner at Sunny Eru Transport Company in Warri, Delta State. She got information about LAPO from a concerned confidant during a discussion session and immediately took advantage of the opportunity to launch her current line of business.

Madam Igbe invested her first LAPO loan of N20,000 (USD 54.8) on the sale of bread and provisions in the motor park where she had worked as a cleaner. Upon the prompt repayment of the loan, she was advanced a second stage loan of N40,000 (USD 109.6). The 45-year old mother of six children has since passed through this stage of loan and now takes N120,000 (USD 328.8) and above for business growth and development.

With an average daily profit of N5,000 (USD 14) from her business and N48,000 (USD 131.51) as monthly savings, Madam Igbe and her household have moved from every day battle with hunger and poverty to better planning for the future and investment in children's education, improved nutrition and quality health care.

She says: “My most important concern, which was the education of my children has been achieved. Two of my children have graduated from tertiary institutions and are working while others are still in school”.



Madam Evelyn Igbe (Delta State, Nigeria)

CONCLUSION

Access to finance is critical to economic and social empowerment of women. Sustained independent sources of income for women translates to access to education and better nutrition for their children. Enhanced financial independence grants stronger voice with their households and communities. LAPO MfB's prioritization of access to finance for women is premised on these facts and it has been instrumental to the success of the institution as a foremost microfinance services provider in Nigeria.

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eISBN 978-967-15450-1-0

