Grameen Microcredit as an Archetype of Islamic and Ethical Micro Financing Experiences: Respondents' Perceptions on its Viability in Nigeria

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Hashim Sabo Bello
Department of Business Administration and Management, School of Management Sciences
Abubakar Tatari Ali Polytechnic Bauchi, Bauchi state, Nigeria
https://orcid.org/0000-0002-3954-9020

Yunus Jibril Hassan
Department of Islamic Studies, Federal University, Gashua, Yobe State, Nigeria

Nura Ahmad
Department of Islamic Studies, Federal University, Gashua, Yobe State, Nigeria

Abstract
Making microcredit facilities accessible to the poorest members of society have attracted well support from neoliberals partly due to its prominence on individual responsibility and those on the left of the political spectrum to a certain extent for the reason of its potential to empower women. Following this premise, the paper focused on the justification of ethical micro financing in Nigeria with consideration of experiences worldwide that Islamic micro financing is one of the fastest-growing segments in both the domestic and international financial system. This study also intends to inspire the espousal of alternative ethical finance to tie together its benefits in Nigeria. A structured questionnaire was distributed to the Bauchi metropolis; thereby, a convenience sampling technique was used. The data collected were analyzed using frequency tables, percentages, and simple tabulation. This study believed that poverty is not created by poor people. It is created by the institutions and policies which surround them. Loans offer people the chance to take initiatives in business and agriculture to make earnings that enable them to pay off debt. This paper largely recommended that the acceptance of Islamic and ethical microfinancing experiences are the foremost component of the struggle against poverty and can be used to ease the discouraging impact of the high unemployment rate among the youth in Nigeria and other Muslim countries.
Keywords: Grameen Bank, Ethical Micro-Finance, Islamic Finance, Microcredit, Poverty Alleviation and Unemployment Rate
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Introduction

The concept of Islamic microfinance is a recently developed dimension for micro financing to operate on Islamic modes, and it started in early 1960 from Latin America and Southeast Asia. Bangladesh, however, has a significant contribution to originate and approach the Paradigm concept of Islamic Micro financing. Islamic micro financing is being done through different models such as Grameen Model, Credit Union, and Self Help Group in particulars. Still, the microfinance sector is looking forward to a compatible brain well trained and equipped to practice Islamic Microfinance using these models prudently. It is observed that there are no specialized institutions for the education of Islamic Microfinance in particular.

The absence of specialized education in Islamic Microfinance, particularly, is the crucial fact in the Islamic Microfinance Industry, which is one of the hurdles for the promotion of the industry as well (Zubair, 2014). In Nigeria, Microfinance institutions were established to enhance and provide the flow of financial services to meet the need of poor and low-income groups who engages in the agricultural sector and non-farm activities such as trading, tailoring, weaving, blacksmithing, agro-processing, and transportation, etc., through an appropriate menus for both rural and urban poor (Adamu et al., 2010).

Islamic finance, otherwise known as ethical finance, is generally believed to be a subset of the socially responsible investment, which in reality symbolizes a good example of alternative ethical financing and investment in today's fast moving world. In connection to this, Ikram (2014) posited that Islamic bankers are not mere bankers from a conventional sense. Accepting deposits and lending are the core competencies of conventional bankers to have the maximum spread between the two. The Islamic bankers and finance specialists focus on profit/loss sharing by using the funds on economic generating investments and trading activities to make a profit and share that profit with all the depositors and shareholders while protecting the fabric of our society without engaging in activities prohibited and harmful to the society. It's in that sense, Adeola, 2012 opined that Islamic finance run through all the monotheistic faith, including Christianity and Islam. The prohibition of interest, the prohibition of alcohol, pornography, in the case of Islam, pork, oil spills, weapon, or anything that is considered harmful to society as a whole. In the face of global and modern financial models, there lie the greater the opportunities in the Islamic micro finance paradigm.

For many years small and medium-scale (SMEs) business sectors in Nigeria have faced a tough business environment and yet resourceful entrepreneurs continue to find ways of coping. Efficient, accessible, and simple regulations and clear property rights could unleash the natural entrepreneurship of Small and Medium-size firms even further. The initial efforts were Government-led (SMEs), following the lessons learned from the success of SMEs in contributing to the economic growth of Asian countries (Ojo, 2003) as cited in (Babajide, 2011). This is manifested in the following ways, Employment generation, rural development, Economic growth and Industrialization, better utilization of Indigenous Resources. Micro, Small and Medium businesses are the starting point of most giants 'multinational of today's business world. Examples of SMEs are varied but include such relatively small firms like blacksmiths, small tool shops, Gold smiths, and relatively large firms like soap making factories, bakery and block making firms, etc. (Alalade and Amusa, 2013).

In Nigeria, one of the greatest obstacles that these businesses are grappling with is access to finance; even if the credit facility is available, they may not be able to meet the collateral requirements of conventional banks; this has forced many to closing shop. The Federal Government realized the importance of SMEs as a vital tool for the economic development of any nation of the world, took some measures to address the problem that hinder the sustainable development of this sector. These efforts include establishing several development finance institutions by the Government, which could provide additional funding for SMEs to break the barricade to access capital by low-income individuals for development purposes. Unfortunately, most, if not all, these programs have recorded limited success in wide access to sustainable credit as a critical instrument for growth and poverty reduction. After failed trials of these programs, the Federal Republic of Nigeria in 2005 introduced the Micro Finance Banking Scheme; with this program existing Microcredit institutions were made to transform into Micro Finance Bank, and their minimum paid capital rose to 20million. The target group of microfinance is self-employed low-income entrepreneurs: traders, artisans, street vendors, farmers, hairdressers, drivers, blacksmith, etc. that are not served by the commercial banks.

According to World Bank (2010), Micro, Small, and Medium-sized enterprises are socially and economically important. They represent 99% of an estimated 19.3 million enterprises in Europe (EU) and provide around 65 million jobs representing two- thirds of all employment. In Africa, SMEs form a greater majority of businesses and employ a significant portion of the population. It is estimated that about 70 percent of Nigerian enterprises fall between Micro to Small sized. Nearly 40 percent of Nigeria's Gross National Income (GNI) is attributed to private sector activity (George et al., 2013). It's a known fact that the first model of an organized microcredit organization lending to individuals is widely accepted as being the Grameen Bank in Bangladesh in 1976. The achievement of the Grameen model has stimulated the growth of many more microfinance institutions in Latin America, Africa, and Asia, such as Kiva and PRODEM (later Banco Sol). It is the growth of these institutions and the increased participation of commercial banks with neoliberal principles that have caused discussion about the factual value of microcredit as a means of reducing poverty (Yunus, 2007).

On another dimension, claims by some supporters of microcredit about the contribution that microcredit can make to alleviating poverty are deemed to be unrealistic by many. One estimate by a researcher in Bangladesh suggested that 5% of the loans given by Grameen Bank resulted in the loanee escaping poverty – a worthwhile contribution to development but not the panacea that some people hoped it would be. Microcredit rarely transforms lives. Some people do better after getting a small business loan, while some do worse – but very few climb into the middle class. It's a constructive endeavor, but it has been vastly overhyped. And the hype has undermined the good that the movement can achieve (Roodman, 2012). People like Roodman consider that microfinance has a significant role to play in future development. Still, like the provision of clean water and access to medical services, it can't solve the problem of poverty by itself. For people similar to him, the rapid growth of microfinance institutions worldwide has not been obliging. The growth has increased expectations, and the demand for capital has resulted in for-profit organizations replacing the original microfinance not-for-profit institutions. The result has been a big increase in interest charged on the loans and increased personal debt.

Method

Research Design

The methodology of research is the engine and the driver and the life wire of any research activity. Research is about the collection and the use of data, and data collection cannot be successful without relevant methodology (Imo, 2015). Therefore, this chapter lays down the research methodology and design. The methodology employed in this research entailed a combination of questionnaires and content analysis of literature sources. The rationale for using these primary and secondary sources was to cater to the peculiarities and viewpoints in the study area. The relatively precise and concise questions in the questionnaires employed in the study were carefully crafted to reduce boredom, fatigue, and demand on the target participants so that they do not exhaust their energy, time, and effort in answering the questions. Research is commonly viewed from the lenses of the quantitative and qualitative paradigms (Bracken, 2010). The research process of this study is quantitative since it involves primary data collection through the use of a questionnaire and numbers, and the findings are presented in the form of tables to convey a sense of solid and objective research (Denscombe, 2003). The research design provides a complete guideline for data collection, data analysis, and data interpretation. This study followed a deductive research approach where speculation and hypotheses are developed, and a research strategy is designed to test the hypotheses. This study was carried out with a strong view of determining the perceptions towards inspiring the espousal of alternative ethical finance to tie together its benefits in Nigeria. A survey was adopted for this study, a popular and common strategy in business and management research. A case study is a good strategy but was not selected after considering the time needed to complete the research and the weak possibility of generalization. Experiment research was not selected due to its unsuitability to this research, which is not on natural science. The researcher generated facts from the respondents about the research variables. This research study was not carried out over a long period and did not investigate the same group of people several times. Therefore, it cannot be classified as a longitudinal study.

Sampling Technique, Sample Size, Validity and Reliability of the Instrument

The structured questionnaire was distributed to the various categories of respondents, and besides, convenience sampling was used where the researcher selects the most accessible population members. Since it is extremely expensive to collect data from all the parameters, convenience sampling and judgment techniques were used. The sample size for this research work includes selected businessmen/women and employees in different professional lines, such as banks, private companies, academic institutions, hotels, media houses, and other organizations. The rationale behind selecting businessmen/women and employees is to have divergent ideas across the study area. Since it is extremely expensive to collect data from all the potential limits of analysis covered by the researchers, a simple random sampling and judgment techniques were used. Judgment sampling; where it is not possible or practical reasons to adopt probability sampling, then the researcher may use the initiative to select members of the population as the sample for a research study. Simple random sampling is based on the assumption that items in population to the sampled are homogenous. It is first divided into groups of strata so that items in any particular group are similar with regards to the characteristics. Herein, samples were collected, critically analyzed, summarized, and designed to form this work.

Result and Discussion

The focus of this research article is aimed at evaluating and comparing the relative divergence perceptions and benefits of ethical micro modes of financing in Nigeria. For this reason, the research study was made to be exploratory as it analyzed the respondents' perceptions about the ethical micro modes of finances in the Nigerian context. In the case of this study, we have resorted to the categories as those respondents in the affirmative (Yes), and those not (No); a method used in other studies where the psychometric nature of a Likert scale would be misleading as the respondents for this study are colloquially known to be not-so-literate.

Table 1 below presents the respondents' knowledge of Grameen microcredit principles.

Question 1: What is your understanding of the essence of Grameen microcredit principles?

Table 1: Chi-Square Tests for Respondents' Awareness of Grameen Microcredit Principles

Questions	Yes	%	No	%	Total	Total (%)
To determine Respondents' understanding of Grameen microcredit principles						
Poverty is not created by poor people but it is created by the institutions and policies which surround them.	58	91	06	9	64	100
Loans offer people the opportunity to take initiatives in business or agriculture to make earnings that enable them to pay off debt.	50	78	14	22	64	100
Poor people have skills that remain unutilized or under-utilized and therefore it's not the lack of skills that makes them poor.	51	80	13	20	64	100
Charity is not an answer to poverty but it only helps poverty to continue thereby creates dependency and takes away an individual's initiative.	57	89	07	11	64	100

Source: Field study (2020)

The interpretation of the results revealed that the responses obtained from the questions asked on Respondents' understanding of Grameen microcredit principles reveal that more than 60% of the respondents indicated yes that they believe that people have endless potential, and unleashing their creativity and initiative helps them end poverty which is an agreement with Grameen Bank microcredit principle. The opinions further agreed with the principle that loans are better than charity to interrupt poverty: they offer people the opportunity to take initiatives in business or agriculture, which provide earnings and enable them to pay off the debt. Therefore, such assumes that when individuals are provided credit, they will initiate upward social mobility through entrepreneurial endeavors. The Grameen is one such institution that has presented credit to classes of people previously underserved:

the poor, women, illiterate, and unemployed people. Access to credit is based on realistic terms, such as the group lending system and weekly-installment payments, with sensibly long terms of loans, enabling the poor to build on their existing skills to earn better income in each cycle of loans. It's now on record that the Grameen has created a new class of women entrepreneurs who have raised themselves from poverty. Besides, the Grameen has improved the livelihoods of farmers and others who are provided access to critical market information and lifeline communications previously unattainable in some 28,000 villages of Bangladesh. More than 55,000 phones are currently in operation, with more than 80 million people benefiting from access to market information, news from relatives, and more (Yunus, 2007).

Table 2 below presents the respondents' skepticism of the success of Grameen microcredit principles.

Question 2: Do you have Skepticism about the Success of Grameen microcredit principles?

Table 2: Chi-Square Tests for Respondents' Skepticism of Grameen Microcredit Principles

Questions	Yes	%	No	%	Total	Total (%)
To determine respondents' Skepticism of the Success of Grameen microcredit principles						
Do you agree that the objective of Grameen-style programs is to get local people to run businesses and keep them going after the aid agencies have left	55	86	09	14	64	100
Do you agree with Grameen Bank proverb: "If you give a man a fish you feed him for a day. If you teach him to fish, you feed him for a lifetime."	57	89	07	11	64	100
Does ethical financing encourages borrowers eventually to become savers so that their local capital can be converted into new loans	51	80	13	20	64	100
Do you agree with the doubt that the microcredit is a good thing but has been oversold	49	77	15	23	64	100

Source: Field study (2020)

The interpretation of the results in table 2 above revealed that the responses obtained from the questions asked on respondents' skepticism of the success of Grameen microcredit principles reveal that more than 70% of the respondents indicated yes in agreement with that they believe that the widespread availability of credit can solve many problems in undeveloped areas and that individuals in the undeveloped areas often have the best ideas and the most efficient means to develop them.

Since the purpose of Grameen microfinance programs is to get local people to run businesses and keep them going after the aid agencies have left and so the Grameen Bank proverb is: "If you give a man a fish, you feed him for a day. If you teach him to fish, you feed him for a lifetime." One more purpose of the Grameen microfinance program is to improve the condition of women and help them start businesses, so they holdup having children and don't add to overpopulation. Studies show the benefits of microcredit are wider than now, giving people access to finance. Women particularly benefit from microcredit as many loans are made to and by women, thereby place money and decision-making in the hands of women who, if wouldn't, have it.

Conversely, by considering the respondents' knowledge of the multiplier effect of Grameen microcredit principles in Nigeria, little is known about its drawback. However, there is a debate over the trade-off flanked by more financial inclusion and the risk of people taking on debt that they cannot pay back owing to microcredit. In the Indian state of Andhra Pradesh, as a case in point, a lot of rural farmers continually took out loans, using one loan to repay another. The crisis resulted in a sequence of suicides by farmers entrapped in a cycle of debt. In addition to the above, microcredit hasn't had a positive impact on gender relationships.

A study in Bangladesh (2008) found that, although most loans were made to women, they were often acting as collecting agents for their husbands. Women had to accept responsibility for repaying the loans that men had spent. This is particularly true for larger loans - women have 100% control over loans smaller than 1000 Taka but only 46% of control if the loan is bigger than 4,000 Taka (Karim, 2008). As a matter of fact, without regulation that protects borrowers from taking on debt they cannot afford, this could bring trouble in Nigeria even more than the Indian state of Andhra Pradesh.

Though, what is special about the Grameen Bank model is that it does not ask for collateral as security for the loans as a "payday lender" or a pawn shop might. In its place, loans are made to borrowers with five references from people in the community (not relatives) concerning their ability and intent to repay the loan. The loans are usually for one year, with firm weekly repayments and interest set at around 30%. The five references provide what's called "social collateral" or peer pressure, resulting in repayment rates of about 99%. Although this model works in close-knit communities in Bangladesh but does not signify that it will translate accurately to African countries like Nigeria. Studies reveal borrowers benefit from feeling more empowered and being financially included in society because of access to microcredit.

Nevertheless, there are many critics of microcredit. Studies have established that because of the high-interest rates charged by microcredit providers, the increases in business investment and profitability don't lead to higher consumption or improved health and education. Researchers have also established that microcredit means children are kept home to help run the expanded businesses, so their school turnout is reduced.

Conclusion and Recommendations

In conclusion, it should be noted that, after a golden age of expansion, the field of microfinance has become a mature sector of the global economy. To be sure, it still has to face some very legitimate questions about profitability, interest rates, over-indebtedness, and the ability to generate real economic activity beyond subsistence (Yunus, 2005). Financial services are like clean water and electricity – they are essential to leading a better life. Imagine if you didn't have access to bank accounts, insurance, or mortgages. Poor people need such services more than anyone because, in developing countries, poverty does not just mean low income; it means volatile income—the poor need to set aside money in times of plenty and draw it out in lean times. Financial services allow you to save for wedding expenses, borrow for funeral costs, or insure health care (David Roodman, Washington Post, 8 March 2012). However, there are some people who believe that the biggest problem with microcredit is that it gives neoliberal politicians the opportunity effectively to privatize welfare and avoid government responsibility for providing the help and support that poor people need to escape poverty. Individual responsibility is a good thing, but individuals cannot provide the infrastructure that communities need to make themselves wealthier and healthier, such as healthcare, clean water and sanitation, education, and political freedom. It is an argument that is repeated many times in development studies. To what extent should people living in poverty be left to do things for themselves? The micro-credit system of Grameen banks served as a motivation and an opportunity for the poor to improve their situations. Therefore Grameen's borrowers attain a sense of confidence and self-sufficiency when they pay back their loans from Grameen banks. The overall recommendation of this paper suggested that whenever we engaged in social business and entrepreneurship fields with the acceptance of Islamic and ethical micro financing experiences as the foremost component of the strategies of the struggle against poverty, therefore this can be used to ease the discouraging impact of the high unemployment rate among the youth in Nigeria and other Muslim countries.

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Author Details

Hashim Sabo Bello, *Department of Business Administration and Management, School of Management Sciences, Abubakar Tatari Ali Polytechnic, Bauchi, Nigeria,* ***Email ID****: hashimsabo@gmail.com*

Yunus Jibril Hassan, *Department of Islamic Studies, Federal University, Gashua, Yobe State, Nigeria,*
Email ID*: mayyaszaw11@gmail.com*

Nura Ahmad, *Department of Islamic Studies, Federal University, Gashua, Yobe State, Nigeria,*
Email ID*: nuraahmad212@gmail.com*