Is there discrimination against women entrepreneurs in formal credit markets in Nigeria?

Abstract

This research investigates whether women entrepreneurs in small and medium-sized enterprise (SMEs) in Nigeria are marginalised in formal credit markets compared to their male counterparts. The study also investigates the impact of credit access on the performance of enterprises. The study uses Nigerian Enterprise Surveys data from 2010 to construct a direct measure of credit constraints in order to address the objectives. A probit credit constraint model was estimated, and nonlinear decomposition methods as well as propensity score matching methods were employed in the analyses. Our results did not show significant discrimination against women in formal credit markets in Nigeria. The results reveal that firms that are not credit constrained in the formal credit market perform measurably better in terms of output, output per worker and the decision to invest/expand, compared to firms that are constrained. Our results also show that access to formal credit by small and medium enterprises in Nigeria is still very low. The policy implications, among others, are that government and monetary authorities should support credit expansion policies for medium and small enterprises by creating an enabling environment for financial intermediation in Nigeria. Also, intervention funds targeted specifically at medium and micro enterprises would help to ease credit constraints.

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