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TRADERMONI MICRO-CREDIT SCHEME AND POVERTY REDUCTION IN NIGERIA

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ABSTRACT

An examination of the tradermoni micro credit scheme becomes necessary considering the high rate of poverty in Nigeria. The conceptualization of the scheme is innovative and assuring. It provides a system that will ensure financial inclusion at the lowest level of the economy with a mechanism to encourage repayment. Unlike similar scheme in the past, beneficiaries can access a higher credit facility upon repayment of previous loan. This is to encourage refund and productivity. The bottlenecks and hassles depriving many low income earners access to credit facilities are removed in this scheme. However, implementation of policies in Nigeria has always been a big challenge in the country. The tradermoni micro scheme is embroiled in controversies arising from the motive behind the scheme and the timing for the commencement of the scheme. The capacity of beneficiaries to payback is not properly verified. The scheme is likely to go the way of similar programmes in the past as it is fraught with not clearly known institution and structure, fraud, cronyism and politicization. More so, the scheme is challenged considering the size of its loan envelope, poor profiling of beneficiaries and so on to ensure that the target population are actual beneficiaries. Government economic policies must change and encourage investment and survival of micro businesses because micro-credit alone cannot lift people out of poverty.

Keywords: *Trdermoni, poverty reduction, micro credit and poverty*

1.INTRODUCTION

The challenge of poverty has attracted the attention of many stakeholders with an increasing tempo over the last five decades. The concern of all in dealing with poverty is the debilitating effects it has on the productive capacity of its victims. The menace of poverty contradicts prospect of opportunities. As noted by Khan et al (2017), poverty saps energy not only for physical work but also for opening the mentality to opportunities.

As a developing country, the incidence of poverty in Nigeria is real with devastating effects on the citizens. Though the concept of poverty is difficult to define, it is evident in lack of job, food insecurity, vulnerability, insecurity, usage of inefficient forms of energy, poor access to health care, lack of quality education and shortage of other basic infrastructures for acceptable standard of living.

The absence of basic infrastructure like health care system, water, education, electricity, lack of financial security and so on has worsened the poor state of Nigerians. More so, most Nigerians are engaged in subsistence farming, petty trading and other self-employed activities. This is due largely to lack of access to financial capital required to engage in economic activities of profitable proportion. This stems from the inability to access financial capital or credit because of bottlenecks by the traditional financial institutions which make it very difficult for the low income earners to access fund (Abur and Torruam, 2012).

It was on this basis that the Federal Government of Nigeria has continued to initiate and support various empowerment programmes for the poor. Among them are the recent SURE-P, YouWin, N-Power, microfinance credit schemes, the Conditional Cash Transfer (CCT), Home Grown School Feeding (HGF), the Free Education for Science, technology, Engineering and Mathematics and the Trader moni schemes/initiatives. These initiatives no doubt cost the government good chunk of resources to ensure the rate of poverty and suffering among the people reduces. But it is obvious that these schemes have consumed tax payers' monies without remarkable drop in the number of poor people. Instead, many are daily joining the class of poor people such that Nigeria degenerated to the notoriety of being the world poverty capital.

It is therefore regrettable that despite these noble initiatives, access to credit facilities is still difficult and blurred in systemic bottlenecks exacerbated by financial institutions for their own gains. A recent Central Bank of Nigeria report put the financial gap in the small business segment of the economy at $156 billion (#48 trillion) (CBN, 2018). In recognition of this challenge and the fact that about 20 million Nigerians in petty business are in dire need of capital to grow their businesses, the President Muhammed Buhari led administration initiated its Social Intervention Programmes (SIPs) aimed at bringing succor to the vulnerable groups in the Nigerian society. One cardinal aspect of this social programme is the Tradermoni scheme.

Tradermoni scheme is a non collateral and interest free loans for the real poor among Nigerians. The scheme Trader moni as one of the social investment programmes focuses more on petty business which requires very little capital to start up. Credit for the trader moni is interest free and collateral free loans administered by the Bank of Industry on behalf of the Federal Government. It is on this regard this study assessed the efficacy of Tradermoni in reducing poverty in Nigeria. We also examined the challenges/criticisms in the implementation of the scheme and made useful suggestions to strengthen the scheme.

1.CONCEPTUAL REVIEW

Micro credit

Micro credit has to do with soft loans granted to small and medium scale entrepreneurs, farmers and artisans/craftsmen etc to enable them procure, produce or improve their productivity as well as increase their general welfare. According to Ugochukwu and Onochie (2017), micro credit leads to the establishment of cottage industries, livestock farming, fish ponds and piggery. Micro credit could lead to real successful farming to the extent of export and promotion of agricultural products.

Because of its importance, the international year of micro credit was launched on 18th November, 2004. According to the Charter establishing micro credit, it has to be observed by all United Nations member countries annually with national programmess and events aimed at creating awareness on the relevance of micro credit (UN, 2005). No doubt such annual activities would spur national governments to initiate similar programmes to replicate the ideals in their home countries. It can also be opportunity to organize forum and invite experts to discuss the challenges of such scheme and make quality recommendation.

Ugochukwu and Onochie (2017) emphasizes on financial sector and strengthening the powerful but often untapped entrepreneurs' spirit existing in community around the world. It is aimed at empowering the power and the low income earners by engaging them in profitable economic activities, live better lives and contribute to nation building.

1.MODELS OF MICRO CREDIT FINANCING

There are basically formal and informal models of purveying micro credit to the target group. According to Aryeety (1995) the most successful had been the informal model because several developing economics where poverty is high. Some individuals, households and regions remain isolated from market and from mechanisms for borrowing and lending or insuring against risk. Although of recent the formal sector is making concerted effort to reach target groups for micro financing.

Informal model

The informal model is built around group concept. The model works in a situation where groups whose commitment to savings and credit are weak and look up to donor-sponsor credit. While this works better with a group that voluntarily come together to form a revolving savings and credit association. It develops managerial problem where the groups are not cohesive and voluntary (Akanji, 2009; Besly et al, 1993). The several examples of the informal model include;

a. **The Grammen Bank experience:** It was started in Bangladesh to assist landless people to obtain credit which could not be obtained through the formal commercial banks credit facilities (Hulmes and Mostey, 1996). This must be successful because the groups were cohesive and voluntarily formed.

b. **Non Governmental Organisations (NGOs):** This approach is usually gender specific and sectorially motivated. There are women groups, farmers' union, traders' union etc.

c. **Esusu:** This is a revolving loan scheme mostly operated in Nigeria and in most West African countries as an informal micro credit programme. Members make fixed contributions of money at regular intervals. At interval, one member collects the entire contributions from all. The Esusu assist the target group to alleviate poverty, particularly among market women in rural markets (Akanji, 2009).

Formal Model

The formal micro finance model is built around formal financial institutions such as the commercial banks, rural/village/community bank etc that purvey credit to the poor had not been successful. The reasons adduced for their failure had been limited knowledge of the poor, unnecessary bottlenecks and poor synergy between the formal and informal financial institutions (Akanji, 2009). Another is that credit needs of the poor are very small compared to what the formal model can possibly attend to.

The Linkage Model: This approach links the informal savings collectors to the formal institutions. In Ghana, the linkage model was done by the collectors forming a registered association with which the bank deals. This is more or less of cooperative societies that are common in Nigeria.

Donor Model: This approach work through donations by family members, friends and international donor agencies to micro business to raise seed capital for their businesses.

1.TRADERMONI INITIATIVE

Models of micro credit scheme have evolved over time to ensure it reach the poor (target population) while mitigating the hindrances towards accessing capital by the poor. The Tradermoni is one of the social investment programme of the Buhari led government aimed at bringing succor to the vulnerable groups in the society. According to the Nigeria Vice President, he explained that tradermoni is part of process in which the collective wealth is invested in phased social programmes that will lift majority of Nigerians from poverty (Murtala, 2016). The social investment programme aimed by the administration includes;

i. **N-Power:** This is an integrated programme that are categorized into:

a. **The Teach Nigeria Scheme (TNS).** In this programme, the Federal Government directly hires, trains and deploys 500,000 graduates of tertiary institutions as teachers to help raise the quality of equation in schools across the nation.

b. **The Youth Employment Agency (YEA).** Here 300,000-500,000 non graduate youths are taken through skill acquisition programme and vocational training for which they will be paid stipends during the training.

ii. **Conditional Cash Transfer (CCT).** In this programme, #5000 is paid directly to one million extremely poor Nigerians based on condition that they have children enrolled in schools and are immunized.

iii. **Home Grown School Feeding (HGF).** This is where a meal per day is served to primary school children.

iv. **Free Education Scheme for Science, Technology, Engineering and Mathematics (STEMS).** Tuition payment is made for about 100,000 STEMS students in tertiary institutions.

v. **Micro Credit Scheme (MCS).** Under the MCS, #60 billion is earmarked as loan to cover one million artisans and market women/men. Schemes in the MCS are Market moni and Farmers' moni. In the market moni, loans from #500,000 is given to market women/men by the Bank of Industries (BoI). Farmers' moni involves loans from #300,000 is given to farmers. There is also the trader moni loan where amount from #10,000 is given to traders and artisans by the Federal Government. All these social intervention by the government is to support small, medium and micro businesses (Agbo, 2018).

Trader moni as one of the social investment programmes focuses more on petty business which requires very little capital to start up. Credit for the trader moni is interest free and collateral free loans administered by the Bank of Industry on behalf of the Federal Government. According to Uzoma Nwagbo, the Chief Operating Officer of Government Enterprises and Empowerment Programme(GEEP) in Bank of Indusrty (BoI), the scheme aims at expanding credit facility to 2 million Nigerians before the end of 2018. Under the scheme, beneficiaries can access #10,000 interest and collateral free loan with payback period of six months which will also qualify beneficiaries for the next phase of #15,000 loans.

Beneficiaries can get a maximum of #50,000 on meeting the criteria which is majorly, ability to pay back previous loans within six months. By January, 2019, the scheme has been inaugurated in 32 states and the FCT with 30,000 beneficiaries from each state (tradermoni.ng). The Chief Operating Officer of Government Enterprises and Empowerment Programme (GEEP) in BoI further said that the Federal Government intends to ameliorate the plights of 23 million Nigeria in petty trade businesses who are in dire need of capital to grow their businesses. This class of people rarely has bank account and is usually not interesting or profitable to traditional lenders. They cannot access loans because of their lean finances and lack of collateral. Hence, they are prone to remain in cycle of poverty.

Furthermore, applicants for the loans are required to be up to 18 years of age. They are equally to be seen to operate a petty business, has a valid means of identification, valid mobile phone number. In some instance, they may be required to have a valid Bank Verification Number (BVN).

1.PROSPECTS OF TRADER MONI ON POVERTY REDUCTION

With reports crowning Nigeria as the world poverty capital, any scheme with the objective of reducing poverty in the country is worthy of evaluation. This is beyond the dichotomy of yet another waste of money or cynical weaponization of poverty for political gains.

Unlike similar schemes in the past YouWin, SURE-P etc which targeted at the small and medium enterprises, the tradermoni is for the micro business operators, who are at the lowest echelon of the economic system (BoI, 2018). This segment of the society inventory worth less than #10,000 or require a seed capital of less than #10,000 to start-up.

In the same reasoning, Agboeze and Onwuka (2014) argued that the likelihood of a household being classified as poor or non-poor is dependent on certain explanatory variables one of which is access to credit amongst others. Financial inclusion is a crucial determinant of access to finance. In Nigeria, about 65% of the population cannot access the traditional financial institutions and as such are excluded from the financial system. Ardic et al (2011) maintained that the reasons for the increasing percentage of the population excluded from the financial system are connected with educational, gender, age, irregular income, regulations and geographical locations. These have together contributed to the dearth of access to financial services.

The tradermoni micro-credit scheme is modeled to frontally deal with those bottlenecks. It is initiated to provide 2 million initial beneficiaries access to small loans without the hassles and barriers associated with traditional financial system. According to the Vice-President, Osibanjo, the initiative will increase the level of financial inclusion in the economy. Inclusion of the initial 2 million into the financial system will generate multiple economic activities, cause growth in national output and eventually degrade poverty.

On the other hand, greater financial access through the tradermoni will facilitate increasing ability of households to undertake productive investment and connect them to banks with the consequential benefits. As noted by Mohan (2006), financial inclusion affords several benefits to the consumer, regulator and the economy alike. The establishment of an account relationship between the tradermoni beneficiaries and the banks can pave the way for the customers to avail the benefits of a variety of financial products which are not only standardized but also provided by institutions that are regulated. In essence, access to finance through tradermoni could open more opportunities to the beneficiaries to access credits, insure their business in a regulated financial system.

Furthermore, the scheme has the potential of increasing capital accumulation by the beneficiaries. Additional capital to increase the stocks by the beneficiaries will amount to extra profit beyond their survival expenditure. According to Hague (2009), micro credit creates and enhances procedures that have resulted in high rate of savings mobilization, ability to nurture a culture of commitment and self reliance among low income workers.

In the awareness of the prospects of tradermoni, about #15billion is earmarked for the initial take-off of the scheme. The amount though not enough will contribute in reducing the financial gap in the micro business segment of the economy. According to the Central Bank of Nigeria (2018) report, the financial gap in the Medium, Small and Micro Enterprises(MSMEs) segment of the economy is $158billion (#48trillion). Therefore, a sustained implementation of tradermoni and other economic and social intervention programmes can obliterate this huge gap that has made inclusive economic growth and development elusive in Nigeria.

However, OXFAM (2018) maintained that poverty and income inequality in Nigeria is not due to lack of resources, but to the ill-use, misallocation and misappropriation of such resources by the political elites. It further recommended that government must free millions of Nigerians from poverty by building a new economic and political system that ensures access to national resources by all. Implicitly, tradermoni is one of the vehicles through which resources can be redistributed to bridge the alarming income inequality gap prevailing in the country today. Social safety nets like the tradermoni can afford poor families seed capital to invest in productive activities that will improve the health and general well being of the family.

1.IMPLEMENTATION CHALLENGES

Since the inauguration of the tradermoni in 32 states and FCT, there has been increasing concerns regarding the capacity of the scheme to reduce poverty among the low income earners. The apprehension is not unconnected with how similar programmes in the past ended.

Stakeholders and particularly critics of the Buhari government are more apprehensive on the timing and sustainability of the scheme. For instance, the Transparency International says the implementation of the scheme is suspicious. The organisation's Director in Nigeria argued "it was not done three years ago but only started close to election time….this is clearly a case of vote buying using public fund" (Leadership Newspaper, Nov.25, 2018).

Former President Obasanjo also tagged the scheme "an outright idiotic programme" with something sinister about the programme that is tied to a plot to rig the election by collecting the voters' cards Number of beneficiaries (The Cable, January 20, 2019). The Senate President, Bukola Saraki have also alleged that the programme is a sophisticated vote buying. It is very difficult to extricate the genuine intention of the administration to reduce poverty through this scheme and the accusation of vote buying due to the timing. According to Itodo, the Executive Director of Youth Advocacy, Growth and Advancement (YIAGA), it is a dilemma and there is a timeline and we cannot run from that argument when you talk about the impact of money with our electoral process (Blueprint, December 29, 2019).

Furthermore, the scheme is intended for micro business owners, artisans and those seeking very little seed capital to start-up a small business which the inventory is not more than #10,000. These categories of business are predominant in the rural areas. But the scheme was being launched in urban markets. In the urban markets, most businesses are well over #10,000 inventories. This further gives concerns regarding the target population for the loan and the actual beneficiaries.

Again, the process of collecting the loan is made too simple and loose that verification of micro business owners is not properly verified. According to the Leadership Newspaper (November 25, 2018), most people who collected the tradermoni were not petty traders or artisans. Some of them were urchins and housewives who felt it is an opportunity to collect their own share of the national cake. Such beneficiaries may not spend the fund on productive activities. If this becomes the case, repayment of the loan will become difficult because most of the beneficiaries did not supply their actual business address before collecting the loan.

Another huge challenge of the scheme is paucity of the data, weak institution to ensure the programme is efficiently managed to the benefits of the target poor population devoid of corruption, cronyism, fraud and obscurity. It was speculated that agents were demanding #2000 before the fund is transferred to the beneficiaries (Leadership Newspaper, November 25, 2018).

The aim of tradermoni is to reduce poverty especially among the lower income earners. But a profound examination of the scheme proves otherwise. For instance, the loan amount is very little and cannot guarantee high return on investment. Profit margin from such amount will be very insignificant to lift beneficiaries from poverty. With a high dependency ratio of 88.2% (www.indexmundi.com, 2018), there is a high propensity for the beneficiaries to spend greater part of profits from their trade on household consumptions.

In a study by World Economic Forum (2005) on the impact of microcredit scheme, it revealed that while micro credit helped household navigate difficult times, on the average it does not lift people out of poverty over both the short and long run. On the basis of this, tradermoni may not lift beneficiaries out of poverty though it has the potential of ameliorating the effect of poverty if properly implemented. The tradermoni and other social investment programme alone cannot reduce poverty when economic policies and environment are not configured to accelerate sustenance of micro businesses.

Poverty is beyond lack of income (Wright and Rowe, 1999). There is a significant difference between increase in income and poverty alleviation. Growing incomes of the poor are not necessarily alleviating poverty. Therefore, focusing only on growing income is not adequate. The focus needs to be on helping the poor to have a particular quantum of wellbeing.

1.RECOMMENDATIONS

We present the under-discussed suggestions as ways capable of enhancing the objectives of the tradermoni scheme.

- There is need to do proper profiling of beneficiaries to know those who actually need the loan for productive activities, otherwise the money will be seen as national cake. A proper profiling of beneficiaries will also guarantee repayment because the productive capacity of beneficiaries is known before such fund is handed to them.
- The tradermoni agents should not only be responsible for disbursement of the loan, they should be properly equipped to offer business tips to beneficiaries to enhance their business.
- Government must ensure that its social investment programmes, particularly the tradermoni is not politicized. This will not guarantee the sustainability of the programmes.
- The process of selecting beneficiaries should not be shrouded in obscurity. This will give more confidence in the people that the scheme is not intended to weaponize poverty for political gains and reduce fraud among agents.
- The scheme should target mostly rural dwellers because they are worst hit by financial exclusion owing to lack of infrastructure and financial institutions in the areas.

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