

Microcredit and Employment Generation among Rural Women in an Emerging Economy: Evidence from Nigeria

Ogochukwu Edith Nkamnebe

Department of Economics, Nnamdi Azikiwe University, Nigeria

DOI: <https://doi.org/10.47772/IJRISS.2026.10200117>

Received: 12 February 2026; Accepted: 18 February 2026; Published: 26 February 2026

ABSTRACT

Microcredit is widely promoted as a tool for enhancing women's entrepreneurship, employment creation, and poverty reduction in developing economies. However, empirical evidence on its welfare impacts remains mixed, partly because limited attention has been paid to the mechanisms through which microcredit influences livelihood outcomes. This study examines the relationship between microcredit access, employment generation, and poverty-related outcomes among rural women micro-entrepreneurs in Nigeria, with particular emphasis on employment generation through enterprise expansion as a transmission pathway. Using survey data from 412 rural women micro-entrepreneurs, the analysis combines descriptive statistics and comparative tests to assess differences between microcredit users and non-users. The results show that self-employment remains the dominant form of labour engagement across the sample, reflecting structural constraints in rural labour markets. However, women with access to microcredit exhibit significantly higher rates of employment generation through enterprise expansion, along with greater income stability, improved social status, and enhanced access to basic services. Taken together, the findings suggest that microcredit contributes to poverty reduction not only through direct financial effects but also by enabling productive employment that stabilises livelihoods in rural informal economies. While employment expansion remains modest in scale, it represents a meaningful and policy-relevant outcome in contexts characterised by underemployment rather than open unemployment. The study contributes to entrepreneurship and development scholarship by foregrounding employment generation as a key pathway linking microcredit access to poverty-related outcomes, offering context-specific evidence from rural Nigeria. The findings underscore the importance of employment-oriented and context-sensitive approaches to the design.

Keywords: Microcredit, Employment generation, Rural women entrepreneurs, Poverty reduction, Emerging economies, Self-employment, Informal entrepreneurship, Nigeria

INTRODUCTION

Microcredit has become a prominent policy instrument for promoting entrepreneurship, employment, and poverty reduction among financially excluded populations in emerging economies. By extending small-scale loans to individuals who lack access to formal financial services, microcredit programmes are expected to ease liquidity constraints, enable enterprise activity, and support livelihood improvement, particularly among women operating in rural and informal contexts (Morduch, 1999; Khandker, 2005). Despite sustained policy attention, empirical evidence on the developmental effects of microcredit remains mixed and highly context-dependent.

A key limitation of much existing research is its emphasis on direct welfare outcomes, such as income or consumption, with comparatively little attention to the mechanisms by which microcredit may influence poverty-related outcomes (Roodman & Morduch, 2014). From a development and entrepreneurship perspective, employment occupies a central position in this process. Beyond income effects, productive employment enhances livelihood stability, reduces vulnerability, and strengthens access to basic services, thereby contributing to multidimensional poverty reduction (Sen, 1999; Fields, 2019; Bonnet et al., 2019). Yet employment is often treated as a secondary or implicit outcome in evaluations of microcredit interventions.

This gap is particularly consequential in rural economies, where formal wage employment opportunities are scarce, and livelihoods are largely organised around informal and own-account enterprise activity. For rural women, self-employment represents the dominant mode of labour participation, shaped by structural constraints such as limited asset ownership, restricted access to formal labour markets, and gendered social norms (Kabeer, 2005; Chen, 2012). In such contexts, microcredit is less likely to generate high-growth enterprises and more likely to stabilise livelihoods and enable incremental employment creation through micro-enterprise activity.

Nigeria provides a salient setting for examining these dynamics. The country is characterised by persistent rural poverty, extensive informal entrepreneurship, and pronounced gender disparities in access to finance and productive resources (Mundial, 2022; National Bureau of Statistics [NBS], 2023). While microcredit initiatives targeting rural women have expanded, underemployment and livelihood insecurity remain widespread. Existing studies in Nigeria have largely focused on income, welfare, or enterprise performance, with limited attention to employment generation as a distinct analytical outcome or to its role in linking microcredit access to poverty-related outcomes.

Against this background, this study examines the relationship between microcredit access and employment generation among rural women micro-entrepreneurs in Nigeria, with particular emphasis on employment generation through enterprise expansion as a transmission pathway linking microcredit to poverty reduction. While self-employment constitutes the baseline form of labour engagement in rural informal economies, the analytical focus of this study is on employment beyond own-account work and the role such employment plays in shaping livelihood outcomes.

Following this introduction, Section 2 reviews the relevant literature and develops the study's hypotheses. Section 3 outlines the research design and estimation approach. Section 4 presents the empirical findings. Section 5 discusses the results in relation to current debates, and Section 6 concludes with policy implications and directions for future research.

Microcredit and Employment in Informal Economies

Microcredit has long been promoted as a development policy tool for stimulating entrepreneurship and employment among financially excluded populations (Morduch, 1999; Khandker, 2005). The central premise is that access to credit relaxes liquidity constraints, enabling individuals to initiate or sustain micro-enterprise activity and engage labour. In rural and informal economies, where wage employment opportunities are limited, such employment effects are expected to materialise primarily through self-employment and the expansion of small-scale enterprises (Rahman & Khandker, 1994; Shaw, 2004).

Empirical evidence on the employment effects of microcredit is mixed. While some studies report positive effects on labour supply and self-employment intensity (Hussain et al., 2018), others argue that many microenterprises remain small, informal, and household-based, limiting their capacity to generate sustained employment beyond own-account work (Buckley, 1997; Okesina, 2025; Roodman & Morduch, 2014). These divergent findings suggest that employment outcomes are highly contingent on context and enterprise characteristics.

Importantly, much of the literature treats employment either as an aggregate outcome or as a proxy for enterprise success, without distinguishing between different forms of employment generation. This limits understanding of how microcredit operates in informal economies, where incremental labour absorption may be both realistic and policy-relevant.

Rural Women, Self-Employment, and Livelihood Security

Rural women occupy a central position in microcredit and entrepreneurship policy frameworks due to their disproportionate exposure to poverty and exclusion from formal labour markets (Kabeer, 2005; Duflo, 2012). Structural constraints—including limited asset ownership, restricted mobility, and gendered social norms—

often confine rural women to informal and low-productivity economic activities. In this context, self-employment through micro-enterprise activity represents a critical livelihood strategy.

From a poverty-reduction perspective, employment extends beyond income generation. The capability approach emphasises that productive employment enhances agency, social participation, and access to essential services, thereby contributing to multidimensional well-being (Sen, 1999). Empirical studies show that women's engagement in income-generating activities is associated with improved household welfare, greater investment in children's education, and enhanced social status (Duflo, 2012; Binaté Fofana., 2015). However, these outcomes depend on the stability and continuity of employment rather than on enterprise growth alone.

Microcredit is therefore expected to play a stabilising role in rural women's employment by supporting self-employment under conditions of labour-market constraint. Yet evidence also suggests that such self-employment is often necessity-driven, raising questions about the extent to which microcredit facilitates broader employment generation or poverty reduction (Okesina, 2025; Fields, 2019).

Employment Expansion and Poverty Reduction

Beyond self-employment, microcredit may contribute to poverty reduction by enabling modest enterprise expansion and incremental labour absorption. As microenterprises scale their operations, even marginally, they may engage additional household or non-household workers, thereby contributing to local employment creation (Shaw, 2004; Tria, Harun, & Alam, 2022). While such employment effects are typically small in scale, they can be meaningful in rural contexts characterised by underemployment and surplus labour.

The link between employment generation and poverty reduction is well established in development scholarship. Employment enhances income stability, reduces vulnerability to shocks, and improves access to basic services, contributing to multidimensional poverty reduction (Sen, 1999; Alkire & Santos, 2014). However, relatively few microcredit studies explicitly examine employment as a mechanism linking financial access to poverty outcomes. Instead, employment is often subsumed under income effects or omitted from empirical models altogether.

Recent evidence from emerging economies highlights the importance of adopting mechanism-based approaches. Sahu et al. (2024), for example, demonstrate that employment plays a critical role in translating microcredit access into improved livelihood outcomes among women entrepreneurs in India. Whether similar mechanisms operate in Sub-Saharan African contexts remains an open empirical question.

The Nigerian Context and Research Gap

Nigeria presents a particularly relevant context for examining these issues. The country exhibits high levels of rural poverty, extensive informal entrepreneurship, and persistent gender inequalities in access to finance and productive resources (Mundial, 2022; Index, 2023). Rural women are heavily engaged in micro-enterprise activities across agriculture, petty trading, and informal services, yet livelihood insecurity remains widespread (Ogunrinola, 2011).

Existing Nigerian studies on microcredit have largely focused on income, welfare, or business performance outcomes, with limited attention to employment generation as a distinct analytical dimension (Imai, Arun, & Annim, 2010; Chand, 2025). Where employment is examined, it is typically treated as a single aggregate outcome, without differentiating between self-employment and employment generated through enterprise expansion. Moreover, few studies explicitly analyse whether employment mediates the relationship between microcredit access and poverty reduction.

Hypothesis Development

In rural informal economies, self-employment constitutes the dominant form of labour engagement among women, reflecting limited access to formal wage employment and persistent labour-market constraints. A

substantial body of research shows that microcredit supports women's ability to initiate or sustain own-account enterprise activity by easing liquidity constraints and stabilising enterprise operations (Morduch, 1999; Khandker, 2005; Chen, 2012). In this study, self-employment is therefore treated as a descriptive feature of the employment landscape rather than as a primary econometric outcome.

The core analytical focus lies in examining whether access to microcredit facilitates employment generation beyond self-employment, particularly through enterprise expansion. Liquidity-constraint theory suggests that improved access to credit enables micro-enterprises to expand production and working capital, which in labour-intensive informal settings often translates into incremental labour absorption (Shaw, 2004). Empirical studies of informal enterprises similarly indicate that employment expansion is typically modest but economically meaningful in contexts characterised by underemployment (Fields, 2019).

Accordingly, the study advances the following hypothesis:

H₁: Access to microcredit has a significant positive effect on employment generation through enterprise expansion among rural women micro-entrepreneurs in Nigeria.

Beyond its association with employment outcomes, microcredit is also expected to influence poverty-related outcomes through productive engagement. Employment enhances income stability, reduces vulnerability to shocks, and strengthens livelihood security, positioning employment generation as an important channel through which financial access may be linked to poverty reduction (Sen, 1999; Bonnet et al., 2019; Mundial, 2022).

This leads to the second hypothesis:

H₂: Employment generation constitutes an important pathway linking microcredit access to poverty reduction among rural women micro-entrepreneurs in Nigeria.

METHODOLOGY

Research Design

The study employs a quantitative, cross-sectional research design to examine the relationships among microcredit access, employment generation, and poverty reduction among rural women micro-entrepreneurs in Nigeria. This design is appropriate for hypothesis-driven analysis aimed at identifying systematic associations between financial access and employment outcomes in contexts where experimental or longitudinal data are difficult to obtain.

The analytical strategy is explicitly aligned with the study's hypotheses. First, the design enables estimation of the direct effects of microcredit access on self-employment and employment generation through enterprise expansion. Second, it supports examination of employment generation as a mediating mechanism linking microcredit access to poverty-reduction outcomes. While the cross-sectional nature of the data limits causal inference, the approach remains suitable for policy-oriented analysis and is consistent with established empirical work in microcredit and entrepreneurship research.

Study Area and Population

The study was conducted in rural communities in South-East Nigeria, a region characterised by high levels of rural poverty, widespread informal entrepreneurship, and significant participation of women in micro-enterprise activities. Rural women micro-entrepreneurs constitute the study population, reflecting their central role in microcredit programmes and entrepreneurship-led poverty-reduction strategies.

The focus on rural women is analytically important for two reasons. First, women in rural Nigeria face pronounced constraints in access to formal employment, finance, and productive assets, making self-employment and micro-enterprise activity critical livelihood strategies. Second, rural labour markets are characterised by underemployment rather than open unemployment, rendering employment generation through

micro-enterprise expansion a particularly relevant outcome for policy analysis.

Data Source and Sampling Procedure

Primary data were collected using a structured questionnaire administered to rural women micro-entrepreneurs who had accessed microcredit from formal or semi-formal financial institutions. A multi-stage sampling technique was employed to select respondents across rural communities, ensuring geographical coverage and representation of diverse enterprise activities, including agriculture, petty trading, processing, and informal services.

This sampling strategy is consistent with household- and enterprise-level development research and supports inference within the rural South-East Nigerian context. While the study does not claim national representativeness, the sample provides a robust basis for examining relationships between microcredit access, employment outcomes, and poverty-related indicators among rural women entrepreneurs.

Measurement of Variables

To ensure consistency between the hypotheses and the empirical analysis, key variables were operationalised as follows.

Microcredit Access

Microcredit access was measured using indicators capturing participation in microcredit programmes and the scale of credit received. This operationalisation reflects the study's interest in assessing whether access to external finance relaxes liquidity constraints faced by rural women micro-entrepreneurs.

Self-Employment

Self-employment was operationalised as sustained engagement in own-account enterprise activity. This measure captures whether microcredit access supports women's ability to initiate or maintain micro-enterprise activity in contexts characterised by limited wage-employment opportunities.

Employment Generation through Enterprise Expansion: Employment generation was measured through changes in labour utilisation within the enterprise, including engagement of additional household and non-household workers. This distinction enables the study to capture incremental labour absorption, a realistic and policy-relevant form of employment creation in rural informal economies.

Poverty Reduction: Poverty reduction was operationalised using a multidimensional approach, incorporating indicators related to income stability, access to basic services, and livelihood security. This approach moves beyond single monetary measures and aligns with contemporary perspectives that conceptualise poverty as a multidimensional phenomenon.

Control variables reflecting respondents' socio-demographic characteristics and enterprise attributes were included to minimise omitted-variable bias and enhance the robustness of the estimates.

Estimation Techniques

To examine the study's hypotheses, the analysis employs regression-based estimation techniques appropriate to the nature of the dependent variables and the research questions. Employment generation through enterprise expansion is modelled using regression methods suited to the distributional properties of the outcome variable, allowing estimation of the association between microcredit access and labour utilisation within women-owned micro-enterprises, while controlling for individual, household, and enterprise characteristics.

To examine the relationship between employment generation and poverty-related outcomes, the analysis draws on observed associations between employment indicators and multidimensional poverty measures. This mechanism-oriented approach enables the study to assess whether the pattern of results is consistent with

employment functioning as a transmission pathway linking microcredit access to poverty outcomes, without estimating a formal mediation model.

Given the structure of rural informal labour markets, where self-employment constitutes the predominant form of labour engagement among women, self-employment is examined descriptively to establish the baseline employment context within which microcredit operates. Econometric estimation, therefore, focuses on employment expansion and pathway-consistent associations with poverty outcomes, which constitute the primary analytical contribution of the study.

Robustness and Analytical Considerations

Several steps were taken to enhance the robustness of the empirical analysis. Control variables were included to account for observable heterogeneity across respondents and enterprises. Model specifications were assessed for consistency with theoretical expectations, and results were interpreted conservatively to avoid overstatement.

The study explicitly acknowledges the limitations of cross-sectional data, including limited causal inference and an inability to capture long-term employment dynamics. Nonetheless, by focusing on employment generation as both an outcome and a mediating mechanism, the analysis provides policy-relevant insights into the role of microcredit in supporting livelihoods among rural women in an emerging-economy context.

RESULTS

This section presents the empirical findings from the analysis of 412 rural women micro-entrepreneurs, comprising 315 microcredit users and 97 non-users. The results are organised into four parts. Section 4.1 reports descriptive statistics. Section 4.2 presents descriptive evidence on self-employment as the baseline livelihood context. Section 4.3 reports results on employment generation through enterprise expansion (H₁). Section 4.4 examines whether the pattern of results is consistent with employment generation functioning as a pathway linking microcredit access to poverty-related outcomes (H₂).

Descriptive Statistics

Table 1: Descriptive Statistics of Sample Characteristics

Variable	Mean / Frequency (%)
Sample size (N)	412
Microcredit users	315 (76.5%)
Non-users	97 (23.5%)
Dominant age group (users)	36–55 years (72.2%)
Dominant age group (non-users)	≥56 years (80.4%)
Secondary education	Users: 36.5%; Non-users: 36.1%
Tertiary education	Users: 25.7%; Non-users: 20.6%
Household size (3–5 persons)	Users: 47.3%; Non-users: 39.2%
Trade & commerce sector	Users: 50.2%; Non-users: 23.8%
Mean employment generation score (users)	3.80
Mean employment generation score (non-users)	2.93

The descriptive statistics indicate that microcredit users are predominantly in the economically active age group 36–55 years, whereas non-users are disproportionately older. Microcredit users also exhibit relatively higher educational attainment and are more concentrated in trade and commerce activities. Employment beyond own-account work remains modest across the sample, but microcredit users report higher employment-generation scores than non-users, suggesting greater labour utilisation within their enterprises.

Self-Employment Patterns among Rural Women Micro-Entrepreneurs

Self-employment constitutes the dominant form of labour engagement among respondents, reflecting limited access to formal wage employment in rural labour markets. Across both groups, own-account enterprise activity serves as the primary livelihood strategy, consistent with the structure of rural informal economies.

However, clear differences emerge between microcredit users and non-users. Microcredit users report greater enterprise continuity, higher income stability, and stronger capacity to meet routine business and household expenses. These patterns suggest that access to credit plays a stabilising role in sustaining self-employment under economic constraints.

Non-users, by contrast, display greater livelihood vulnerability, characterised by lower income levels, shorter enterprise duration, and weaker employment outcomes. Consistent with the analytical focus of the study, self-employment is treated as descriptive baseline context rather than as a primary econometric outcome. The subsequent analysis therefore focuses on employment generation beyond own-account work and its implications for poverty-related outcomes.

Microcredit Access and Employment Generation through Enterprise Expansion (H₁)

Table 2: Employment Generation Outcomes by Microcredit Status

Employment Indicator	Users (Mean ± SD)	Non-Users (Mean ± SD)	t-value	p-value	Cohen's d
EmpG1: Number of workers increased	3.79 ± 1.05	2.90 ± 1.27	3.08	0.002	0.68
EmpG2: Improved working conditions	3.81 ± 1.02	2.95 ± 1.18	3.01	0.003	0.65

Mann–Whitney U tests confirm robustness (p < 0.01 in both cases).

The results provide strong support for H₁. Microcredit users report significantly higher employment generation than non-users across both indicators. The effect sizes (Cohen's d = 0.65–0.68) indicate moderate to large practical significance. These findings suggest that access to microcredit is associated with incremental employment generation through enterprise expansion, primarily via the engagement of additional workers and improvements in working conditions.

Although the scale of employment expansion remains modest, such labour absorption is economically meaningful in rural contexts characterised by underemployment and surplus labour. The findings confirm that microcredit facilitates employment generation beyond self-employment through the expansion of small-scale enterprises.

Employment Generation as a Pathway Linking Microcredit Access and Poverty-Related Outcomes (H₂)

To assess H₂, the analysis examines whether employment generation aligns with broader welfare outcomes associated with microcredit participation. Rather than estimating a formal mediation model, the analysis draws on convergent evidence from employment outcomes, income generation, social status, business expansion, and access to basic services.

Table 3: Mean Differences in Welfare-Related Outcomes

Outcome	Users (Mean ± SD)	Non-Users (Mean ± SD)	p-value	Effect Size
Income generation index	3.88 ± 1.02	3.14 ± 1.20	<0.01	d = 0.62
Social status index	4.00 ± 0.95	3.51 ± 1.12	<0.05	d = 0.45
Business expansion	4.03 ± 0.96	3.10 ± 1.24	0.001	d = 0.73
Access to basic services	3.71 ± 1.10	2.81 ± 1.26	0.004	d = 0.62

The results indicate that microcredit users consistently outperform non-users across key welfare-related dimensions. Higher employment-generation scores are accompanied by significantly greater income stability, improved social status, expanded business operations, and enhanced access to basic services. These differences are statistically significant and of moderate to large practical magnitude.

Taken together, the findings are consistent with H₂, suggesting that employment generation constitutes an important pathway through which microcredit access is linked to poverty-related outcomes. While the analysis does not estimate indirect effects within a formal mediation framework, the convergence of employment, income, and welfare outcomes supports a pathway-based interpretation in which productive employment plays a substantive role in translating financial access into improved livelihoods among rural women micro-entrepreneurs.

DISCUSSION

This study set out to examine how microcredit access is associated with employment generation and poverty-related outcomes among rural women micro-entrepreneurs in Nigeria, with particular attention to employment generation through enterprise expansion as a transmission pathway. By distinguishing analytically between self-employment as the dominant baseline livelihood form and employment generation beyond own-account work as the primary outcome of interest, the study offers a more precise and context-sensitive account of how microcredit operates in rural informal economies.

Employment Generation as a Key Pathway of Microcredit Impact

A central contribution of the study lies in demonstrating that employment generation constitutes an important pathway linking microcredit access to poverty-related outcomes among rural women. While much of the microcredit literature has focused on direct effects on income or consumption, a growing body of scholarship has argued for greater attention to intermediate mechanisms through which financial access may influence welfare (Roodman & Morduch, 2014). The present findings are consistent with this perspective, suggesting that microcredit’s developmental relevance cannot be fully understood without considering its effects on productive employment.

The results indicate that microcredit access is associated with enhanced engagement in productive activity through enterprise expansion, and that such employment-related outcomes are, in turn, linked to improved livelihood stability and reduced vulnerability. This pattern aligns with long-standing insights from development and labour economics, which emphasise employment as a primary channel through which interventions translate into poverty reduction (Sen, 1999; Fields, 2019; Bonnet et. Al., 2019). Rather than implying a formally estimated mediation effect, the evidence supports a pathway-based interpretation in which employment generation represents a substantive mechanism connecting microcredit access to welfare outcomes.

By foregrounding employment as a transmission channel, the study shifts analytical attention away from binary assessments of whether microcredit “works” towards a more nuanced understanding of how it may contribute to poverty reduction in specific institutional and labour-market contexts. This helps to reconcile

mixed findings in the literature by suggesting that microcredit impacts are more likely to be observed where employment pathways are explicitly considered rather than treated as implicit or residual outcomes.

The Centrality—and Limits—of Self-Employment

The findings also confirm that self-employment remains the dominant mode of labour engagement among rural women micro-entrepreneurs, consistent with extensive evidence from developing and emerging economies (Chen, 2012; Kabeer, 2005). In contexts characterised by limited formal wage-employment opportunities and persistent labour-market segmentation, own-account enterprise activity represents a primary livelihood strategy rather than a transitional stage towards formal employment.

Access to microcredit appears to play a stabilising role in this regard, supporting women's ability to initiate or sustain self-employment under conditions of economic constraint. This finding resonates with studies that emphasise the role of microcredit in smoothing working capital, reducing income volatility, and enabling continuity of informal enterprise activity (Morduch, 1999; Khandker, 2005). However, the results also underscore the predominantly necessity-driven nature of such self-employment. Rather than facilitating widespread transitions into high-growth or formalised enterprises, microcredit primarily enables women to maintain livelihood engagement in the face of structural constraints.

This evidence aligns with critical perspectives that caution against overstating the transformative potential of microcredit as a standalone development strategy (Okesina, 2025; Roodman & Morduch, 2014). From an entrepreneurship standpoint, the findings reinforce the importance of recognising survival-oriented enterprise activity as a legitimate and policy-relevant form of employment in rural informal economies, rather than evaluating outcomes against benchmarks derived from formal-sector entrepreneurship.

Incremental Employment Expansion and Contextual Realism

Beyond self-employment, the study provides evidence that microcredit is associated with incremental employment generation through enterprise expansion, even if such effects are modest in scale. Women with access to microcredit were more likely to engage additional labour, primarily household members and, to a lesser extent, non-household workers. While these gains fall short of large-scale job creation, they are nonetheless meaningful in rural contexts characterised by underemployment and surplus labour.

This finding contributes to ongoing debates on the labour-absorptive capacity of microenterprises. Empirical studies of informal firms suggest that employment expansion in such settings is typically gradual and labour-intensive, reflecting small market size, limited capital, and household-based production structures (Fields, 2019). Evaluating employment impacts against expectations of rapid firm growth or formal job creation risks misrepresenting the economic significance of incremental labour absorption.

By situating employment outcomes within local labour-market realities, the study highlights the importance of contextual realism in assessing microcredit impacts. Even modest increases in labour utilisation can enhance income diversification, reduce vulnerability to shocks, and stabilise household livelihoods, thereby contributing to poverty reduction in the absence of substantial enterprise growth.

Implications for Microcredit and Poverty-Reduction Policy

Taken together, the findings carry important implications for the design and evaluation of microcredit programmes targeting rural women. First, the results suggest that microcredit initiatives are more likely to contribute to poverty-reduction objectives when they are explicitly oriented towards employment generation, rather than focusing narrowly on credit disbursement volumes or repayment performance. Evaluations that overlook employment pathways risk underestimating the developmental contribution of microcredit in informal economies.

Second, the modest scale of employment expansion observed underscores the limitations of microcredit as a standalone policy instrument. While microcredit can stabilise self-employment and facilitate incremental labour engagement, its capacity to generate sustained and higher-quality employment is constrained by broader

structural factors, including market access, infrastructure, and enterprise capabilities. Integrating microcredit with complementary interventions—such as skills development, business advisory services, and market-linkage support—may enhance enterprises' productive capacity and deepen employment impacts.

Third, the findings highlight the need for context-sensitive evaluation frameworks. In rural economies where employment opportunities are scarce, even small employment gains can have meaningful welfare implications. Policymakers should therefore assess microcredit outcomes relative to local labour-market conditions rather than universal benchmarks of enterprise growth or formal job creation.

Contribution to Entrepreneurship and Development Scholarship

By situating employment generation at the centre of the microcredit–poverty relationship, this study contributes to entrepreneurship and development scholarship in three main ways. First, it provides context-specific evidence from an under-represented Sub-Saharan African setting, responding to calls for greater geographical diversity in microcredit research. Second, it advances a mechanism-oriented understanding of microcredit impacts by foregrounding employment as a key transmission pathway without overclaiming formal mediation. Third, it offers a realistic assessment of employment generation in rural informal economies, challenging evaluations that implicitly apply formal-sector expectations to microenterprise contexts.

In doing so, the study complements recent evidence from other emerging economies while underscoring the importance of institutional and labour-market context in shaping the outcomes of microcredit interventions.

CONCLUSION

This study examined how microcredit access is associated with employment generation and poverty-related outcomes among rural women micro-entrepreneurs in Nigeria. By distinguishing between self-employment as the dominant baseline livelihood form and employment generation through enterprise expansion as the primary analytical outcome, the study provides a context-sensitive account of how microcredit operates in rural informal economies.

The findings indicate that microcredit access is associated with incremental employment generation beyond own-account work and that such employment is linked to improved livelihood stability and reduced vulnerability. These results suggest that microcredit contributes to poverty reduction not solely through direct financial effects but also by enabling productive engagement that supports income stability.

From a policy perspective, the findings highlight the importance of employment-oriented approaches to microcredit programme design. While microcredit can stabilise self-employment and facilitate incremental labour absorption, its capacity to generate sustained and higher-quality employment is constrained by broader structural conditions. Integrating microcredit with complementary interventions—such as skills development, business support, and market access—may enhance its employment and poverty-reduction potential.

The study is subject to limitations, including its cross-sectional design and the absence of formal mediation estimation. Future research could employ longitudinal data or formal mediation models to examine employment pathways more explicitly and assess the sustainability of employment gains over time.

In conclusion, by foregrounding employment generation as a key pathway linking microcredit access to poverty-related outcomes, this study contributes to more realistic and policy-relevant debates on the role of microcredit in supporting women's livelihoods in emerging economies.

REFERENCES

1. Alkire, S., & Santos, M. E. (2014). Measuring acute poverty in the developing world: Robustness and scope of the Multidimensional Poverty Index. *World Development*, 59, 251–274. <https://doi.org/10.1016/j.worlddev.2014.01.026>

2. Binaté Fofana, N., Antonides, G., Niehof, A., & van Ophem, J. A. (2015). How microfinance empowers women in Côte d'Ivoire. *Review of Economics of the Household*, 13(4), 1023-1041.
3. Bonnet, F., Vanek, J., & Chen, M. (2019). Women and men in the informal economy: A statistical brief. International Labour Office, Geneva, 20(1).
4. Buckley, G. (1997). Microfinance in Africa: Is it either the problem or the solution? *World Development*, 25(7), 1081–1093. [https://doi.org/10.1016/S0305-750X\(97\)00022-3](https://doi.org/10.1016/S0305-750X(97)00022-3)
5. Chand, P. B. (2025). The Impact of microfinance on poverty reduction through women's empowerment. *Quantitative Economics and Management Studies*, 6(2), 188-197.
6. Chen, M. A. (2012). The informal economy: Definitions, theories and policies. WIEGO Working Paper No. 1.
7. Duflo, E. (2012). Women empowerment and economic development. *Journal of Economic Literature*, 50(4), 1051–1079. <https://doi.org/10.1257/jel.50.4.1051>
8. Fields, G. S. (2019). *Employment and development: How work can lead from and into poverty*. Oxford University Press.
9. Hussain, J., Salia, S., & Karim, A. (2018). Is knowledge that powerful? Financial literacy and access to finance: An analysis of enterprises in the UK. *Journal of Small Business and Enterprise Development*, 25(6), 985-1003.
10. Imai, K. S., Arun, T., & Anim, S. K. (2010). Microfinance and household poverty reduction: New evidence from India. *World Development*, 38(12), 1760–1774. <https://doi.org/10.1016/j.worlddev.2010.04.006>
11. Index, G. M. P. (2023). URL: <https://hdr.undp.org/content/2023-global-multidimensional-poverty-index-mpi#/indicies>. MPI (дата звернення: 10.11. 2023).
12. Kabeer, N. (2005). Gender equality and women's empowerment: A critical analysis of the third Millennium Development Goal. *Gender & Development*, 13(1), 13–24. <https://doi.org/10.1080/13552070512331332273>
13. Khandker, S. R. (2005). Microfinance and poverty: Evidence using panel data from Bangladesh. *World Bank Economic Review*, 19(2), 263–286. <https://doi.org/10.1093/wber/lhi008>
14. Morduch, J. (1999). The microfinance promise. *Journal of Economic Literature*, 37(4), 1569–1614. <https://doi.org/10.1257/jel.37.4.1569>
15. Mundial, B. (2022). *Poverty and Shared Prosperity 2022: Correcting Course*. World Bank. Recuperado de <https://bit.ly/3DUThKS>.
16. National Bureau of Statistics (NBS). (2023). *Nigeria Multidimensional Poverty Index (2022)*. Abuja: NBS.
17. Ogunrinola, I. O. (2011). Informal self-employment and poverty alleviation: empirical evidence from motorcycle taxi riders in Nigeria. *International journal of economics and finance*, 3(2), 176-185.
18. Okesina, M. (2025). *Microfinance Evolution and Development: A Critical Exploration*. *International Journal of New Political Economy*, 6(1).
19. Rahman, R. I., & Khandker, S. R. (1994). Role of targeted credit programmes in promoting employment and productivity of the poor in Bangladesh. *The Bangladesh Development Studies*, 49-92.
20. Roodman, D., & Morduch, J. (2014). The impact of microcredit on the poor in Bangladesh: Revisiting the evidence. *Journal of Development Studies*, 50(4), 583-604.
21. Sahu, T. N., Agarwala, V., & Maity, S. (2024). Effectiveness of microcredit in employment generation and livelihood transformation of tribal women entrepreneurs: evidence from PMMY. *Journal of Small Business & Entrepreneurship*, 36(1), 53-74.
22. Sen, A. (2014). *Development as freedom (1999)*. *The globalization and development reader: Perspectives on development and global change*, 525.
23. Shaw, J. (2004). Microenterprise occupation and poverty reduction in microfinance programs: evidence from Sri Lanka. *World development*, 32(7), 1247-1264.
24. Tria, D., Harun, M., & Alam, M. (2022). Microcredit as a strategy for employment creation: A systematic review of literature. *Cogent Economics & Finance*, 10(1), 2060552.