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THE IMPACT OF TRADER MONI ON BUSINESS GROWTH AND PROFIT OF PETTY TRADERS IN LAGOS STATE, NIGERIA

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Abstract

The persistent increase in poverty rate coupled with high unemployment rate especially among the youth has necessitated the introduction of the Trader Moni under the GEEP programme by the current administration. The Trader Moni is an interest free loan that is made accessible to petty traders and artisans in Nigeria. This study examines the impact of the Trader Moni loan programme on petty traders in Lagos State, Nigeria. A total sample of 418 was randomly selected, the samples comprise of 258 petty traders in the treatment group and 160 petty traders in the control group. Questionnaire was used to elicit information from the selected samples. The data from the samples were analysed through Propensity Score Matching Technique (PSM) and the result obtained from the Average Treatment Effect on the Treated (ATT) through the PSM analysis indicates that the loan programme has increased the profit and expand the business of the petty traders that participated in the loan programme over and above those petty traders that did not participate in the loan programme in the study area. The study therefore, recommends that more focus should be placed on the programme because of its beneficiary effect on petty traders in the study area. Also, the programme should be maintained to ensure continuity and sustainability of the programme.

Keywords: Impact, Trader Moni, Business Growth, Petty Traders, Lagos State.

Introduction

Amidst the high poverty and unemployment rate in Nigeria, the current administration has initiated the Trader Moni loan programme under the GEEP programme to assist petty traders in financing their business. This came at the wake of difficulties often encountered by small business owners in accessing credit from conventional banks and microfinance banks which often hamper their business expansion and sustainability. As access to credit facility is often difficult for small business holders, Trader Moni loan programmeis an easier access to credit for petty traders and artisans. The loan programme is usually for existing business and not for upcoming business. The scheme aims to empower two million petty traders with a minimum of 30,000 beneficiaries in each state of the federation and the Federal Capital Territory (FCT) by the end of 2018.The Trader Moni is an extension of the Market Moni that has been in operation since 2016.

The scheme is part of the National Social Investment programme started in 2016 and encompasses: N- power, National Home Grown School Feeding Programme, Conditional Cash Transfer, and Government Enterprises and Empowerment Programme -Market Moni and Trader Moni).The credit programme is a soft loan and focuses on those at the very bottom of the pyramid. The scheme is under the umbrella of the Government Enterprises and Empowerment programme (GEEP) in collaboration with the bank of industry. The Trader Moni is a zero collateral loan administered by the bank of industry. One unique feature of the Trader Moni is that the beneficiary can access more loan and higher amount as prompt repayment is done. The first loan of ten thousand naira, does not requires petty traders to have a bank account before accessing the loan, while upon payment of the first loan, subsequent loan requires some documents (Bank verification Number (BVN) and a bank account). The subsequent loan proceeds from N10,000 to N15,000, to N20,000, to N50,000 and finally to N100.000.

However, arguments have been trailing that the Trader moni programme is politically motivated and seen as a way to buy votes from voters (Uwaleke, 2019; Odiase, 2020). Consequently, the introduction of the loan programme has generated mixed feelings among citizens as some people believed it is used to achieve some political motives, while others assumed it is for poverty reduction. The introduction of the scheme is also believed by some people not to have shown any significant impact on poverty level of the masses and the controversies that surrounds the scheme really call for research in this area to determine the impact of the programme on the beneficiary business. It is against this backdrop that this study is apt.

This paper is divided into four parts: the first part gives the introductory aspect of the work, second part reviews some empirical findings on the impact of small loan facilities on small business holders, third part presents the methodology employed by the study, the fourth part of the paper analyses the data and presents the results. Finally, the last part of the paper, concludes, and gives some recommendations.

Literature Review

The trader moni is a form of social protection program that is given to petty traders and artisans in Nigeria. In recent years, social protection has become important in the global development agenda and it is encapsulated in the Sustainable Development Goals (SDG)and has played prominent role in reducing extreme poverty International Policy Centre for inclusive Growth (IPC –IG), 2017].

Mushunje (2017) asserted that social protection is a way of providing short term assistance to individual and households during shocks. Also, according to World Bank (2012) report, social protection is a public intervention that helps individuals, family, communities to better manage risk and assist people at the bottom of the pyramid.

It is believe that for inclusive growth to be achieved financial inclusion serves as a mean to achieve this (Rao, 2009). Access to credit facility is part of financial inclusion strategic especially for the vulnerable. In line with this, Suprabha, (2014) emphasised the importance of credit in ensuring financial inclusion especially for those at the bottom of the pyramid with the aim of alleviate their poverty and raise their standard of living.

However, since the petty traders moni is a new social government intervention and literature review in this context is scarce, this study will therefore review literature on the impact of other social government intervention like aids, grants, microcredit, that are synonymous to the trader moni.

One of the motives of the Trader Moni scheme is to serve as a complementary scheme with microfinance bank scheme in providing financial assistance to the poor especially the people at the bottom of the pyramid. Humes and Jones (2010) explained that interventions are seen in low income countries as an effective means for poverty reduction and in preventing the poor from transiting into extreme poverty.

Obayi and Collines (2019) asserted that social intervention in Nigeria are mostly used to reduce or eliminate extreme poverty and reduce the inequality gap. One Advantage of Trader Moni over some schemes in the past is that beneficiaries of the loan get higher loan facility when previous loan has been paid. This has helped to encourage prompt repayment (Ayogu. Abasi and Ecoma, 2019)

Abovu (2019) found in a study in Nigeria that the Trader Moni loan scheme has a positive impact on the empowerment of petty traders in Nigeria and also impacted on poverty alleviation in the country. In the same vein, Rooyen et al., (2012) found no impact of microcredit on some selected Sub Sahara Africa Countries. However, Aworinde (2019) emphasized that transparent International views the Trader Moni loan scheme as an enhancement of vote buying and that it isalso politically motivated as a means to maintain power by the ruling party(Odiase, 2020.

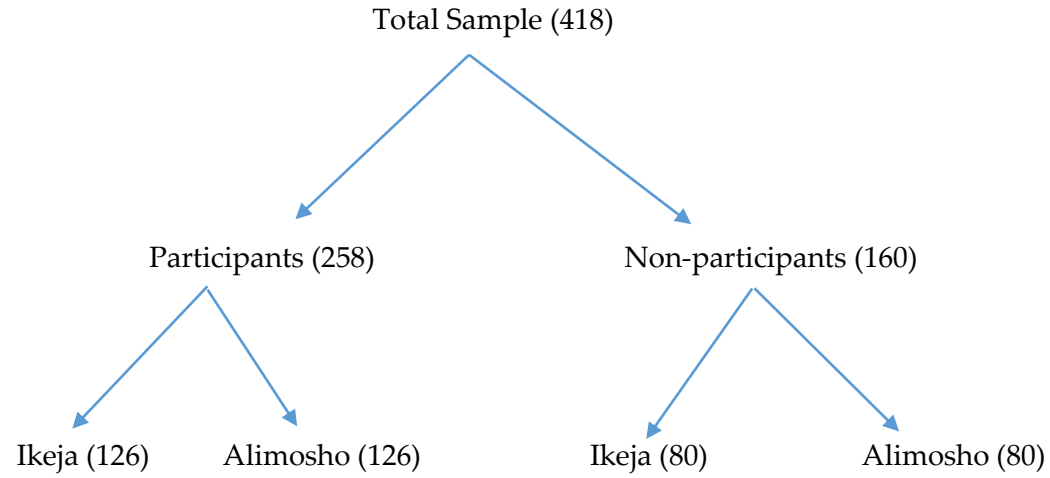
Methodology

Study Area:

Lagos State is purposively selected among the 36 State in Nigeria, because the state is one of the prominent states and the business hub of the country. The state is located in the western part of the country and characterized with high number of petty traders and artisans. Two Local Government Areas (LGAs)were purposively selected among the 20 LGAs in the State - Alimosho Local Government Area and Ikeja Local Government Area. Alimosho LGA is chosen because it is the largest LGA in terms of population and also characterize with high number of petty traders especially around Ikotun, Ipaja, and Iyana Ipaja areas. Ikeja LGA is chosen as the second LGA because it is the State capital and also one of the business hub of the State. The two selected LGAs are commercial and residential areas.

Data and Sampling Procedures

A simple random sampling of 418 petty traders is selected from the two selected LGAs, 126were selected from each LGAs and this makes a total of 258petty traders that participated in the Trader Moni loan programme. While another 160 non-beneficiaries of the Trader Moni programme (this comprises of 80 non-beneficiary petty traders selected each from the two LGAs). Data were collected through questionnaire. The diagram below depicts how the sample selection process was done.



The issue of selection bias that could arise from non-random selection of participants and non-random placement of programme, was addressed by ensuring that participants selected were those that have interest in the Trader Moni programme, but not yet able to collect the loan due to some documentations, or because it was not yet their turn to collect the loan. To correct for this bias, this was done through the selection of non-participants from the area where the programme is taken place. The selection process helped to ensure that both observable and non-observable characteristics of the participants and non- participants in the loan programme would not be different.

Model Specification and Data Analysis

The models for assessing the impact of Trader Moni on petty trader's profit and business expansion can be stated in functional form as:

$$Pr = f(X_T, A_T) \ldots\ldots \quad (1)$$

$$Be = f(X_T, A_T) \ldots\ldots \quad (1)$$

In econometric form, the Models can be stated as:

$$Pr = \beta_0 + \beta_1 X_T + \beta_2 A_T + \mu \ldots\ldots\ldots\ldots\ldots\ldots (3)$$

$$Be = \lambda_0 + \lambda_1 X_T + \lambda_2 A_T + \mu \ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Where:

Pr= Profit earned by petty traders

Be = Business Expansion

X_T = Socio-economic characteristics of petty traders,

A_T =Access to Trader Moni (1= access and 0 = otherwise)

β_0 &λ_0= Are intercepts

β_1,, , β_2, λ_1, &λ_2 = are parameters to be estimated

μ= Error term

Propensity Score Matching (PSM) technique is used to analyse the model of the impact of Trader Moni on petty traders in the study area. The PSM which is the conditional probability of taking part in a Trader Moni programme given some pre-treatment characteristics of the respondents. This is done by matching the characteristics of the participant petty traders and the non-participant petty traders in the Trader Moni programme through a propensity score. The propensity score can be predicted with logit or probit model (Hujer et al., 2004) and it is

the conditional probability of participating in Trader Moni given some pre-treatment characteristics of the participants. The propensity score is stated as:

$$P(x) = \text{Prob}(y = 1 \mid x) = E(y \mid x) \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (5)$$

The equation for the propensity score in equation 5 above is the predicted probability of x which is equal to the probability of taking part in a programme given some pre-treatment characteristics x and this is also equal to the expected outcome of the treatment given some pre-treatment characteristic x

In observational study, the placement of the programme and selection of the participants are not random, therefore the ATT is the estimate of interest since this will take care of the observable and unobservable characteristics of the participants in the programme. The ATT is the variance between the result of the treated and the result of the treated observations with the assumption that they had not been treated and this is presented as:

$$ATT = E(\Delta \mid D = 1) = E(T_1 \mid x, D = 1) - E(T_0 \mid x, D = 1) \quad (6)$$

$$ATT = E(\Delta \mid p(x), D = 1) = E(T_1 \mid p(x), D = 1) - E(T_0 \mid p(x), D = 1) \quad (7)$$

The first term on the right hand side and the second term on the right hand side of Equation 6 and Equation 7represents the treatment observation and the control observations which is the counterfactual that need to be estimated respectively.

The probit model as recommended in the literature is used by the study to obtain the propensity score. The common support area is given as 0.15106394 and 0.87418910 as obtain from the propensity score though the probit model. In the common support region, the characteristics of those that obtained the loan are matched with those that did not access the loan. The common support region is also refers to as the overlapping region. The optimal number of block is 7, at this number of blocks the mean propensity score is the same in each block for those that access the Trader Moni loan programme and the control group.

To confirm that there is no pretreatment difference between the treatment group and the control group, this is depicted in figure 1 and Table 2 below. The figure 1 represents the conditioning covariate distribution for the borrower of Trader Moni and non-borrower. Table 2 shows the indicator of matching quality before and after the matching

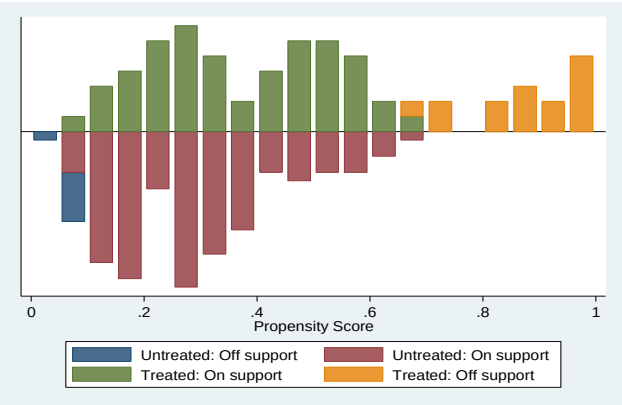


Figure 1: The distribution of the propensity score for the matched and unmatched samples

Table 2: Indicator of matching quality before and after matching

Sample	P-value	Mean Bias (%)	% Mean Bias Reduction
Unmatched	0.0000	31.3	
Matched	0.6341	12.6	59.74

From Table 2 above, the mean bias (%) after the matching was done is at 12.6 as shown in row 3, column 3 in the table; this mean bias indicates a fall in means bias after the matching was carried out and it is less than 20% as recommended by Rosembaum and Rubin (1985). The mean bias reduction in percentage is given as 59.74% in column 4 of the table

As earlier indicated, Propensity Score Matching analysis is employed to examine the impact of participation in Trader moni loan programmme on petty traders' profit and business expansion. Profit was measured by the difference between the petty traders' profit before the collection of the loan and after the loan is received. While business expansion was measured by the stock of goods the petty traders were able to buy after the collection of the loan. The PSM compares the profit and business expansion of the loan participants with their counterfactual group (Control group) to identify if there is any difference between the two groups

Table 3: Propensity Score Analysis – Average Treatment Effect on the treated (ATT)- Radius matching Technique.

Outcome Variable	Average treatment Effect (ATT)	Treated: On-support	off-support	Control: On-support	off-support
Profit after loan (Proaflo)	N 10,814.16^{xxx}	252	06	156	05
Stock after loan (stoaflo)	N 384.14^{xx}	250	08	158	02

*Proaflo= difference between profit before receiving and after the receiving the loan.Stoaflo= difference between stock of goods purchased before and after receiving loan. N=Naira amount. * **, and *** represents 10%, 5%, and 1% level of significant respectively.*

The results of the ATT obtained from the PSM is shown in Table 3. The results indicate that participation in Trader Moni loan programme by petty traders has a positive and highly significant effect on their profit. Also, the results show that participation in Trader Moni loan programme has a positive and significant effect on the business expansion of participant petty traders in the study area. This means that those petty traders that access the Trader Moni loan programme in the study areas have on the average a high profit of N10814.16 over those that did not access the loan. Also, in terms of business expansion, petty traders were able to expand their business through increase in their stock of goods after receiving the loan as given by N384.14 on the average in Table 3.

Furthermore, the result of the radius matching technique was verified for its robustness over other matching techniques, this was carried out through sensitivity analysis using neighbor and kernel matching techniques for the two outcome variables – Proaflo and Stoaflo. The

result from the sensitivity analysis in Table 4 indicates that radius matching method is better, robust and not sensitive to the neighbor and kernel matching techniques. This is indicated in Table 4 below.

Table 4: Propensity Score Analysis – Average treatment Effect on the treated (ATT)- Sensitivity Analysis with neighbor and kernel matching techniques.

	Outcome Variable	Average treatment Effect (ATT)	Treated: On-support	off-support	Control: On-support	off-support
Neighbour Matching						
	Profit after loan (Proaflo)	N 10,011.41[xx]	250	08	159	01
	Stock after loan (stoaflo)	302.16.00[xx]	248	10	154	06
Kernel Marching						
	Profit after loan (Proaflo)	N10, 004.00[x]	258	-	106	-
	Stock after loan (stoaflo	N 284.10[xx]	258	-	106	-

*Proaflo= difference between profit before receiving and after the receiving the loan. Stoaflo = difference between stock of goods purchased before and after receiving loan. N=Naira amount. * **, and *** represents 10%, 5%, and 1% level of significant respectively.*

Conclusion and Recommendation

The study examined the effect of Trader Moni loan programme on the profit and business expansion of petty traders in Ikeja and Alimosho LGAs of Lagos state, Nigeria. The findings from the results indicate that the loan programme has increased the profit of the loan participants over the non-participant petty traders. Also, the loan programme has enhanced the business expansion of those petty traders that participated in the programme over and above the non-participant petty traders. Therefore, it is recommended that sustainability of the programme should be highly encouraged and the programme should be allowed to have wider coverage in both rural and urban area of the country.

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