

Impact of Microfinance to Empower Female Entrepreneurs

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Abstract : *Microfinance is not a new development concept in the finance sector. With higher competition exit in microfinance industry, most of microfinance industries try to expand their customer base through various strategies. Resulting, many poor people could be attracted around the companies providing them valuable financial and non-financial services to get up from the poverty vicious cycle. In this process, microfinance institutions basically address the requirements of vulnerable group who is not considered by formal financial system, such as female entrepreneur. Hence, the study is focused to identify the impact of microfinance has on female Entrepreneurs in MihinthalePradeshiyaSabha area. Population of the study was all female entrepreneurs in the area and out of them 200 respondents were selected as sample using random sampling method. Data was collected through questionnaire and were analysed through SPSS. The study employed correlation and regression statistical tests to analyze the data. Findings of the study indicated that accessibility for loans, repayment procedure and non-financial services are positively affecting on empowerment of women entrepreneurs in MihinthalePradeshiyaSabha area.*

Key Words: *Microfinance, Female Entrepreneurs, Empowerment*

I. Introduction

Poverty has become one of world's top threats to humanity. This has attracted global efforts in fighting the vice but it has persisted. In response, microfinance has been identified as a key relief strategy (Hassan, 2014; p.79). The emergence Microfinance movement is therefore not a new phenomenon but its prominence can be traced from the rise of the Grameen Bank by a renowned Nobel laureate Dr. Muhammad Yunus who promoted it through experimenting whether poor women in Jobra, Chittagong district in Bangladesh would be able to repay money lent to them (Akisimire, et al., 2015). Women capital is very important for increase socio economic and political environment in emerging countries as same as they are involving to entrepreneurial activities to promote regional development and economic growth (Minnite et al. 2005), because women play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low household income and societal discriminations mostly in developing countries have hindered their effective performance of that role (Ekpe, et al., 2010). Resulting, most of them embark on entrepreneurial activities to support their families. Many previous studies have shown that women entrepreneurship could be an effective strategy for poverty reduction in a country; since women are the worst hit in such situation (Ekpe et al., 2010). Therefore, empowerment of women is crucial for the emancipation of poverty and meaningful participation of entrepreneurship development. It is assumed by many parties that increasing women's access to micro finance will enable women to make a greater contribution to household income and this, together with other interventions to increase household well-being, translate into improved well-being for women and ability to bring about wider changes in gender inequality (Biswas, 2008). According to Bagati (2003) many micro credit programs give a role to women in the economy and it will translate into positive changes in their status, empowering women like a 'magic wand'. According to the Household Income and Expenditure Survey (HIES) 2009/2010 of Sri Lanka, 1.2 million households (23.2%) in Sri Lanka were female headed households. Minister of Social Services, Mr. Felix Perera (2012) stated that the female headed families have increased in the last few decades in Sri Lanka and there are 90,000 female headed families in the North and East only (Daily News, 7.10.2012). Further, it was highlighted that most of female head families live under poverty line and these families are vulnerable due to lack of resources. Though most of females are involving in different kind of jobs to enhance their family financial capabilities, they do not have enough financial resources to run their business smoothly. Hence this study is examined the impact of microfinance program on empowerment of women entrepreneurs in MihinthalePradeshiyaSabha area.

II. Literature Review

Microfinance is an important source of financing for poor, lower-income people in developing countries (Nawaz, 2010). It commonly associates with small, working capital loans that are invested in microenterprises or income-generating activities (Craig, et al., 2006). Microfinance is more generally defined as the provision of financial services to those excluded from the formal financial system (UNCDF, 2002). It is widely known as a provision of financial services such as credit, saving, deposit, insurance and repayment services to those who are deprived of accessing into conventional financial services because they are poor and they cannot offer collateral (Robinson., 2001). Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. Microcredit as a small branch of microfinance is more narrowly focused on providing credit services to low-income clients, usually for microenterprises (Cornford 2002). Microcredit is characterized by short loan durations, small loan sizes, strict supervision and direct or indirect client screening to reduce default risks. To empower women at household level as decision makers and in society through active economic participation and to make self-sufficient and self-employed community is one of the major objectives of micro credit schemes (Mustaq, 2008). The basic theory is that microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. This economic empowerment is expected to generate increased self-esteem, respect and other forms of empowerment for women beneficiaries. Involvement in successful income-generating activities should translate into greater control and empowerment (Ekpe, et al., 2010). Women’s Empowerment not only as human right, but also because they are a pathway to achieving the millennium development goal and sustainable development (Anon., n.d.). And also women Empowerment means marginalizing power in women and girls so that they can play a significant role in the society.

Microfinance programs for women are currently promoted not only as a strategy for poverty alleviation but also for women's empowerment (Linda Mayoux, 1997). Different NGO's are mainly emphasizing on women empowerment through micro credit. In developing countries like Pakistan, India, Bangladesh, extraordinary work has done on microfinance for the alleviation of poverty and livelihood diversification. Microfinance program are currently promoted by multilateral and bilateral donor agencies as a mean of inserting poverty alleviation and empowerment objectives into the dominant development objective of market led growth (Mayoux, 2001). Microfinance is the most important thing to low- income people who are lives in developing countries like Sri Lanka. According to the Central Bank report, 2014, empowerment of women is considered as a major outcome of microfinance. Broadly, empowerment refers to an enhancement of “power” of an individual or a group. How microfinance can foster women’s empowerment. By offering poor households access to formal or semi-formal financial services, microfinance has the potential to empower its clients in a variety of ways; (a) income-generating opportunities created through microfinance could provide greater economic security and power to clients, and (b) group formation and management could link clients with networks beyond their neighborhood or community (Chhay., D. 2011). In Sri Lanka there are lots of program is done for women empowerment. Empowerment literally means making someone powerful; facilitating the weak to attain strength, enabling someone to confront injustice and oppression (Jain, 2012). Empowerment is a process which makes the powerless to acquire and control over power through awareness, capacity building, participation in decision making, acquiring information, attaining confidence and self-employment

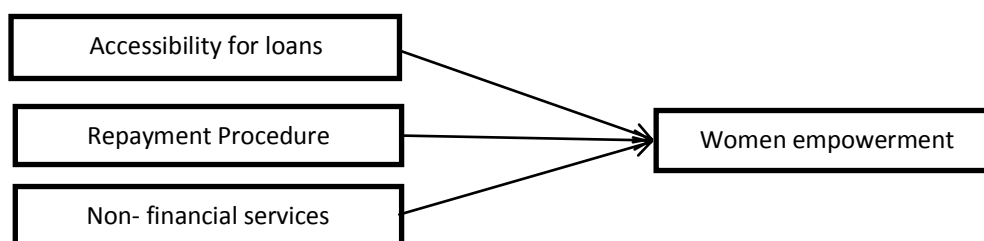
D.G.P. Kaluarachchi and A.Jahfer (2014) investigated micro finance and poverty alleviation in Sri Lanka using randomly selected microfinance beneficiaries from polonnaruwa district. Attention was mainly given to identify the contribution of microfinance for the poverty alleviation. Accordingly, loan amount, repayment ability, accessibility of getting loan and interest rate were independent variables of the study and poverty alleviation was identified as dependent variable. Finding of the study indicated that microfinance initiatives of the area had significantly uplifted lives of the poor and then it led for the poverty alleviation among the micro finance holders in Polonnaruwa District. Jayasuriya, (2007) investigated the impact of the Microfinance on poverty alleviation in Sri Lanka by studying the impact of Samurdhi saving and credit programme for uplifting living condition of poor. The study collected data from five Samurdhi bank and 20 Samurdhi holders randomly from Kegalle district. Findings of the study indicated that Samurdhi credit scheme helps poor people to sustaining their current survives, the majority of the clients have graduated to higher loans for the development of their projects, resulting employability also could increase in the area. Further in Sri Lankan context the Microfinance and Livelihood Development in Poor Coastal Communities in Eastern Sri Lanka was examined by Thilepan & Thiruchelvam in 2011. This study investigated the effectiveness of microfinance support for coastal communities’ livelihood development in Trincomalee District. The study found that there is a significant impact

of microfinance on people’s income and saving level. Accordingly 39.5% respondents could increase their income level and 14.2% could increase their private savings through micro financé activities.

III. Methodology

The study of impact of microfinance on empowerment of women entrepreneurship in MihinthaleMihinthalePradeshiyaSabha area is qualitative type research. The study developed a conceptual framework which is presented at figure 1, for the study based on extensive literature survey. According to the framework, accessibility for loans, repayment procedure and non-financial services were working as independent variables and women empowerment was treated as dependent variables of the study. Based on the framework and empirical findings presented at literature review, following threehypothesis were developed to address the research question.

Figure 1: Conceptual Framework



H1: Accessibility for loans has impact on women empowermentin MihintaleParadesiyaSabha Area.

H2: Repayment procedure has impact onwomen empowermentin MihintaleParadesiyaSabha Area.

H3: Non-financial services has impact on women empowermentin MihintaleParadesiyaSabha Area.

The population of this study was all microfinance beneficiaries in Anuradhapura district in which 200 microfinance holders were selected as sample based on simple random sampling method as many previous studies had taken random sampling technique to select sample from the population such as (D.G.P. Kaluarachchi and A. Jahfer,2014; Jayasuriya, 2007; Thilepan&Thiruchelvam,2011). Data was collected through researched administered close ended structured questionnaires which consisted with two parts. The first part of the questionnaire was used to collect data about demographic information and second part was used to collect data about independent and dependent variables on liker method. The questionnaire consist multiple questions, dichotomous questions and ‘Likert Scale’ questions. Likert scale questions included one to five points, one represent lowest level of satisfaction and five represent highest level of satisfaction. The questionnaires were analyzed through SPSS software and employed descriptive statistic, correlations and regression analysis according to the previous studies. (D.G.P. Kaluarachchi and A.Jahfer , 2014).

IV. Results and Discussion

According to the demographic analysis 83% of female entrepreneurs represent the age group of 41 to 50 and 93.5% microfinance beneficiaries represented marriedcategory. When analyzing the education category of microfinance beneficiaries, it was found that 48% ofthem are representing non-educated group. The descriptive analysis further explains that 46% of female entrepreneurs are involving in sewing related activities as well as considerable amount of women (38%) have engaged in plantation and agriculture related activities. Further majority of women have taken loans below Rs. 60000.00 and only 2 respondents put Rs.100000.00 of burden on their legs.

Table 1: Descriptive Statistic Analysis

Variable	Mean	Standard Deviation
Accessibility for loans	3.83	0.856
Repayment procedure	4.34	0.679
Non-Financial services	3.65	0.583
Empowerment of women entrepreneurs	3.47	0.438

Accessibility of getting loan is one of independent variables of the study measured using four items. According to the descriptive variable, overall mean of “Loan accessibility” is 3.83. It indicates that respondents are agree about ability of women entrepreneurs to access to a micro loans. When analyzing the concept furthermore, it is

found that women can obtain a micro loan presenting very basic documents such as loan application and copy of national identity card, as well as existing level of income of business is not a significant factor for applying to a micro loan. Further, respondents have highly valued supports given by institutes at the loan process. These facts may be the result of higher level of agreements about loan access process.

Overall mean of loan repayment procedure was measured through five items. According to the descriptive statistics presented at table 1, the overall mean of loan repayment procedure is 4.34. It indicates that respondents highly satisfy about existing loan repayment procedures. When analyzing the concept furthermore it was found that women entrepreneurs can decide loan installment and repayment date upon cash receivable. Not only that, when handed money is not sufficient to pay total monthly payment, they are allowed to pay interest of the month to make loan active. Further, microfinance institute sends an agent to customer place for collecting monthly payments. Resulting, respondent highly agree about loan repayment procedure of micro finance loans. Consultancy for business, training and providing financial literacy are analyzed under non-financial services category. According to the descriptive statistics, it was found that women entrepreneurs are satisfied (mean 3.65) about non-financial services of micro institutes provides to women in the area. The required knowledge about preparing business plan, market identification, produce development are given to entrepreneurs as consultancy services. Further, women are taught about financial usage in day to day business activities. Not only has that micro institute provided short trainings about preparation of financial statements to holders. Resulting, micro finance loan holders satisfy about provided non-financial services. Finally, table reflects level of women empowerment at mihintalepradshiyasabha area. It was measured upon four dimensions. The overall mean value of women empowerment is 3.47. It indicates that women entrepreneurs are empowered to engage their own economic activities individually, express their views freely, state new business activities.

V. Correlation Analysis

Table 2: Correlation Analysis

Variables	Accessibility for loans	Repayment Procedure	Non-Financial Services	Empowerment of women entrepreneurs
Accessibility for loans	1			
Repayment Procedure	.247**	1		
Non-Financial Services	.359**	.278**	1	
Empowerment of women entrepreneurs	.497**	.528**	.514**	1

** . Correlation is significant at the 0.01 level (2-tailed).

According to the table 02, correlation coefficient of Accessibility for loans, Repayment Procedure and Non-Financial Services with Empowerment of women entrepreneurs are .497, 528 and 514 respectively. It are statistically significant at 0.05 percent level. It indicates that Accessibility for loans, Repayment Procedure and Non-Financial Services positively associate with dependent variable.

To check for multicollinearity, the study estimated the variance inflation factors (VIF) and found that they ranged from 2.732 to 1.300, which is well below the critical value of 10, the value that indicates the possibility of a multicollinearity problem (Hair, 1998). Durbin Watson statistic as per the test was 1.746 and was very close to 2, indicating the absence of a heteroscedasticity problem in the data set. The *F*-test indicates good model fit. Hence, the statistical properties are generally good and indicate that the estimation results are credible. The explanatory power of the model (R^2) is 0.34, suggesting that the model explains 34 per cent of the variance in the Empowerment of women entrepreneurs. Accordingly, 34% variation of empowerment of women entrepreneurs is explained by accessibility for loans, loan repayment procedure and non-financial services. The signs of the estimated coefficients are positive.

VI. Regression Analysis

Table 3: Regression Coefficient Analysis

Model	Regression Coefficients	T Statistics	Sig Value
(Constant)	1.857	9.476	0.000*
Accessibility for loans	0.192	6.478	0.009*
Repayment Procedure	0.257	4.618	0.000*
Non-Financial Services	0.289	6.239	0.000*
R^2 0.343	Durbin-Watson 1.746	* Significant at .05 percent level	

Dependent variable: Empowerment of Women Entrepreneurs

According to the table 3, regression coefficient of accessibility for loans is 0.192 and sig value is 0.009. It indicates that accessibility for loans has statistically significant positive impact on Empowerment of Women Entrepreneurs in MihinthalePradeshiyaSabha area. Accordingly study accepts the hypothesis one that emphasizes the significant impact of accessibility for loans on Empowerment of Women Entrepreneurs. Resulting, when increasing loan accessibility by one percent it will lead to increase level of empowerment of women entrepreneurs by .192 percent. These is because, women can obtain a micro loan presenting very basic documents such as loan application and copy of national identity card, as well as existing level of income of business is newer consider when applying to a micro loan. As well as they can easily access to the microfinance institute and get loan within short duration when financial problems arise. As per the regression test result, regression coefficient of loan repayment procedure is 0.257 and sig is 0.000. Resulting study accept hypothesis two: loan repayment procedure has impact on empowerment of women entrepreneurs. Accordingly, when changing loan repayment procedure by one percent it will lead to change level of empowerment of women entrepreneurs by .257 percent. The relationship might be influenced the ability of women entrepreneurs to decide their loan installment and convenient date to repay the loan upon cash receivable. Not only that, women has been given a chance to make active her loan only paying interest amount when a financial problem exists in the business. This opportunity flows down mental stress and anxiety of loan holders especially around loan repayment date due to absence of adequate money to settle monthly instalment.

According to the regression table, regression coefficient of non-financial services is 0.289 and sig value is 0.000. It indicates that non-financial services has statistically significant positive impact on empowerment of women entrepreneurs in MihinthalePradeshiy Shaba Area. Accordingly study accepts the hypothesis two that non-financial services has impact on women empowerment in MihinthaleParadesiyaSabha Area. Resulting, when increasing non-financial services by one percent it will lead to increase women empowerment by .268 percent. Micro finance institutes provides convenient services and continuous consultancy support with full back up support for women entrepreneurs handle business activities smoothly under hyper competition.

VII. Conclusion and Recommendations

The study was examined the impact of microfinance on female entrepreneur's empowerment across three independent variables such as accessibility for loans, repayment procedure and non-financial services. As per the descriptive statistics, loan accessibility, repayment procedure, non-financial services and women empowerment were at acceptable level among respondent. Not only that correlation coefficients of all independent variables with the dependent variable were statistically significant at 0.05 percent level. Final regression analysis indicted that loan accessibility, repayment procedure and non-financial services have statistically significant impact on women empowerment in MihinthalePradeshiya Shaba Area. The findings match with many previous studies also. Accordingly, studies conducted by D.P.J. Kaluarachchi, (2014); Jayasuriya, (2007); Robinson & Marguerite, (2002); Sayed, et al., (2015); Thilepan & Thiruchelvam, (2011) also indicated similar results in their studies. Based on the findings study recommends microfinance institute to increase the amount of loans to female entrepreneurs in MihinthalePradeshiya Shaba Area and provide assistance to female for filling their application correctly and decide loan amount, repayment duration, loan installment...etc. Not only that poor women expect continuous support from the institution to handle business activities smoothly, therefore study recommends microfinance institutes to make aware women about financial management, market identification, customer services, saving procedures....ect to empower women entrepreneurs in the area.

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