

MICROFINANCE INTERVENTIONS AND EMPOWERMENT OF WOMEN ENTREPRENEURS IN SRI LANKA

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ABSTRACT

Purpose

This study investigates on women empowerment through the interventions of micro finance and examine to what extent it facilitates for empowering women entrepreneurs in the rural areas. It focused on the objective to determine the effect of micro finance on empowerment of women entrepreneurs in Sri Lanka.

Methodology

The study adopts a causal survey research design through which 337 women entrepreneur clients of micro finance institutions (MFIs) in the study area of Northern Province were selected using stratified random sampling and data collected from them by using a structured questionnaire. Factor analysis has been used to reduce and scan the variables on micro finance interventions (savings, credit, education and training) and women empowerment (decision making, control over resources, freedom to mobility and loan management). Linear multiple regression was used to determine the impact of MFI intervention on women empowerment by using SPSS.

Findings

The model summary indicates that 20.9 percent of the variation in the women empowerment can be explained for the four independent variables. Further it shows that except for savings, other variables credit, education and training significantly and positively affect empowerment of women entrepreneurs.

Research Implications

For the data collection purposes only Northern Province of Sri Lanka has been selected and the women empowerment at household level is analysed by using factor analysis.

Social Implications

The study makes policy recommendations to guide development of microfinance interventions that are beneficial to the clients and other stakeholders of the MFI.

Keyword: Microfinance Interventions, Empowerment of Women Entrepreneurs and self employment activity.

1 Background of the Study:

Micro Finance Institutions (MFIs) have vital role among the poorest people to increase their income in Developing Countries. The poorest people are the vulnerable people who are living in poverty and unhygienic condition without nutrition, no access to education and their per capita income per day will be below US\$ 1 (CARE, 2005). MFIs play an important role against the poverty by assisting poor people to increase their wealth (Zama, 2004, cited by Haq, Hoque, and Pathan, 2008). The MFIs are empowering the poor people by providing financial and non financial services to enhance their living standard through the facilities for poverty alleviation, health nutrition, education and self employment opportunities and helping to get capital and independent income and contribute economically to their family and society. According to the State of Micro Credit Summit Campaign Report (2005) 3200 MFIs reached more than 92 million clients in 2004 of which around 73% were living in poverty when they provided the first loan to them.

Sri Lanka is a multi ethnic and religious society with Sinhalese Buddhists, Tamil Hindus, Muslims and Christian Communities. There was a civil war for the last 30 years and more than one million people have been affected by this civil war. In addition to this the country was affected by the tsunami in 2004 and more than 38,000 people were killed and many left vulnerable from the loss of livelihood. Self-employment and women in entrepreneurship have been growing in developed economies for women to survive themselves and to help support their families (Gordon, 2000). Therefore it can be seen that women entrepreneurship is a growing phenomenon and has had a significant economic impact in all economies. However, women-owned enterprises have challenges and constraints that need to be addressed and specific needs that have to be identified to help them.

Support of thousands of microfinance customers in Sri Lanka reveals that access to financial services facilitates poor people to boost their household income, make assets, and cut their vulnerability. According to the report of Dirk Steinwand & David Bartocha (2008) microfinance is an adaptable supporter that affords them to remake their lives, plan for their future and their children and empower them with self esteem and confidence. The impacts of microfinance are a combination in most cases where one impact leads to another. For instance, improved income is used for enhancement of the family or children, education & health nutrition etc. The term microfinance usually entails very small loans to low-income clients for self-employment who lack access to traditional banking services. In Bangladesh, microfinance has enabled poor people to employ in self employment projects and allow them to create income and begin to rigid prosperity and exit poverty. 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'. However, in Sri Lanka women face challenges in accessing microfinance and empowering themselves. Therefore, it is better to analyse the women empowerment and micro finance interventions in Sri Lanka.

2 Research Problem:

Time to time Sri Lanka faced challenges and problems due to war situation and the nature ie, Tsunami, flood etc. At such times, most of the poor people and their micro enterprises were affected by various reasons. Sri Lankan Government has undertaken various activities to increase their standard of living condition. The tsunami in 2004 and 30 years civil war in Sri Lanka have left women to be single and widowed. The women are marginalized by their families and they have greater responsibility caring for their families. Taking on responsibilities of control are culturally unacceptable for women in Sri Lanka. According to the Household Income and Expenditure Survey (HIES) 2009/2010, 1.2 million households (23.2%) in Sri Lanka were female headed households. Social Services Minister Fellix Perera (2012) stated that the female headed families have increased in the past decades in Sri Lanka and there are 90,000 female headed families in the North and East alone (Daily News, 7.10.2012). Out of this 64% are widowed, divorced or separated while 32 percent of the spouses are away from the house for their employment and 2% are unmarried (Daily News, 7.10.2012). 50% of them are below the poverty line and these families are vulnerable due to lack of resources. Women are the new breadwinners in the family, setting up small business and helping to support or supplement family income (Handunetti, 2011). 40,000 female headed households in the Northern Province and more women are becoming day labourers to support their families (Handunetti, 2011).

Women are the lower paid majority and have a higher unemployment rate than men in developing countries (World Bank Gender statistics Data base, 2009) including Sri Lanka. According to Sivachandran (2011) the role of women have changed from their role on traditional home making to one day labourer and the women's labour are cheaper than men in Sri Lanka. According to Sivachandran (2011) three factors have reduced the male headed households in number of which are the war, disappearances and being in military custody and women have low earning capacities and are forced to work as cheap day labourer for less than a US dollar per day.

Direct involvement of males in a conflict in the form of combatants or victims or missing and disappearances results in increasing the female population in conflict affected areas. In these areas, with the absence of male partners in the household female are forced to bear the burden of the family. In this situation many of the women are imposed with the responsibility of the head of the household. These female headed families are socially and economically vulnerable and they face many difficulties in their day to day lives. These women not only have been affected by the violence but also they have witnessed the loss of their loved ones and they have to be supported financially and emotionally. Further, young widows and abandoned young women face many social problems too. In addition to this, disability brings additional burdens to most of the families, especially to the female households. It has been stated that some families are running by the female heads because man is disabled or disappearing due to conflict situation. And also there are some women whose husbands are in detainee camps and they have access to the detainees. These women are doing labour work and self employment as their occupation.

The impact of micro credit on women empowerment has been analyzed in developing countries especially in Pakistan, Bangladesh and India. However most of the researches have been done regarding the women empowerment, and micro finance worldwide similar researches have been rarely conducted in Sri Lanka. Under post war development there are so many projects intended to empower poor people in Sri Lanka with the

help of foreign aids. The micro finance is considered as one of the major tools for the economic development through the enhancement of living condition of poor people specially women in the country. Most research studies on the impact of micro finance have been done for developing MFIs in Sri Lanka by considering the rural people. There are few studies that empirically support the claim of microfinance in helping the poor in self employment, though the enormous contribution of the sector has been the organization of the poor, particularly women to access critical financial services. Some of the empirical evidence which shows that the involvement of women associated with the microfinance programmes has been on the increase, resulting in a greater awareness and confidence, forecasting them is not properly recognized. However self employment activities are being implemented by various organizations under post war development and the consistency or sustainability of the activity is questioned. It is doubtful whether these activities are initiated to fulfil the essential needs of women or initiate self employment activities. The loans are provided by organization with collective of collateral and the women repay regularly by the self employment is questioned. Therefore, this study investigates:

“Whether the micro finance intervention influence on empowerment of women entrepreneurs in the rural areas in Sri Lanka”.

3 Objectives of the Study:

The main objective of the study is to identify the microfinance intervention on empowerment of women entrepreneurs in Sri Lanka, and the specific objectives are:

- to identify the factors that affect women empowerment and microfinance intervention.
- to assess the impact of microfinance intervention on women empowerment at household level.
- to suggest the improvement of the women empowerment through microfinance intervention.

4 Literature Survey and Hypotheses development:

The supporting materials that will be put into the framework from empirical studies were made in this area. The important aspect of MFIs is not only financial intermediation but also providing social intermediation, Enterprise development services and social services. The social services are not pertinent to banking system. Therefore, microfinance is not a banking system but a development tool, combining both financial and social services (Ledgerwood, 2000). Microfinance is a credit lending model, and within this lending model consists of several subcategories, which differ in terms of where their funds are sourced from, and how the money is administered. 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).

Goetz and Sengupta (1994) presented a decidedly negative image of the effect of credit on women empowerment. They concluded that most of them have a least level of control over their loans. When the time comes for repayment of loans, this lack of control could have a damaging impact on the welfare of women. They found that, it is not on empowerment, but on women's managerial control over loan use. The authors concluded that credit is fungible within the household, but they do not support empirically.

According to Macissac, (1997) micro credit has contributed to change in attitude about women's contribution and roles in economic and social development.

According to Makombe, Temba and Kihombo, (1999), there is an improvement in gender relations and poverty alleviation and there is increased women involvement in decision making, control over household resources and freedom to use their time.

The results of the study of Hoque and Itohara (2009), revealed that micro credit programmes have significant impact in empowering the rural women in Bangladesh. Further, the socio economic factors of the women institutional participation, media exposure and family land holdings are important for women empowerment.

Ayadurai, (2004) concluded that the women entrepreneurs of the North East of Sri Lanka must be recognized as an important unit contributing to the economic growth of the country. They must be supported by the international organizations involved in the growth and development of entrepreneurship, especially women entrepreneurship, to help them "function" effectively as women entrepreneurs.

Tilakaratna, Galappattige and Perera (2005) revealed in their study on Promoting Empowerment through Microfinance in Sri Lanka that microfinance is an important component of the lives of the poor especially among poor who are keen on being entrepreneurs. From their study, about 45 percent of the clients claimed that they were satisfied with the business development services provided by their organization though a majority did not comment. The main reason for the satisfaction was that the training facilities had been provided with them.

Maheswaranathan and Kennedy (2010) revealed that the micro credit led to the elimination of the economic hardship of women. It was an easy way for the women to obtain a loan facility from an informal way. However the micro credit was meant for the livelihood activities of women until now and it assisted the beneficiaries' family to eradicate the poverty by providing a support in fulfilling the need..

The study of Premaratne, 2011 focused on Empowerment of Women through Self Help Groups (SHGs) in Sri Lanka found that impact of micro finance on women is substantial in skill development, courage, building confidence and women empowerment but there is no possibility in, sustainable rural development especially diminution of poverty, formation of employment and creation of assets in the rural areas. Further his study focused on the affordability and accessibility of rural microfinance services in Sri Lanka revealed that the accessibility of Microfinance depends on factors such as the distance to MFI, the level of family income, accessibility of information technology, education level, vocational training, rate of interest and security availability.

Dubreuil, & Mirada, (2010), explained that the micro credit has direct impact on women empowerment through self employment and micro enterprises. Further, the demographical factors such as age, education and experience also have moderating effect on women empowerment. They considered various parameters and variables such as age, education, micro enterprises, micro credit programs, etc.,

Sangeeta & Sapna, (2012), summarized the twenty six (26) variables into six factors namely socio economic status, personality factor, financial liberation, familial relations, child development and inhibiting factor using factor analysis technique. Tadesse, Teklie, Yazew and Gebreselassie, (2013) indicated that the women

empowerment indicators from the perspective of decision making power, attitude towards domestic violence, and exposure to sources of knowledge which were extracted from factor analysis and these factors positively associated with current contraceptive use.

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Based on these past findings the following hypothesis has been developed by the proposed study.

H₁ There is a significant relationship between micro finance and women empowerment.

H₂ Microfinance intervention has an impact on women empowerment in Northern Province of Sri Lanka.

5 Research Methods:

5.1 Research Design:

The study was “cause – and – effect” in nature and then an explanatory survey research design was used which aimed at establishing the impact of microfinance intervention on empowerment of women entrepreneurs in Sri Lanka. A deductive approach and quantitative measurement was used to explain and interpret the phenomenon.

5.2 Target population

The population of women entrepreneurs was the members of MFIs within Samurdhi Bank, Women Rural Development Societies in Northern part of Sri Lanka. The women who were considered as entrepreneurs were those who owned and involved the business and had poultry farms, petty shops, beauty parlour, tailoring shops and handicrafts in the house from where the business operates which enabled the researcher to trace them and collect the questionnaire.

5.3 Sampling Design

The study adopted a stratified random sampling method to select the respondents who engaged in above said numerous activities. Out of 1,656 active self-employable women 337 were selected who have been experienced more than 2 years to select nothing less than 50 numbers to make up the sample from each districts.

5.4 Data Collection

Both primary and secondary data were used and primary data was collected using the survey method in order to get the opinions of the women entrepreneurs and let them confining attitudes, knowledge and perceptions. Secondary data was collected from various sources including Reports, research paper and documents to build up the literature review. A structured questionnaire was used to collect the primary data from the women

entrepreneurs. Structured questionnaires were administered by the researchers to the respondents with Likert Scale ranging from strongly agrees to strongly disagree coding 5 to 1 respectively.

5.5 Validity and Reliability of Research Instruments

The database was checked for accuracy and completeness to achieve reliability. In order to ensure that the questions in the questionnaire reliably measured the Cronbach's alpha was run using the Statistical Package of Social Science and values ≥ 0.7 were considered acceptable (Hair, et al., 2005).

5.6 Data Analysis and Presentation

The collected data was tabulated, interpreted and analysed by using both descriptive and inferential analysis. With regards to- this quantitative analysis, the SPSS software 16 version was employed for the data entry and to calculate percentage values. The resulting data was then analyzed and interpreted. Factor analysis was used to reduce a large number of variables to a smaller number of assumed underlying hypothetical factors which have been used for microfinance and women empowerment. The factor analysis technique was employed to load the number of variables to find out the influence of women empowerment and regression and correlation analysis has been used to find out the impact and relationship among the variables.

6 Results

6.1 Factors measuring the Micro finance interventions

To measure the micro finance intervention, researcher has 22 variables. Through the exploratory factor analysis the variables were reduced into four. In this study, researcher used Cronbach's Alpha scale as a measure of reliability. Its value was estimated to be 0.953 for total dimensions which is highly reliable for factor analysis. Further, the appropriateness of factor analysis is dependent upon the sample size. According to them, as communalities become lower the importance of sample size increases. All communalities are above 0.6 and therefore it is clear that a sample size of three hundred and thirty seven (337) as used in the present study is good for a suitable factor solution.

Further, the table 1 below shows that the test value of chi-square 3.454E3 ($p = 0.000$) is highly significant indicating that the data is appropriate for the factor analysis in the present study.

Table 1: KMO and Bartlett's Test-Microcredit

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.891
Bartlett's Test of Sphericity	Chi-Square	3.454E3
	df	231
	Significance	0.000

The factor analysis was carried out to identify the dimensions that influence on micro finance. For this purpose, researcher employed Principal Component Analysis (PCA) followed by the Varimax rotation, when the original dimensions are analyzed by the PCA. From the analysis with an eigen value of greater than one

which explained 57.755 percent of the total variance. There is one method to reduce the number of factors to something below that found by using the greater than one rule is to apply the scree plot test. In this test, eigen values are plotted against factors arranged in descending order along the X – axis. The number of factors slope, is deemed to be the number of useful factors extracted. In this regards figure 1 has been shown the useful factors.

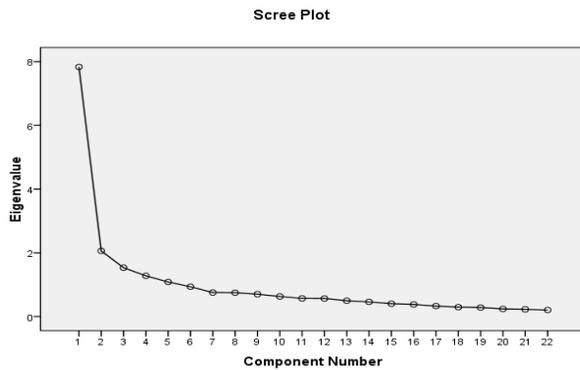


Figure 5.15 Scree Plot – Micro finance

Table 2: Total Variance Explained After Rotation – Micro finance

Component (Dimensions of Micro finance)	Eigen Value	Percentage of Variance Explained	Cumulative Percentage of Variance Explained
Expectations of savings	7.836	17.832	17.832
Awareness on education	2.060	15.206	33.038
skill development and training	1.532	13.983	47.021
Group members get loan through revolving fund	1.278	10.735	57.755

Source Field Study

Extraction Method: Principal Component Analysis

The rotated components matrix for dimension of micro finance intervention could be explained that the eigen value for each factor is greater than 1.0 (7.836, 2.060, 1.532 and 1.278) which means that each factor can explain more variance than a single variable. The cumulative percentage of variance explains by four factors is 57.755 per cent. In other words, more than 57 per cent of the common variance shared by four factors can be accounted or explained by these four factors. Based on the above results, the construct validity is established.

The higher the factor loading, the more would its test reflects or measures as micro finance interventions. However, the dimensions getting the highest loading and suitable for the group become the title of each group of dimensions. micro savings, Micro loan, Education and Training are the four factors identified as

microfinance interventions from the factor loadings. Microfinance dimension group I is Micro savings. These dimensions are represented by six measures with factor loadings ranging from 0.801 to 0.577. Microfinance dimension group II is Micro loans. This has five dimensions ranging from 0.800 to 0.522. Micro finance dimension Group III is Education with loading from 0.677 to 0.536 and group IV three dimensions with loading from 0.537 to 0.725.

6.2 Factors measuring the Women empowerment at Household Level:

Through the exploratory factor analysis the variables were reduced into four out of twenty two variables for women empowerment. Through the exploratory factor analysis the variables were reduced into four.

The table 3 below shows that the test value of chi-square 4.377E3 ($p = 0.000$) is highly significant indicating that the data is appropriate for the factor analysis in the present study.

Table 3 KMO and Bartlett's Test – WE at HH Level

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.876
Bartlett's Test of Sphericity	Chi-Square	4.377E3
	df	136
	Significance	0.000

The four components extracted from the analysis with an eigen value of greater than one which explained 75.273 percent of the total variance. In this test, eigen values are plotted against the factors arranged in descending order along the X-axis. The number of factors that correspond to the point at which the function so produced appears to change slope, is deemed to be the number of useful factors extracted. In this regard the figure 2 has been shown the useful factors

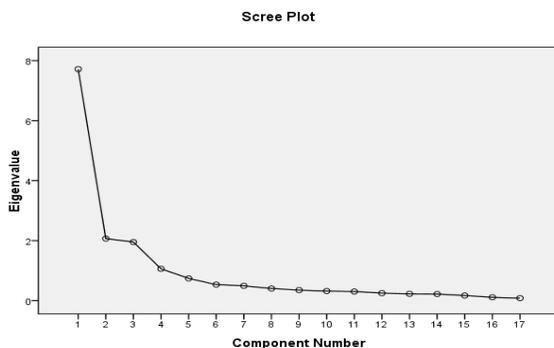


Figure 2: Screeplot – Women Empowerment

The rotated components matrix for dimension of women empowerment at household level could be explained that the eigen value for each factor is greater than 1.0 (7.717, 2.067, 1.953 and 1.059), which implies that each factor can explain more variance than a single variable. The cumulative percentage of variance explained by

four factors is 75.273 per cent. In other words, more than 75 per cent of the common variance shared by four factors can be accounted or explained by these four factors.

The higher the factor loading, the more would its test reflects or measures as empowerment. However, the dimensions getting the highest loading and suitable for the group become the title of each group of dimensions e.g; Decision making, Control over resources, Loan Management and Freedom to mobility.

6.3 Relationship between Micro finance and Women empowerment

To find out the impact of micro finance on women empowerment the regression analysis has been made between micro credit and women empowerment. The table 4 shows the model summary on this regards.

Table 4: Regression Analysis between Micro finance and Women Empowerment

Model	R	R Square	Adjusted R Square	F	Sig.	Unstandardized coefficient
1	0.270 ^a	0.173	0.170	26.247	0.000	0.272

The results of regression analysis shows in the above table 4 that R square for the regression model is 0.173. R square shows that the amounts of variations in one variable of micro finance that is accounted for by dependent variable of women empowerment. In this case, respondents perception of increasing micro finance account for 17.3 percent of the total variation in the increase degree of women empowerment in the region. The ANOVA table shows that the F ratio for the regression models. This statistic assesses the statistical significance of the overall regression models. Larger the F ratio, the more variance in the dependent variable (Women empowerment) is explained by the independent variable (Micro finance). The F ratio 26.247 indicates that the model is highly significant at the 0.000 level.

From the regression coefficient table, the “Unstandardized Coefficients” reveals the unstandardized regression coefficient for micro finance, as 0.272. The t-test expresses the regression coefficient is different enough from zero to be statistically significant at the level (0.000). According to the above analysis the hypothesis is accepted which indicates that the relationship exists these two variables and it has an impact of microfinance intervention on women empowerment.

Table 5: Dimensions of Microfinance and Women empowerment

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.000	.320		9.387	.000
	Micro savings	-.014	.072	-.013	-.190	.849
	Micro Loan	.234	.061	.293	4.637	.000
	Education	.175	.092	-.135	-2.020	.044
	Training	.157	.062	.159	2.360	.019

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a. Dependent Variable: Women Empowerment at HH Level

In the above table 5 it was considered the women empowerment at Household level as dependent variable and Micro savings, Micro Loan, Education and Training independent variables. Based on the above calculations, there are no significant differences between micro loan and women empowerment ($P < 0.05$) at 0.05 significant levels. However, there is no significant relationship between micro savings and women empowerment ($P > 0.05$) at 0.05 significant level and education and training have the moderate level relationship with the women empowerment at household level as shown in table 5.

7 Conclusion

From the above discussion researcher can conclude that there is a positive relationship between micro finance intervention and empowerment of women entrepreneurs and there is no significant differences among these variables ($p < 0.05$). However, the other factors such as self confidence, attitude change of clients, monitoring and guiding activities, cultural norms also have an impact on women empowerment.

According to Asamoah (2011) microfinance has positive implications on respondent's economic empowerment. It helps them to increase and sustain their working capital. It enables them to purchase more raw materials and goods for increased production, as well as to expand their options and choices regarding purchase of goods. It also helped them to increase saving capacity. This helped them indirectly to incorporate banking practices and subsequently made them eligible for bank loans. The findings in this study support earlier studies, such as Hulme and Mosley (1996); Chen (1996); Pitt and Khandher (1996); Buvinic and Yudelman (1989); MKNelly and Dunford (1999); Hashemi et. al (1996); and Afrane (1997) which found the positive relationship between microfinance and women's empowerment.

In conclusion, microfinance has been found to have the potential of changing the lives of the poor for the better by enhancing their businesses. In addition to this, proper group formation and supporting infrastructure facilities are prerequisite for an effective use of micro-credit as a tool of empowering women. Microfinance could lead the way towards women empowerment through self employment activities through the development of social capital, better access to loans, and repayment schedules and multiple financial services.

Under the post war development in Sri Lanka rehabilitation and revitalization activities women empowerment is an important activity because those are suffering from various critical conditions arising from war situation.

The government has a large responsibility to protect these people, because they have been sexually and mentally disrupted by the war situation

According to Fletcher (2009) although the micro credit program has been initiated for the purpose of promoting micro enterprise development among poor women, the results of this study proved a meagre access to micro credit does not enhance self employment of women. The intra-household dynamics improvement and the positive socio cultural environment are also required to poor women for enabling them to start the micro enterprises owned and managed by them.

However, micro credit has positive impact on women empowerment most people have negative impacts on their feelings because they are more concerned about paying back the loan and they expect the infrastructure facilities under post war situation, marketing and financial difficulties with the increasing cost of living in Sri Lanka. However, the educational, political and economic progress does not mean that women have arrived to a position equal to men (Nagaiah, 2011).

Finally, it is concluded that there is need to go together credit-delivery with social awareness raising, building self confidence and skill training among women. Women need advice about how to utilize public, private, natural and other resources and services and how to choose the business activity and how to market them effectively. Microfinance, thus, is not sufficient in empowering the women, but it is of the very essential component with the non-credit aspects in that process.

8 Suggestions

Aiyadurai, (2010) , Their constraints must be recognized and a structured and organized strategic plan put in place to help them overcome these limiting factors. The Sri Lankan Government, UN Agencies, Donors, International Non-Governmental Agencies, Sri Lankan Non Governmental Agencies, Women's Networks, International corporate organizations, International Entrepreneurs and Social Entrepreneurs can greatly enhance the entrepreneurial capabilities of these women through funding and skill development.

According to Chowdhury, (2009) self employment and micro enterprises have been recognized as factors that contribute to the economic development. The non-availability of fund facing by the people especially by the women is one of the main barriers to establish the micro enterprises. Further, Chowdhury (2008) argued that the access to micro credit programme does not contribute to the women entrepreneurship development at household. They use their loans for increasing the capital of existing businesses that are managed by men of family.

This study could be further developed by including other mediating, moderating and or intervening variables. And also the results of which could be compared with this study so as to establish the relationship between micro finance intervention and empowerment of women entrepreneurs using different women empowerment and micro finance intervention variables. Further, a study could be carried out in other provinces in Sri Lanka since this involved Northern Province only. This will establish more factors that are affecting the empowerment of women entrepreneurs in different provinces of different setting such as rural versus urban based. This study assumed the definition of women entrepreneurs to incorporate women who participate in self employment activities. However, the measurement of personal characteristics that often defines an entrepreneurs' perception of microfinance intervention. Future studies may use this indicator as a mediating/moderating variable to see whether the results will be different.

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