



Women empowerment and microfinance in Sri Lanka: With special reference to Homagama divisional secretariat division

NMA Jayasinghe^{1*}, SD Chathurani²

¹Department of Economics, University of Sri Jayewardenepura, Nugegoda, Sri Lanka

² St. John's Girls' School, Panadura, Sri Lanka

Abstract

Microfinance is a form of financial development. This study was conducted to find out and fill the gap which can empower women through microfinance including micro-credit. The study was based on primary data; 100 women entrepreneurs included microfinance applied and otherwise were selected simple random sampling method. The data was collected by employing semi-structured questionnaire through practice on household survey. The Women Empowerment Index (*WEI*) was created under the principle component analysis. The data have analyzed descriptive and statistically; stepwise multiple regression. Findings showed that significant relationship between microfinance and women empowerment. A positive impact between *WEI* and education level implies that every step in the process of enhancing education qualifications will lead to women empowerment. The results reveals that the markets available for products of micro enterprises can positively contribute to empower the women. Similarly, the research emphasizes the fact that there is no strong or significant link between *WEI* and age, marital status or occupational structure.

Keywords: Factor analysis, micro enterprises, microfinance, self-employment, women entrepreneurs

Introduction

Gender equality is a primary development goal, and its contribution to the continuance of development in communities is substantial. In the journey of development, one of the main goals of bringing down unemployment has a lot to do with gender. One of the most controversial and recurrent issues that fall under gender equality today is women empowerment through women's employment. The inequality in gender roles, fossilized for centuries in the society, have been challenged during the last 50 years. In present, certain widely accepted conservative beliefs and attitudes about woman, such as women need no education and that their role in life is to bear children, have been subject to thorough criticism in most societies, including the Sri Lankan society. Sri Lankan society functions on the principle of equal opportunities; looking after children or parenting is a shared responsibility of men and women. As a result, women have become a key-role player in the society; a role that is very important for the development. They make a significant contribution not only to the family but also to the society at large. This role is significant when it comes to moving the society forward through employment; especially, self-employment. Self-employment, as another aspect of the entrepreneurship, is a powerful instrument in terms of investment, both in local and international milieu.

Rathirane *et al.* (2016) ^[16] state that social capital and human capital are essential to develop the entrepreneurial activity. A similar importance is shared by micro-finance factors that are key components in enhancing the business activities. Micro-finance is a form of financial development that focuses mainly on alleviating poverty by providing financial support and

services to the poor. Similarly, micro-finance empowers women by creating awareness and providing financial services for those who lack access to traditional banking and related services.

The term "empowerment" refers to increasing the spiritual, political, social or economic strengths of individuals and communities. It often involves the empowered developing confidence in their own capacities. According to the UN definition, women empowerment has five components; "women's sense of self-worth", "right to have and to determine choices", "right to have access to opportunities and resources", "right to have the power to control their own lives, both within and outside the home", "ability to influence the direction of social change to create more social and economic order nationally and internationally". The definition portrays empowerment as a multi-dimensional social process that helps people gain control over their own lives. Furthermore, self-employment and small-scale enterprises are the ground-level industries in the business sector. Usually these enterprises use minimum initial capital, and they have low savings. As a result, these enterprises often face various risks and uncertainties when the businesses actually function in the society.

Micro-credit or micro-finance is banking the unbanked, bringing credit savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases, because they are unable to rapidly participate in economic activity. Micro finance provides women with the financial banking they need to start business ventures and actively be a part of the economy. It gives them confidence, improves their status and

makes them more active in decision making, thus encouraging gender equality. According to the CGAP, long standing MFI's even report a decline in violence towards women since the inception of micro finance. Many researchers' observations and experiences show that women are a small credit risk; they repay their loans and tend more often to benefit the whole family. In another aspect, it is also viewed as a method of giving the women a higher status in a socioeconomic sense, and changing the current conservative relationship between gender and class. A recent central bank report confirms with the UNDP and ADB reports that only 34.7% (2014) of the labor force participation were women. This implies that women have a higher unemployment rate than men in the country. Therefore, the woman becomes a financially and mentally isolated individual within the family.

However, disregarding their social shackles, if they are capable of generating an income through micro-financial activities, such as self-employment, their empowerment is assured. Micro-finance institutions providing loans targeting poor women, and many other observations lead to the belief that the micro finance has the potential to increase the income generating opportunities available to women. However, irrespective of the impact of micro-financing activities on women employability, no improvement being observed in the actual field of businesses, gives rise to the research problem.

Objectives

Whether microfinance factors influence women empowerment in Colombo District of Western province in Sri Lanka, is a worthy question to be researched on. Hence, the main objective of this study is to investigate the impact of micro-financing on women empowerment.

Other objectives of the research include;

1. Identifying the other factors that influence women empowerment
2. Analyzing women empowerment using five factors
3. Presenting suggestions for the betterment of women empowerment through micro-finance.

Literature Review

During the last two decades, the relationship between poverty, women empowerment and microfinance has been a popular subject among both local and international researchers. The study of Ghalib *et al.* (2015) highlights that, in Pakistani context, households that obtain microfinance loans tend to spend them on healthcare clothes and foot wear than the non-borrowers. Borrowing has a significant impact on possessing livestock, savings and household assets. Hence, microfinance borrowings evidently have a statistically significant impact on reducing the risk of poverty. However, women, children, low caste people, ethnic minorities still fall within the categories vulnerable to poverty (Sharma, 2001; Ariyabandu, 2003; Ray, 2010). Female borrowers tend to allocate funds for daily expenses, non-perishable consumer goods and medical expenditure (Ksura, 2010). Since just one loan is insufficient to fulfil all their needs, they usually go for several loans from different microfinance institutions. Recent literature, while emphasizing the woman's vulnerability to disasters, has

initiated discourse on the potential of microfinance for women empowerment. Pallavi and Ramkumar (2003), for instance, identify a realistic effect of microfinance on the employment level of a family. Hence, the government must pay close attention to aspects such as agricultural reforms, democratic decentralization, public affairs, education and health and nutritional needs in the interest of enhancing the living standards of the rural poor. However micro finance should not be mistaken for a tool that can be used for the purpose of alleviating poverty of the groups that suffer due to prior indebtedness, those who suffer from extreme poverty, those who suffer from moderate poverty and non-poor. Haque and Yamao (2008) ^[10] explain that it is those who belong to extreme poverty and moderate poverty categories that tend to spend more than their monthly income. This results in loss of property they have put up as collateral. According to Clement *et al.* (2012), micro finances has led to the reduction of the number of poor from 25% to 2%. However, calculated based on log likelihood, it turns out that household income, access to healthcare and markets, the amount borrowed, level of education as well as daily calorie intake have played a significant role in poverty reduction.

Microfinance has been contributing not only towards poverty reduction and financial sustainability, but also towards a series of 'virtuous spirals' of economic empowerment and enhancing well-being and social and political empowerment of women themselves, thus addressing goals of gender equality and empowerment (Mayoux and Hartl 2009, 8). Empowerment through microfinance is identified and measured in various dimensions; impact on decision-making, on self-confidence of women, on their status at home, on family relationships and the incidence of domestic violence, on their involvement in the community, and on their political empowerment and rights (Cheston and Kuhn 2002) ^[11]. Although it is difficult to measure the exact impact of access to microcredit on different dimensions – such as impact on decision-making and on self-confidence – studies indicate that MFIs indeed have a positive effect on each of these different dimensions of women empowerment.

Powerful evidence of microfinance programs leading to women's political empowerment through political mobilization is found in India. WWF's money-lending branch, has successfully trained and mobilized women to take civic action to support women's rights and fight against social problems (Cheston and Kuhn 2002) ^[11]. In the Philippine context, Cheston and Kuhn (2002, 24) ^[11] spotlight how women clients of Opportunity Microfinance Bank have gained leadership experience and confidence as leaders of their Trust Banks, and have gone on to be elected as leaders within their "barangays", i.e. a community-level political unit.

Although a number of studies have been conducted on the relationship between poverty, women empowerment and microfinance, they do not discuss as to what sort of difficulties these women face when they perform a dual role inside as well as outside of the house. Similarly none of these works assess the level of support they get from their family members; specially husbands. Therefore, this study is as an attempts to fill these research gaps in literature concerning empowerment of the women and microfinance.

Methodology

Survey was chosen the best method to accomplish the objectives of the research, and the qualitative and quantitative data gathered through surveys have been analyzed. Continuous data has been classified, and qualitative data have been used as the dummy variable in the research. Since the focus of the study is on semi urban areas, 100 women entrepreneurs from Homagama Divisional Secretariat area of Colombo District were chosen as a sample – based on simple probability – using the voters’ registry. Simple probability method was chosen, as it is a widely used method in pre-empirical research for choosing undivided homogenous and small samples. Both primary and secondary data were collected through a structured questionnaire and interviews. The questionnaire had four basic components to collect continuous data and qualitative data, which were then interpreted for the purpose of this study.

A Women Empowerment Index was used as a dependent variable, and age of the household head, number of dependents, marital status, education level, duration of a microfinance programme, credit amount, annual interest rate on credit, credit default terms, monthly income, number of savings accounts, ownership of the enterprises and market availability were used as some independent variables. Sample data was analyzed through individual variables and generally using descriptive statistics. A questionnaire with unique questions was used to build the Women Empowerment Index. In constructing the Index, quintile analysis was used on data collected via 29 questions on physical, economic, social, human and personal attitudes. Principal Component Analysis Method (PCM) was applied for the purpose of creating a linear combination to explain the 29 factors and variable structures. The objectives of using PCM analysis was to create a variable or a minimum number of variables through data reduction and data interpretation.

Since collected data from the sample cannot be directly used in the econometric analysis, data has been run through spss16.0 to reduce weaknesses and rectify errors. Afterwards data collected through the questionnaire has been analyzed in three stages. First, WEI was built followed by a description of the variables that impact on women empowerment, using descriptive statistics. Finally, an econometric model was designed using the women empowerment Index.

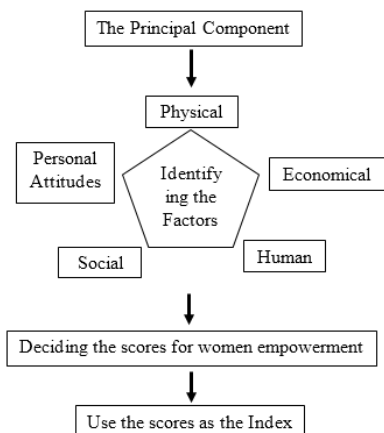


Fig 1: The conceptual framework of building the Index

Results and Discussion

Descriptive analysis

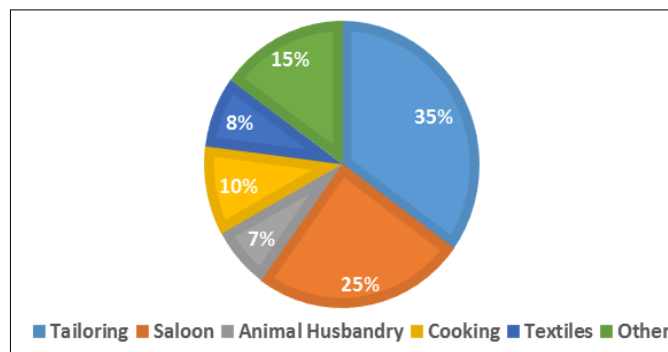
Table 1 presents the socio-economic factors of the research. In Homagama Divisional Secretariat, every age group consists of a considerable number of beneficiaries who are engaged in microfinance enterprises. Among them, 28% of the respondents are between the ages of 48 and 57, and 24% are between the ages of 38 and 47. Compared to other aged groups, middle aged respondents show more interest in getting loans from microfinance institutions. Similarly, educational qualification details reveals that 44% of the beneficiaries belong to low education level; 12% of them have had no formal education. Only a limited group of 14% women have had the privilege to complete higher education, which suggests that more than 44% beneficiaries are educationally disadvantaged. Nevertheless, interestingly, most of them seek help of microfinance loans to maintain and develop their enterprises.

Furthermore, the table illustrates the marital status of the sample; 52% of the beneficiaries are married women, 20% divorced, and 10% widowed. The analysis substantiates that, regardless of their marital status, most of the respondents are willing to get financial loans from microfinance institutions to develop their livelihood.

Table 1: Socio Economic Factors

Variables	Category	Frequency	Percentage
Age	18- 27	8	8%
	28- 37	26	26%
	38- 47	24	24%
	48- 57	28	28%
	57 <	14	14%
Education Qualification	No formal education	12	12%
	1-5	32	32%
	6-10	24	24%
	Passed O/L	18	18%
	Passed A/L	12	12%
	Graduate and Above	02	02%
Marital Status	Married	52	52%
	Unmarried	18	18%
	Divorced	20	20%
	Widowed	10	10%

Source: Sample survey, 2018



Source: Sample survey, 2018

Fig 2: Occupational Structure

The pie chart number 01 presents the occupational status of beneficiaries of microfinance. Most of the sample

respondents, 35% to be precise, are engaged in tailoring. It is a noticeable observation that 50% women entrepreneurs are engaged in home-centered enterprises, which include tailoring, beauty-caring, dress making and the like. However, they are seeking available opportunities to move to a separate business location, with the financial support of microfinance loans.

Model analysis

Following table 2 illustrates the coefficient of Kaiser- Meyer-Olkin measure of sampling adequacy. According to KMO Bartlett test, value 0.607 was greater than the acceptance level of 0.6 ($p=0.000 < \alpha=0.05$). Hence, after confirming the validity of factors, they were used to build the Index.

Table 2: Sampling Adequacy

Kaiser-Myer- Olkin Measure of Sampling Adequacy 0.607		
Bartlett's Test of Sphericity	df	465
	sig	0.000

Source: Sample survey, 2018

Table 3: Women Empowerment Model

Model (2)	Unstandardized coefficients			
	β	Std. error	T	p
Constant	-1.892	0.281	-6.745	0.000
Education Level	0.560	0.78	7.188	0.000
Market Availability	0.155	0.73	2.130	0.038

Dependent variable: Women Empowerment Index (REGR Factor score)

The regression line of women empowerment, deduced according to the multiple regression results, is,

$$y(WEI) = -1.892 + 0.560(edulevel) + 0.155(mktavailability)$$

The regression analysis suggests a strong relationship between the microfinance and women empowerment. A positive impact between WEI and education level implies that every step in the process of enhancing education qualifications will lead to women empowerment. Furthermore, econometric analysis reveals that the markets available for products of micro enterprises can positively contribute to empower the women. Similarly, the research emphasizes the fact that there is no strong or significant link between WEI and age, marital status or occupational structure.

Conclusions and Recommendations

The analysis of the research spotlights the high standard and success in women empowerment in Homagama area. In this voyage, micro-finance, notwithstanding the fact that it is just a single factor, has been a positive influence on the development of the significant factors that affect women empowerment, such as level of education and market access. The descriptive analysis results between the level of education and women empowerment, that are statistically significant, have been confirmed with regression analysis. The higher the level of education of a woman is, the more she is capable of applying her knowledge, skills and attitudes in her entrepreneurial endeavours to succeed. At this juncture, what boosts this success would be the governmental and

professional guidance and sponsorship. At the same time, the need for government’s involvement in the areas of educating and training the self-employed women with a lower level of education is strongly felt. Formal and professional guidance have the potential of developing human capital to a promising stage.

In long term, the involvement of both the government and private sector in introducing low-interest loans, bringing in investors with broader market potentials, obtaining support and technological assistance of the private sector and initiating capital support programmes for those who are financially handicapped can amplify the self-employment of women, and thereby, women empowerment.

References

1. Central Bank of Sri Lanka 2014. &Socio Econ Data, Available from: http://www.cbsl.gov.lk/pics_n_docs/10_pub/_docs/statistics/other/Socio Econ data 2014epdf. (Accessed 17 December 2017)
2. Central Bank of Sri Lanka 2015& Sri Lanka Socio-Economic Data, Available from: http://www.cbsl.gov.lk/pics_n_docs/10_pub/_docs/statistics/other/Socio Econ data 2015epdf. (Accessed 14 December 2017)
3. CGAP. Microfinance and the Millennium Development Goals, 2002. Available from: <https://www.cgap.org/.../C GAP-Donor-Brief-Microfinance-and-the-Millennium-Devel...>(Accessed 19 December 2017)
4. Colombage SS, Ahmad A, Chandrabose AS. Effectiveness of Microfinance in Reducing Rural Poverty: A Case Study of Selected Districts Sri Lanka, VISTAS, Journal of Humanities and Social Sciences. Available from: digital.lib.ou.ac.lk/docs/bitstream/701300122/932/1/article1.pdf (Accessed 06 December 2017)
5. Czura K. Impact Assessment of Microfinance in Sri Lanka, Sri Lanka German Development Cooperation. Available, 2010. From: www.microfinance.lk/.../2010_1_1_GTZ_Impact%20Assessment%20Microfinance%2. (Accessed 03 January 2018).
6. Fernando PJS. Disaster Management Measures of Microfinance Institutions in Sri Lanka, 2010. Available from: <https://sljass.sljol.info/articles/10.4038/sljass.v2i2.6209/galley/4838/download/> (Accessed 15 December 2017)
7. Ghalib AK, Malki I, Katsushi SI. Microfinance & Household Poverty Reduction: Empirical Evidence from Rural Pakistan. Available from: <https://doi.org/10.1080/13600818.2014.980228> (Accessed 02 December 2017)
8. Herath HMWA, Gunaratne LHP, Sanderatne N. Impact of Microfinance on Women’s Empowerment: A Case Study on Two Microfinance Institutions in Sri Lanka, 2015. Available from: <http://dl.nsf.ac.lk/handle/1/22528> (Accessed 20 December 2017)
9. Hossain M, Bose ML, Ahmad A. Nature and Impact of Women’s Participation in Economic Activities in Rural Bangladesh: Insights from Household Survey, Scandinavian Working Papers in Economics, 2004. Available from: https://ideas.repec.org/p/hhs/lunewp/2004_020.html (Accessed 02 January 2018)
10. Haque MS, Yamao M. Can Microcredit Alleviate Poverty, A case Study of Bangladesh, 2008. Available

- from: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.193.4690&rep=rep1&type=pdf> (Accessed 08 December 2017)
11. Kuhn L, Cheston S. Empowering Women through Microfinance, 2002. Available from: www.genfinance.info/documents/Gender%20Impact/ChestonandKuhn_2002.pdf (Accessed 20 December 2017)
 12. Mayoux I, Hartl M. Gender and Rural Microfinance: Reaching and Empowering Women- A Guide for Practitioners, IFAD report, Rome: International Fund for Agricultural Development. Available from: <https://www.microfinancegateway.org/library/gender-and-rural-microfinance-reaching-and-empowering-women> (Accessed 12 January 2018)
 13. Mishra S, Dale R. A Model for Analyzing Gender Relations in Two Tribal Communities in Orissa, India, Asia Pacific Journal of Rural Development, 1996. Available from1: <https://geoscience.net/research/002/738/002738566.php> (Accessed 13 December 2017)
 14. Peterman A. Women's Economic Empowerment: As a Presentation of Indicators and Survey Design, UNICEF Office of Research- Innocent, 2015. Available from: popov.org/.../Measuring%20Womens%20Economic%20Empowerment%20Peterman...(Accessed 10 January 2018)
 15. Rathirane Y, Semasinghe SD. The Impact of Microfinance Factors on Women Entrepreneurs' Performance in Northern Sri Lanka, International Journal of Social Sciences Studies, 2016. Available from: <http://redfame.com/journal/index.php/ijsss/article/view/1422> (Accessed 26 December 2017)
 16. Rao J. The Caste System: Effects on Poverty in India, Nepal and Sri Lanka, Global Majority E-Journal, 2010. Available kudumbashreetisspgddp.edu.in/.../caste/The%20Caste%20System%20Effects%20on%20 (Accessed 05 January 2018)
 17. Sharma K. Small Loans, Big Dreams: Women and Microcredit in a Globalizing Economy, Review of Women's Studies, New Delhi: Centre for Women's Development Studies, 2011. Available from: <http://www.epw.in/author/kumud-sharma> (Accessed 22 December 2017)
 18. Shakya K. Microfinance and Women Empowerment, 2016. Available from: https://www.theseus.fi/bitstream/handle/10024/116112/Shakya_Kristina.pdf?...1 (Accessed 22 December 2017)
 19. Vani S Kulkarani. Women's Empowerment and Microfinance: An Asian Perspective Study, IFAD report: International Fund for Agricultural Development, 2011. Available from: <https://www.ifad.org/documents/10180/313c7bf6-7196-4918-bff6-ea1c892cbf15> (Accessed 25 December 2017)