

# A study on the efficacy of Microfinance on Rural Women Empowerment

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## **ABSTRACT**

*Empowerment, especially for ladies, maybe a vital term of economy. It always helps to take a step forward. For that, Microfinance Institutions (Micro Finance Institutes) are designed to succeed in the poor, especially women who must be empowered by providing various assistance programs. Now the question arises which factors are helping and how they are helping to enhance the empowerment level of the borrowers. This paper is an attempt to comprehend the role of MFIs and their associated factors towards empowerment in the Tiruchirappalli district of Tamil Nadu. It deals with primary data of 220 borrowers collected through structured questionnaires and personal observation from the specified area. To serve the objective, cross-sectional research with a structural questionnaire was conducted. Applying ordered logistic regression it has been observed that MFIs do act as a supportive tool for psychological, economic and, social empowerment of women borrowers of the selected district.*

## **INTRODUCTION**

Empowerment becomes a necessity and not merely a choice for growth and development. It can be comprehended through various dimensions. Out of them, the well-being of the female population is one sensitive area to consider. As gender equality is a must for that, empowerment for the backward part of society (women empowerment) came into the picture. To have a better world, United Nations announced the Millennium Development Goals with eight specific and precise goals. Among the MDGs (Millennium Development Goals), 'gender equality and women empowerment' is considered as the third goal. So the relevance of the issue can be easily understood. According to Kabeer (2005), empowerment is the expansion in people's ability to make strategic life choices during a context where this ability was previously denied to them. Women empowerment is a multifaceted concept and an ongoing process, and defining it is itself a challenging task.

Moreover, women's empowerment is not directly observable and therefore difficult to measure. A wide range of initiatives is taken for female equality. One of such initiatives is to introduce microfinance institutions for those who are financially excluded, economically backward and not empowered, especially women. Among the various objectives of Microfinance Institutions empowering women is one of the most vital ones. Empowerment signifies increased participation in decision-making and it is this process through which individuals feel themselves to be capable of making decisions and the right to do so. The term 'microfinance' refers to the provision of financial services to low-income clients, including the self-employed. The various services rendered by MFIs are microcredit, insurance, savings, pension, etc. But among them, the commonest service of MFIs is that microcredit. The expansion of MFIs evolves from 1991 in the light of monetary sector reforms and global emphasis on commercialization. Md. Yunus got Nobel Prize for his revolutionary Grameen Bank model in 2006. The interest in microfinance has burgeoned during the last 20 years. Multilateral lending agencies, bilateral donor agencies, developing and developed country governments, Non-Banking Financial Corporation (NBFC) and Non-Government Organizations (NGOs) support the development of microfinance provisions to women (World Bank, 2006). This paper attempts to highlight the various factors which helped to determine the empowerment level of female MFI borrowers. Women empowerment can be defined from various dimensions, but here we consider three dimensions to be precise-economic, social and psychological, taking references from the collected data regarding Tiruchirappalli district of Tamil Nadu. The scope of this paper is limited to the female borrowers who live in the district of Tiruchirappalli.

## REVIEW OF LITERATURE

### **Women Empowerment through Microfinance Services:**

A few authors conducted their research activities on the "impact of microcredit and microfinance program on the lives of women" and revealed that microcredit may be a significant factor contributing to empowering women in a method or other (Hashemi, Schuler and Riley, 1996; Hunt. J & Kasyanathan N., 2002; Agha et. al., 2004; Anna K. P. Saraswathy & Panicker K. S. M., 2008; Aruna & Jyothimays, 2011). Friedmann's (1992) model of empowerment involves local self-reliance, direct participatory democracy, and experiential social learning. Page and Czuba (1999) define empowerment as a multi-dimensional human process that helps people gain control over their own lives, a process that fosters power in people to be used in their own lives, their communities and their society, by working on issues they define as important. According to the UN 1994 International Conference on Population and Development, women empowerment has five components that include women's sense of self-worth; their right to possess and to work out choices; their right to possess access to opportunities and resources; their right to possess the facility to regulate their own lives, both within and out of doors the home; and their ability to influence the direction of social change to make a more just social and economic order, nationally and internationally.

### **Positive Approach towards Child Development:**

Education has been argued together with the indications of empowerment (Malhotra and Mather, 1997). Rural women have the discretion to use their money earned on the welfare of their children and for special occasions like Eid, Puza or Christmas (religious festivals). They buy clothes for his or her children and themselves from this income. Profits are often used for educating their children, buying medicines for relations and helping the family at emergencies.

**Socio-Economic Status Upgradation:**

Leach et. al. (2002) found that micro-credit has succeeded in socially empowering women where economic empowerment couldn't be possible thanks to a lack of data and understanding among women about business. This motivated to require successive loans. Microfinance to rural women has allowed the agricultural poor in India to realize reasonable economic, social and cultural empowerment, leading to better living standards and quality of life for participating houses.

### **Hypotheses Development:**

H1: There is a positive relationship between socio-economic status up-gradation and women empowerment through microfinance services.

H2: There is a significant impact of socio-economic status up-gradation on women empowerment.

H3: There is a positive relationship between autonomy for life choices on women empowerment.

H4: There is a significant impact of autonomy for life choices on women empowerment.

H5: There is a positive relationship between women's position in the family and women empowerment through microfinance services.

### **Research Methodology:**

The objective of the Research Study: A study on the efficacy of microfinance on rural women empowerment.

Nature of the Research: Descriptive research.

Sample design:

1. Area of the Research Study: Rural areas covering 4 villages of Trichy District.
2. Target Respondent: Rural Self Help Group women (beneficiaries of microfinance services)
3. Sampling Technique: Non-probability sampling technique
4. Sampling Method: Convenience sampling method.
5. Sampling size: 200

Data Collection Method: Survey method

Research Instrument: Structured questionnaire (the Pilot study was carried out among 20 respondents who were not considered for further data analysis.)

Statistical Test Applied: Descriptive Statistics (Frequency and Percentage), Reliability Statistics, Correlation Analysis, and Multiple Regression Analysis through SPSS version 16.

**Survey Measures:**

Measures used in the current research study were adapted from earlier studies which are mentioned in table I. Each statement was measured on the Five Point Likert Scale ranging from Strongly Agree (1) to Strongly Disagree (5).

Table I: Sources of Items Adopted

Construct	Sources of Item Adapted
Women Empowerment through Microfinance (Y)	Arora, S., & Arora, S.(2012);
Socio-Economic Status Up-gradation (X1)	Bhatt,K.A., & Rajdev, A.A. (2012);
Autonomy for Life Choices (X2)	Islam, N, Ahmed, E, Chew, J&D
Women Position in the family (X3)	Netto,B(2011);
Financial Freedom (X4)	Lather, A.S., Jain, S.,&Vikas, S.
Positive Approach towards Child Development (X5)	(2009)

**Data Analysis & Major Findings:****Demographic Profile of Respondents:**

Table II depicted that a significant proportion of respondents (n=83,40 %) were of the age group of 31-40. Maximum respondents were married (n=129,62.9 %) and living in joint families (n=110, 53.7%) with a family size of above 7 members (n=87,42.4 %). Though maximum respondents were illiterate (n=74,36.1%), it is also observed that a significant proportion of the respondents (n=71,34.6%) were having education up to the primary. Only 1 % (n=2) respondent was having post-graduation degree that shows the existence of the traditional phenomenon of the low level of education among females. As far as the level of monthly income is concerned, maximum respondents (n=78, 38 %) were falling in the range of Rs.5,001 - Rs.7,500 per month. About savings, the majority of them were falling in the bracket of Rs.200 – Rs.500 which is quite low (n=72, 35. %).

Demographic Variables	Category	Statistics	
		Frequency	Percentage
Age (in Years)	20-30	34	16.6
	31-40	83	40.5
	41-50	57	27.8
	Above 50	31	15.1
Educational Level	Illiterate	74	36.1
	Primary	71	34.6
	Secondary	38	18.5
	Higher Secondary	14	6.8
	Graduate	6	2.9
	Post Graduate	2	1.0
Marital Status	Unmarried	70	34.1
	Married	129	62.9
	Divorce	2	1.0
	Widow	4	2.0
Size of Family	1-3	44	21.5
	4-7	74	36.1
	Above 7	87	42.4
Type of Family	Joint Family	110	53.7
	Nuclear Family	95	46.3
Monthly Income of the family	Less than Rs.2,000	37	18.0
	Rs.2,000-Rs.5,000	48	23.4
	Rs.5,001-Rs.7,500	78	38.0
	Rs.7,501-Rs.10,000	18	8.8
	More Than Rs.10,000	24	11.7
Monthly Savings	Less than Rs.200	15	7.3
	Rs.200-Rs.500	72	35.1
	Rs.501-Rs.750	65	31.7
	Rs751-Rs.1,000	41	20.0
	More than Rs.1,000	12	5.9

Table II: Demographic Profile of Respondents

### Reliability Statistics

To prove the internal reliability of the model used, the author has performed Cronbach's Alpha Test of Reliability. Applying this test specified whether the items of each dimension are internally consistent and whether they can be used to measure the same construct or dimension of online shopping adoption. According to Nunnally (1978), Cronbach's alpha should be 0.700 or above. However, for preliminary research, coefficient alpha in the range from 0.5 to 0.6 is still at the minimum acceptable level of reliability (Nunnally, 1967; Garson, 2002). Table III depicts the reliability results of the factors empowering rural women which are highly consistent.

Study Variable	No. of Statements	Cronbach's Alpha
Women Empowerment through Microfinance	1	-
Socio-Economic Status Up-gradation	4	0.74
Autonomy for life Choices	4	0.720
Women Position in the Family/Society	3	0.701
Financial Freedom	3	0.711
Positive Approach towards Child Development	3	0.535

### Correlation Analysis

Pearson correlation coefficient was used to determine the direction, strength, and significance of the bi-variate relationships of the variable in the study. According to Sekaran (2003), the value of the correlation coefficient closer to 1 indicates the existence of a stronger relationship. Based on the result in Table IV, it was found that out of five independent variables; first four (i.e. X1, X2, X3, and X4) were significantly and positively correlated with dependent variable (i.e. Y) which were 0.364, 0.377, 0.362 & 0.310 respectively, thus, supporting H1, H3, H5, H7 except for H9.

Table IV: Correlation Analysis

	X1	X2	X3	X4	X5
Pearson Correlation	0.364	0.377	0.362	0.310	0.077
Sig.(2-tailed)	0.000**	0.000**	0.000**	0.000**	0.275

\*Correlation is significant at the 0.05 level (2-tailed)

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

Dependent Variable: Y (women Empowerment through Microfinance Services)

### Multiple Regression Analysis

The model summary table reports the strength of the relationship between the model and the dependent variable. R indicates the correlation between the observed and predicted value of the dependent variable. A larger value of R indicates a stronger relationship and also indicates that the model fits the data well. R square is the proportion of variation in the dependent variable explained by the regression model. The higher value of R Square (more than 0.700) indicates that the model has a good predictive ability.

Table V: Model Summary

Model	R	R Square	Adjusted R Square	The standard error of the Estimate
1	0.480	0.230	0.211	0.74101

a. Predictors: (Constant), X1, X2, X3, X4, X5

The result of regression analysis based on five independent variables (i.e. socioeconomic status up-gradation, autonomy for life choices, women position in the family/society, financial freedom and positive approach towards child development) indicate positive relationship ( $R = 0.480$ ) and statistically significant relationship ( $P 0.000 < 0.05$ ) with dependent variable (i.e. women empowerment through microfinance services). The independent variables accounted for 23.00 percent ( $R^2 = 0.230$ ) of variance in the dependent variable (refer to Table V).

Table VI: ANOVA <sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.712	5	6.542	11.915	0.000a*
	Residual	109.269	199	0.549		
	Total	141.980	204			

Predictors: (Constant), X1, X2, X3, X4, X5; Dependent Variable: Y

Note: \* indicates significance at 5% level.

The ANOVA Table tests the acceptability of the model from a statistical perspective. The regression row displays information about the variation accounted for by the model. The residual row displays information about the variation that is not accounted for by the model. The regression and residual sum of squares are not equal which indicates that about approximately 23 percent of the variation in predictors is explained by the model. The significance value of the F-statistic is less than 0.05, which means that the variation explained by the model is not due to chance (refer to Table VI).

Table VII: Coefficient <sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				
1	(Constant)	1.578	0.416		3.794	0.000		
	X1	0.237	0.084	0.218(1)	2.828	0.005*	0.651	1.536
	X2	0.228	0.099	0.197(2)	2.304	0.022*	0.588	1.699
	X3	0.183	0.085	0.162(3)	2.147	0.033*	0.675	1.481
	X4	0.107	0.075	0.105	1.426	0.155*	0.708	1.413
	X5	-0.157	0.077	-0.141(4)	-2.038	0.043*	0.805	1.242

Dependent Variable: Y; Note: \* indicates significance at 5% level.

From the table VII, it can be observed that the most significant factor impacting women empowerment is socio-economic status up gradation (X1) with largest beta coefficient (Beta = 0.218) and other significant factors with highest predictive ability which are followed by X1 are autonomy for life choices (X2) (Beta = 0.187), women position in the family/society (X3) (Beta = 0.162) and positive approach towards child development (X5) (Beta = -0.141) respectively. The observed t values of X1, X2, X3, and X5 are significant at 0.005, 0.022, 0.033 and 0.043 and respectively whereas observed t value of financial freedom (X4) is not having a significant impact on women empowerment through microfinance services as the significance value is 0.155 which is greater than 0.05. In summary, there was sufficient statistical evidence to support H2, H4, H6, and H10. No issues of multi colinearity were evident as all displayed tolerance values were above 0.2 (Menard, 1995) and VIF (variance inflation factor) statistics were not more than 10 (Myer, 1990).

## DISCUSSION AND MANAGERIAL IMPLICATIONS

This study sought to research the impact of microfinance services in empowering agricultural women. The outcomes of multiple correlations revealed that four factors i.e. socio-economic status up-gradation, autonomy for life choices, women position in the family/society and positive approach towards child development can significantly influence the lives of rural women. The results of this study state that microfinance has improved its financial condition and enhanced their ability to contribute to their family's decision.

As rural women began to earn and contribute to their family expenses, their husband's behavior towards them has changed considerably. The study also indicates that the living standard of their family has improved. The findings may be useful to microfinance institutions to strengthen and expand their support to rural poor women. Microfinance institutions should conduct usual meetings with the beneficiaries to make them aware of the use of the loan in proper business. Govt. and NGOs, based on the study findings, may formulate its policy to empower rural women socially and economically. Based on the above conclusions, the subsequent recommendations are suggested:

1. Microfinance institutions should attempt to extend more credit facilities to clients to expand their businesses since the study results confirmed that microfinance had a positive impact on empowering rural women.
2. Microfinance institutions should provide training programs to rural women to enhance women's entrepreneurial skill and reduce the issues which hinder their access to microfinance.

## LIMITATIONS & FUTURE RESEARCH

The current study has evidenced a couple of limitations which creates scope for future researches. Firstly, this empirical study is merely limited to rural women confined to North Gujarat Region, Gujarat state only. Therefore, the findings might not be generalized for the ladies in urban areas.

Second, the non-probability convenience sampling method was used to recruit the respondents; therefore the limitations of this method are pertinent. Thus, researchers, in future studies, may further research on multi-nationalities through expanding geographical areas to realize better generalizations. In addition to that, this study provides future directions to the academics and practitioners who want to work in the same area to enrich the literature related to women empowerment.

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