

Micro-finance and economic empowerment of women: An impact assessment

Dhruba Lal Pandey

Associate Professor

Central Department of Management,

Tribhuvan University, Kirtipur

Nepal.

Abstract

Purpose: Nepal is an underdeveloped country and the access of women to financial resource is very low. Central Bank of Nepal adopted the policy of micro financing to the females who have poor access to financial resources. As the outcome of this policy Central Bank of Nepal introduced microfinance organizations as the D grade financial institution in Nepal but the impact of such financing has not been measured. Thus, this study is aiming to examine the effect of microfinance services in economic empowerment of women. The study considered, credit facility, saving facility and training facility as microfinance services because these are the major services provided by Nepalese microfinance companies and saving in the financial institutions by women and spending freedom and ownership of women in other fixed assets were considered as empowerment variables. **Methodology:** This study covered the women who have already involved in the micro finance activities. Almost 1500 females were involved in microfinance activities within study area. 150 females were taken as sample for the study purpose. Structure 5 point likert scale questionnaire have been developed and administered for the collection of data. As the study tried to examine the relationship between microfinance services and economic empowerment of women so the study adopted correlation analysis and regression models for the analysis of data. **Findings:** The major finding of the study is saving facility negatively affects saving and spending habit and ownership on other fixed assets but other variables training and credit facility significantly enhances the economic empowerment of women in Nepal. The study found out the prominent variables that contribute significantly in the microfinance sector. **Implications:** Most of the Nepalese microfinance industries are focusing to economic empowerment of women. Thus, this study findings can be used by all the microfinance institutions to reform their policies. **Originality:** Till now the available literatures are based on the functions of microfinance but not on the effectiveness of microfinance activities on women empowerment.

Key Words: Women empowerment, Microfinance, ownership on assets, spending habits

Microfinance is an effective resource for uplifting people's living standards in countries such as Nepal. Large proportion of the female population is retrograde. Microfinance is not a new phenomenon within Nepal's financial sector. With greater rivalry, most microfinance industries are attempting to broaden their consumer base through various strategies. As a result, more vulnerable people will be drawn to the companies providing them with useful financial and non-financial services to get up out of the vicious cycle of poverty. In this process, microfinance institutions effectively address vulnerable community requirements which are not considered by the formal financial system, such as female entrepreneurs (Agarwal, 2016). In developing countries microfinance companies have taken on the task of women empowerment focused on economic and social growth. Microfinance serves as a forum for reducing the social inequalities and economic gaps amongst women. Microfinance helps improve the position of women such as saving, affordable credit and skill-based training. Microfinance's core objective is to alleviate poverty and empower its beneficiaries, especially women, through financial services such as microcredit, savings, insurance, and training (Al-shami, 2016). Governments, development agencies, are supporting microfinance as effective action against poverty. People who are disadvantaged groups, especially, women do not have ample financial resources to operate small businesses and make the financial position strong from big financial institutions. We still lack access to convenience, and sufficient financial services. Many women are still restricted to their homes and face only economic and social issues. Micro Finance has been widely recognized as a tool for poverty alleviation and economic empowerment for the poor and the women.

A hypothesis arising from this account is that microfinance will contribute as an integral part of the poverty alleviation system to solving the problems of insufficient housing and urban services (Agarwal, 2016).

Micro-finance Company must emphasize micro-saving and training. Most of the microfinance programs were credit-led for practical help in the form of training and mentoring, with little emphasis on training, hence the poor performance of some micro initiatives. Therefore, they want to obtain practical skills in small business such as marketing, company design and the use of basic information technology. This empowerment program is important, since these technical skills allow them to make sound financial decisions (Sooriyakumaran, 2016).

Agyekum (2015) explored the psychological dimension of women's empowerment, as well as household / individual empowerment. Empirical results at the regional and national higher levels pose a void in information. To date, studies have concentrated primarily on high-level political and legal aspects, while at the individual or household level the personal, social and economic aspects are typically operationalised. Microfinance helps women generate savings, create opportunities for self-employment, grow micro-enterprises, increase income rates, build self-confidence and a large women's empowerment. While women contribute to the country's national income and support family and community such development remains sustainable. Shrestha (2007) believes that microfinance is one of the effective mechanisms for identifying poor and vulnerable communities and addressing poverty by providing incentives to generate revenue, work opportunities and capacity-building opportunities for the elderly, disabled, Dalits, marginalized and needy.

The Nepalese Scenario attempted to examine the degree of access offered by the formal and semi-formal microfinance institutions / programs, and the generation of employment opportunities, in addition to identifying the challenges they face in achieving financial sustainability. Given the increasing need for microfinance services in terms of both the amount and scope, Nepal Rastra Bank, Nepal's central bank, needs to enhance its capacity to control, supervise and track large numbers of MFIs, as well as develop creative and effective credit policies / regulations that would create an atmosphere for MFIs to expand and achieve sound financial health. Some of the government's desired roles demonstrate firm commitment to poverty alleviation by practice, halt direct involvement in operating and managing MFIs, halt ownership of MFIs, and hand over existing owned shares of these institutions to the private sector by appropriate and clear mechanism (Sharma 2003). Women empowerment has been a global issue, as women have been disadvantaged and have worked under men's influence since time immemorial. Women empowerment and gender equality are described as components of the World Bank's battle against poverty-related problems, leading a country to development, and promoting successful governance of a country (Ekpe, 2013). Consensus with the global trend, women's empowerment has been a big obstacle even in the Nepalese context.

Women in Nepal are involved extensively in agricultural activities which comprise over half of the country's population. In addition, they are deprived of economic capital, such as land, wages, jobs, and other services. Besides this, Nepalese women are still underprivileged and marginalized in the development process in terms of their socio-economic status, and the need for their advancement has been growing in many nations. Many national and international organizations have now been designed the programs to allow them to become aware of their situation and to gain economic independence. Credit provision is seen as one of the possible ways of enhancing their economic status. Many developed as well as developing countries realized that without empowering women, a nation cannot grow so that women's empowerment at present becomes a global problem. Therefore this study aims to examine the impact of microfinance services in economic empowerment of women.

Economic Dimensions of Women Empowerment through Microfinance

Women's economic empowerment is only possible when women have access to financial capital, income-generating assets or activities, investments, increased ability to take financial decisions and greater economic freedom (Mayoux, 2000). Access to credit can lead to a long-lasting rise in income through a rise in investment in income-generating activities and a potential diversification of income sources; and it can lead to asset accumulation (Lensink, 2007). Lensink also reported that the rise in women's ownership of assets due to participation in microfinance strengthens women's economic independence.

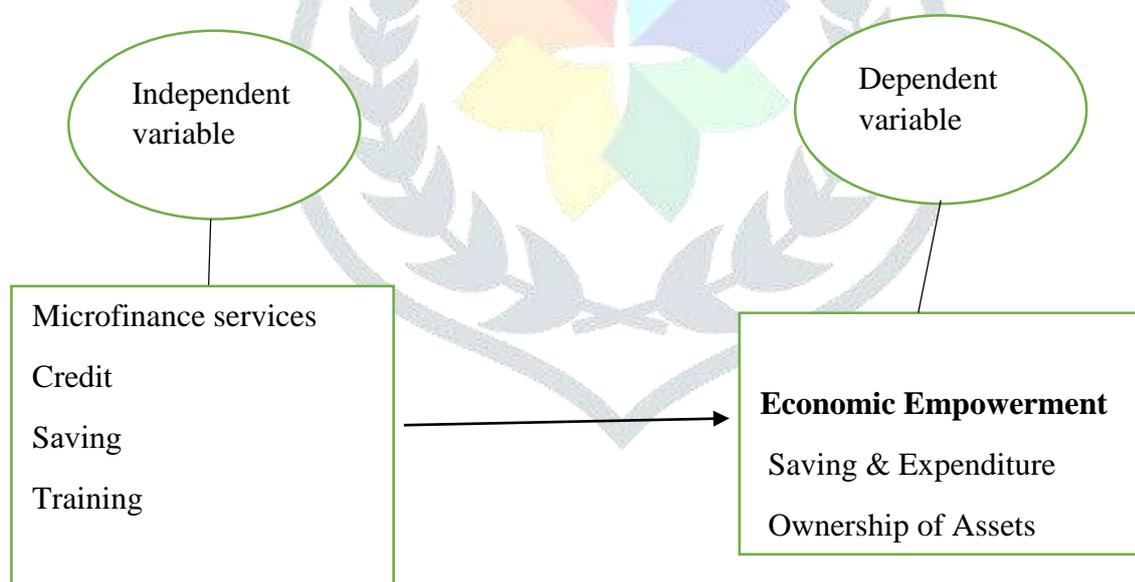
The microfinance sector has proven to be a viable intervention point to help women launch sustainable projects that boost their livelihoods and end poverty and thus increase their potential for economic independence (Kimanjara, 2013). Microfinance is a way of self-empowerment, too. It helps the poor to make changes by increasing employment, becoming business owners and reducing their vulnerability (Adhikari & Shrestha, 2013). In male-dominated society, women face inequality in their family, social, economic and political life and, in addition to this, traditional household management duties pose barriers to their social and economic empowerment. Many government and non-governmental organizations have therefore made numerous efforts to promote empowerment of women, especially in rural areas, and microfinance intervention is one of such efforts (Arora, 2011).

Microfinance's underlying rationale is that expanding financial services to women would enable them to become self-employed and to gain access to income through their micro-and small business. Microfinance exposure also helps them to obtain bargaining power within their families, including making family planning decisions (Al-shami, 2016). Micro Finance has been widely recognized as a tool for poverty alleviation and economic empowerment for the poor and the women. Increasingly, over the past five years, the question arises as to whether micro-credit is the most successful path to economic empowerment for the poorest, particularly women. Development practitioners in India and developing countries also claim that the excessive emphasis on microfinance as a solution for the poor has contributed to state and public institutions neglecting to address the needs of the poor in terms of jobs and living.

Theoretical framework

The theoretical structure presented in the figure demonstrates the relationship of independent variable (Microfinance Services i.e. Credit, saving and training Services) under analysis with dependent variable (economic empowerment explained by saving and expenditure and ownership of assets).

Figure 1. Theoretical framework showing independent and dependent variable



Research Design

Correlational design was used to analyze the relationship between microfinance facilities and economic empowerment of women. The field of study will be Kirtipur Municipality. Data was obtained using standardized 5-point Likert scale questionnaires. The women of Kirtipur municipality, who started or expanded their business through the help of microfinance has considered as population. As per an interview with the manager of Swabalambans Microfinance, there are 1500 women clients who started their business through the help of credit from the microfinance. 150 sample unit is taken as per the Roscoe (1975)'s suggestion i.e. sample size can be calculated taking 30 samples from each group. This study includes five groups based on demographic variables so 150 sample size has been calculated and reported as appropriate.

for further analysis. The study examined the relationship between the women's microfinance services and their economic empowerment. The data were analyzed using correlation matrix, and regression model.

Analysis and results

The research used saving and spending as economic variables as empowerment area, and ownership of properties. Saving facility and training facility were and credit facility were considered as microfinance services.

Table 1. Association between microfinance services with ownership of assets

Pearson correlation	Credit facility	Savings facility	Training facility	ownership of assets
Credit facility Sig. (2-tailed)	1			
Savings facility Sig. (2-tailed)	0.567** 0.000	1		
Training facility Sig. (2-tailed)	0.409** 0.000	0.571** 0.000	1	
ownership of assets Sig. (2-tailed)	0.149 0.008	-0.238** 0.003	0.033 0.002	1

** . Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at 0.05 level (2-tailed).

Table indicates that there is a negative correlation between savings facilities and asset ownership ($r=-0.238$, $p<0.05$). This means that the female would lose ownership of the property by saving more at the financial institutions. Positive relationships exist between the training and property ownership ($r=.033$, $p<0.002$). It means training allows women to be skilled in launching their enterprise, which helps to increase women's ownership. Credit facility which is positively correlated with asset ownership ($r=.148$, $p<0.008$). It means further loan disbursement to women helps increase women ownership on assets.

Effect of Microfinance service to ownership in assets

With the help of loan taken from microfinance by women, their saving and expenditure pattern had improved which resulted in the increment in ownership on assets of women.

Table 2. Regression analysis of microfinance service (credit, saving and training) with ownership of assets

Model	R	R Square	Adjusted square	R	Std. Error of the Estimate
1	0.663 ^a	0.44	0.055		0.48004

a. Predictors: (Constant), training facility, credit facility, savings facility

It is found, in this study, $R^2 = 0.44$. It means 44 per cent of variation in asset ownership was obtained due to changes made by independent variable (credit, savings and training).

Table 3. Coefficient of microfinance service (credit, savings and training) and ownership of assets

Model		Unstandardized coefficients	t	Sig.
		B		
1	(Constant)	4.833	6.842	.000
	Credit facility	.073	422	.033
	Savings facility	-.379	-2.816	.006
	Training facility	.268	1.619	.008

a. Dependent Variable: ownership of assets

The p-values show that at the confidence level of 95 per cent the constant $p=0.000<0.05$ is statistically important. Correspondingly, the p-value for saving facility and coefficient, ($p=0.006<0.05$), suggest that the result is statistically significant at the confidence level of 95 per cent. Yet the negative coefficient is. So, it conforms that increasing savings reduces women's ownership of other fixed assets. On the other hand, the credit facility and training facility, respectively ($p=0.033<0.05$ and $p=0.008 < 0.05$), was both statistically important at the confidence level of 95 percent. It shows that increased training and credit facility increases women's ownership on fixed assets.

Saving and Expenditure

This part shows the change in saving and expenditure pattern of the women after taking microfinance services.

Table 4. Association between microfinance service with saving and expenditure

Pearson correlation	Credit facility	Savings facility	Training facility	saving and expenditure
Credit facility Sig. (2-tailed)	1			
Savings facility Sig. (2-tailed)	0.567** 0.000	1		
Training facility Sig. (2-tailed)	0.409** 0.000	0.571** 0.000	1	
saving and expenditure Sig. (2-tailed)	0.506** 0.000	0.840** 0.000	0.712** 0.000	1

***. Correlation is significant at the 0.01 level (2-tailed).* **Correlation is significant at 0.05 level (2-tailed).*

Table 4 shows that a strong association existed between credit facility, savings facility, training facility and saving and spending ($r=0.506, p<0.01, p<0.05, r=0.840, p<0.01, p<0.05, r=0.712, p<0.01, p<0.05$). It means that the increase in women's credit causes savings and spending to rise and when women have loans then they receive money to pay them back the cost of the loan. At the same time they participate in income-generating activities and therefore the savings can increase and on the other hand they will easily make up their expenses when there is some earnings. Increase in savings raises income and expenditures as the amount of savings continues to offset the expenditures. Microfinance training facilities help to improve the women's skills that help engage women in income-generating activities. It helps increase both savings and expenditures at the same time.

Table 5. Regression analysis of microfinance service (credit, saving and training) with saving and expenditure

Model	R	R Square	Adjusted square	R	Std. Error of the Estimate
1	0.886 ^a	0.785	0.781		0.33680

a. *Predictors: (Constant), training facility, credit facility, savings facility*

Analysis indicated $R^2=0.785$. It means, this model describes 78.5 per cent of the deviation in savings and expenditure.

Table 6. Coefficient of microfinance service (credit, savings and training) and saving and expenditure

Model		Unstandardized coefficients	t	Sig.
		B		
1	(Constant)	-4.765	-9.615	.000
	Credit facility	.004	.031	.975
	Savings facility	1.161	12.303	.000
	Training facility	.852	7.338	.000

a. Dependent Variable: saving and expenditure

Results of regression indicate that training and saving facilities are important with saving and spending ($p=.000$ and $.000$ respectively that is, $p=0.000<0.05$), which means that women's saving and spending trends are improved by the training and credit facility. Yet credit facility affects women's savings and spending patterns favorably yet insignificantly.

Table 7. Association between microfinance services with economic empowerment

Pearson correlation	Microfinance service	economic empowerment
Microfinance service Sig. (2-tailed)	1	
economic empowerment Sig. (2-tailed)	0.719** 0.000	1

***. Correlation is significant at the 0.01 level (2-tailed).* **Correlation is significant at 0.05 level (2-tailed).*

Table 7 shows that there is a significant correlation between microfinance service and economic empowerment ($r=0.719$, $p<0.01$, $p<0.05$), which means that using microfinance service results in greater economic empowerment. Correlation values indicate it is correlated at 0.01 point, suggesting a strong positive correlation between them. Coefficients with p values ($p=0.000<0.05$) were found to be statistically significant at 95 per cent confidence level.

Table 8. Regression analysis of microfinance service (credit, saving and training) with economic empowerment

Model	R	R Square	Adjusted R square	Std. Error of the Estimate
1	0.719 ^a	0.516	0.513	0.25356

a. *Predictors: (Constant), credit, saving and training*

Table 8. provides an outline of the regression. Analysis had found $R^2=0.516$. It means that this model can explain 51.6 per cent of variance in economic empowerment.

Table 9. Coefficient of microfinance service (credit, savings and training) and average of economic empowerment

Model		Unstandardized coefficients		t	Sig.
		B			
1	(Constant)	-0.189		-0.556	.579
	Microfinance service	.977		12.572	.000

a. *Dependent Variable: economic empowerment*

The coefficient of regression is positive and the p-value is less than 5 per cent level of significance. Therefore, the shift in microfinance services strengthens women's economic empowerment positively and substantially.

Discussion and conclusion

Of the total number of married women clients, 93.3 percent had been engaged in microfinance activities in order to become microentrepreneurs. This means that married women were more likely to take out loans from microfinance to be microentrepreneurs (as per the sample organization managers' interview). Just a few single women took out loans and became microfinance customers. By this it can be seen that married women are accountable to the family so that they would like to participate in income-generating projects to improve their wellbeing and that they are active in microfinance. However, single women seem to be centered in their self-indulgence and thus have very little involvement in microfinance service compared to married women, they are not mature enough. This may be the reason credit access found to be very

important microfinance intervention for the success of women entrepreneurs that is consistent with the study (Birhanu & Kinde, 2016). The results may be similar because the married women's family roles and desires are similar everywhere.

The form of business in which most women were involved were grocery stores, poultry farming, vegetable production, purchasing seeds and fertilizers, and other shops involved in farming, animal husbandry (Observation while collecting data). Mostly married women took loan from microfinance. Most of the women were found to take out loans from microfinance for agricultural and start-up business purposes.

It has shown, in line with the study results, that there is a significant correlation between microfinance and women's economic empowerment. Compared with the non-participant participants, microfinance has helped women to own properties. Women are capable of buying certain properties but were unable to buy the land as microfinance only offers small scale amounts. Microfinance's main focus is on only improving their wellbeing. The study showed that participation in the microfinance sector has benefited women. Women had gathered their savings to be active in microfinance and therefore this has improved their financial position. Their expenses tended to be eaten up by the money that they had made by participating in microfinance. Women's spending has risen dramatically by participating in microfinance due to microfinance training as this improves their willingness to spend and use their money in the productive sector. Training has also helped them modernize their standard of living. This finding of the analysis is consistent with Al-shami's results, 2016; Arora, 2011; Upadhyay, 2011 and Pandey, 2017. They are consistent since more vulnerable women typically take the help of microfinance for their livelihood and economic empowerment across the world and their financial behavior is similar.

This result is confirmed by analysis of where the respondents indicated that their level of contribution to family expenses increased following involvement in the system of microfinance services. As women start earning, living standards grow, and leading to more expenditure. Microfinance has a positive impact on empowerment and also regulates the independent contributions of women to household income. The results also showed that women and their families owned more assets after borrowing from microfinance, as the association and regression revealed a substantial relationship in the ownership of assets with result loan. That finding is consistent with Cornwall, 2014 & Cheston & huhn, 2002 findings.

Implications

This research can be useful for the organization of microfinance to shape its future plans in empowering women. The key consequences of this analysis are:

Managerial implications

This study identified crucial women's empowerment factors in Nepal. Nepal's government should devise women's empowerment policies taking certain factors into account. The research has major consequences for women entrepreneurs participating in institutions of microfinance. This research can be regarded by local government bodies as recommendations for influencing their women's empowerment and poverty alleviation programs and policies to a large extent. This research can be of interest to the NGOS operating in the women's sector to gain an overview of women's economic power and shape their strategies and policies. This study can be of benefit to family members in supporting their female members.

Future research implications

Different studies may also be performed by adding more variables such as variables mediating, moderating and or intervening. Future researcher may take a larger sample and perform the analysis. The analysis has only considered the economic empowerment for women, but there are many other aspects of empowerment for women, such as health, politics and psychology, that potential studies may include for further analysis. This research should be conducted as a benchmark research to assess the extent at which the MFIs have been able to empower women in other districts of the country, the findings of which should be correlated with those of this study in order to create the relationship between micro-finance intervention and empowerment of women entrepreneurs using various micro-finance intervention variables.

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