



Impact of Microfinance on Multi-dimensions of the Women Empowerment: A Case Study of Southern Sri Lanka

A.J.M. Chandradasa¹

Abstract

This paper examines the impact of microfinance programmes on women empowerment of borrowing households of Southern Province in Sri Lanka. The women empowerment is one of major target variables in Microfinance programmes which are intended to benefit low-income people and better way to achieve Millennium Development Goals including reducing poverty, supporting gender equity. The study is based on the sample survey of 405 microfinance recipients of four national level leading institutions: Thrift and Credit Cooperative Societies, Samurdhi Banking Societies, Ruhuna Development Bank and Sarvodaya Economic Enterprise Development Societies for 2017. For analysing purpose, a comparison group has been selected from the existing recipients whom membership duration with is no longer than one year to compare their empowerment capabilities with that of existing members whom membership duration with microfinance programmes is longer than one year. Three dimensions of women empowerment: economic, socio-political and well-being of the household are used for assessing the impact. Based on data analysis, the study found that outreach of microfinance towards women is remarkably higher and it has benefited to increase the number of women ownership-business in the Province. However, these women controlled enterprises are not growing but stable and evolving with the challenge of sustainability. Integrating these findings, in regional context of Southern Sri Lanka, it can be concluded that although the microfinance has benefited the borrowing women to enhance the well-being of their households, other two dimensions of women empowerment: economic and socio-political have not been reached as it was expected.

¹Department of Economics, University of Ruhuna-Sri Lanka
chandrabeykoon@gmail.com

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INTRODUCTION

Most researchers in the globe argued that women constitute half of the population in any country, but their unemployment rate is higher than that of men in virtually every country. Therefore, strong participation of women in economic activities is essential for economic growth and nation building. Also, women constitute about 70 percent of world's poor (Duflo, 2012). Along with this understanding, in recent years, the development agencies and governments around the world have given priorities to women's empowerment in their development agendas on the one hand and microfinance has been gained more attention by the international donors, governments, policy makers and other development experts as an effective tool to empower women, involving them in the development process.

In theory, provision of microcredit (as a one component of Microfinance) to women will strength women's financial base and enhances economic contribution to their families and communities; it increases bargaining power and decision making, improves welfare, reduces subordination and strengthens women's voice. All these play an important role in empowering them. However, existing evidence of the impact of Micro Finance (MF) programmes on gender relations is limited and debatable. For example, empirical studies which have mostly

been conducted in Bangladesh and India revealed that access to microfinance was significantly associated with improvement in women's empowerment (Hashemi et al., 1996; De Gobbi, 2005; Pitt et al., 2006; Garikipati, 2012; Kato and Kratzer, 2013). In contrast, most recent impact assessment studies on MF worldwide, have argued that MF providers push their clients into a devastating cycle of rescheduling, in which one loan is used to repay another (Roodman, 2012; Schicks, 2013; Mader, 2015).

In Sri Lanka, number of empirical studies on the field of MF and women's empowerment can available in empirical literature and majority of researches agreed upon the idea that positive impact of MF on women's empowerment. However, some of them were limited only to the experiences of a few microfinance institutions (Herath, Guneratne and Sanderatne, 2016); or borrowers of a village or district or small enterprise development (Colombage. 2004). The present study has made an attempt to contribute in the literature of impact assessment of MF providing experiences in Sri Lanka in general and Southern Province which is one of MF hubs in the country in particular. The research question of the study is therefore "what would be the long-run impact of microfinance on multi-dimensions of the women's empowerment? The current study also



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hypothesizes that there is a positive impact of microfinance on women’s empowerment in Southern Sri Lanka.

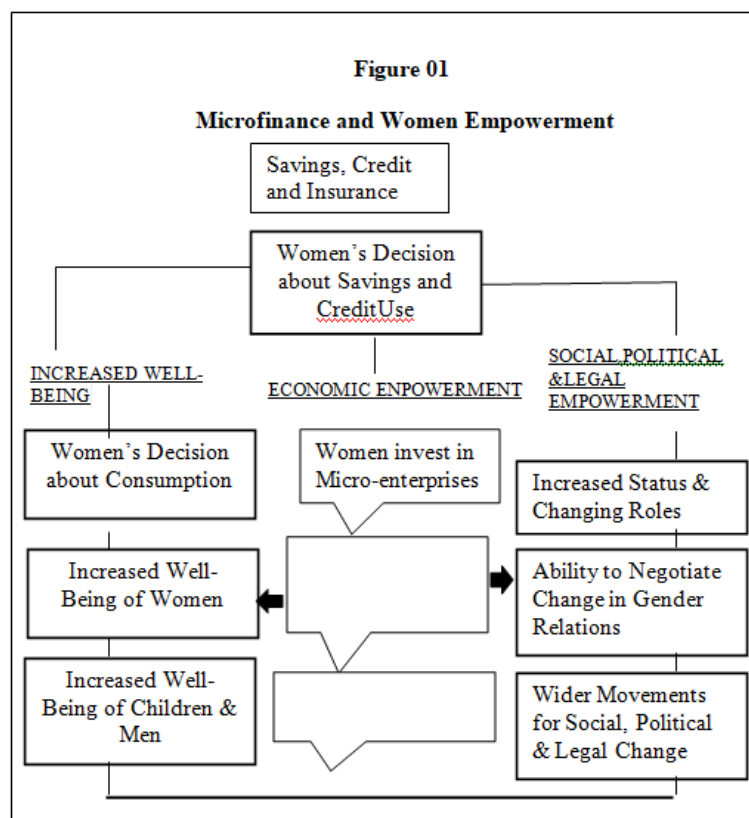
OBJECTIVE OF THE STUDY

As noted by Mayoux (2008), “women’s empowerment is a long-run, multidimensional interlink process of change in power relation but not a ‘one-off-end product’ decided at one focus group meeting”. On the base of this definition, the current study attempts to assess the impact of MF on women empowerment emphasizing its multidimensional interlink process including economic, socio-political and well-being of borrowing households.

METHODOLOGY

On the base of theoretical and empirical literature, the current study develops a conceptual framework in order to achieve the objective stated above and identify the measurable variables. Figure 01 summarizes the mechanism in which explaining the question that “how does MF services works towards women empowerment.

As shown in figure 01, the multidimensional process of women empowerment can be divided into three as economic empowerment, well-being empowerment, and social political and legal empowerment. Women access to savings and credit gives them a greater role in decision-making through their decision about savings and credit.



Source: Created by Author



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First dimension for example, women's decision about savings and credit improved the employment opportunities for women through enabling engage in micro-enterprises, increase income and thus have a trickledown effect. This process is known as economic empowerment of women. Left-hand side of the figure 01 explains the second dimension of women empowerment which is the increased well-being of the women with MF. There is a consensus that women's decision about savings and credit yields the increase well-being of the entire household through increase income under women's control and women's decision about consumption and thereby economic development of the entire society (Mahumud, 2000; Gangadhar, and Malyadri, 2015). For example, women decision over credit and savings enables them to increase expenditure on the well-being of themselves, and their children as well as their spouse. This is the major concern in the poverty alleviation paradigm. Right-hand size in figure 01 indicates the dimension of social, political and legal empowerment of women. As it is very clear from the figure 01, a combination of increasing the women's participating in economic activity and control over income by themselves empowers women's skill, mobility, access to knowledge and support network.

Emphasising the mid part of figure 01, two performance indicators can be identified for measuring the economic empowerment of women. These are (a)

increased the number of enterprises controlled by women and, (b) increased the income share made by women to total household income.

Four interrelated indicators are used assessing the increased well-being of the women's controlled household. These are the Per capita expenditure on (a) food consumption, (b) educational investment, (c) health, and (d) electricity consumption. Increasing each of these indicators terms the increase well-being of women and rest of the members of the family.

Three indicators: (a) getting leadership within group, (b) getting membership of other social organizations and (c) getting training on social mobilization are used assessing the social, political empowerment of women. Next section analyses the women empowerment with MF using indicators stated above.

The study is largely based on the primary data collected from a sample survey of 405 women with MF services from four national level leading MF institutions (MFIs). These include Thrift and Credit Cooperative Societies (TCCSs) representing cooperative structured MF institutions, Samurdhi Banking Societies (SBSs) as government supported MF providers, Ruhuna Development Bank (RDB) as semi-government owned and finally, Sarvodaya Economic Enterprise Development Societies (SEEDS) representing the privately owned companies and Non-Government Organisations (NGOs). The respondents were



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randomly selected using rescheduled list from each of the institutions. Table 01 presents the location and distribution of the sample. Multi-stage sampling method was used selecting the respondents for both beneficiary households (BHHS) and control group households. In first stage three districts: Galle, Matara and Hambantota were selected emphasizing the administrative structure of the Southern Province. Secondly, clusters of Grama

Niladaria's were formed in order to cover the four microfinance institutions. Thirdly, villages for the sample were purposively selected to cover the deferent types of loan purposes by women borrowers. Finally, individual households were selected using restructured list for each of Grama Niladarie's clusters. In data collection, face to face interviews were done with a borrower or user of loan using structured questionnaire.

Table 01: The Location and Distribution of the Sample

District /MFIs	Group	TCCs	SBSs	RDB	SEEDS	Total
Galle	BHHs	26	26	24	25	101
	CHHs	08	09	08	07	32
Matara	BHHs	28	28	26	26	108
	CHHs	10	09	08	07	34
Hambantota	BHHs	22	29	23	25	99
	CHHs	08	08	08	07	31
Total		102	109	97	97	405

Source: Created by Author

The structured questionnaire was a major research tool used to collect data for the study. In addition to that, face to face interview with managers of selected MFIs were used for background information. In analysis, the study has compared all the variables related to beneficiary households (BHHs) with that of control group. Here, the comparison group has been selected from the existing MF recipients whom membership duration with MF is less than one year and BHHs were the existing members whom membership duration with MF programmes is longer than one year.

ANALYSIS

1. Economic Empowerment of Women

The study has used two assessment indicators in assessing the economic empowerment of women who participates in MF programmes. These are:

- The number of Enterprises under women controlled and
- Increased the income share made by women to total household income.



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a) Number of Enterprises under Women Controlled

During the data collection period, there were number of 218 (53.8%) women managed enterprises in the sample. Amongst, 168 women entrepreneurs are in BHHs and 50 are in control group households CHHs. Table 02 reports the estimated economic empowerment of women

with credit. As it shows in Table 02, the women in BHHs have entitled the higher economic empowerment in the terms of number of women managed enterprises. For example, while 70.8% of women in BHHs have their owned enterprises, the percentage share decreases to 54% for women in CHHs have their owned enterprises.

Table 02: Number of Enterprises under Women Controlled (By Household-Wise)

Sector	CHHs		BHHs	
	No. of Units	Percentage	No. of Units	Percentage
Agricultural	12	24%	18	10.7%
Manufacturing	27	54%	119	70.8%
Services	11	22%	31	18.5%
Total	50	100	168	100
				Chi-square 0.043

Source: Sample Survey

In contrast, proportionate shares of agricultural and services women's enterprises has significantly less in BHHs with compared the CHHs. To confirm this difference, the Chi-square value on business ownership and its sectoral distribution between two groups of households: BHHs and CHHs were calculated.

Tested result (0.043) is statistically significant at the 0.05 level. It means that women in BHHs have higher economic empowerment with MF than that of women in CHHs in term the number of enterprise that controlled under women in only manufacturing sector.

Table 03: Number of Enterprises under Women Controlled (By District-Wise)

Sector	CHHs	BHHs		
		Galle	Matara	Hambantota
		No. of Units	No. of Units	No. of Units
Agricultural	12 (24.0%)	08 (13.1%)	02 (03.3%)	08 (16.7%)
Manufacturing	27 (54.0%)	42 (68.9%)	49 (81.7%)	29 (60.4%)
Services	11 (22.0%)	11 (18.0%)	09 (15.0%)	11 (22.9%)



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Total	50 (100%)	61 (100%)	60 (100%)	48 (100%)
Chi-square		0.223	0.002	0.660

Source: Sample Survey

As it shows in Table 03, accessing the women in the MF is positively associated only in Matara district by means of increased women controlled enterprises compared with that of CHHs. For example, proportionate share of women controlled manufacturing enterprises in Matara is 81.7%, followed by Galle district with 68.9% and relatively less in Hambantota with 60.4%.

Calculated Chi-square test on distributional differences of the contributing share is statistically significant only for Matara district (0.002). Other two district is not significantly differ with compared that of the CHHs. The drawback situation of economic empowerment of women with MF in Galle district can probably, be explained with the fact that contraction of the demand side of the market for production/services of the small enterprise sector as a result of

downsizing the tourist industry in the past few years up to data collection period from April to June in 2017.

The data gathered by Sothern Provincial Council reveals that the small manufacturing establishment is relatively low in Hambantota due to the deferent reasons such as lower level of knowledge to individuals for entrepreneurship, poor infrastructure development in the village level, unavailability of market to sell the products of small scale industries and lower level of medium size enterprises base in the district. These reason leads to women owned-enterprises also relatively lower in the district.

b) **Income Share Made by Women to Total Income of Household**

Next indicator that can be used in assessing the women empowerment is the income share made by women to total income of household.

Table 04: Income Share Made by Women to Total Income of Household

Income Category	CHHs		BHHs	
	No. of Units	Percentage	No. of Units	Percentage
Less than 25%	15	19.7 %	37	17.6%
25% - 50%	36	47.4 %	93	43.8%
Greater than 50%	25	32.9 %	89	38.6%
Total	76	100.0%	219	100.0%
	Chi-square			
	0.486			



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Table 04 shows that one third of women have contributed more than half income of household. Further 45% of women contributed in the range of quarter to half share of income her total family income. When comparison made between two groups of households, it can be seen that percentage of women that contributed more than half income to total income of the family is 5.7% is greater in BHHs compared with that of CHHs. Chi-square test on this difference reveals that however, estimated result (0.486) is not statistically significant at expected level, retain the null hypothesis that equity of contributing

share of women's income to total household income between two groups. This result means that MF has not accumulated the economic empowerment of women in term of increasing income.

On the basis of these findings, it can be generalized that MF have positive benefits on economic empowerment of women in term of increased women managed enterprises but impact is neutral in contributing to total income of households compared with CHHs.

Table 05 portrays the income share made by women to total family income by district-wise.

Table 05: Income Share Made by Women to Total Income of Household (By District-Wise)

Income Category	BHHs			
	CHHs	Galle	Matara	Hambantota
Less than 25%	15 (19.7%)	05 (06.5%)	15 (20.0%)	17 (25.4%)
25% - 50%	36 (47.4%)	40 (51.9%)	28 (37.3%)	25 (37.3%)
Greater than 50%	25 (32.9%)	32 (41.6%)	32 (42.7%)	25 (37.3%)
Total	76 (100%)	77 (100%)	75 (100%)	67 (100%)
Chi-square		0.004	0.396	0.461

Source: Sample Survey (2017).

Estimated data in table 05 shows that contributing share of women to total income is significantly higher (93.5%) in Galle district in term of more than quarter contribution, followed by Matara district with 80.0%, and women contribution to total income of households in Hambantota is slightly less (75.6%). Calculated Chi-Square value is however significant only in case of Galle district.

This district-wise comparison shows the mixed impact effect of MF on economic empowerment of women in term of women contribution to total income of the household, supporting to suggest that the strength of the MF impact on economic empowerment largely associated with other socio-economic factors available in respected region.



2. Increased Well-being of the Women's Controlled Household

Four interrelated indicators namely, monthly per capita expenditure on (a) food consumption, (b) educational investment, (c) health, and (d) electricity consumption are used in

assessing the increased well-being of the women's controlled household. Increasing each of these indicators terms the increase well-being of women and rest of the members of the family.

Table 06: Increased Well-being of the Women's Controlled Household.

Monthly Per capita Expenditure on Rs.	Mean		Mean Difference	Statistics	
	CHHs	BHHs		t-Value	Sig.t
(i) Food consumption	1741.81	2332.37	590.56	6.620	0.000
(ii) Electricity	83.03	138.18	55.15	3.951	0.000
(iii) Health	118.14	196.38	78.24	7.009	0.000
(iv) Educational	154.12	222.81	68.69	2.674	0.008

Source: Sample Survey

Table 06 depicts the difference on household consumption expenditure pattern for CHHs and BHHs. Beside of total expenditure, monthly per capita expenditure on foods and drinks, Electr(a) Monthly Per-capita Food and Drinks Consumption Expenditure:

a) Monthly Per-capita Expenditure on Food and Drinks Consumption:

As seen in raw (i) in the table 06, the mean value of monthly per capita expenditure on food and drinks consumption of a control group household (CHHS) is Rs. 1741. 81 and mean value of the same variable for a beneficiary household (BHHs) is Rs. 2332.37 in the study period. The deference in the mean value of monthly food consumption between two groups is Rs. 590.56 in favour of BHHs. Calculated t' value on the mean defence is 6.620 and it significant at

three decimals. It means that Microfinance has a positive impact on borrower households in the long run (e.g when longer the membership with MF.

b) Monthly Per-capita Expenditure on Electricity Consumption:

It is very clear from the estimated data in raw (ii) in the table 06 that the mean value of monthly per capita Electricity consumption expenditure of a control group household (CHHS) is Rs. 83.03 and mean value of the same variable for a beneficiary household (BHHs) is Rs. 138.18 in the study period. The deference in the mean value of monthly food consumption between two groups is Rs. 55.15,by 66% is higher for BHHs relative to CHHs. Calculated t' value on the mean defence is 3.951 and the t value is statistically significant at three



decimals. It means that Microfinance has a positive impact on borrower households in the long run (e.g. when longer the membership with MF)). MF)) in term of monthly per capita electricity expenditure as a key indicator to measure the wellbeing of the Borrowing households.

c) Monthly Per-capita Expenditure on Health:

As seen in raw (iii) in the table 06, the mean value of monthly per capita expenditure on health of a control group household (CHHS) is Rs. 118.14, of a beneficiary household (BHHs) is Rs. 196.38 and deference between two group is Rs. 78.24. Calculated t' value on the mean defence is 7.009 and it statistically significant at two zero decimals. It means that Microfinance has a positive impact on borrower households in the long run (e.g. when longer the membership in term of health expenditure.

d) Monthly Per-capita Expenditure on Children's Education:

As it evidence from the raw (iv) in the table 06, the mean value of monthly per capita expenditure on Children's education of a control group household (CHHS) is Rs. 154. 12 and mean value of the same variable for a beneficiary household (BHHs) is Rs. 222.81 in the study period. The deference in the mean value of monthly per capita expenditure between two groups is Rs. 68.69 in favour of BHHs. Calculated t' value on the mean defence is 2.67 and it

significant at two decimals. It means that Microfinance has a positive impact on borrower households in the long run (e.g. when longer the membership by means of monthly per capita expenditure on children's education.

Selected four variables to measure the welfare conditions of households are significantly different between two groups. On the average, BHHs has reported higher expenditure than CHHS. supporting to hypothesis that household well-being of women controlled BHHs is higher than the CHHS (these borrowers also possibly to be a women but her borrowing period is less than one year). Calculated t -value is strongly significant at zero three decimal places, indicating that MF has strongly increased well-being of women themselves and other family members in BHHs.

In short, MF has increased women empowerment of women borrowers in term of increasing the well-being of family.

Generally, MF institutions provide micro-credit to group members or society members they owned. The organizational and administrative structure of these village level societies has opened a number of opportunities for the members to become an official or a leader in a society.



3. Socio-political Empowerment of Women

Table 07, portrays the information about women empowerment from the

perspective of political, social and legal phenomenon in term of number of office bearing women are in societies.

Table 07: Numbers of Office-bearing Women Members in Credit Societies

Category	Variable	CHHs	BHHs	Total
Society	Count	13	23	36
	% Within Group	48.2%	29.1%	34.0%
Secretary	Count	6	12	18
	% Within Group	22.2%	15.2%	17.0%
Treasurer	Count	2	8	10
	% Within Group	07.4%	10.1%	09.4%
Committee Member	Count	6	36	42
	% Within Group	22.2%	45.6%	39.6%
Total	Count	27	79	106
	% Within Group	100.0%	100.0%	100.0%

Source: Sample Survey

During the data collection period, it was asked the respondents to state the office she/he bearded or bearing in the credit and saving society he/she owned (Question no. 3.1.8 in questionnaire). There were 106 office bearing women members in the sample.

The table 07 presents the information about numbers of office-bearing women members are in savings and credit societies and distribution of their corresponding office. As seen in the Table 07, by 64 percent of women with MF are bearing the office in level of executive board (President,

Secretary, or Treasurer) in their society or group.

This means that women with MF have entitled the capabilities to social empowerment in getting leadership and make social network within the village than the women who do not with MF.

Table 08 shows an alternative indicator for assessing the social empowerment of women with MF. This is the number of training programmes such as capacity building, skill development or social mobilization oriented where women with MF have been participated in.



Table 08: Women Participating in Training and Awareness Programmes

Category	Variable	CHHs	BHHs	Total
Labour exchange	Count	31	77	108
	% within Group	36.5%	25.0%	27.5%
Consumer	Count	41	165	206
	% within Group	48.2%	53.6%	52.4%
Entrepreneurship	Count	6	15	21
	% within Group	7.1%	4.9%	5.3%
Leadership	Count	0	24	24
	% within Group	0.0%	7.8%	6.1%
Disaster Management	Count	7	27	34
	% within Group	8.2%	8.8%	8.7%
Total	Count	85	308	393
	Within Group	100.0%	100.0%	100.0%

Source: Sample Survey.

More importantly, Table 08 shows that (393 women) nearly a 75 percent of women with MF have been participated in training programme organized by the MFIs. These programme include, labour exchange social mobilization programme, consumer programme, entrepreneurship training programme, leadership training and disaster management programmes.

Calculated Chi-square value on differences of percentage distribution in women participating for these programmes is statistically significant (0.03) at expected significant level of 0.05, rejects the null hypothesis and

indicating that women with MF have better status in women empowerment compared with the women in CHHs from the perspective of social empowerment.

In the data collection process, respondents were asked the respondents to indicate having a membership in other social organizations other than her/his owned MF programme. Surprisingly, by 15.4% out of total programmed women are only associated with other social mobilization organizations. This was as a result of offshoot of group meetings. This means that group meeting hider the social aspect of



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women empowerment in outside of the MF.

CONCLUSION

This study has examined the central importance of microfinance in empowering women which is one of key objectives of microfinance programmes implementing anywhere in the globe. In analysis, three aspects of women empowerment of borrowing households whom membership duration with MF is more than one year compared with the women borrowing households whom membership duration was less than one year. The most obvious finding emerges from this study is that two dimensions of women empowerment out of three: economic empowerment and social political empowerment of women with MF have not significantly reached as it expected. The study further found that MF has positively correlated with the condition of well-being of women borrowing households. The result of the social empowerment also shows the women empowerment strictly bounded only with the group meetings and MF women not having a membership in other social mobilization programmes those mostly related with the religious activities and rural development. These findings add to a growing body of literature on MF along has not capabilities to empower women and it rather hardly to be explained with a single causality factor but set of factors. Integrating these findings, it can be concluded that although the MF

outreach to women in the Southern Province in Sri Lanka is strongly higher, the impact of MF on developing the women controlled enterprises and economic, social and political empowerment of women has not been reach as it was expected. Future researches should be therefore concentrated towards developing the strategies for provision of MF to poor segment of the society to increase their real assets which could be used as collateral of borrowing households in accessing the financial facilities of conventional financial institutions.

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