

Micro Finance as a Tool of Empowerment: Evidence from Two State Sponsored Micro Finance Projects in Sri Lanka

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Abstract

Microfinance provides a variety of small-scale financial products including credit, savings, insurance and business development services to poor people who do not have access to commercial banks and other formal financial institutions. It is widely believed that such credit enables poor people to engage in their own small enterprises, thereby to raise their incomes, and to accumulate assets. Microfinance is increasingly recognized as an effective instrument for poverty reduction and local economic development especially through empowering women economically, politically and socially. This research was carried with an objective to assess the extent to which these micro finance projects contribute for the economic empowerment, social empowerment, interpersonal empowerment of women beneficiaries in Hingurakgoda DS division in Polonnaruwa district in Sri Lanka. 200 beneficiaries from 2nd community development and livelihood improvement project and Samurdhi Bank Society were selected randomly and information was collected through structured questionnaire. Descriptive analysis shows that's loans, advisory & counseling service, skills development & training and women empowerment are in high level. Correlation between predictors and empowerment is also reveals positive and significant relationship. Regression analysis shows that variables skills development & training and advisory & counseling service are contributing more to women empowerment.

1. Background of the Study

Gender inequality is the most detrimental kind of inequality to economic growth. So, any intervention aimed at improving the living condition of rural poor necessarily has to deal with breaking the women deprivation. Delivery of microfinance has become a main and high favored intervention for alleviation of poverty. Micro finance (MF) generally refers to the 'provision of a broad range of financial services, such as deposits loans, payment services, money transfers, and insurance to poor, low-income, vulnerable groups and micro enterprises' (Defined by ADB). The Principle of Micro Finance is to mobilize community savings by offering an attractive rate of interest and to re-lend those deposits in the forms of loans for productive activities. Access to finance (savings, credit, and insurances) enables households and micro enterprises to bridge the gap between the ability of their own resources and their financial needs.

Microfinance has been used in Sri Lanka for several decades and a large number of institutions provide microfinance services particularly to the poor. It all started with Thrift and Credit Cooperative societies (TCCS) in 1911 and followed by Janasaviya programme in 1980s. Micro finance was accepted as an effective tool in 1990s and embraced all sectors. To reduce gendered poverty and achieving millennium Development Goals microfinance is considered as useful. However, there is limited knowledge on the impact of microfinance on poverty alleviation in Sri Lanka. Tillagaratna *et al* (2005), found out that Microfinance services in Sri Lanka have a wide geographical outreach but the extent of outreach of private operators including NGOs and commercial banks in rural areas is rather limited.

As women empowerment in the economic and social fields constitutes one of the fundamental objectives of all development efforts in the rural areas and it has emerged as an important issue in recent times (Yogendrarajah & Semasinghe, 2013). This research has taken up the Samurdhi Bank micro finance scheme and 2nd community development and livelihood improvement project Polonnaruwa District in Sri Lanka attempted to analyze women empowerment for its beneficiaries of selected two projects.

In Polonnaruwa area of Sri Lanka, majority of women are not been able to start own business or contribute their family income growth, because women who lead household are concentrated in low paid, low status occupations with no prospects of improvement. Also rural women have to face many constraints to be a successful micro entrepreneur. Women bear almost all responsibility for meeting basic needs of the family, yet are systematically denied the resources, information and freedom of action they need to fulfill this responsibility. So, empowering women to be key change agents is an essential element to achieving the end of hunger and poverty.

In Polonnaruwa district, even though there are several microfinance programs have been implemented by Government and Non Governmental Organizations during last few decades, to support especially the women, the effectiveness of the poverty alleviation and micro finance programs is doubtful. Due to lack of adequate