

# **The Role of Micro Finance in Empowering Women in Jaffna District**

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## **Abstract**

Women mostly suffer from poverty in many developing countries. Sri Lanka, being one of the developing countries, and has been affected by the internal conflict over 30 years. Now, the post war development is carried out in the northern and eastern province of the country however, the war widows, disabled persons and female children are suffering from accessing education, health nutrition and employability. The micro finance facilities are provided for these people through NGOs, financial institutions and other government agencies to empower those people. This study reveals the role of the micro finance in empowering women in Jaffna District. The prime objective of this study is to look into the role of microfinance in empowering poor women. To find out the results, quantitative as well as qualitative methods were also employed in this study. A questionnaire which was self developed for a total of 77 respondents whom, however, only 66 completed the questionnaire. Further, three focus group discussions were conducted involving 18 women and in-depth interviews were carried out with another 12 in the selected DS Divisions of Jaffna, Nallur, Sandilipay and Kopay. The finding of this study was the improvement of the women's self-confidence to work on their own and get better their lives. But, there is a little participation in the decision making in the household level or societal level. Further, the political empowerment is reflected by the ownership of assets and holding of political positions. Furthermore, the study also identified the challenges and difficulties that women face with Micro Finance Institutions (MFIs).

**Key words:** Micro Finance, Women Empowerment, Economic empowerment, socio-cultural empowerment and political empowerment.

## **1 Introduction:**

Women are the poorest of the poor in the developing countries. (UNDP, 2003) It is believed that the benefit of a family will be improved, when women are assisted to raise their incomes. Micro finance Institutions (MFIs) play an important role in women empowerment because they are providing facilities to them. MFIs empower women by helping to get capital and permitting them to get an independent income and contribute economically to their family and society. MFIs have vital role among poorest people to increase their income in Jaffna District. Considering the above this study deals with the role of microfinance and empowerment of women in selected areas of Jaffna District in Sri Lanka. As mentioned by Harper, (1996) Women in poor countries are underprivileged due to various reasons. While women handle a large part of the world's work, they receive a small part of the compensation which they can control and social position. Gender inequalities in developing countries reduce the economic growth and national development. (World Bank, 2001) Women in particular face major barriers to achieving continued increases in income and getting better their status, and require matching support in other areas, such as training, marketing, literacy, social mobilization, and other financial services (e.g., consumption loans, savings). In fact, it is difficult to separate the impact of micro credit from that of other involvements.

Support of thousands of microfinance customers in Sri Lanka reveals that access to financial services facilitates poor people to boost their household income, make assets, and cut their vulnerability to the crises that are so much a part of their daily lives. According to the report by Dirk Steinwand and David Bartocha on "How microfinance improves lives in Sri Lanka (2008) mentions that microfinance is a versatile supporter that afford them the means to remake their lives, plan for their future and that of their children, empower them with self esteem, integrate in to social structure by enjoying access to social networks and making contributions towards welfare of their families and that of the community. The impacts of microfinance are a combine in most cases where one impact leads to another. For an example improved income is used for enhancement of the family or children education & health nutrition etc. This study addresses the key role of micro finance in empowering poor rural women in selected rural areas of Jaffna District, Sri Lanka.

## **2 Statement of the Problem:**

The recent study on Sri Lanka dealing with the Needs of an Aging people highlights the need for critical policy changes. Women live longer than men of reaching 65 years for men being 71 percent whereas 82 percent for women. (Naoko Ishii, 2009) One of the findings in his report is the increasing economic strains on the family with the burden of old aged women dependents. According to the rapidly ageing population of Sri Lanka, it becomes a very important issue for policy makers to explore building the abilities of women by giving opportunities available for them to dynamically contribute to the economic development of their families, societies and the country. .

Women are the lower paid majority and have a higher unemployment rate than men in developing countries. (World Bank Gender statistics Data base, 2009) Empowerment of women and gender equality are prerequisite for achieving political, social, economic, cultural and environmental security among people. (Beijing, 1995) Access to credit is an important mechanism for reducing women's poverty and to empower them. In this regards, the delivery of microfinance is one of the approach in empowering rural women.

However, a little research has been undertaken to look beyond microfinance's economic benefits, at social mobilization, empowerment, stabilization, peace building and harmony. Most of the authors investigated the developments and situation of the regions in their reports and articles which were conducted by the aid of the NGOs and Other World nations. However most of the researches have been done regarding the women empowerment, and micro finance in worldwide it is very little bit in Sri Lanka especially in Jaffna District. This study attempt to fill this research gap and raising the following research question as a research problem:

**RQ: “To what extent the micro finance contribute to the women empowerment in the rural areas in Jaffna District?”**

### **3 Objectives:**

From the above research question the prime objective of the study is to assess the impact of microfinance in the empowerment of women. And also the following objectives are accompanied with this prime objective.

- To find out the relationship between microfinance and women empowerment.
- To identify the factors influencing on women empowerment other than microfinance.
- To suggest possible solutions empowering poor women in the rural areas.

### **4 Literature Review:**

Though there are many theories, approaches and models propounded by different experts, an end of the observation would reveal that the different theories, approaches and models are not contradictory. They are complementary to one another. Each theory focuses some particular aspects of women empowerment and microfinance. With the brief discussion of theories, approaches and models of women empowerment and micro finance we will deal with the literatures and researches available on it.

Self-help groups intermediated by microfinance have been shown to have positive effects on women, with some of these impacts being ripple effects. They have played valuable roles in reducing the vulnerability of the poor, through asset creation, income and consumption smoothing, provision of emergency assistance, and empowering and emboldening women by giving them control over assets and increased self-esteem and knowledge (Zaman, 2001).

Hence, the most of the studies on the impact of microfinance on households are based on a survey. Pitt and Khandker, (1998) apply a quasi-experimental design to 1991-1992 data. They conclude that microfinance raises household consumption, especially when lent to

women. Khandker (2005) applies panel methods using a 1999 resurvey. He concluded that the microfinance helps the extremely. But using simpler estimators than Pitt and Khandker, Morduch (1999) find no impact on the level of consumption in the 1991-1992 data, even as he questioned Pitt and Khandker's identifying assumptions. He found evidence that microfinance reduces consumption volatility.

According to Chowdhury, M.J.A., microfinance schemes have had substantial, through the improvement of women's position in decision-making on household expenditures and family planning. It has been found, among others that women's mobility has improved dramatically. (Chowdhury, M., 2009)

Collateral, credit rationing, preference for high income clients and large loans, and bureaucratic and lengthy procedures of providing loan in the formal sector keep poor people outside the boundary of the formal sector financial institutions in developing countries. An impressive literature exists on the effectiveness of micro financing programs on improving the economic situation of women (Fernando, 1997; Ahmed et al., 2001). However, Pitt et al., (2003) found that women's participation in microfinance programs increased their standard of living.

## **5 Hypothesis**

According to the problem statement and objectives of the study the following assumptions have been made as hypothesis to prove it positively or negatively by concluding the research results.

H<sub>1</sub> Micro Finance Programmes positively correlated with Women Empowerment in the rural areas of Jaffna District. .

H<sub>2</sub> Micro Finance Programmes have strong impact on Women Empowerment in those areas.

## **6 Methodology:**

The research was conducted in the selected rural areas of 4 DS Divisions in the Jaffna District. Both qualitative and quantitative data have been used to obtain a reliable data. While more importance was given to the qualitative method, quantitative method was used as a supplement to the former approach. Further, related research literatures such as books, brochures, articles, reports etc., on the issues and roles of microfinance and empowering women were used to this study. 20 respondents from each GS Division and of which 2 GS Division from which Jaffna, Nallur, Sandilipay and Kopay have been selected to obtain data and 66 responded out of 77.

This study mainly focused on qualitative method with the view of assessing the areas and extent of empowerment consequent from the involvement of microfinance and also recognizing the challenges and problems faced by the respondents. In this regards, focus group discussion and in-depth interview methods have been used for the study.

Three focus group discussions were conducted with 18 women in three DS Divisions of Kopay, Nallur, Jaffna. The focus group discussion was initiated on a given topic among the members under the guidance of a facilitator. The time has been taken for this discussion from 30 minutes to 45 minutes. The opinions raised, the conversation held and the cooperativeness of the participants was also very much appreciable. However some appeared to be shy and a few attempted to dominate the discussions, the facilitator has managed the discussions well.

In addition to the focus group discussion in depth interview was used to obtain more information from the respondents. The questions raised during interview dealt with respondent's demographic profiles and issues regarding the women empowerment and micro finance. The interviews were held with 12 respondents in all Gs Divisions. The time has been taken for the interview from 20 minutes to 30 minutes and the questions have been arisen from the advanced self developed questionnaire.

The respondents of the study were selected only women. This was made in order to get information from their own experience regarding the effects of microfinance in their empowerment in the different circumstances. Purposeful sampling method was employed to conduct focus group discussion and in-depth interview, which were the methods used for qualitative analysis.

## 6 Discussions and findings

The following quantitative and qualitative analysis have been made to prove the hypothesis selected for this study. The correlation analysis has been made to find out the relationship between microfinance and women empowerment. It has been illustrated as follows:

**Table 1**

**Correlation Analysis**

	Micro Finance	Economic Empowerment	Interpersonal Empowerment	Social Empowerment	Total Empowerment
Micro Finance	1	.468**	.724**	.689**	.752**
Economic Empowerment		1	.362**	.452**	.714**
Interpersonal Empowerment			1	.831**	.880**
Social Empowerment				1	.914**
Total Empowerment					1

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

Correlation test was made to examine the relationship between variables and results are tabulated. Table 1 show that there is a positive relationship between Micro credit and women empowerment at 0.01 significant levels. From this result the hypothesis (H<sub>1</sub>) has been proved clearly and there is strong relationship between micro credit and interpersonal empowerment and social empowerment than economic empowerment and it has been proved with the correlation of 0.752 at the 0.01 significant level between micro finance and total empowerment.

From the regression analysis given below, we can observe the impact of micro finance on women empowerment.

**Table 2**

Regression Analysis

Model	R	R Square	Adjusted R Square
1	.752 <sup>a</sup>	.565	.558

a. Predictors (Constant) MICRO FINANCE

From the Table 2 we can observe that the empowerment is influenced by micro finance by 57% and remaining 43% are determined by other factors such as advising, monitoring, and other non-financial services etc., From this finding the hypothesis 2 has been proved as the micro finance programme influences on women empowerment.

From the Qualitative approach the following results could be observed and it is illustrated as follows:

From the focus group discussions and the interview the following factors could be obtained positively for the empowerment through micro credit.

**Table 3**

Qualitative Analysis on women empowerment

Factors	Respondents	Positive response	Percentage
Self confidence	48	44	92%
Economic security	48	42	88%
Status and decision making power within the household	48	30	63%
Respect and prestige from both male and female relatives and community members	48	40	83%
Ability to interact effectively in the public sphere	48	42	88%
Participation in non-family groups	48	32	66%
Total	288	230	80%

Source: Interview with rural people



In the above response the decision making power and the participation in non-family groups are the low percentage than other factors. The positive response for the above factors proved that there is a strong relationship between women empowerment and micro finance programmes which have been proved with the quantitative analysis of correlation.

Further, from the focus group discussions it could be observed that the impact of micro finance programmes on women empowerment and the challenges and difficulties faced by them. From the discussions the people agreed that the micro credit facilities provided by the MFIs helped them to enhance their lives. Because they said the they were under poor situation without any help and after getting facilities from the Micro Finance Institutions they were able to uplift their living standard through the self employment opportunity. Mostly the women headed families were supported by these programmes. They said that earning their own money allows them to do what they want with it. It also gets them the respect because the money proves their contribution. When they have their own money they are no longer dependent on other persons, said by them. However, they expressed their feelings such as procedures for getting loan, interest rate, amount of loan and loan recovery etc.

## **7 Conclusions and Suggestions**

From the above discussion researcher can conclude that there is a positive relationship between micro finance and women empowerment. However, other factors such as training facilities, social awareness, advising regarding the usage of micro credit and other non-financial services, also have impact on women empowerment. The micro credit loan facilities for self-employment, is not enough in empowering poor women in rural areas because the other factors also have strong impact on that. The study indicated that the income and saving levels of the majority of the customers have increased after the delivery of microfinance. Encouraging results have also been shown in the enhancement of self-confidence with respect to the ability to work on own and improve their lives. On the other hand, there is low decision making power of women in the house hold level and society level. Finally, it is concluded that there is need to complement credit-delivery with social awareness raising, building confidence and skill training among women. Women need advice about how to utilize public, private, natural and other resources and services.

In addition to this, the interest rate for savings should be increased to build up the savings habits among rural people and to recover the loan the interest of loan should be minimised as well. The amount of loan should be increased to develop the society in macro level and the procedures for getting loan should be flexible to avoid the difficulties among rural uneducated people on regards keeping documents and papers etc. The non-financial facilities should be available other than micro credit loan facilities and the monitoring and advising are very important in those areas. All people should be involved other than poor people to increase the micro finance facilities in those areas. Further, Women may work in a range of areas, including savings and credit training and skills development, new technologies or marketing as well as provide such supports as child care, health services, literary programs and legal education and aid.

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