

# Factors Determining the Women Empowerment through Microfinance: An Empirical Study in Sri Lanka

Y. Rathiranee, D. M. Semasinghe

**Abstract**—This study attempts to identify the factors influencing on women empowerment of rural area in Sri Lanka through micro finance services. Data were collected from one hundred (100) rural women involving self-employment activities through a questionnaire using direct personal interviews. Judgment and Convenience Random sampling technique was used to select the sample size from three Divisional Secretariat divisions of Kandawalai, Poonakari and Karachchi in Kilinochchi District. The factor analysis was performed on fourteen (14) variables for screening and reducing the variables to identify the influencing factors on empowerment. Multiple regression analysis was used to identify the relationship between the three empowerment factors and the impact of micro finance on overall empowerment of rural women. The result of this study summarized the variables into three factors namely decision making, freedom to mobility and family support and which are positively associated with empowerment. In addition to this the value of adjusted  $R^2$  is 0.248 indicates that all the variables extracted can be explained 24.8% of the variation in the women empowerment through microfinance. Independent variables of these three factors have positive correlation with women empowerment as well as significant values at 5 percent level.

**Keywords**—Influencing factors, Micro finance, rural women and women empowerment.

## I. BACKGROUND OF THE STUDY

**W**OMEN are key in the society and their role is very important in the world. They have a significant contribution not only in the family but also in the society. In developed and most of the developing countries both men and women work together in the same positions and they contribute politically, socially, economically without gender imbalance. However some countries would have influenced by social, cultural and religious rigid they are unable to give equal opportunity to the women in all sphere. Therefore, nowadays the women empowerment is the important context in the world. Women empowerment means giving lawful power or authority to perform. If women were empowered they would be able to participate in the planning and decision making and contribute to the development programmes individually. Women empowerment is defined as a process to enhance women's capacity for self-determination to meet their practical needs and

strategic needs by achieving equal rights, power and authority and resources like men in the society as well as economy [1].

Micro Finance has evolved as a key instrument to afford financial and non-financial facilities to the poor people in developing countries. It focuses on micro credit, savings and insurance and other financial and non-financial services to the low-income people of a country. More than thirteen (13) million micro entrepreneurs worldwide have benefited through microcredit, by using the loan facilities in order to improve their wealth and their families out of poverty. Micro finance is considered as an important tool to increase income of the poor women in developing countries. The tsunami in 2004 and 30 year civil war in Sri Lanka have left innumerable women as single or widows in North and East Provinces. More of the households in Sri Lanka are now headed exclusively by women. Therefore, women were forced to take on new responsibilities in caring for their families, but they are often marginalized by their extended families and the greater community for taking on responsibilities of control. They still face numerous challenges in accessing education and health services, as well as economic development. Microfinance is described as a powerful tool to improve economic development in a post-conflict context and to support post-conflict rehabilitation assistance.

Microfinance services become a popular intervention against poverty in developing countries, targeting the poorest women and it has been considered an effective tool for women empowerment [2]. In addition to this, it is argued that increasing household economy role also will lead to the women empowerment [3]. In addition to improved well-being, micro credit features to it the empowerment of women, who gain a larger role in household and community decision-making [4].

Reference [5] concluded that the role of International Non Government Organizations (INGOs) and Local Non Government Organizations (NGOs) has the moderate level contribution on the respondents' perception even though they have played a considerable role in improving equality and personality development of Women Headed Households in Sri Lanka. Reference [6] revealed that microfinance is an important component of the lives of the poor who are keen on being entrepreneurs. Reference [7] summarized the twenty six (26) variables into six factors namely socio economic status, personality factor, financial liberation, familial relations, child development and inhibiting factor using factor analysis technique. Reference [8] indicated that the women empowerment indicators from the perspective of decision making power, attitude towards domestic violence, and

Rathiranee Yogendrarajah, Senior Lecturer, is with the Department of Financial Management, Faculty of Management Studies & Commerce, University of Jaffna, Sri Lanka. (Corresponding author; phone: +94 077 898 2649, (e-mail: rathi@jfn.ac.lk).

Semasinghe, D.M., Senior Lecturer, is with the Department of Commerce, Faculty of Commerce and Financial Management, University of Kelaniya, Sri Lanka. (e-mail: semasinghe@kln.ac.lk)

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exposure to sources of knowledge which were extracted from factor analysis and these factors positively associated with current contraceptive use.

Sri Lanka is also one of the developing countries where most of the women situated at rural areas have a low standard of living. This study focuses on the major factors influencing on women empowerment.

## II. RESEARCH PROBLEM

Women have been considered for some of the kind and soft jobs because who have the positive and supportive attitudes than men. In some developing countries the sexual differentiation occurs and women are fighting to get the equal opportunity like men. Of the 1.3 billion people who live in absolute poverty around the globe, 70 percent are women. Women work two-thirds of the world's working hours, and they earn only 10 percent of the world's income, own less than 1 percent of the world's income [9]. Women are disproportionately represented among the world's poorest people and are paid lower wage rate in the unorganized informal sector of most developing countries [10]. While women handle a large part of the world's work, they receive only a small part of the compensation for that work. Gender inequalities reduce the economic growth and national development in developing countries. In achieving increases in income and getting better status, they face major barriers. And they require support in training, marketing, literacy, social mobilization, financial and non-financial services etc.

It is accepted from the researches that the microfinance is an important tool to enhance the entrepreneurship development in the developing countries as well as in Sri Lanka. In the post war context it has been realized from the past experiences in Sri Lanka. However there are some challenges and difficulties facing by women as entrepreneurs for their sustainable development.

The microfinance is a key tool for empowering poor women in rural areas and 65% of the micro finance activities have been done by the government agencies [11]. It is difficult to identify what factors are empowering women in Sri Lanka and the researches on this regards are very low except the World Bank reports and other human rights reports of various organizations. However in Sri Lanka, the study found that impact of micro finance on women is considerable in constructing confidence, skill development and empowerment. But there is no positive impact on sustainable rural development [12]. In this situation the following research questions arising as a research problem.

- "What are the factors influencing in empowering the rural poor women in Sri Lanka through micro finance activities".

## III. RESEARCH OBJECTIVES

The prime objective of this study is to identify the major factors influencing in empowerment of poor women at household level in selected rural areas in Sri Lanka. The following sub objectives also are specified in this study.

- To identify the relationship between micro finance and women empowerment.
- To find out the impact of micro finance on women empowerment.

## IV. HYPOTHESES

In this study, the following hypotheses have been developed:

- H1. Decision making, freedom to mobility and family support have significant association with women empowerment in rural areas of Kilinochchi District.
- H2. There is a relationship between micro finance and women empowerment.
- H3. There is a significant impact of micro finance facilities on women empowerment.
- H4. There is no significant impact of micro finance facilities on women empowerment.

## V. RESEARCH METHODS

The study design was the survey method using structured questionnaires with Likert Scale ranging from strongly agrees to strongly disagree coding 5 to 1 respectively. And the direct personal interview also was conducted with the individuals as a research tool. Out of sample population of 450 women self employed persons in Kilinochchi District the researcher had selected 100 respondents who had more than 2 years experience continuously on their self employment activities and getting micro finance facilities from Micro Finance Institutions (MFIs) are the Samurdhi Bank, Women Rural Development Society (WRDS), and Rural Development Banks (RDBs) which are functioning in these areas. A judgment convenience random sampling method has been used to select the respondents who engaged in numerous activities such as agriculture, petty trading, poultry farming, palmyrah leaf products, living in Kanadawalai, Poonakari and Karachchi Divisional Secretariat Divisions in Kilinochchi District getting micro finance facilities from Samurdhi Bank, Women Rural Development Society (WRDS), Rural Development Bank (RDB). The factor analysis technique was employed to load the number of variables to find out the influence of women empowerment and regression and correlation analysis has been used to find out the impact and relationship among the variables.

## VI. DATA ANALYSIS

The descriptive statistics table simply provides mean, standard deviation, and number of observation for each variable included in the analysis.

The mean value of the variables is more than 3 except "go to relatives' and friends' house alone". And also the standard deviation is high (more than 1.0) for the variables of freedom to mobility.

Further, the correlation Matrix table provides correlation coefficient and p-values for each pair of variables included in the analysis. A close inspection of these correlations provides insights into the factor structure.

TABLE I  
DESCRIPTIVE STATISTICS

	Mean	Std. Deviation
Allocate the income for the expenses	3.65	.86894
Household expenditures	3.83	.88825
Cooking	4.18	.82118
No. of Children	3.80	.91010
Children's education	3.73	.83913
Children's marriage	3.60	.84087
Cash expenditures for household activities	4.03	.80973
Household budget	3.73	.88597
Sale of goods and Pawning	3.62	1.12618
I go to my relatives' and friends' house alone without permission of my husband/family	2.89	1.28625
I go to festivals and ceremonies alone without permission of my husband / family	3.02	1.29474
I go to shops to purchase goods alone without permission of my husband / family	3.48	1.15889
No violence in my family	4.16	.88443
I am appreciated by my family	4.24	.74019

Source: Field Survey

TABLE II  
KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.763
Bartlett's Test of Sphericity	Approx. Chi-Square 954.677
	df 91
	Sig. .000

The data was verified through Cronbach's alpha and result is 0.871 prove internal consistency of the data. The adequacy tests and KMO and Bartlett's test result is 0.763 which supports for factor analysis.

*A. Factors Associated with Rural Women Empowerment*

The principal component range from .513 to .865, thus most of the variance of these variables was accounted for by this three dimensional factor solution which were decision making, freedom to mobility and family support. The extracted factors accounted for 69.37% of total variance explained. The following table illustrates the factor loadings.

TABLE III  
LIST OF DETERMINANT FACTORS ON EMPOWERMENT OF RURAL WOMEN

Factor	Eigen Values	Variance %	Cumulative %
Decision making	5.815	41.535	41.535
Freedom to mobility	2.446	17.471	59.007
family support	1.451	10.364	69.371

Fig. 1 screeplot graphically displays the information given in Table III.

Moreover the factor scores those extracted with the help of factor analysis has been used to Multiple Regression Analysis. The multiple regressions have been used to find out the influence of micro finance services on women empowerment.

To meet the objective, the impact of influencing factors on women empowerment through microfinance activities has been investigated. The following model was used to investigate the relationship between dependent and independent variables.

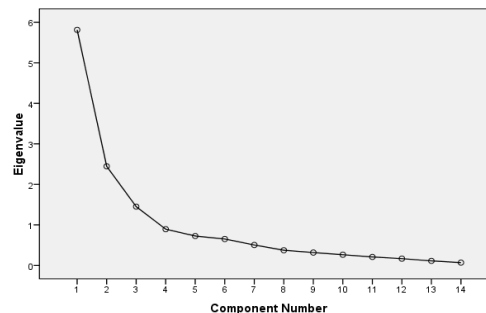


Fig. 1 Scree plot

TABLE IV  
FACTOR DIMENSIONS AND FACTOR LOADINGS

	Initial	Extraction
<b>Factor 1 Decision Making</b>		
I have control to allocate the income for the expenses.	1.000	.771
I have control on Household expenditures.	1.000	.676
I make decisions on Cooking.	1.000	.654
I make decisions on the No. of children.	1.000	.606
I make decisions on Children's education.	1.000	.840
I make decisions on Children's marriage.	1.000	.757
I have control on Cash expenditures for household activities.	1.000	.595
I make decision on House hold budget	1.000	.530
<b>Factor 2 Freedom to mobility</b>		
I make arrangements for Sale of goods and Pawning	1.000	.513
I go to my relatives' and friends' house alone without permission of my husband / family.	1.000	.784
I go to festivals and ceremonies alone without permission of my husband / family.	1.000	.865
I go to shops to purchase goods alone without permission of my husband / family	1.000	.620
<b>Factor 3 Family support</b>		
No violence in my family	1.000	.731
I am appreciated by my family.	1.000	.769

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \quad (1)$$

where, Y is the Dependent Variable; (Women empowerment). Intercept terms  $\beta_1, \beta_2, \beta_3$  are regression coefficients.  $X_1, X_2, X_3$ , represent Independent variables; (decision making, freedom to mobility and family support).  $\epsilon$  represents the error term.

All the variables extracted could be explained 24.8% of the variation in the women empowerment through micro finance. The rest of 75.2% of the variation in the women empowerment is explained by other factors such as education, occupation, experience, income and savings etc.

TABLE V  
FACTORS DETERMINING WOMEN EMPOWERMENT

Model	B	S.E	Beta	t	Sig.
Constant	2.800	.353		7.923	.000
X <sub>1</sub>	.120	.086	.148	1.390	.168
X <sub>2</sub>	-.129	.056	-.234	-2.324	.022
X <sub>3</sub>	.274	.070	.376	3.899	.000

The estimated regression equation is:

$$Y = 2.800 + 0.120 X_1 - 0.129X_2 + 0.274 X_3 \quad (2)$$

The significant t-value of each variable confirms the significant contribution of each independent variable to the model.

The value of Beta coefficient is highest in case of  $X_3$  (family support) explaining that 37.6 percent of the variation in the women empowerment can be explained by this variable. Similar result is shown in other variable of  $X_1$  (decision making) explaining that 14.8% of the variation in the women empowerment is explained by this variable, but in case of  $X_2$  (freedom to mobility) i.e. -.234 has negative impact on women empowerment. The smallest Beta in case of  $X_1$  i.e. 0.148 shows that the decision making contributes least to the empowerment of women clients at household level.

From the analysis it could be concluded family support has significant association with microfinance ( $P=.000$  which is less than 0.05 at 0.05 significant level) and decision making has weak association with microfinance ( $P=.168$  which is greater than 0.05 at 5% significant level) and negative association with freedom to mobility ( $P=.022$  which is less than 0.05 at 5% significant level). However, there is significant positive, weak and negative association between microfinance facilities and family support, decision making and freedom to mobility in respectively the  $H_1$  has been accepted.

From the regression analysis only 24.8 % of the variation of women empowerment has been explained through the microfinance facilities. There is a weak relationship between microfinance and women empowerment and therefore  $H_2$  has been accepted. Further there is no significant impact of microfinance facilities on women empowerment and therefore  $H_3$  is rejected and  $H_0$  null hypothesis is accepted.

$H_0. \beta_1=\beta_2=\beta_3=0$

The null hypothesis explains mean values of regression coefficient are equivalent to zero, Hence the null hypothesis is accepted which was explained that there is no significance differences between mean values of co-efficient. It is evident that the value of one or more regression coefficient is not equal to zero.

TABLE VI  
ANALYSIS OF VARIANCE (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.599	3	2.200	9.446	.000
Residual	22.354	96	0.233		
Total	28.953	99			

In Table VI all the variables favourably support the argument that the model is significant and can predict the outcomes.

## VII. CONCLUSION

The three factors decision making, freedom to mobility and family support were extracted from the factor analysis technique. Out of the three factors family support is highly concerned with these factor women clients are benefited. Further it revealed that micro finance can empower women by providing decision making authority is being least influenced

by micro finance activities and freedom to mobility has negative impact on women empowerment. Further, it is concluded that 24.8% of variation in women economic empowerment has been explained by micro finance facilities. The findings of this study revealed that the micro finance facilities have weak positive impacts on empowerment. It has been supported by the research findings of [13] which focused on Empowerment of Women through Self Help Groups (SHGs) in Sri Lanka found that impact of micro finance on women is substantial in skill development, courage, building confidence and women empowerment but there is no possibility in, sustainable rural development especially diminution of poverty, formation of employment and creation of assets in the rural areas.

From the above discussion researcher can conclude that there is a weak positive relationship between micro finance activities and empowerment of rural women. However, other factors such as self confidence, attitude change of clients, monitoring and guiding activities also have impact on women empowerment. The micro finance activities for self-employment, is not enough in empowering poor women in rural areas because the other factors have strong impact on that. Reference [14] found that microcredit programme participation has only a limited direct effect in increasing women's access to enhancing resources, but it has stronger impact in increasing women's ability to exercise agency in intra household processes.

In addition to this, using micro finance facilities create more job opportunities and variety of economic activities and improve household education, family welfare and empowering women themselves. Further from the above results it can be concluded that microfinance for education and skill development for self employment has a significant role on rural women and which is the best tool to empower poor women in rural areas.

The Study findings showed that the majority of the poor have access to micro finance because they have affected by the war. In the Post war context the micro finance assistance is important to those people. However some respondents have also indicated that micro finance does not make them successful in their undertakings as they make them to become more dependents on them. Micro financial institutions should encourage poor to borrow by revisiting the collateral conditions and reducing interest rates. The result of the study was that microfinance helps the different categories of poor people and has the weak positive significant effects on the dependent variable i.e access to micro finance. It was found that there is a high interest rate on micro loans because of the administrative cost.

## VIII. SUGGESTIONS

1. 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.

2. Microcredit is not sufficient in empowering the women, but it is of the very important ingredients with the non credit aspects in that process.
3. It is suggested that if much awareness will be created to enlighten the women entrepreneurs on record keeping, building assets, managing risk and increasing savings, it would be identified as the best strategy for helping poor women entrepreneurs' access on financial and non-financial services in MFIs.
4. The micro finance lenders should take careful attention to the rural women's education as well as self employment opportunities.
5. Further, it is suggested that the impact of microfinance on women household in rural areas should be continuously developed and the MFIs should take careful attention to meet the various needs of the rural people.
6. Microfinance provided to different people can also contribute to economic and social reconciliation, as it provides facilities to enhance living standard in rural areas. Moreover, micro finance is also a tool to empower people by regaining trust and confidence in each other. It helps very poor households meet basic needs and protects against risks, is associated with improvements in household economic welfare, and it helps to empower women by supporting women's economic participation and so promotes gender equity.
7. The government and other political parties should give more attention to improve the microfinance activities in the war affected locales. However it has been indicated that the poor people become more dependents on micro finance rather than it make them successful in their undertakings.
8. Further, the amount of loan is small and the interest rate on micro loan is too high because of the administrative cost. The government should take interest and support to the micro finance sector which will be useful to the rehabilitation of the war affected areas in Northern Province.

Finally, it is suggested that the marketing and transport facilities should be provided to these people to encourage and develop their income generating activities. The outcome of this research is beneficial to the policymakers, planners and related Organizations who involve in the development of strategy and policy formulation on this regards.

#### IX. CONTRIBUTION OF THE STUDY

We have no doubt this study will contribute to the literature of women empowerment in Sri Lanka and Northern Province as well. In addition to this suggestive recommendations will have much effect on enhancing women empowerment through micro finance. The suitable policy formulation based on the findings of the study, to the best interest of the academic professional and future researchers as well as the country who are interested to do the researches or reports regarding the same above. And this study will help to continue the research in other war affected areas in Sri Lanka as well. And also there

is no doubt it will help to make recommendations and suggestions by the policy makers in the MFIs for the enhancement of enterprises for rural people.

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