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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 Polannaruwa 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 studies regarding the effectiveness of microfinance programs, it is difficult to plan strategies to improve the microfinance programs for women in order to improve the standard of living of rural women in effective manner. This study tries to fill the gap. Because of the above problem the following research questions are formulated:

Do Samurdhi programme and 2nd Community Development and Livelihood Improvement Project assist empowering women in Polonnaruwa district?

Guided by the research question, the objective is formulated

- *to establish the linkages between the micro finance schemes and women empowerment and to assess the extent to which the loan facilities, skills development & training, advisory & counseling service and the market guidance, of micro finance projects contribute for the empowerment of the women beneficiaries.*

Even though there are many microfinance organizational arrangements in Polonnaruwa District, only Samurdhi bank and 2nd community development project is considered for this study. Women beneficiaries in Hingurakgoda DS division in Polonnaruwa district is selected and primary data is collected from them. Though there are number of factors which could affect for the women empowerment researcher considers only the factors that shown in conceptualization model.

2. Review of Literature

Central Bank (2007) reveals that the rural poverty resulting from increasing unemployment and underemployment has been a problem faced by successive governments in Sri Lanka. Various measures were adopted through rural development programs and plans to combat these problems. According to Department of census and statistics unemployment rate reported for year 2012 at national level is 4.0 and the rates for female unemployment (6.2 %) is higher than the male unemployment (2.8%).

De Silva (1995) elaborate in a study that poverty badly affected on the women, children, elderly people and disables in different ratios. In most developing countries, women have less social, economic and political power also they have got less opportunity to educate and engage in income generating activities. He further stated, the unpaid home and farm activities of women are very time consuming. Nevertheless , these activities make vital contributions to the economy and poor rural house hold in third world countries , the more hours women work and the greater are their contribution to the economy and family welfare.

According to the Grameen Bank (2009) in order to ease the bearing of economic burden of the family, women plays an enormous role rather than the traditional responsibilities assigned to them, such as bearing children for continuing the existence of the mankind, caring and growing them up, directing them in to correct path, looking after home and various other activities.

Recent studies published in Grameen Bank publications have also shown that informal methods of saving are very unsafe. For example a study by Wright and Mutesasira in Uganda concluded that (Grameen bank , 2005) "those with no option but to save in the informal sector are almost bound to lose some money – probably around one quarter of what they save there. A key aspect of the micro credit paradigm is that poor people get out of poverty by borrowing, building micro enterprises and increasing their income. The new paradigm places more attention on the efforts of poor people to reduce their much vulnerability by keeping more of what they earn and building up their assets. While they need loans, they may find it as useful to borrow for consumption as for micro enterprise.

Central Bank (2007) reveals that any poverty alleviation programme must aim of raising availability of food and clothing for the poor and provide shelter for the homeless. It also states the resources whether they are human physical or financial must be used to the fullest extent by increasing productivity, efficiency and reducing cost. A reduction of the opportunity gap will enable the poor to get more jobs, higher incomes and higher labour forces participation and provide the incentives to display their initiatives whilst become involved in developing activities.

As Wickrama (1998) explained microfinance services are financial services that poor people desire and are willing to pay for. More broadly, it refers to a movement that envisions "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. According to Wickrama (1998) 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 new productive activities. Access to finance (savings, credit and insurances) enables households and micro enterprises to bridge the gap between the availability of their own resources and their financial needs. In addition he has stated that these financial services can be used for purpose of consumption as well as investment. The later can be used to development of micro enterprises, increase income opportunities, create employment and improve the economic situation within a community, area or region of the country.

Wickrama (1998) has found the difference between microfinance and micro credit. Microfinance refers to loans, savings, insurance, transfer services and other financial products targeted at low-income clients. Micro credit refers to a small loan to a client made by a bank or other institution. Micro credit can be offered, often without collateral, to an individual or through group lending.

Ijioma (2005) has concluded that poor people need a variety of financial services, not just loans and microfinance can pay for itself, and must do so if it is to reach very large numbers of poor people. He further stated that microfinance is about building permanent local financial institutions and job of government is to enable financial services, not to provide them whereas the key bottleneck is the shortage of strong institutions and managers.

Ijioma (2005) distinguishes between four general categories of microfinance providers, namely, Informal financial service providers, Member-owned organizations, Formal financial institutions and commercial banks.He argues for a pro-active strategy of engagement with all of them to help them achieve the goals of the microfinance movement.

With appropriate regulation and supervision, each of these institutional types can bring advantage to solving the microfinance problem. For example, efforts are being made to link self-help groups to commercial banks, to network member-owned organizations together to achieve economies of scale and scope, and to support efforts by commercial banks to ‘down-scale’ by integrating mobile banking and e-payment technologies into their extensive branch networks.

The term empowerment refers to increasing the spiritual, political, social, or economic strength of individuals and communities. It often involves the empowered developing confidence in their own capacities. Empowerment is probably the totality of the similar capabilities such as; Having decision-making power of their own , having access to information and resources for taking proper decision , having a range of options from which you can make choices (not just yes/no, either/or.), Ability to exercise assertiveness in collective decision-making , having positive thinking on the ability to make change ,Ability to learn skills for improving one's personal or group power , Ability to change others’ perceptions by democratic means , Involving in the growth process and changes that is never ending and self-initiated and increasing one's positive self-image and overcoming stigma.

Zeul (2007) has explained among the 1.3 billion people who live in absolute poverty around the globe, 70 percent are women. For these women, poverty doesn’t just mean scarcity and want. It means rights denied, opportunities curtailed, and voices silenced.

Wickrama (1998) has concluded that women have increasing contributed significantly to Sri Lanka’s economic development during the past decade. They have been major participants in the garment and apparel industries, tea plantation workers, and domestic workers abroad. For example, during 2003-2007 about 65% of the Sri Lankan workers abroad were females. In 2007, 80% of exports were dependent largely on the fortunes of the garments industry in which more than 90% of employees are female. According to his studies the women’s role in economic development has not been widely recognized and “gender budgeting” deficiencies because of the lack of quantifiable statistics.

As Zeul (2007) published in D+L International journal Women also lack access to business services support-training and help with marketing, product quality control, and other elements of business planning for growth. Supporting equal access to finance for women is essential for long-term development results.

According to Blair, (1995) new technologies and changes in production systems have left local economies at the risk to compete globally. However, this phenomena has opened upon a wide range of opportunities for territories, to take advantage of better access to global resources - technology, capital and markets – and develop their endogenous resources. As he elaborate, “Development” is normally deemed to refer to a society’s capacity to satisfy its needs through the rational use of resources and natural systems.

Research carried out by Parpart (2000), showed how gender inequalities had a negative impact on the achievement of macroeconomic objectives. The gender perspective was first linked to the concept of development in the late 1960s, associated with social movements that developed during the period of decolonization. These movements argued that traditional development policies had excluded large sectors of society, especially women.

Buvinic (1986) established a Classification system or different approaches to examine the interrelationship between policies and strategies aimed at women and the gender needs as the well-being approach and equity approach, which is in turn subdivided into anti-poverty approach, the efficiency approach and the power acquisition and generation approach.

It is evident from the above from the above literature that there are inter linkages between poverty, micro finance and economic development. As such, this study configures the following conceptualization model. In this study, Micro finance (loans, Skills development & training, advisory and counseling service, market guidance) is the independent variable and dependant variable is women empowerment.

Figure 1: Conceptualization Model

Micro finance		Empowerment of women beneficiaries
a. Loans b. Skills development & training c. Advisory & counseling service d. Market guidance	→	a-Economic empowerment b-Social Empowerment c-Interpersonal empowerment

Configured for the research purpose based on Wickrama (1998)

3.Methodology

Sample was selected from the DS division of Hingurakgoda in Polonnaruwa district among two micro finance schemes. From 2nd Community Development & Livelihood Improvement Project of the Ministry of Economic Development 75 women beneficiaries were selected and 125 women beneficiaries were selected from Samurdhi Bank Society.

The evaluations are carried upon information collected through five point Likert scale and descriptive analysis is carried out with the central tendency measures such as mean, median, mode, and standard deviation, percentage, etc by using SPSS version 14.

The decision criterion is given as:

Decision criteria	Decision rules
$1.0 \leq Xi \leq 2.5$,	variable denote low level of influence on the dependent variable
$2.5 < Xi \leq 3.5$,	variable denote moderate level of influence on the dependent variable
$3.5 < Xi \leq 5.0$,	variable denote high level of influence on the dependent variable

In addition, Researcher ran a correlation analysis to check the relationship of micro finance with women empowerment. Regression analysis was also done to evaluate the contribution of each variable.

Findings

a) Demographic variables

To know about family and personal background possible demographic variables were collected in order to bring some meaningful associations between them.

Out of the total sample of 200 women, most of them are of between the age range 20-35 and equivalent to 75% of the sample. When they are classified according to their sectoral distribution 75% women are in self-employed and private sector accounted for 17.5% and government sector accounted for only 6% of total women in the sample. Out of the total sample, 75% of women are earning between the income range Rs. 2500-3000 income weekly. Only 2.5% in the total sample, earned income between the range of Rs. 1500-2000 income level.

Analyzing the educational level of children of the beneficiaries, 12 children are degree holders and 58 children are in advance level category and 65 children in ordinary level category, and 5 children are in grade 8.

b) Descriptive analysis

Table 2: Mean value and Standard Deviation

	Mean	S.Deviation	Decision
Loans	4.4863	.43928	Variable donote high level
Skills development and training	4.4913	.26687	Variable donote high level
Advisory & counseling service	4.5313	.40485	Variable donote high level
Market guidance	4.4563	.31943	Variable donote high level
Women Empowerment	4.5254	.20054	Variable donote high level

(Source: Survey Data)

As per the table, mean value of Loans is at high level and equal to 4.48 and it seems that getting loan and payment period and grace period of loan is satisfactory to their beneficiaries. The other variable Skills development and training is also at high level because of the mean value which is 4.49.the next variable, Advisory and counseling service, is also in high level because of the mean value 4.53. The Market guidance variable has a mean value of 4.45 thereby and register a high satisfactory level.

Women empowerment is the dependent variable and there are 3 dimensions, namely, interpersonal, economic, and social empowerment. Its overall mean value is 4.52 and in high satisfaction level as none of the beneficiaries are dissatisfied with the services obtained from both projects.

To understand the relationship between Women empowerment and Loans, Skills development and Training, Advisory and Counseling service, Saving, Market guidance a Correlation analysis was conducted and the results is given below:

Table 4: Correlations between variables

variables	mktgd	skill	advice	intemp	ecnemp	socemp	emp
loan	.566**	-.245**	.110	-.245**	.493**	.180*	.326**
mktgd	1	-.060	.001	-.060	.219**	.163*	.202**
skill		1	.011	1.000**	-.123	.418**	.532**
Advice			1	.011	.868**	.014	.641**
intemp				1	-.123	.418**	.532**
ecnemp					1	.027	.683**
socemp						1	.630**
emp							1

(Source: Survey Data)
** significant at the 0.01 level (2-tailed).
* significant at the 0.05 level (2-tailed).

Correlation coefficients show the extent and the direction to which independent variables have relationships with the dependent variable. The dependent variable is having positive and significant relationship with most of the independent variables. The variables, namely, loan, skills development and training, advisory and counseling service, market guidance have positive and significant relationship with empowerment, though the strength of association varies between them. Advisory and counseling service has a high value as 0.641 and positively and significantly related with women empowerment. The relationship between marketing guidance and women empowerment has a low value of 0.202, weakly correlated but significantly.

Regression could explain the contribution of each independent variables. By running a regression analysis, it was revealed the following:

Table 5: Coefficients of the study variables

Model	B	t	Standard error
Constant	0.229	1.577	0.145
Loans	0.441**	11.564	0.016
Skills	0.471**	21.544	0.022
Advisory	0.589**	20.798	.022
Market guidance	0.006	0.180	.012
F statistics	269.289**		
Adjusted R^2	0.844		
Durbin- Watson statistic	1.517		
VIF (average)	1.3		
Tolerance	0.7997		

** significant at the 0.01 level (2-tailed).
* significant at the 0.05 level (2-tailed).
Dependent Variable: women empowerment.

As indicated by Adjusted R square, 84.4% of the variance of the women empowerment is explained by loans, skills development and training, advisory and counseling service, market guidance of the two micro finance projects. For the cross - sectional data used in this study, this value is reasonable for the validity of the model. The F value, which shows the overall significance of the relationship between the dependent and the independent variable, registers a large value. It means the unexplained variation is small for this study. The results of this study shows that the Durbin - Watson statics also falling into the acceptable limits and indicates there is no serial correlation in this model. As VIF value is less than 10 and value of Tolerance is less than 1, it is confirmed that there is no multicoliniearity between the variable in the model.

The contribution of Loans, Skills development, Advisory and Counseling service variables are contributing significantly to empower women, whereas the variable, Market guidance, is contributing poorly, and insignificantly. The most contributing variable of all, is advisory and counseling services, which influences women empowerment by 58.9% if all other predictors are held constant. The Loans variable and the Skill development variable have a comparable degree of importance in the model. They could contribute by 44.1% and 47.1% respectively to women empowerment if all the other predictors are held constant.

To sum up, most of the variables in the model are contributing significantly and positively to the empowerment of women, except market guidance. When compared non - monetary variables such as skills development and training and advisory and counseling service have higher impact than the monetary variable loan.

4. Conclusions and Recommendations

According to descriptive analysis all the variables are having higher mean value, and the correlation analysis also support that there is a positive and significant relationship between variables. This shows both micro finance projects in the study area are contributing to the empowerment of women in Polannaruwa district.

According to Rathyranee and Semasinghe (2013), the micro-credit loan facilities for self-employment are not enough in empowering poor women in rural areas because the other factors have strong impact on that. The same is true about this study as women have fewer chances to access of formal finance institutions, rural women used to engage with informal financial sources. Even through the operation of account at bank, doesn't guarantee that there is an effect on the savings side to improve the empowerment.

Majority of women, who are the beneficiaries of micro finance in Polonnaruwa district, have ordinary level of education and engaged in self - employment activities, where monthly income is not stable. As their income generating activities, like sewing, poultry farming, home gardening and groceries are in a self- sufficient level, their access to formal finance services are restricted. Not having permanent job or permanent income is the main problem faced by women when accessing the credits from formal financial institutions. Because of accessibility issues, informal financial institutions are chosen by rural women. When the loan obtained could not help to enhance their livelihood, its effectiveness related to empowerment is becoming questionable. The Loans variable, which is comparatively contributing less than the other variables, namely, skills development and training, advisory and counseling service, support this argument.

As non- monetary variables, skills development and advisory and counseling services are contributing positively and significantly, women need advice about how to utilize public, private, natural and other resources and services as the micro-credit has a second - best impact on entrepreneurship development. Micro-credit, thus, is not a sufficient condition in empowering the women, but it is the very important ingredient with the noncredit aspects in the process of empowerment (Yogendrarajah and Semasinghe, 2013).

Given the insignificant contribution of the market guidance variable, it is important to identify which measures could help to find out the potential customer base and thereby to help the women to penetrate the market. Self-help groups have been shown to have positive effects on women, with some of these impacts being ripple effects. As they are peer monitored, could play valuable role 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)

It is also suggested that the credit – plus facilities are essential in empowering women and developing the women entrepreneurs under post-war development because most of the women headed families are in the rural areas. Credit-plus services refer to non-financial services such as vocational training, social welfare services, and consultancy services, marketing assistance, and other business development services, which are provided prior to the provision of key financial services (mainly credit facilities), and are mainly intended to assist entrepreneurs and the self- employed in developing their businesses (Herath, Gunaratne,and Sanderatne, 2013). As micro finance can reach the poor at lower cost and lower risk, it could help the income and asset base of the poor to grow and thereby enhancing the empowerment. This issue should be addressed carefully in the conflict affected areas in Sri lanka as more and more women headed families select entrepreneurship as their livelihood option.

According to Barr.M (2004), microfinance is a form of financial development that has as its primary aim poverty alleviation. Microcredit, lending small sums to poor or near-poor households, achieved prominence in the 1980s, with innovative programs such as the Grameen Bank, launched by Mohammed Yunus. The UN has designated 2005 as the International Year of Microcredit and stated that as women have attention on the needs, the welfare of the family and nutrition, she plays the most dedicated and major role of the family to overcome the poverty .So each and every finance program that focused on women should implemented with relevant to her requirements. Micro finance institutions should provide relevant monitory and training facilities for rural women to start a new business or develop existing business according to her skills and attitudes.

When micro finance projects arrange compulsory savings from their beneficiaries, then beneficiaries try to save money their account. It could be suggested that microfinance projects be regulated, in terms of prudential supervision, when they take small deposits from their borrowers. However, if it is difficult to supervise effectively, and not cost effective, they would end up as non- viable. When institutional saving becomes costly, depositors may be forced to leave their savings in higher-risk mechanisms such as buying livestock, keeping cash in till box etc.

As per the results, the market guidance is not adequately given to beneficiaries to find out the marketing opportunities. Strong networks among the women entrepreneurs and proper mentorship could help them to find new and suitable marketing channels.

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