

Exploring The Role of Microfinance in Women's Empowerment and Entrepreneurship Development : Qualitative Research

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ABSTRACT

Women's empowerment is an important concern in developing countries. Since poverty reduction and development goals cannot be achieved without attention to women's empowerment, some efforts have been made to address this issue. In recent decades, Microfinance Institutions (MFIs) have proven to be more than just a problem solver, they are an important tool. Not just the issue of poverty, but especially the empowerment of women. As a result, numerous studies have focused on the relationship between her MFI and female empowerment. However, studies are limited in rural areas of Kerala. Therefore, the purpose of this study is to examine the role of MFIs in women's empowerment in Kerala and to help MFIs and policy makers to strengthen the links between MFIs and women entrepreneurs. A qualitative methodology was employed using primary data collected through in-depth interviews and focus group discussions with her six Women's Rural Community Development Program (RCDP) borrowers. The findings provide valuable insight into her RCDP efforts to empower women and reduce poverty by promoting female entrepreneurship. Therefore, this paper not only examines the empowerment women gain through microfinance, but also helps MFIs to see its importance for economic development. This paper is suitable for MFI practitioners to develop strategies to foster female entrepreneurship and assist existing female clients with effective training and supervision.

Keywords: Microfinance, Kerala, Women empowerment, Women entrepreneurship

I. INTRODUCTION

Microfinance has a unique ideological demand as compared to charity. It is particularly designed to support poor people. However, it is a long-term process that enables the poor to improve their living standards in an effective manner. In particular, when we talk about microfinance from the perspective of women, the role of benefactors of microfinance seems important in making it a relatively effective resource for poverty alleviation, the stability of economic growth, and women empowerment. The difference between male and female ratios is not considered significant, but in several areas, women are provided less importance and power in comparison with men. Women around the world have little control over their assets and have less political power. Further, they do not have a lot of properties to their name. Due to a lack of security saved in the financial sector, women faced several difficulties during the financial crisis period which lasted from 2007 to 2008. Similarly, it is crucial to understand

the impact of the recent crisis of COVID-19 which affected all businesses badly and also threatened world health security.

However, several researchers have questioned this statement. The classification of all expected benefits and disadvantages of MFIs is still in the initial phase. We are still discovering how to improve the living standards of poor women and their families. This study aims to broaden existing knowledge about the role of MFIs in empowering women in rural Kerala.

In emerging economies, MFIs and women empowerment is considered to be one of the most effective tools for poverty alleviation by particularly focusing on women. Certainly, women are one of the most important parts of society and without their presence, societies cannot improve. Women empowerment leads to the increased participation of females in the workforce, the capability to decide, and poverty reduction. Thus, an increase in their income will not only prove beneficial for their family but will also have a very positive influence on the economy. Another study investigated the nonlinear effect of the education level on the ecological footprint by incorporating the variation in the population and income structures and recommended crucial policies regarding education levels and environmental sustainability.

In developing countries, all businesses are male-dominated and females have to suffer from discrimination in most of the phases whether it is their personal life or professional life. However, financial segregation seems complicated for developed nations regardless of the gender factor. Financial stability is a key concern for developing as well as economically challenged countries as these economies do not have a stable financial environment and well-established institutions. The presence of poor health facilities, underdeveloped financial industries, illiteracy, and weak infrastructure have raised serious problems for developing nations. To consider the requirements of financially excluded women, MFIs step forward to help those women in establishing new endeavors. As a result, non-government organizations and government agencies decided to provide subsidized loans for a better lifestyle of people and poverty alleviation. Prior researchers appreciated the initiative of such investments, but disproportion has been observed in these investments from the side of rich landlords or agencies. To tackle this issue, some highly effective alternative social networks, social collaterals, and credit scoring are needed here to approach the poorest women. Moreover, women in more rigid cultural settings are likely to face a higher risk of domestic violence because economic empowerment intervenes with patriarchy and expedites change in rigidly defined gender roles. Therefore, the need to address gender power imbalance and existing gender roles need to be taken into account before making interventions to poor people. In the light of practical aspects, microfinance refuses the poorest division of people from borrowing money. This violates its role in approaching very poor applicants. Furthermore, the poorest household people who are availing the benefits of microfinance still lack the proper technical skills that are necessarily required for business. The background of microfinance shows it is an essential tool to alleviate poverty, it works by receiving donations and lending money to poor people. Microfinance programs disregard the non-income parameters of poverty such as health, security, and education.

II. PROBLEM STATEMENT

One of the objectives of microfinance is to enhance women's empowerment, awareness of microfinance and to generate employment opportunities by promoting self-employment that consequently improves the social well-being of poor people. Most of the existing studies, mainly in economics, have only focused on how MFIs lending helps in poverty alleviation, rather than analyzing its impact on social and financial empowerment and new

venture creation by women. The majority of the past studies were quantitative, while there were a few qualitative studies applied in various contexts that analyzed the impact of MFIs in enhancing women's empowerment but still substantial studies are not available which explores specific lived experiences of women borrowers when they avail microloans and how they utilize that loan in starting their businesses. Therefore, this study aims to enhance the understanding of the role of microfinance from the viewpoint of beneficiaries in improving their empowerment and entrepreneurial development.

III. SIGNIFICANCE OF THE STUDY

India is a developing country and the majority of its population are mostly unaware of different sources of financial facilities. MFIs particularly focus on such rural areas in which most of the people are un-bankable and marginalized. This study contributes to the extant literature, as it explores the lived experiences of women borrowers regarding empowerment, awareness level of microfinance and entrepreneurial development. To get deeper insights into the structural meaning of empowerment analyzed by considering participants' histories, lived experiences, and social interactions, we used a qualitative approach that relies on in-depth interviews and a focus group under the case study research design. This study provides valuable insights into how MFIs are making women socially and financially empowered. Also, how microfinance helps in women-led ventures' creation process.

IV. OBJECTIVES OF THE STUDY

To investigate how microfinance is increasing women's empowerment, the following sub-objectives are framed.

- To explore how women become socially empowered after getting micro-financed.
- To figure out how women become financially empowered after getting micro-financed.
- To determine how microfinance increases women's entrepreneurship.
- To analyse the relationship between age group and awareness level of women Entrepreneurs regarding Microfinance.

V. LITERATURE REVIEW

Microfinance: The terms microcredit and microfinance are sometimes used interchangeably although microfinance is most popularly used today. However, microfinancing tends to emphasize the abolition of physical collateral. This means no collateral is required contrary to formal banking practices.

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises.

The Asian Development Bank defines microfinance as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their micro-enterprises³³.

The India Micro Financial Sector (Development and Regulation) Bill, (2007), defines microfinance as the provision of financial assistance and insurance services to an individual or an eligible client either directly or through a group mechanism.

The International Labour Organization (ILO) posits, “Microfinance is the provision of financial services to the poor on a sustainable basis. It is addressed to the poor and those excluded from market transactions. It seeks to broaden and deepen the market by emphasizing that ultimately microfinance institutions have to be sustainable. Globalization and Microfinance: Globalization is often linked to capitalism based on the drive for ‘additional financial returns or profit’ from market activities. Globalization is a feature of contemporary world; driven by information and communications technology (ICT). It connotes the integration of international economies.

VI. METHODOLOGY

This study adopts the case study design approach for the empirical investigation as it inspects a contemporary phenomenon within the real life of participants, particularly when the limits between the context and phenomenon are not visible. The case study design is the most suitable design for this study to carefully understand the impact of MFIs on women’s empowerment as it provides more in-depth views about the phenomenon under study. The variables and themes analyzed in the focus group discussions and in-depth interviews are presented in Table 1.

Table 1 Themes and variables of the study

Areas—in-depth interview and focus group	Variables
Demography	Education, age, gender, family size
Lifestyle	Occupation, income, micro-business
Empowerment	Factors leading to empowerment (social and financial)
Entrepreneurship	Access to seed money, control on loan utilization

VII. SEMI-STRUCTURED INTERVIEWS

A qualitative method, in particular, semi-structured interviews, and a focus group were employed in this study. The interview checklist for the collection of qualitative data as it helps to properly understand the psychology of the participants. Also, it helped to identify missing information from the participants. All interviews were conducted by telephone. The participants were selected through purposive sampling, as it is widely used in information-rich case studies.

Table 2 Details of participants

Participant codes	Age	Marital status	Education	Business type	Number of dependents (children)	Monthly Income (Rs)
1	36	Widow	Illiterate	Weaving	5	18000
2	41	Divorced	Primary	Food stall	6	21000
3	37	Married	Illiterate	Bakery	3	32000
4	36	Widow	Illiterate	Retail Store	6	23000

Case 1 Participant (1) described when her husband died in a road accident. She became helpless. Her in-laws abandoned her with five children. Then, she applied for the microfinance program of RCDP and was provided with an initial loan worth Rs.75,000/- for establishing a small retail store of food items. In her village, no women were running their retail store. But she took this step to support her children and now she is running a successful business. The credit for her success goes to her decision of taking a loan and starting a new journey in her life.

Case 2 Participant (2) shared that she remained in an abusive relationship with her husband for 12 years. Her husband was addicted to drugs. He divorced her after the birth of their sixth daughter. Then, he got married to some other woman. She expressed that she has gone through severe depression during that time when was alone with her daughters. Her mother and sister supported her but financially they were not capable to feed her children. Microfinance helped me to get out of the crisis. Now I am living a peaceful life with my children's.

Case 3 Participant (3) expressed that microfinance helped her a lot in supporting her family. Initially, she took a loan of Rs 90,000 to start her business. She shared; My husband was a painter but his income was not enough to support the household expenses. Then a time came when my husband couldn't find any job for three months. We were deprived of all necessities. And we also have three children who were not going to school due to our crisis. Then I asked my husband to start his own business of baking food items. Because I was good at baking. We both decided to take a loan and started our own business. My husband was narrow-minded, initially, he refused to accept me as a partner in his business. But when he realized that only after one week our business showed visible growth. Ten he allowed me to help him and we also hired two more workers. Now our children are going to school and we are managing all our household expenses.

Case 4 Participant (4) expressed that her husband was an employee in a garment factory. One day the owner of the factory decided to wind up his business because of a lack of profits. My husband lost his job, he searched a lot for other jobs but he failed to find any suitable job. Ten, he died due to a heart attack. She took a loan of Rs 60,000 for purchasing a sewing machine and some clothes. Just because of my children I took a loan and started my own stitching business and now I am in a position to manage my all-household expenses.

VIII. CROSS TAB OF AGE GROUP AND AWARENESS LEVEL OF MICROFINANCE

Setting up of hypothesis

H0: There is no significant relationship between age group and awareness level of Microfinance.

H1: There is significant relationship between age group and awareness level of Microfinance.

Test statistic: $X^2 = \sum (O-E)^2/E$.

Degree of freedom= (r-1) (c-1)

(2-1) (4-1) =1*3=3

Level of significance= 5%

Test criterion; Accept H0 if X^2 is less than table value

Awareness level of women regarding Microfinance						
Age Group	Aware	Fully Aware	Not Fully Aware	Not Aware	Prefer Not to Say	Total
15-25	1	1	0	0	1	3
25-35	6	2	2	1	0	11
35-45	3	2	2	7	0	14
45-55	28	8	6	25	5	72
55-65	2	1	1	3	1	8
Above 65	0	0	1	1	0	2
Total	40	14	12	37	7	110

Source: Primary Data

$X^2 = \sum (O-E)^2/E = 31.41$

IX. CHI- SQUARE VALUES

	Value	Level of Significance	Degree of Freedom
Chi-Square distribution (Table Value)	31.41	.05	20
Calculated X ² Value	11.97		
Number of Valid Cases	110		

Source: Primary Data

Inference: Since calculated value (11.97) is less than table value (31.41), we accept H₀ and reject H₁. There is no significant relationship between age group and awareness level of women regarding Microfinance.

X. FINDINGS

Microfinance plays a dominant role to motivate and enhance entrepreneurial activities in any country. This study aims to examine the efficiency of microfinance in empowering women in Kerala. The analysis and results revealed that microfinance is an effective tool that can contribute to the development of women's empowerment and entrepreneurship. The findings also support the theoretical aspect of William's theory as women empowerment is being discussed with a view of three dimensions including resources, agency, and achievements. The study contributed to breaking the conventional hurdles levied on women's decisions and mobility. A developing country needs to focus on the growth and development of entrepreneurship for achieving stability. People find microfinance as an opportunity for themselves as it provides a way to enter into the entrepreneurship field. The four cases elaborated in this study reveal that the RCDP microfinance loan has been proven as a full-time and consistent earning source for the people and helped them a lot in improving their living standards. In the initial stage, the clients operated their business as sole proprietors, and over time, they involved many other people in the business. Thus, microfinance has become a potential source of earning for many needy people.

XI. CONCLUSION

This study highlights that microfinance creates a positive and influential impact on rural women. It not only works for the betterment of women but also considers the entire families of those women by supporting them in enhancing their family earnings. In this way, this study will help in increasing the percentage of school-going children and a reduction in child labor due to an increase in family earnings. Although this project is concerned with providing small-scale services still it is contributing a lot toward the growth of Millennium Development Goals related to women's empowerment, health, child welfare, and poverty alleviation. In light of these results, we came to know that microfinance has a diverse portfolio of benefits. It is not only a source of finance but also a tool that makes women more confident and boosts their moral.

XII. REFERENCES

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