

Review Article

Microfinance Involvement and Enabling of Women Entrepreneur in Kilinochchi District and Comparison Study with Jaffna District

T. Ramajeyam¹, L. Sooriyakumaran², T.L. Vannarajah³

¹Senior Lecturer, Management Department, ATI, Jaffna, Sri Lanka

²Asst. Lecturer, Accountancy Department, ATI, Jaffna, Sri Lanka

³Asst. Lecturer, Management Department, ATI, Jaffna, Sri Lanka

Received Date: 22 December 2019

Revised Date: 22 January 2020

Accepted Date: 24 January 2020

Abstract - In recent times, empowering women's entrepreneurship through microfinance is one of the main issues in Sri Lanka. The entrepreneurship of women in Northern Province contributes to the socio-economic development of their families as well as the country. However, most readings focused on the outreach and sustainability of microfinance institutions, and only little focus was found on the effect of microfinance involvement and enabling on women entrepreneurs' performance in the Northern Province of Sri Lanka. The prime objective of this study is to examine women's empowerment through the involvement and enabling of the micro finance institution of Sanasa Development Bank PLC (SDB PLC) in Kilinochchi. Data were derived from a questionnaire survey of a sample of 85 widow women in the Kandawalai and Karaichchi area of Kilinochchi district who has to utilize the SDB PLC. The data have been collected 80 out of 85 regarding microcredit, savings, and training. The correlation and ANOVA tests have been used to analyze the data to find out the relationship and significant differences using the SPSS software package. The study recognizes that there is a significant relationship between savings and training except for microcredit with the empowerment of women. However, most of the widow women of Kilinochchi district could not utilize the micro-credit finance to initiate the business activities to achieve financial empowerment in their life due to the burden of day to day expenses compared with the Jaffna district.

Keywords — Microcredit, Saving, Training, and Empowerment of Women.

I. INTRODUCTION

Microfinance increases financial inclusion by extending financial services to small businesses and new entrepreneurs, especially in rural and poor areas. The objective of microfinance is to create an environment where low-income earners can easily access good quality financial services to smooth their consumption, purchase assets, and fund their daily activities. Women mostly suffer from poverty in many developing countries. Sri

Lanka, being one of the developing countries, the case is a burning issue in the country.

The objective of microfinance is to create an environment where low-income earners can easily access good quality financial services to smooth their consumption, purchase assets, and fund their daily activities. Women mostly suffer from poverty in many developing countries. Sri Lanka, being one of the developing countries, the case is a burning issue in the country.

As stated by Harper (1996), women everywhere, particularly in poor countries, are seriously disadvantaged due to various reasons. While women handle a large part of the world's work, they receive a very small part of the reward of the work, in terms of money which they can control and social position. According to the World Bank (2001), gender inequalities in developing societies slow down economic growth and national development. According to Harper (1996), women's empowerment differs from one country to another and between different income groups within each country. However, women's microcredit availability, micro-savings, and training are generally worse in poor countries as compared to the rich. Women empowerment is giving the ability to generate choices and exercise bargaining power, developing a sense of self-worth, a belief in one's ability to secure desired changes, and the right to control one's life. (Narayan, 2002:10).

This research seeks to bridge the gap by establishing the effect of microfinance interventions on the empowerment of women entrepreneurs in Kilinochchi District in Sri Lanka.

II. SIGNIFICANCE OF THE STUDY

Through this continuous study, researchers want to enhance the body of knowledge on the social contributions of SDB PLC on the enablement of women in a rural community in Kilinochchi District as reflected by any



change in their living standards at the individual, household, or enterprise level. The findings, which have got from the previous study of Ramajeyam et al. (2016), will lead to the improvement of microfinance institutions' positive impact on the lives of their clientele, who are mostly women. The results are also invaluable to the government for the determination and establishment of a regulatory legal framework for the microfinance institutions in Sri Lanka, which will ensure the realization of the institutions' main objective of poverty eradication and the best ways to address the gender-specific issues. Besides, the research creates awareness among the districts regarding the microfinance procedure and functions as well as indicates the crushed situation to the financial institution of SDB PLC.

In 2012 after the war and displacement, there was 112,875 population in the district. From this population, 72,953 were female, i.e., nearly 65%. In this situation, with the absence of males in the household, females and parentless are forced to bear the burden of the family. Having to play the role of survivor and caregiver of their families, many of these women and Youngers are imposed with the responsibility of the head of the household.

In the ground situation, the Kilinochchi district's women entrepreneurs, especially widows are want to have the involvement and enabling of Microfinance provided by SDB PLC because it will increase financial inclusion by extending financial services to small businesses and new entrepreneurs, especially in rural and poor areas.

A. The objective of the study

The objective of this study is to examine the effect of credit, savings, and training on women entrepreneurs' performance in Kilinochchi District.

This research wanted to find the effect of involvement and enabling provided by SDB PLC for the empowerment of women entrepreneurs of Kilinochchi District population by examining changes in financial growth, social status of the women, and empowerment effects such as an increase in profits, income, increased asset ownership, food security, savings, and consumption.

B. The main objective of this study

Is to identify the impact of microfinance involvement on women enabling by giving opportunity for self-employment by SDB PLC.

Based on the above, the study sought to achieve the following specific objectives:

a. Main objective

- To determine the effect of microfinance involvements on enabling of women's.

b. Sub objectives

- To observe the effect of Microcredit on enabling of women.
- To detect the effect of Micro savings on enabling of women.
- To perceive the effect of training on enabling of women.

C. Literature Review

The basic theory is that microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities.

Access to microcredit has a positive economic impact. The impact becomes larger for those closer to the poverty line, and it also increases with the duration of membership or intensity of loans as members begin to invest in assets rather than consumption (Morduch and Haley, 2001). Microcredit delivery in various points of the world has improved the economic position of households, enhancing the asset base and diversification into higher return occupations among members. However, there are also a number of issues within the women's empowerment framework that impede the poverty reduction capacity of microcredit (Skarlatos, 2004).

The design of the micro-credit product is appropriate, and it has empowered women entrepreneurs who are microfinance clients. This is because the majority of women find the loan eligibility requirement easy to meet. They also find the loan application procedure as easy. The loan product design is also appropriate to them. This is in agreement with (Charitoneko *et al.*, 1998), who note that loans enable women to invest in and expand their business, and in consequence, they are able to employ and that loans engage entrepreneurs in making major decisions, such as loan approvals and in improving the products and services produced.

Based on the conclusion of the research of Ramajeyam et al. (2016), micro-credit only positively correlated and impacted women empowerment, and the researchers indicate the importance of establishing the training program and saving manner in the Jaffna district. According to Arora (2011), microfinance has been effectively contributing to women enabling significantly to their family development for getting credit for housing repairs, education, and marriage of their children and also for consumption purposes. Suzy and Cheston (2002) argue that there is gender-based poverty, especially among women, and this is particularly due to a lack of access to credit and other forms of formal financial services. Khandker (2003) provides evidence that lending to women yields greater social and economic impacts compared to men. Because of that, the Grameen Bank (GB) has helped to uplift the social position of women through micro-financing socially. Microfinance helps poor, rural women to become involved in an income-generating program to overcome their poverty, with the assumption that

economic determination reduces abuse and violence to women and reduces the unequal relationship between men and women in the family” Rouf (, 2012; p. 288).

Credit and savings had a positive impact on performance in Nigeria (Ojo, 2009). Credit and training had a positive impact on women entrepreneurs’ performance in Tanzania (Kuzilwa, 2005). Savings acts as insurance for credit since women entrepreneurs lack physical collateral (Akanji, 2006; Mkpado & Arene, 2007; Versluysen, 1999). Savings have been found to have a positive effect on enterprise productivity in Nigeria (Ojo, 2009).

Credit, savings, and training were found to have a positive impact on women entrepreneurs’ income and wellbeing in Haiti, Kenya, Malawi, and Nigeria (UNCDF/UNDP, 2003). As such, training had a positive impact on women's entrepreneurship performance in Nigeria, Ghana, the USA, Tanzania, and Canada, respectively (Ibru, 2009; Cheston & Kuhn, 2002; Jill et al., 2007; Kuzilwa, 2005; Reavley & Lituchy, 2008). Women entrepreneurs, especially in developing countries, lacked social connections that are a source of credit and market information (Olomola, 2002), whereas social capital has been found to have a positive impact on the performance of women entrepreneurs (Brata, 2004; Lawal et al., 2009; Mkpado & Arene, 2007; Olomola, 2002).

In this study, the following hypothesizes are formulated.

H1. There is a significant positive effect of microcredit on enabling women entrepreneurs in the Kilinochchi district.

H2 There is a significant positive effect of micro-savings on enabling of women entrepreneurs in Kilinochchi district.

H3 There is a significant positive effect of microfinance training on enabling women entrepreneurs in Kilinochchi district.

H4. There is a significant effect of microfinance involvement and enabling of women entrepreneurs in comparison among Kilinochchi and Jaffna districts.

Here researchers will do the research on Kilinochchi district first, then do the comparative analysis with Jaffna district findings of Ramajeyam et al. (2016) to get the valuable idea to process the microfinance function in Kilinochchi in a valuable manner. Here the Comparative research methods have long been used in cross-cultural studies to identify, analyze and explain similarities and differences across societies. In Kilinochchi, the women-headed households as a major post-conflict challenge. It would then be necessary to create new policies for this community aimed at solving credit issues of the same community (e.g., microfinance). Finally, through their research, researchers want to indicate to the SDB PLC

whether they can apply the same microfinance policy among two districts.

From the above, to fill the gap of the new sample area, which is mostly discussed the issues, the research problem is to identify the impact of the microfinance involvement on enabling of women entrepreneurs in the Kilinochchi district.

D. Methodology

Previously Rathirani conducted the research on this Kilinochchi district with a sample of 94 people DS-wise with different variables. In this research, researchers selected the sample from the Grama Niladari (GN) division of Kilinochchi district Kandawalai area by using a stratified sampling method. The people who have lived in the area for more than two years and customers from the Bank for more than one year were selected for the study. From the thousand two hundred beneficiaries of SDB PLC, researchers select the female beneficiaries of 800, and among them, 200 females are widows. From them, by using a random sampling method, 80 beneficiaries were selected for this study.

In this research, researchers Analysis and Presentation of the data were collected and analyzed by using Statistical Package for Social Sciences (SPSS). The analysis sought to test the hypothesis of the study and explain the associations and dependencies between the variables.

The model will be specified as follows:

$$Y = \beta_0 + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \epsilon$$

Where: Y = Enabling of women entrepreneurs;

X₁= Micro credit;

X₂= Micro savings;

X₃=Microfinance Training;

β₀=Intercept term Enabling of women entrepreneurs;

β₁= coefficient of Micro credit

β₂= coefficient of micro savings;

β₃= coefficient of microfinance training.

Data presentation and analysis

Table 1. Age of respondents

Age (Years)	Frequency	Percentage (%)
Below 20	09	11
20 – 29	39	49
30 – 39	23	29
40 – 49	06	8
50 +	03	4
Total	80	100

Sources: Researcher’s Fieldwork

From the above observation, 49% of samples are within the age limit of 20-29. It shows that under the war situation, most of the young women are affected than other ages and need more help from the microfinance institutions. With the comparison of Jaffna district, it was high.

Table 2. Descriptive findings of Microcredit scheme interventions and empowerment of women entrepreneurs.

	N	M	Ma	Mea	Std. error	Std.
	Statistic	in	x	n		Dev.
	Statistic	Statistic	Statistic	Statistic		Statistic
Micro credit - X1	80	1	5	2.1324	.02134	.42341
Micro savings X2	80	3	5	3.9852	.02168	.42872
Training X3	80	2	5	3.3621	.09846	.39872
Women empowerment Y	80	3	5	4.8352	.06732	.15721

Above table 2 below shows the descriptive analysis of the variables. The average value is higher than the Jaffna district due to the urgent need for microfinance services in the area.

Table 3. correlations between the Micro-credit scheme intervention and empowerment of women entrepreneurs.

Pearson correlation	Micro credit	Micro savings	Training	Women Empowerment
Microcredit Sig. (2 tailed)	1.000			
Micro savings Sig. (2 tailed)	.679**	1.000		
Training Sig. (2 tailed)	.715**	.646*	1.000	
Women empowerment Sig. (2 tailed)	.323	.744*	.676*	1.000

**Correlation is significant at 0.01 level (2-tailed).
*Correlation is significant at 0.05 level (2-tailed).

There was no correlation between Microcredit and women's empowerment. This shows that when women access the credit, they are liable to repay the loan and fulfill their family needs than start the business due to the situation of their area. There is a positive correlation not significant. But in the Jaffna district, it significantly

impacts them. It shows that Kilinochchi district women face day-to-day challenges than initiating the business. In the meantime, micro saving and training significantly correlated with women empowerment, especially widows at the level of 0.01. It reflects that most of the beneficiaries wanted to have the training and saving to develop their empowerment. In the Jaffna district, saving and pieces of training are not correlated significantly with empowerment due to their level of skill and available resources.

Then, regression analysis was performed to find out the impact of microfinance on women's empowerment.

Table 4. Regression analysis of microfinance and women empowerment.

Model	R	R Square	Adjusted R Square	Std. An error of the Estimate
1	.830 ^a	.689	.604	.28420

a. Predictors: (Constant), Micro Credit, Training, Micro Savings

Table 4 shows R²=0.830, which means 83% of the variation of women empowerment can be explained by the changes in microfinance. Besides this, adjusted R² is very close to R².

Table 5. Coefficients of Microfinance and women empowerment.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.175	1.042		29.919	.000
1 Micro credit	.259	.165	.276	1.185	.144
Micro Savings	.333	.333	.167	.872	0.028
Training	.415	.415	.202	.587	0.046

Table 6. Anova analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.970	4	.657	8.129	.004 ^b
	Residual	.888	76	.081		
	Total	2.858	80			

a. Dependent Variable: Women Empowerment
b. Predictors: (Constant), Micro Credit, Training, Micro Savings

From the results of the regression analysis (Table 4&5), the following regression model is fitted.
Y= 2.175 +.259X1+.333X2+.415X3+0.2842

The model implies that all factors held constant, women entrepreneurial empowerment is 2.175. Similarly, the change in women empowerment is 25.9% for each unit change in micro-credit. At the same time, micro-savings and pieces of training are 33.3% and 41.5%. Providing the

group training program and the need for training knowledge and saving ability made a significant positive impact on women's empowerment. At the same time, in the Jaffna district, micro-savings and pieces of training are negatively made the change on women empowerment due to the lack of micro saving and training knowledge and availability.

III. CONCLUSION

After 30 years of the war situation, the people who are from the Northern part of Sri Lanka expect facilities in order to uplift their living standards. Microfinance institutions assist poor people in several ways, and microcredit is one of the major instruments in empowering poor women in rural areas. Up to 2009, Kilinochchi district faced severe war crises and another administration procedure. Because of that, the sample population didn't have experience regarding microfinance procedures and functions. But microcredit plays a critical role in empowering women; it helps deliver newfound respect, independence, and participation for women in their communities and in their households (Juan Somavia, ILO Director-General)

When we analyzed the purpose of targeting women by microcredit, we have got that Seventy percent of the women are poor. Yet traditionally, women have been disadvantaged in access to credit and other financial services.

In Sri Lanka, Kilinochchi and Jaffna districts are considered more prosperous districts in comparison with other districts. However, poverty raised by inequalities in income, employment, infrastructure, health, and educational facilities is trickled within the post-war situation. Prior to the explosion of the civil conflict, Jaffna enjoyed a healthy economy, but all the area and population of Kilinochchi were not like that. Hence Kilinochchi district micro-credit beneficiaries need to have more priority regarding training and microcredit usage for their development of empowerment.

REFERENCES

- [1] Annual Statistical Report,, Kilinochchi District, Published by Planning Secretariat, District Secretariat, Kilinochchi (2012).
- [2] Arora, S., Women Empowerment through Microfinance Intervention in the commercial Banks: An empirical Study in Rural India with special reference to the state of Punjab, Meenu, et al., *int. J. Econ. Res.*, (2011).
- [3] Arulrajah, J, A, and Philip, P, G, (2011), Equality and Personality Development of Womenheaded Hous Hold: The Role of INGOs and NGOs in Women Headed House Hold in manmunai South West D.S Division of Batticaloa.
- [4] Atapattu, A., State of microfinance in Sri Lanka. Prepared for Institute of Microfinance, as part of the project on State of Microfinance in SAARC Countries (2009).
- [5] Basu, J.P., Microfinance and Women Empowerment: An Empirical Study with special reference to West Bengal (2006).
- [6] Bisnath, S. and Diane, E., Women's Empowerment Revisited. Background paper, Progress of the World's Women. UNIFEM (1999).
- [7] Biswas, T., Women Empowerment Through Micro Finance: A Boon for Development Brana, S. Microcredit in France: Does gender matter? 5th Annual Conference-Nice. European Microfinance Network (2008).
- [8] Buttner H, and Moore D., Women's organizational exodus to entrepreneurship: self-reported motivations and correlates with success, *J. Small Bus. Manage.* 35(1) (1997) 34-47.
- [9] Cheston, S. & Kuhn, L., Empowering women through microfinance. A case study of Sinapi Aba Trust, Ghana. USA: Opportunity International (2002).
- [10] Claassens, Sylvia., Co-operation Is Power? Women economic groups and cooperatives in Dodoma region - Tanzania. Third World Centre, University of Nijmegen. SAID/G/EG/MD, Management Systems International, Washington, D.C (1993).
- [11] David, M, J, R & Liyanage, K. Harsha, Second generation problems at bridging the digital divide in Sri Lanka: Practitioner's assessment. International Seminar on Bridging the Digital Divide: Best practices and false perceptions. Oxford Internet Institute. Oxford, UK (2005) . URL:
- [12] David, Maheswaranathan, S., & Kennedy, F. B., Impact of micro-credit programs on eliminating economic hardship of women (2010). Retrieved from <http://www.kln.ac.lk/uokr/ICBI2010/7.pdf>
- [13] Ekpe, I., Mat, N.B., Razaq, R.C., The Effect of Microfinance Factors on Women Entrepreneurs' Performance in Nigeria (2010).
- [14] Fernando, J.L. and A. Heston (eds.). NGOs: Charity and Empowerment. *The Annals of the American Academy of Political and Social Science*, 554. London/Thousand Oaks, CA: Sage Publications (1997).
- [15] Gerster, Richard, Independent Mid-term Assessment of Comprehensive Social Development Program of Sarvodaya (2003). www.gersterconsulting.ch/docs/CSDP.pdf
- [16] Harper, M., , Microfinance – Evolution, Achievements and Challenges, ITDG Publishing, UK .
- [17] Harper, Malcom., Empowerment Through Enterprise. A training manual for nongovernment organization Intermediate Technology. London: SAGE Publications Ltd (1996).
- [18] Ibru, C., Growing microfinance through new technologies. The Federal University of Technology, Akure, Nigeria (2009).
- [19] Kabeer, N., Conflicts over credit: re-evaluating the empowerment potential of loans to women in rural Bangladesh, *World Development* 29 (1) (2001) 63-84.
- [20] Kabeer, Naila., Is Microfinance a .magic bullet? For Women.s Empowerment? Analysis of Findings from South Asia. *Economic and Political Weekly*, (2005).
- [21] Kleiman C., Women entrepreneurs are a big loss to corporations, *St Louis Post, Dispatch*, C5 (1998).
- [22] Koontz, H. & Wehrich, H., *Essentials of management* (6th ed.). Tata McGraw- (2006).
- [23] Kuzilwa, J., The role of credit for small business success: A study of the National Entrepreneurship Development Fund in Tanzania. *The Journal of Entrepreneurship*, 14 (2) (2005) 131-161.
- [24] Maheswaranathan, S., & Kennedy, F.B., Impact of Micro-credit Programs of Eliminating Economic Hardship of Women, ICBI, University of Kelaniya, Sri Lanka (2010).
- [25] Mayoux, L., Women.s Empowerment and Microfinance. A concept paper for the Microfinance field. Paper presented to the Micro-credit Summit +5. New York (2002).
- [26] Mayoux, Linda., .Women.s Empowerment through Sustainable Microfinance: rethinking Best Practice. Unpublished (2005).
- [27] Ramajeyam, T., Sooriyakumaran, L. and Vannarajah, T.L., 2016. Microfinance Intervention and Empowerment of Women Entrepreneur–A Case of Sanasa Development PLC in Jaffna.
- [28] UNIDO, A path of poverty, Developing rural women entrepreneurship. (2003).
- [29] Walker, D. & Joyner, B. E., Female entrepreneurship and the market process: gender-based public policy considerations, *J. Dev. Entrepreneurship*. 4(2) (1999) 95.
- [30] Yogendrarajah, R. and Semasinghe, D., Contribution of a microcredit program in empowering women: A special reference to Kilinochchi district in Sri Lanka (2014).