

The Impact of Microfinance on Women Empowerment in Palakkad District of Kerala

Nimmi.C.R^{1*} and K.K.Ramachandran²

Abstract

Women empowerment is particularly a critical economic concept and it always helps to take a step forward. The objective of microfinance is to provide the financial independence of women. This paper investigates the women empowerment in Palakkad district of Kerala, who have availed the loan through the microfinance scheme. The result reveals that major part of women availed the microfinance to promote the poultry farming business. Further, it is observed that the age group, father/spouse occupation, and monthly income are significantly related the women empowerment. Finally, it reveals that 62.6% of women were empowered through microfinance scheme offered by MFIs.

Keywords: Microfinance, Women Empowerment, Kerala

1. INTRODUCTION

Microfinance is “a world in which as everyone, especially the poor and socially marginalized people and households have access to a wide range of affordable, high quality financial products and services, including not just credit but also savings, insurance, payment services, and fund transfers.” (Zbigniew, M., 2016). Microfinance assists women with financial and non-financial services, especially in the rural areas. It is also known as micro credit, which creates opportunities for women to start-up and build their businesses using their own skills and talents.¹ The main point of attraction of microfinance is not expecting any collateral security to offer the loan, whereas in a formal credit scheme it is mandatory. The last few years saw the micro-credit industry mainstreaming with the broader financial sector. Some of the largest Non-Banking Finance Company – Microfinance Institutions (NBFC-MFIs) became Banks or Small Finance Banks (SFBs) and some were bought over by Banks and large NBFCs. Banks and NBFCs also started building their own micro-credit portfolio, through Business Correspondent (BC) partnerships. As a result of mainstreaming, micro-credit sector today is competitive and served by a diverse set of players - Banks, SFBs, NBFC-MFIs, BCs and NBFCs. Outside of these microfinance providers, there exists a strong ecosystem of other stakeholders including the

¹ “4 Ways Microfinance Empowers Women”. FINCA International. 20 August 2017

¹Research Scholar, Bharathiar University

²Director, Department of Management Science, Dr.G.R.D. College of Science

*Correspondent author. E-mail: nimmisomraj@yahoo.co.in

regulators, the Government, financial institutions, credit bureau, employee bureau, rating agencies and others which play an important role in the delivery of Microfinance.²

Microfinance Institutions (MFIs) are designed to reach the poor, especially women who needs to be empowered by providing various assistance programmes. Now the question arises which factors are really helping and how they are helping to enhance the empowerment level of the borrowers. Like many other countries, modern micro-credit/microfinance industry in India started in 1990s inspired by the Grameen Model of Prof Mohammad Yunus in Bangladesh. Overtime, as this model evolved and became successful, it boosted the confidence of customers, MFIs and other stakeholders and started to scale-up. Today, the micro-credit sector is diverse and competitive with over 100 regulated players – Banks, SFBs, NBFC-MFIs and NBFCs. A clear regulatory framework, a sound underlying business model, performance trends overtime, and potentially large un-met demand has attracted private capital to sustain the growth. As a result, micro-credit in India is one of the most tightly regulated sectors in the world. It is also one of the largest micro-credit sectors globally, quite unmatched in terms of its outreach with low-ticket loans, scale, diversity of supply-side, spread, efficiency, performance, customer-protection standards, and contribution of the private sector. As of now, the MFIs expanded its portfolio as 10.5 crore active loans, 5.83 crore borrowers, 182 microfinance entities, and worth of Rs.2,32,648 crores.

Women empowerment is particularly a critical economic concept and it always helps to take a step forward. The objective of microfinance is to provide the financial independence of women. As their businesses grow, many women gain self-confidence and take pride in their small businesses. They become full of ideas and have the power to make choices for themselves and their families. They gain a voice among their peers and become advocates for other women in their communities. By 2020, India has completed its three decades of experience in providing microfinance to the needed people based on the regulatory framework. Hence, it is a perfect momentum to observe the efficiency of microfinance schemes towards empowering women. Kerala is a top Indian state possessing a high literacy rate of women. Thus, the intention of this study is to investigate the impact of microfinance on women empowerment in the Palakkad district of Kerala.

2. RELATED WORKS

The diversified financial needs and expectations of a family make women's empowerment less predictable. Mudaliar, A., & Mathur, A. (2015) study reveals that the community plays a significant role in women empowerment and their financial growth. Praveen Kumar (2015) investigated women entrepreneurs in India, especially focused on government schemes, their role in the economy, and challenges faced by them. The traditional misconceptions about women entrepreneurship and negligence of government authorities are seen as an important obstacle to new women entrepreneurs in India. Maity, B. (2016) examined the role of microfinance in alleviating the poverty and socio-economic development of women, which was carried out in Purba Medinipur district of West Bengal. According to the findings of this study, microfinance institutions (MFIs) assist women in gaining control of their own lives. After completing the first loan, the majority of the members who participated in this research received the second loan.

² <https://mfinindia.org/microfinance/industryOverview>

This result confirms the effectiveness of microfinance schemes and enhances the socio-economic status of women.

A study by (Dash, M., Prasad, V. M., et al., 2016) reveals that 80% of women profiles record a significant improvement in social, economic and political empowerment after joining the microfinance programs. This program helps women to gain self-confidence and improve their decision-making skills. Further, it helps to build the mutual relationship between MFIs and women. Datta, S., & Sahu, T. N. (2017) study reveals that the microfinance scheme is widely accepted as a supportive tool for psychological, economic and social empowerment of women borrowers. This study was conducted in Paschim Medinipur district of West Bengal with 220 respondents. Addai, B. (2017), studied the impact of microfinance services on the economic and social empowerment of women in Ghana. Microfinance has found an economic and social influence on women empowerment. The marital status and educational level of women are determinant factors of women empowerment. High interest rates are the paramount problem in accessing microfinance services. Saravanan, S., & Dash, D. P. (2017) states that the growth of SHGs across India facilitates improving the self-sufficiency and employment status of women. Therefore, MFIs are able to offer more loans to women and it ensures their success. The MFIs must practice joint loans and group loan schemes to reduce the default ratio.

Roy, C., Chatterjee, S., & Dutta Gupta, S. (2018) have constructed the women empowerment index based on 300 SHG members from rural West Bengal. In this study, five parameters were considered to measure women empowerment, such as financial liberty, ability to take decisions, health condition of women, and ability to stand up against the evils of society. Sinha, M., Mahapatra, S. S., et al., (2019), examined the role of microfinance access on women empowerment by using primary data on women borrowers from different microfinance institutions in Nadia and Murshidabad districts of West Bengal in India. The study concentrates on the impact of microfinance access on three dimensions of women empowerment, such as credit, expenditure and children. The finding reveals that greater access to microfinance credit negatively impacts on economic empowerment, i.e., decisions on credit and expenditure related issues.

A recent study (Samineni, S., & Ramesh, K., 2020) examined the impact of microfinance on the economic advancement of women across India. The result reveals that among the total number of states in India, only 11 states have a women empowerment index of more than one. Microfinance is a useful tool for achieving significant growth and narrowing the non-performing assets (NPA) scenario. Rehman, H., Moazzam, D. A., et al., (2020), examined the role of microfinance in empowering women and also acknowledges its' significance in alleviating poverty. Age, education, marital status and family type are important contributing factors that influence women's empowerment. It was also observed that women are more inclined to be altruistic and spend most of their income on their families. Therefore, channelising micro-level planning and training helps to enhance self-sustainable and consistent growth.

3. RESEARCH METHODOLOGY

This study uses descriptive research design and the questionnaire is used as an instrument to collect the data. The non-probability based convenient sampling methodology is applied to select the sample. A total of twenty samples were collected from each MFI, namely ESAF Microfinance, Belstar Microfinance, and Asirvad Microfinance. This study focuses on women

entrepreneurs who have received microfinance from the selected MFIs. The main objective of this study is to examine the impact of microfinance on women empowerment reference to Palakkad district. In order to obtain the result, four aspects have considered such as reason for availing the loan, factors considered to measure women empowerment score, comparing the demographic profile with ratio of women empowerment score, and comparing the microfinance relate factors with ratio of women empowerment score.

4. RESULTS AND DISCUSSION

This section describes the findings from the women empowerment factors examined in this study. A total of sixty samples were collected from three different MFIs in Palakkad district, which means that twenty samples from each MFI. The following Table-1 depicts the utilisation pattern of microfinance loans availed from the MFIs.

Table-1: Reason for Availing Loan from the Microfinance Institutions

| Reason for Availing the Microfinance | Frequency | Percent |
|--------------------------------------|-----------|---------|
| Dairy farming | 7 | 11.7 |
| Poultry farming | 15 | 25.0 |
| Sericulture/horticulture | 2 | 3.3 |
| Oil mill | 6 | 10.0 |
| Computer centre | 2 | 3.3 |
| Tailoring | 11 | 18.3 |
| Hotel/canteen | 4 | 6.8 |
| Pickles/spices manufacturing | 5 | 8.3 |
| Handicraft manufacturing | 2 | 3.3 |
| Candles/paper bag manufacturing | 6 | 10.0 |

Microfinance is a credit facility provided for the development of women-led micro-enterprises without any collateral security. In this paper, ten types of micro enterprises are considered for evaluation. According to Table-1, 11.7% of respondents used microcredit for dairy farming, 25% for poultry farming, 3.3% for sericulture/horticulture, and 10% to promote an oil mill. Similarly, 3.3% of respondents have obtained microcredit for computer centre, 18.3% for tailoring business, and 6.7% for hotel/canteen business. Finally, 8.3% of respondents have availed microcredit to manufacture pickles/spices, 3.3% to manufacture handicrafts, and 10% to manufacture candles/paper bags. The result clearly indicates that a major part (25%) of respondents have availed microcredit to promote the poultry farming business.

There are about ten factors considered to measure women's empowerment. The questionnaire follows Likert's five-point scale such as Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA), and Strongly Disagree (SDA). In this case, the maximum weightage is given to SA and the least is SDA. The following Table-2 depicts the factors considered to measure women's empowerment.

Table-2: Factors considered to Measure the Women Empowerment

| Women Empowerment Factors | SA | A | N | DA | SDA |
|---------------------------|----|---|---|----|-----|
|---------------------------|----|---|---|----|-----|

The Impact of Microfinance on Women Empowerment in Palakkad District of Kerala

| | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| My self-confidence has improved | 11 18.3% | 26 43.3% | 12 20.0% | 8 13.4% | 3 5.0% |
| My importance in family has increased | 7 11.7% | 22 36.7% | 17 28.2% | 10 16.7% | 4 6.7% |
| Family restrictions have reduced | 8 13.3% | 21 35.0% | 16 26.7% | 8 13.3% | 7 11.7% |
| My financial thrift has improved | 4 6.7% | 26 43.3% | 14 23.3% | 6 10.0% | 10 16.7% |
| My responsibility has improved | 6 10.0% | 22 36.7% | 18 30.0% | 12 20.0% | 2 3.3% |
| My working time has increased | 5 8.3% | 24 40.0% | 17 28.3% | 6 10.0% | 8 13.4% |
| My physical health care has improved | 9 15.0% | 27 45.0% | 11 18.3% | 7 11.7% | 6 10.0% |
| My multitasking ability has improved | 7 11.7% | 27 45.0% | 13 21.6% | 10 16.7% | 3 5.0% |
| My contribution has improved the financial status of family | 5 8.3% | 28 46.7% | 16 26.6% | 7 11.7% | 4 6.7% |
| My social awareness has improved | 5 8.3% | 23 38.3% | 21 35.0% | 5 8.3% | 6 10.1% |

It is observed from Table-2 that among the total number of respondents, 43.3% of them agreed as their self-confidence has improved, 36.7% of them agreed as their importance in family has increased, 35% of them agreed as their family restrictions have reduced. It is also observed that 43.3% of respondents agreed as their financial thrift has improved, 36.7% of them agreed as their responsibility has improved, 40% of them agreed as their working time has increased, and 45% of respondents agreed as their physical health care has improved. Finally, 45% respondents agreed as their multitasking ability has improved, 46.7% of them agreed as their contribution has improved the financial status of family and 38.3% of them agreed as their social awareness has improved. The result collectively indicates that among the total number of respondents, 62.6% of them have agreed (strongly agree & agree) as the women empowered through microfinance.

As mentioned earlier, there are ten factors considered under the women empowerment dimension. Therefore, the overall women empowerment score range will be 10 to 50. The mean ratio of women empowerment is obtained through dividing individual's feedback score by maximum score (i.e., $37/50 = 0.74$). The analysis of variance test was used to assess the difference in mean value of women empowerment ratio based on the demographic profile of respondents. The Table-3 depicts ANOVA test between the demographic profile of respondents and ratio of women empowerment score.

Hypothesis: There is no significant difference between demographic profile of respondents and women empowerment ratio

Table-3: Demographic Profile of Respondents and Mean Ratio of Women Empowerment Score

| Demographic Factors | | Frequency | | ANOVA | | | |
|--------------------------|---------------------|-----------|---------|------------|------|---------|---------|
| | | N | Percent | Mean Ratio | SD | F-Value | P-Value |
| Age Group | 18 - 25 years | 13 | 21.7% | 0.47 | 0.19 | 4.561 | 0.015* |
| | 26 - 40 years | 30 | 50.0% | 0.63 | 0.16 | | |
| | Above 40 years | 17 | 28.3% | 0.63 | 0.15 | | |
| Marital Status | Married | 20 | 33.3% | 0.54 | 0.20 | 1.529 | 0.225 |
| | Unmarried | 34 | 56.7% | 0.61 | 0.17 | | |
| | Separated/Widow | 6 | 10.0% | 0.67 | 0.05 | | |
| Father/Spouse Occupation | Daily Labour | 35 | 58.3% | 0.58 | 0.17 | 3.943 | 0.025* |
| | Employed | 17 | 28.3% | 0.55 | 0.19 | | |
| | Self Employed | 8 | 13.3% | 0.74 | 0.06 | | |
| Monthly Income | Below Rs.5000 | 19 | 31.7% | 0.72 | 0.16 | 4.550 | 0.006** |
| | Rs.5000 - Rs.10000 | 20 | 33.3% | 0.62 | 0.18 | | |
| | Rs.10000 - Rs.15000 | 12 | 20.0% | 0.62 | 0.19 | | |
| | Above Rs.15000 | 9 | 15.0% | 0.39 | 0.10 | | |
| | | | | | | | |
| Community | SC | 18 | 30.0% | 0.58 | 0.17 | 0.347 | 0.791 |
| | ST | 20 | 33.3% | 0.58 | 0.21 | | |
| | OBC | 16 | 26.7% | 0.63 | 0.14 | | |
| | Others | 6 | 10.0% | 0.61 | 0.14 | | |
| No. of Members in Family | 3 - 4 members | 10 | 16.7% | 0.57 | 0.16 | 0.165 | 0.848 |
| | 5 - 6 members | 31 | 51.7% | 0.60 | 0.18 | | |
| | Above 6 members | 19 | 31.7% | 0.59 | 0.18 | | |

* Significant at 5% level, ** Significant at 5% & 1% level

According to Table-3, 50% of the total number of respondents are between the ages of 26 and 40, 28.3% are the ages of above 40, and the remaining 21.7% are between the ages of 18 and 25. The mean value of women empowerment ratio is 47% in 18-25 years age group, and 63% in 26-40 years age group, 63% in above 40 years age group. The F-value is 4.561 and its p-value is 0.015. According to the marital status, 56.7% of respondents are unmarried, 33.3% are married and 10% are separated/widow. The mean value of women empowerment ratio is 54% for married women, 61% for unmarried women, and 67% for separated/widow women. The F-value is 1.529 and its p-value is 0.225. It is observed from father/spouse occupation status that 58.3% are daily labour, 28.3% are employed, and 13.3% are self-employed. The mean value of women empowerment ratio is 58% for daily labour, 55% for employed and 74% for self-employed. The F-value is 3.943 and its p-value is 0.025.

Monthly income profile states that 33.3% of respondents are earning Rs.5000 – Rs.10000, 31.7% are earning below Rs.5000, 20% are earning Rs.10000 – Rs.15000, and remaining 15% are earning above Rs.15000 per month. The mean value of women empowerment ratio is 72%

The Impact of Microfinance on Women Empowerment in Palakkad District of Kerala

for below Rs.5000 earning group, 62% for Rs.5000 – Rs.10000 earning group, 62% for Rs.10000 – Rs.15000 earning group, and 39% for above Rs.15000 earning group. The F-value is 4.550 and its p-value is 0.006.

The community profile states that 33.3% of respondents are Scheduled Tribes (ST) community, 30% are Scheduled Caste (SC) community, 26.7% are Other Backward Community (OBC), and 10% are other community. The mean value of women empowerment ratio is 58% for SC community, 58% for ST community, 63% for OBC community, and 61% for other communities. The F-value is 0.347 and its p-value is 0.791. The number of members in the family factor shows that 51.7% of respondents having 5-6 members in their family, 31.7% of them having above 6 members, and 16.7% of them having 3-4 members in their family. The mean value of women empowerment ratio is 57% for 3-4 members in the family, 60% for 5-6 members in the family, and 59% for above 6 members in the family. The F-value is 0.165 and its p-value is 0.848. The result exhibits that the p-value of age group, occupation, and monthly income profiles are less than the level of significance 0.05. Hence, the age group, father/spouse occupation, and monthly income profile of respondents have found a significant different on the mean value on ratio of women empowerment score.

Two factors have considered under the microfinance related terms such as number of times availed the microfinance loan and the source of awareness towards MFIs. The following Table-4 depicts the analysis of variance test between microfinance related factors and the ratio of women empowerment score.

Hypothesis: There is no significant difference between microfinance related factors and women empowerment ratio

Table-4: Microfinance Factors and Mean Ratio of Women Empowerment Score

| Microfinance Factors | | Frequency | | ANOVA | | | |
|-------------------------------------|-------------------|-----------|---------|------------|------|---------|---------|
| | | N | Percent | Mean Ratio | SD | F-Value | P-Value |
| No. of Times Availed the Loan | 1 time | 29 | 48.3% | 0.49 | 0.18 | 5.321 | 0.008** |
| | 2 times | 26 | 43.3% | 0.72 | 0.18 | | |
| | More than 2 times | 5 | 8.3% | 0.55 | 0.15 | | |
| MFIs Awareness | Friends/Relatives | 34 | 56.7% | 0.60 | 0.16 | 0.266 | 0.767 |
| | Awareness Camp | 20 | 33.3% | 0.57 | 0.20 | | |
| | Advertisement | 6 | 10.0% | 0.62 | 0.15 | | |

** Significant at 5% & 1% level

It is observed from the Table-4 that among the total number of respondents, 48.3% of respondents are availed the microfinance loan one-time, 48.3% are availed the loan two-times, and 8.3% are availed the loan more than two-times. The mean women empowerment ratio is 49% for the respondents who have availed the loan one-time, 72% for those availed the loan two-times, and 55% for those availed the loan more than two-times. The F-value is 5.321 and its p-value is 0.008. According to the MFIs awareness factor, 56.7% of respondents are aware of

MFIs through friends/relatives, 33.3% are aware of MFIs through awareness camp, and 10% are aware through advertising. The mean women empowerment ratio is 60% for those aware of MFIs through friends/relatives, 57% for those aware through awareness camps, and 62% for those aware through advertising. The F-value is 0.266 and its p-value is 0.767. The result indicates that the p-value of number of times availed the loan is less than the level of significance 0.05. Hence, number of times availed the microfinance loan has found a significant difference on the mean ratio of women empowerment score.

5. CONCLUSION

The women empowerment is one of the topics widely studied by many researchers. The objective of this paper is to investigate the women empowerment through microfinance with reference to the Palakkad district in Kerala. Since, women are equally participated in all domains as men, whereas many of them are facing problem due to their low-income status. Particularly, this study was examined the financial empowerment of women through microfinance scheme offered for them. Major part of women availed the microfinance to promote the poultry farming business. The success/failure of business is purely based on the intensity and dedication of the person. Hence, it is suggested that the microfinance institutions must audit the potential of proposed business and evaluate the women's calibre. Further, it is observed that the age group, father/spouse occupation, and monthly income are significantly related the women empowerment. Particularly, the women ages above 25 years, self-employed father/spouse, and the women earning upto Rs.15000 are getting more empowerment through microfinance scheme. Similarly, the women who have availed the loan for two-times are gaining more empowerment than other categories. Hence, it is suggested to increase the credit limit for women entrepreneurs based on their financial discipline. The study result reveals that 62.6% of women was empowered through microfinance scheme offered by MFIs.

REFERENCES

1. Addai, B. (2017). Women empowerment through microfinance: Empirical evidence from Ghana. *Journal of finance and accounting*, 5(1), 1-11.
2. Dash, M., Prasad, V. M., & Koshy, C. J. (2016). Women empowerment through microfinance services. *Journal of Applied Management and Investments*, 5(1), 20-25.
3. Datta, S., & Sahu, T. N. (2017). An empirical study on the impact of microfinance on women empowerment: Evidence from West Bengal. *Indian Journal of Commerce and Management Studies*, 8(3), 53.
4. Kumar, P. (2015). A study on women entrepreneurs in India. *International Journal of Applied Science & Technology Research Excellence*, 5(5), 43-46.
5. Maity, B. (2016). Microfinance: Women from the margin to the mainstream. *Journal of Rural Development*, 35(1), 17-38.
6. Mudaliar, A., & Mathur, A. (2015). Women empowerment through microfinance. *International journal of Arts, humanities and management studies*, 1(2), 58-65.
7. Rehman, H., Moazzam, D. A., & Ansari, N. (2020). Role of microfinance institutions in women empowerment: A case study of Akhuwat, Pakistan. *South Asian Studies*, 30(1).

8. Roy, C., Chatterjee, S., & Dutta Gupta, S. (2018). Women empowerment index: Construction of a tool to measure rural women empowerment level in India. Available at SSRN 3357543.
9. Samineni, S., & Ramesh, K. (2020). Measuring the Impact of Microfinance on Economic Enhancement of Women: Analysis with Special Reference to India. *Global Business Review*, 0972150920923108.
10. Saravanan, S., & Dash, D. P. (2017). Microfinance and Women Empowerment-Empirical Evidence from the Indian States. *Regional and Sectoral Economic Studies*, 17(2), 61-74.
11. Sinha, M., Mahapatra, S. S., Dutta, A., & Sengupta, P. P. (2019). Microfinance and women empowerment: An empirical analysis. In *Handbook of Research on Microfinancial Impacts on Women Empowerment, Poverty, and Inequality* (pp. 52-64). IGI Global.
12. Zbigniew, M. (2016). Microfinance: leverage or quagmire? *Review of Business and Economics Studies*, (2)