

Impact of Microfinance Institutions in Women Economic Empowerment: With reference to Butwal Sub-Municipality

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ABSTRACT

Microfinance plays important role in improving women decision making by contributing in economic activities. The main purpose of microfinance is empowerment of women. Women empowerment is measured by economic participation, saving mobilization, training development and other factors. This study investigates the economic empowerment of women through functions of MFIs. This study is based on primary data through self administered questionnaire to the women of Butwal Sub- Municipality. Data are analysed by using appropriate statistical tools and percentage analysis.

The study established that microfinance institutions plays a positive role on women who invest in them by increasing their well-being, access to and control their resources., eradicating illiteracy among women, taking part in economic decisions and finally microfinance institution have boosted women's self-esteem.

Keywords: *Empowerment, Microfinance, sustainability, Economic Development, Mobilization*

INTRODUCTION

Microfinance has emerged as an economic development approach to benefit low-income section of the society. Microfinance is a kind of service products viz. savings, credits, training, insurance and social intermediation services such as group formation, development of self-confidence, training in financial literacy and management capabilities among members of a group. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services.

Microfinance is the provision of savings accounts, loans, insurance, money transfers and other banking services to customers that lack access to traditional financial services, usually because of poverty. Making small loans to individuals who lack the necessary resources to secure traditional credit is known as micro credit.

Microfinance institutions are NGOs, saving and credit cooperatives, credit unions, government banks, commercial banks, etc. Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers,

rickshaw pullers), and artisans and small producers such as blacksmiths. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the "poorest of the poor." Moneylenders and rotating savings and credit associations are informal microfinance providers and important sources of financial intermediation (Shrestha, 2007).

Microfinance is one of the appropriate mechanisms to identify the poor and disadvantaged community and to address poverty by providing income, employment and capacity building opportunity to the poor, disabled, dalits, marginalized group and destitute including women and their socio-economic empowerment with the support of social mobilization (Shrestha, 2007).

The history of formal microfinance in Nepal began during 1950s when the Government established 13 credit cooperative societies to provide financial services to the flood-affected people in Chitwan district .Microfinance has encouraged income generating activities among the rural entrepreneurs by providing small loan and saving facilities. It was acknowledged as an official poverty alleviation mechanism only in the country's Sixth Plan (1980/81-1984/85). Till

date, there are a total of 41 MFIs licensed by the central bank. 1.4 billion Households are the beneficiaries with Rs.60 billion and the recovery rate is over 95% (Microfinance in Nepal, 2016).

In Nepal, formal microcredit was started after the year 1953 by establishing co-operative department under the ministry of agriculture. In 1956 the formation of cooperative society was legalized and the first credit co-operative society was established. This cooperative movement has partly included the saving and credit components of microfinance. The first government initiated for pro-poor's microcredit program was started in 1975 with the concept of Small Farmers Development Program under ADB of Nepal. This sector gained further momentum after restoration of democracy in 1991 with the establishment of Rural Development Bank (Grammen Bikash Bank) in the five development regions and after that there has been a significant growth in the MFIs such as Microfinance Development Banks Savings and Credit Co-operatives Society Ltd, Financial Intermediary Non Government Organization (FINGO) in the formal and semi-formal sector (Duwal, 2013).

Poudyal (2005) who conducted research on the topic "Micro-finance and its impact on Economic Empowerment of Women" concluded that microfinance program is the best way to empower women economically as well as socially. MFP is fruitful initiative as it reaches door to door of rural poor and promotes them to save and do economic activities especially women.

Shakya (2016) conducted thesis of International Business on " Microfinance and Women Empowerment" concluded the following findings. The study establishes the concept about poor villagers as less risk taker to continue credit as they are highly depending on agriculture sector. Since urban women are completely on commercial business (no matter the type of business), they tend to be determined to continue loan rather dropping out caused by natural disasters for instance, floods.

Neupane (2014) conducted thesis on "The effectiveness of microfinance in Nepalese economy". A case study of Pratapur VDC, Nawalparasi, concluded that Microfinance has supported to respect the needs of the poor small clients of small loan. Due to the MFPs women and indigenous groups of deprived sector are greatly benefited.

Limbu (2014) explained about the microfinance and its socio-economic impact on rural women. He studied about the self-help banking program in Dhading district. He had concluded that involvement in the micro-finance programs have empowered women in varying degree. It has offered opportunities for poor women to come out of their household confines, to organize themselves in group and to work in productive and social activities. There is increase in healthcare, in case of women and children, sanitation, reduction in smoking, alcohol consumption due to awareness programmes. Members have become more aware of gender equality, human rights and women rights. The study reveals that intervention of the MFI is significant in increasing the consumption pattern, health situation, sanitation.

This study aimed to assess the role of micro-finance in Butwal Sub-Municipality, Rupandehi district. So, this research deals with the following research questions.

- What is the relationship between the functions of MFIs and women economic empowerment?
- Is there difference in condition of women empowerment condition across MFIs of Butwal-Sub municipality?

PURPOSE OF THE STUDY

- The general objective of this study is to analyse the impact of micro finance for the upliftment of socio economic condition of rural women in Rupandehi district. The specific objectives of the study are:
- To examine the relationship between women economic empowerment and functions of MFIs in Butwal-Sub municipality.
- To examine whether there is difference in women empowerment condition across MFIs in Butwal-Sub municipality.

CONCEPTUAL FRAMEWORK

The MFPs helps to reduce poverty and to improve living standard of people. The MFIs provides different services like credit facility, saving facility, capacity building and insurance services. In order to understand the role of MFIs conceptual framework has been developed.

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The conceptual framework consists of the dependent and independent variables. In this study economic empowerment of women is

regarded as dependent variable and this variable depend on below mentioned independent variables.

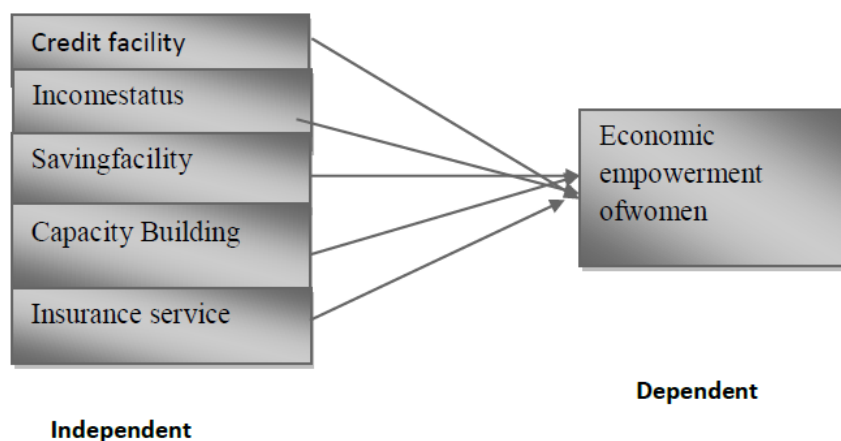


Figure1. Conceptual Framework

RESEARCH METHODOLOGY

Descriptive and analytical research designs have been adopted to fulfil the objectives of this study. According to NRB upto mid October 2017, 76 MFIs (51 Microfinance Development Banks and 25 NGOs) are providing microfinance services in Nepal. There are different types of microfinance can be divided on the basis of their function for e.g. FINGOs, government initiated, co-operatives and development banks as well. There are almost eleven MFIs in Butwal-Sub district.

Data used in the study were primary and have been sourced through the five point Likert Scale questionnaire. The distribution of questionnaires has been approached by getting the permission from MFI's authority. Then the questionnaires were distributed to the member respondents. They have been assisted in the confusing part while filling up the questionnaires. The major factors of women economic empowerment are mentioned on the questionnaires.

Five point Likert Scale questionnaire has been designed to secure the primary data related to functions of MFIs and women economic empowerment. In the questionnaire, there are five options for the respondents among which respondents have to select only one. In scaling of each question, '1' indicates strongly agree and '5' indicates strongly disagree.

The collected data have been analyzed by using the statistical tools with the help of Statistical Package for Social Science (SPSS). The data collected using different technique are given due attention to process and present them in suitable format. The correlation has been used to know the relationship between dependent variable and independent variables. Under the correlation, multiple correlations is applied. The coefficient of multiple determinations is applied to measures the percentage or proportion of the total variation on dependent variable. Regression analysis and ANOVA test is also done in this study. As well as reliability of data is tested is through Cronbach's Alpha.

RESPONDENT'S PROFILE

Table.1 Respondents Profile

	No of Respondents	Percentage
Age group		
20-30	94	23.5
31-40	174	43.5
41-50	90	22.5
50- Above	42	10.5
Marital Status		
Married	382	95.5
Unmarried	18	4.5
Education Status		

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Literate	314	78.5
Illiterate	86	21.5
Family Structure		
Single	154	38.5
Joint	246	61.5
Time period of joining MFIs		
Below 2	120	30
3-4	32	8
5-6	220	55
Above 6	28	7
Occupation		
Agriculture	134	33.5
Business	130	32.5
Labour	20	5
Student	22	5.5
Job	94	23.5
Total	400	

Source: Field Survey 2017

DESCRIPTIVE ANALYSIS

Descriptive statistics is used to describe the basic features of the data in a study. It provides

simple summaries about the sample and the measures. Simple graphic analysis is shown in this study.

Table 2. Descriptive Analysis

Variables	N	Mean	Std. Deviation
Credit Facility	400	6.7350	1.70862
Income Status	400	6.7250	1.61319
Saving Facility	400	7.2261	1.75641
Capacity Building	400	9.1400	3.13681
Insurance service	400	10.2456	3.23377
Women Empowerment	400	6.7500	1.71236
Valid N (listwise)	400		

Sources: SPSS output

Table 2 demonstrates the average mean value between the ranges of likert scale. The response on questions regarding women empowerment has mean value 6.75. Similarly, the responses towards questionnaire regarding insurance services have 10.25 mean values. The response towards the questionnaire related to capacity

building has 9.14 mean values and response toward saving facility has mean value 7.2261. As the same way response towards the statements related to income status has mean value 6.7250 and response towards the statements of variable credit facility has mean value 6.7350

CALCULATION OF CRONBACH'S ALPHA

Table 3

Overall Data	Q ₁ to Q ₂₄	0.779
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The researcher can claim that the overall data collected through questionnaire is reliable since the overall Cronbach's alpha is 0.779.

Correlations

Simply, the correlation is a tool which is designed to measure the relationship between two or more variable and correlation analysis

measures the strength or degree of linear relationships between two or more variables. If the change in the value of one variable results the change in the value of another variable then we say that the variables are correlated. Members of investigated MFIs were asked 24 questions related to credit facility, income status, saving facility, capacity building, insurance services and women empowerment to

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examine the direction of relationship between dependent and independent variable. We use multiple correlations when there is one variable as dependent and other variables are considered

as independent variables and the joint effect of all the independent variables is studied on the dependent variable. The result can be shown in Table 4.

Table 4. Multiple Correlation Analysis

Variables	Women Empowerment	Credit Facility	Income Status	Saving Facility	Capacity Building	Insurance Service	P-Value
Women Empowerment	1						
Credit Facility	.266**	1					0.000
Income Status	.208**	.320**	1				0.003
Saving Facility	.136	.312**	.187**	1			0.056
Capacity Building	.299**	.168*	.209**	.121	1		0.000
Insurance Service	.173*	.146*	.312**	.257**	.301**	1	0.014
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Sources: SPSS output

The correlation between the variable credit facility and women empowerment is 0.266. This states that credit facility is positively related with women empowerment. The correlation between credit facility and women economic empowerment is significant ($p=0.00$). It implies that the probability of correlation between credit facility and women economic empowerment not being true is zero percent. That is, 100% of the time it would expect to have this correlation in expected direction.

The income status is positively related with women economic empowerment ($r=0.208$). The correlation between income status and women economic empowerment is significant ($p=0.003$). It implies that the probability of correlation between credit facility and women economic empowerment not being true is 0.3%. That is, 99.7% of the time we would expect to have this correlation in expected direction. The variable saving facility is also positively related with variable women economic empowerment ($r=0.136$). The correlation between saving facility and women economic empowerment is not significant ($p=0.056$). Since, the p-value is slightly higher than 0.05, which means there is no significance different in effect of saving facility on women empowerment.

Likewise, the relationship between capacity buildings is positively correlated with women empowerment is 0.299. The correlation between capacity building and women empowerment is significant since p-value (.000) which is less than 0.05. This implies that the probability of the correlation between capacity building and women empowerment not being true is zero percent. Again, the variable insurance facility is also positively correlated with women empowerment ($r=0.173$). The correlation between insurance facility and women empowerment is significant since p-value (0.014). This implies that the probability of the correlation between insurance facility and women empowerment not being true is 1.4% and 98.6% being true in any case.

MULTIPLE REGRESSION ANALYSIS

Multiple Regression Equations

A multiple regression equation is an equation for estimating the value of dependent variable from two or more independent variables. In the other word, it is a mathematical relationship between one dependent variable and two or more independent variables.

In this study regression equation will be

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + E_1$$

Where,

Y=Economic Empowerment of Women

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α =Constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = the coefficients\ determinants of Economic empowerment (credit facility, income status, saving facility, capacity building and insurance service).

X1= Credit Facility (CF)

X2= Income Status (IS)

X3= Saving Facility (SF)

X4= Capacity Building (CB)

X5= Insurance Service (IS)

E1= Error term (E)

Mathematically,

$$WE=3.411+0.187(CF)+0.081(IS)+0.024(SF)+0.126(CB)+0.022(IS)+S.E$$

Table 5.Regression Analysis

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	3.411	.693	.000
Credit Facility	.187	.073	.011
Income Status	.081	.078	.301
Saving Facility	.024	.070	.736
Capacity Building	.126	.038	.001
Insurance Service	.022	.039	.570
a. Dependent Variable: Women Empowerment			

Sources: SPSS output

Table 5 shows the value of coefficient of determinants credit facility (0.187), income status (0.081), saving facility (0.024), capacity building (0.126), insurance service (0.02). The constant value is 3.411; which implies that when coefficient of determinants beta will be zero the value of women empowerment will be 3.411. The value of coefficient of determinant credit facility is 0.187; which implies that when value of credit facility increased by 1 unit then it results increase on women empowerment by 0.187. In the case of coefficient of determinant of income status is 0.081; which implies that when value of income status increased by unit 1 it results increase of women empowerment by 0.081.

Likewise, saving facility has coefficient of determinant 0.024; which implies that beta coefficient of saving facility increased by unit 1 it results on increase in women empowerment by 0.024. The coefficient of determination of capacity building is 0.126 reflects that increment in value of capacity building by 1 unit results in increment in value of women empowerment by 0.126. The beta coefficient of insurance service is 0.022 that reflects 1 unit increment in value of insurance service cause change in value of women empowerment by 1 unit.

As indicated in table 5 the p-value of income status is 0.301, saving facility is 0.736 and insurance service is 0.570. Which is greater than 0.05, which means there is no significant relationship in change in value of beta coefficient of income status, saving and

insurance facility with the change in dependent variable women empowerment. The p-value of credit facility is 0.011 and capacity building is 0.001 which are less than 0.05, which imply that there is significant relationship in change in value of beta coefficient of credit facility and capacity building with the change in dependent variable women empowerment. Thus, study shows that first hypothesis is accepted.

FINDINGS AND DISCUSSION

The major findings of the study can be presented below:

- From the study, it can be concluded that respondents have positive response and satisfaction towards the services provided by MFIs.
- From the study, it can be concluded that respondents were agreed with the statement of credit facility. As well as respondents have positive response and satisfaction toward income status.
- From the study, it can be concluded that capacity building facility had 9.14 mean value , it implies that respondents are moving toward neutral .This is because most of the members were unknown about the training facilities provided by MFIs .There is lack of practicable training programmes provided by microfinance.

- The mean value for statements of insurance services had mean value 10.25, which implies that respondents are neutral. The respondents were unknown about the insurance facilities. The mean value of statement under women empowerment is 6.75, implies that respondents are agreed that MFIs had promoted women empowerment.
- Finally, the claim that the overall data, collected through questionnaire is reliable the overall Cronbach's Alpha (0.779) is greater than 0.70.
- The relationship between the variables credit facility, income status, saving facility, insurance facility with women empowerment is positively correlated. The correlation between credit facility and women economic empowerment is significant ($p=0.00$). It implies that the probability of correlation between credit facility and women economic empowerment not being true is zero percent. That is, 100% of the time we would expect to have this correlation in expected direction. The correlation between income status and women economic empowerment is significant. The correlation between saving facility and women economic empowerment is not significant. Since, the p-value is slightly higher than 0.05. The correlation between capacity building and insurance facility with women empowerment is significant.

- The regression equation from the study is

$$WE = 3.411 + 0.187(CF) + 0.081(IS) + 0.024(SF) + 0.126(CB) + 0.022(IE) + S.E.$$

The regression analysis measures the dependency of variables. From the study, it can be concluded that dependency of independent variable is higher on dependent variables. The variable women empowerment is more dependent on credit facility. The study shows that there is significant relationship in dependency of variables. This finding is supported by Limbu (2014).

RECOMMENDATION FOR FUTURE RESEARCHER

This study has portrayed some crucial results and one avenue for future research is to extend the study to other emerging markets.

- This result is basically from NRB listed D-class MFIs. Thus, the future study may incorporate other non listed private and private MFIs.
- The study is entirely based on primary data and does not include secondary data. Therefore, future studies can be based on using secondary data or both primary and secondary data.
- The sample size and time period taken for the study is limited so future study can be carried out by taking large sample size for longer time period. The model used in this study is limited on multiple regression model. Thus other models can be taken to set a model and examine the impact of functions of MFIs on Women economic empowerment.
- Finally, future studies can use some advance statistical tools. For example, the future studies can use non-linear statistical tools.

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Citation: Gangaram Biswakarma “Impact of Microfinance Institutions in Women Economic Empowerment: With reference to Butwal Sub-Municipality”. *International Journal of Research in Humanities and Social Studies*, 5(5), pp.10-17

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