# Empowering Women Through Microfinance

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**ABSTRACT--**The microfinance programme in its different forms such as micro-credit, micro-insurance etc is constantly working for upgrading the economic situation of women. The fundamental idea behind this is to empower and encourage women to become financially independent and take their own decisions. This in turn is likely to increase self-respect and self-confidence of women participants. The present paper aims at identifying that whether microfinance helps in the development of women in India. A sample of 500 participants through ordered probit regression revealed the positive impact of the micro-funding on empowerment.

Key words -- Microfinance, micro-credit, women empowerment, probit, economic independence etc.

## I. INTRODUCTION

The concept of empowerment has been defined by various researchers and hence no unique definition of empowerment exists. This study considers empowerment as a natural quality of a person, which cannot be granted by someone else. However, there have been a lot of arguments on the effectiveness of microfinance in empowering the women. Women empowerment though has gained a lot of momentum in recent years but still it is a global challenge (Suresh. A, 2019). If poor women are given access to financial services and resources it will enable them to bring change to the economy. Microfinance programs are building strong pillars of economy by providing access to financial services to females. The females take responsibility for loans and assure repayment by maintaining savings accounts for women participants. They also assist in insurance coverage through women.

## II. LITERATURE REVIEW

The researches in the past have already analyzed that if financial services have improved the status of women within the family and the community. Many evaluations of MFIs have shown mix results for impact of various forms of microfinance on economic independence of women. Aruna and Jyothirmayi (2011) worked on the relation of microfinance with women economic empowerment in India. The analysis found that microfinance in its various forms had a major impact on economic position, decision making power etc. Sultana and Hasan (2010), at Gazipur district in Bangladesh studied the impact of micro-credit on economic empowerment of rural women. The sample comprised of participants and non participants (with similar demographic characteristics) in the any form of micro-credit program. The study found that participating females were more benefited than the non-participating group.

Moyle et al. (2006), in the study found that women through microfinance service contribute towards family income and thus raise the standard of living. It empowers females socially and economically. Nader (2008) found

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that through microcredit programs the health, prosperity and peace of the family can be enhanced. Pitt et al. (2003) suggested that involvement in microcredit programs helps females to access the financial resources, take decisions in family, widens social networks, give knowledge about family planning and parenting.Banu et al. (2001) highlighted the women's empowerment as the ability to reduce the social and economic liability. It helps to mitigate the dependency on male members of the family by increasing involvement and control over family decisions, economic resources and contribution to daily expenses of the family.

# III. IMPACT OF MICROFINANCE ON WOMEN EMPOWERMENT

The above studies have clearly identified a few variables which measure the women empowerment. They are:

- 1. Women's involved in jobs
- 2. Women increasing Household Income
- 3. Role of Women in Family Decisions

The above mentioned variables empower women. This study empirically tests the economic empowerment of women using the ordered probit analysis.

## IV. RESEARCH OBJECTIVE

This study aims to test if women are really empowered using microfinance.

#### 4.2Research Hypothesis

There is no association between women empowerment and microfinance.

## V. RESEARCH METHODOLOGY

#### 5.1. Research Design

A non random sampling technique (Neuman 2006, Zikmud 2002) has been utilized on a sample of 500 female microfinance participants from Northern India region. This sampling technique enables to measure peculiar characteristic of the sample. A structured questionnaire was used to collect the primary data from female participants. The data collected was on age, educational background, region to which they belong, marital status and occupation. The data on microfinance accessibility of these women was also gathered. Lastly the data on economic empowerment of women which was measured through variables such as: women's financial control, access to credit, contribution to family support and increased household ownership of properties and assets was collected.

#### 5.2 The Model

The ordered probit (OP) model which is one of the forms of ordered response models have been used for modeling. The reason is that such models capture the cause and effect relationships in a better way when the response is in multiple ordinal categories. The OP model is considered suitable because it not only tests the statistical significant relationships between independent variables and a dependent variable but also discriminates

International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 08, 2020 ISSN: 1475-7192

dissimilar or uneven differences between ordinal classes in the dependent variable. The model was given by McKelvey and Zavoina (1975). The general model is: Aj = bjXj + ej (1)

Here Aj denotes the underlying women empowerment of respondent j, b is the vector of parameters to be estimated, Xj is the vector of observed non-random explanatory variables measuring the attributes of respondent j, and ej is the white noise error following standard normal distribution

This study used four explanatory variables: age, marital status, region and education in determining economic empowerment of women through microfinance accessibility. The model has been tested in the form:EE = b1MF + b2Age + b3Region + b4 Education + b4 Marital Status + ei

EE=Economic Empowerment MF = microfinance accessibility,Age = Age of the women, Region=Rural/Urban,

Marital Status = Married or unmarried Education = Education level of the women.

Variables	Coefficient	SE	z statistics	P value
MF	1.32570	0.07120	18.61938	0.00000
Age	0.0806	0.13620	0.05918	0.95100
Region	0.2163	0.16320	1.32537	0.09200
Education	0.4247	0.1439	2.951355	0.024
Marital Status	0.477	0.1735	2.74927	0.004
Observations	500			
Likelihood Ratio	527.79			0.0000
Pseudo R <sup>2</sup>	0.4856			

Table 1: Ordered Probit results

Dependent Variable: Economic Empowerment (b) Independent Variable: Microfinance accessibility (c) Control Variables: Age, Region, Marital status and Education.

The above table clearly shows R-squared value of 0.4856 which is considered a good fit for a data set of 500 women. The highly significant value of the likelihood ratio also indicates that the explanatory variables used in the probit model are appropriate or in other words model is a good fit. The equation with coefficient values can be rewritten as follows:

EE= 1.32570MF+ 0.0806Age+0.2163 Region+0.4247 Education +0.477Marital status

From the above equation it is clear that the independent variables- MF, Age, region, marital status and education have positive coefficients. It indicates that an increase in these variables is may cause greater economic empowerment of women. The variable marital status has positive coefficient which suggests that those who are married are doubly economically empowered from microfinance. The z value for Age is insignificant. It means that economic empowerment of females has no connection with age.

The table shows a statistically significant positive coefficient for explanatory variable, MF. It again signifies that an increase in use of microfinance can lead to higher chances of economic independence of women. From the table education is also a significant variable. A positive coefficient suggests that a highly educated client can be

International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 08, 2020 ISSN: 1475-7192

empowered easily in comparison to less educated or not educated. The analysis rejects the null hypothesis and suggests a strong association between microfinance and women empowerment.

# VI. CONCLUSION

The initiatives of training and development taken by microfinance programme lead to the overall development of the women. It is also found that the women became more independent and are more confident while travelling and in dealing with the society. The analysis supports the findings of Kabeer (2001) who found that women's convenience to microfinance significantly determines the extent to which economic contributions are made by women. The present study realizes the economic empowerment or development of women as women's access to credit, contribution to support family and improved ownership of assets. Women's access to any form of micro finance bestows them a better role in household decisions. Women control over finances would be advantageous to men as it prevents the escape of household income to unproductive uses.

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International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 08, 2020 ISSN: 1475-7192

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