

## **An Economic Analysis on Impact of Microcredit at Nintavur Divisional Secretariat Area, Sri Lanka: Special Reference to Women Entrepreneurs**

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**Abstract:** South Asia has the largest number of people in the world living in absolute poverty, which includes 43 percent of the developing world's population. 60 percent of these are women, with limited access to basic needs. The greatest burden of human deprivation and poverty, illiteracy and health – related problems fall on its women (UNIFEM 1999). Microcredit seeks to promote business growth and improve well – being by expanding access to credit. According to the above background, the objective of this study is to examine the impact of microcredit on women entrepreneurs' socio-economic status in Nintavur. This study is based on primary and secondary data. Through the simple regression model, 100 women entrepreneurs were selected and primary data were collected using structured questionnaires, key informant interviews and focus group discussion as well. The states purpose is analyzed by using quantitative and descriptive analysis. The results indicate that the microcredit factors positively and moderately affect the women entrepreneurs' socio-economic status. Microcredit activities have affected the lives of clients (and others) in multiple ways. The most frequently reported types of effects of credit at individual, enterprise and household level are the following: income, expenditure smoothing, poverty alleviation, business growth, saving, schooling effects, skills, mobility and effects in terms of women empowerment. In terms of development and social impact, micro credit allows significant improvement in standard of living on women entrepreneurs and their families in Nintavur. It is also observed that microcredit system promotes entrepreneurship among women in Nintavur Divisional Secretary area.

**Keywords:** Microcredit, Women entrepreneurs, Socio-economic status, Poverty, Empowerment

### **Introduction**

Poverty is a persistent problem in developing countries. The poor continue to remain poor primarily because they are poor. One of these vicious circles is created due to the lack of financial resources to generate livelihoods and income creating a wheel of low incomes and low resources. Micro credit is considered one of the most effective strategies and tool of poverty alleviation and empowerment, particularly of women. It has gained credence in development dialogue the world over. The provision of micro credit involves initiatives on the part of government and non – government organizations in making available very small amounts of credit to poor clients. Credit is sought for basic requirements such as food, as well as for income generation activities, asset creation and improving living standard. Micro credit, as in being promoted currently, circumvents the draw backs of both the formal and the informal systems of credit delivery. The formal system consists of a multi – agency approach, comprising cooperatives, public sector commercial banks (CBs), regional rural banks (RRBs) and private sector banks. There are innumerable types of informal credit suppliers in Nintavur which consists of merchants, contractors, commission agents, money lenders etc...

Among the real and potential clients of micro credit, women are seen the most appropriate targeted beneficiaries, since it is argued that in contrast to men, the entire household benefits when the loans are given to women. Women are also reputed to be more reliable than men when it comes to repayments. It is further claimed that micro credit empowers women since it accords economics independence and instills confidence by virtue of their participation in groups as well as their undertaking and expanding economic activities.

Women play an important role in the economic development of their families and communities. But, they have some barriers such as poverty, low household income, unemployment, social discriminations and violence in their effective performance of that role in mostly developing countries. Despite the crucial role of women entrepreneurs in the economic development of their families and countries, it is discovered that women entrepreneurs have lack of business performance compared to their male counterparts (Akanji, 2006). In developing countries, women entrepreneurs have lack of training and lack of opportunities in developing human capital, learning opportunities to improve their skills, attitudes and abilities.

The effect of training on women's entrepreneurs' performance, especially in developing countries has not been adequately taking cognizance of the peculiar situation of most women in developing countries in terms of poverty, low educational levels, and other social discriminations (Porter & Nagarajan, 2005; Roomi & Parrot 2008). So, training is very important for women entrepreneurs as it would provide the skills and experience needed for business (Akanji 2006, Cheston & Kuhn 2002; kuzilwa 2005).

There is ample literature concerning women empowerment related to the provision of micro credit. The second part of the 1990 decade witnessed a progressive awareness at international level of the role of micro credit in the eradication of poverty. Such awareness is shown in the resolution adopted by the United Nations in 1998, proclaiming the year 2005 as the "International year of micro credit". The declaration specifically mentions the micro credit programs as to "have especially benefit women and have resulted in the achievement of their empowerment" (UN 1999). Microfinance services are considered a key development tool, particularly for women who are the target of most microfinance programs (Guerin 2006). Not only female borrowers do have better repayment records (Sharma and Zeller 1997) but return to investments seem to better reach all household members, especially improving children health and schooling (Pitt and Khandker 1998). Improvement of self – esteem as well as her family status has also been put forward (Amin et al 1998, Penjaitan et al 1999).

The proportion of women undertaking such productive projects is far from the large found in most developing countries. 83.4% of the poorest clients of the MFIs reported to the microcredit summit campaign during 2007 are women (Daley – Harris 2009) while in western European only the 39% the total clients of MFIs were women, according to Guichandout (2006).

The potential of microcredit goes beyond the provision of financial services. These programs have an immense potential to empower poor women. The empowerment potential of microcredit has been articulated very forcefully in recent years, primarily because the key actors are women. Driven by the motivation to involve women in the development process in order to achieve sustainable growth and development – recognizing that women are the poorest of the world's poor population and that they spend their earnings more on family welfare – has led governments, development practitioners and donor agencies to focus on micro credit as a strategy capable of reaching and empowering women.

Officially, the intervention of micro finance has been heralded worldwide as one of the most effective cures for poverty. The four core themes of the 1997 micro credit summit campaign spelled this out very clearly. 1. Reaching the poorest. 2. Reaching and empowering women. 3. Building financially self-sufficient Institutions. 4. Ensuring a positive, measurable impact on the lives of clients and their families. According to that this research paper aims to contribute to the understanding of the impact of micro credit in the personal, professional and social lives of women in Nintavur.

### **Research Problem of the Study**

Microcredit has today within development programs as a tool of poverty alleviation and women's empowerment. Most of the women lost their spouse due to the war and natural disaster especially Tsunami in Sri Lanka. As they have to maintain their family and children, they play a main role in their family economy. In the purpose of empowering women government and non – government organizations select women and encourage them to do entrepreneurship. Accordingly, women are engaging in the entrepreneurship and microcredit facilities also have been increased. Even though, it was observed that, there is a gap on role of women in decision making in the family after availing Microcredit and becoming entrepreneur. This issue motivated us to conduct this study.

### **Objectives of the Study**

The study assesses the impact of micro credit facilities on socio economic status of a women entrepreneur in the study area .The major objective of this study is to find out the economic aspect of the micro credit in Nintavur. Further, sub objectives are,

- To find out the reasons of getting micro credit.
- To find out previous family conditions of borrowers.
- To find out the present life standard of the borrowers.
- To examine the impact of micro credit on women entrepreneur after availing micro credit and study the role of women entrepreneur in the decision making process in the family.

#### **Hypothesis of the Study**

H<sub>0</sub>: Microcredit promotes to uplift the standard of living of women entrepreneurs at Nintavur Divisional Secretary Area.

H<sub>1</sub>: Microcredit does not promote to uplift the standard of living of women entrepreneurs at Nintavur Divisional Secretary Area.

#### **Literature Review**

Some studies have been conducted earlier on the issue of social well being of women entrepreneurs availing Microcredit facilities from government and Non – government organizations. After reviewing the literature available on women entrepreneurship and Microcredit, it was observed that adequate credit aids entrepreneurship performance (P. Goodwin Phillip 2013; Nevedita T. Dwivedi, Tanya Mishra 2013). The economic benefits of micro finance on women entrepreneurs have potential effect on the economic development. In terms of development and social impact, the micro finance factors allow significant improvement in quality of life on women entrepreneurs in Batticola district (Goodwin Phillip. P, 2013)

Microcredit facility has supported women to become entrepreneurial. There is significant improvement in the family income as well as mobility of women has increased in the family. Further, it is found that the recognition in the family for a women entrepreneur is still not good enough. At the same time there is increment in the skill development of a women entrepreneur (Nevedita T. Dwivedi, Tanya Mishra 2013).

A case study in Narathiwat, a predominantly Muslim province in southern Thailand, illustrates women’s empowerment both within the household and at the community level (Kay 2003, 76).Although it is difficult to measure the exact impact of access to microcredit on different dimensions such as impact on decision making and on self – confidence, studies have shown that a positive effect on each of these different dimensions of women’s empowerment (Vani s. Kulkarni 2011).

Sikligar (2009) reported that microfinance is one of the approaches for economic development of the minorities and it should be continued for their sustainable economic development because it is one of the important aspects of social development which promotes education, health, family welfare and other parameters of an improved living standard. Hasan and Cong Lu (2011) studied about effectiveness of micro-credit programmes in reducing poverty and its impact in income generation and improvement in living standard of borrowers in Monirampur Upazila of district Jessore, Bangladesh. Found that borrowers of micro-credit programs are better in income generation and food consumption.

Theories marshaled in support of Microcredit expansion assume that small business are credit constrained and predict that expanding access to Microcredit will lead to business growth. Other theories show that expanding access to formal credit may have indirect but potentially important effects on risk – management strategies and opportunities (Dean Karlan, Jonathan Zinman 2009). Schumpeter’s entrepreneurs is a large scale businessman, who is rarely found in developing countries where entrepreneurs are small scale businessmen who need to imitate rather than innovate the entrepreneurial function can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization (Reynolds 2005).

Empowerment through microfinance is identified and measured in various dimension: impact on decision – making, on self – confidence of women on their status at home, on family relationship and the incidence of domestic violence, on their involvement in the community, on their political empowerment and rights (Cheston and Kuhn 2002).

For Sen (1993), empowerment is reflected in a person’s capability set. The ‘capability’ of a person depends on a variety of factors, including personal characteristics and social arrangements. Empowerment is the capacity to fulfill this capability and not just the choice to do so. Sen’s view on women’s empowerment is indicated in his discussion on measurement of empowerment (Sen 1990). According to him, the focus should be on certain universally valued functioning’s, which relate to the basic fundamentals of survival and well-being regardless of context. These include proper nourishment, good health and shelter. Empowerment is also related to the process of internal change (Mayoux 1998) and to the capacity and right to make decisions (Kabeer 2001). It consists of change, choice and power.

Another view of women’s empowerment argues that it needs to occur in multiple dimensions: economic, socio cultural, familial/interpersonal, legal, political and psychological (Malhotra, Schuler and Boender 2002). These dimensions cover a broad range of factors, and thus women may be empowered within one of these sub domains. Further, Social capital, social networks, the capacity to make effective life and community development choices are all related to empowerment (Krishna 2003; Grootaert 2003).

**Research Area of the Study**

This study is based on Nintavur Divisional Secretariat Area. It is located on the east cost of Ampara District of the Eastern province. Nintavur Divisional Secretariat Area consists of 40035 square KM and it is divided into 25 Grama Niladari administrative divisions. Nintavur is a densely populated village with a population of 30645 people, comprising of 8960 families, as of 2010. Nearly 96.73% are Muslims and 3.27% are Tamils in this division.

**Methodology of the Study**

In this research, primary and secondary data were collected from 100 women, who engaged in entrepreneurship in Nintavur using questionnaires, key informant interviews and focus group discussion. According to this, questionnaires were given to 50 women. 40 women were under gone for group discussion; 10 shop owners were open interviewed regarding their business. This study takes form of a qualitative, quantitative and descriptive analysis. The relevant statements were gathered and tabled to measure the variables like utilization of loans, growth of business, income, food and consumption level, saving, other livelihood facilities, skill development, recognition in family and women empowerment.

**Analysis and Findings of the Study**

The data were collected from 100 beneficiaries in Nintavur. To assess the socio-economic status the demographic data were captured.

Table No: 1  
Distribution of respondents according to age group of Nintavur divisional secretariat area

Age Group	Respondents
21-30	20
31-40	57
41-50	18
51-60	05
<b>Total</b>	<b>100</b>

Source: Surveyed Data (2014).

Table No 1 reveals that distribution of respondents according to age group in the study. A maximum respondent (57) belongs to age group of 31 – 40 followed by 20, 18 and 5 respondents in the age group of 21-30, 41-50 and 51-60 respectively.

Table No: 2  
Distribution of respondents according to education of Nintavur divisional secretariat area

Age Group	Qualifications				
	Read & Write	Primary	Grade 6-9	Ordinary Level	Advanced Level
21-30	3	2	8	3	4
31-40	30	6	9	8	4
41-50	10	5	2	1	0
51-60	4	1	0	0	0
<b>Total</b>	<b>47</b>	<b>14</b>	<b>19</b>	<b>12</b>	<b>8</b>

Source: Surveyed Data (2014).

From Table No: 2 educational qualifications of the respondents are clearly depicted. None of the respondent is illiterate. Majority of respondents (47) can read and write in which more respondents (30) were in age group of 31-40 followed by 10 respondents in age group of 41-50, 4 respondents in age group of 51-60 and 3 respondents in age group of 21-30. Primary education is possessed by 14 respondents out of which 6 respondents were in age group of 31-40, 5 respondents in age group of 41-50, 2 respondents in age group of 21-30, and 1 respondent in age group of 51-60. Just 19 respondents were grade 6-9 educated out of which 9 respondents were in age group of 31-40, 8 respondents in age group of 21-30, 2 respondents in age group of 41-50, and no respondent (0) falls in age group of 51-60. Merely 8 respondents were advanced level educated out of which equal number of 4 falls in both age group of 21-30 and 31-40. None of respondent falls in age group of 41-50 and 51-60.

Table No: 3  
Distribution of respondents according to household material possession

Age Group	Household Materials								
	Sewing Machine	Refrigerator	Fan	Gas Stove	Pressure Cooker	Phone	Washing Machine	Table & Chair	Bed
21 – 30	15	5	20	12	1	20	7	18	17
31 – 40	40	14	57	22	18	51	21	34	38
41 – 50	13	12	17	8	2	10	7	16	14
51 – 60	0	1	4	0	0	0	0	2	3
<b>Total</b>	<b>68</b>	<b>32</b>	<b>98</b>	<b>42</b>	<b>21</b>	<b>86</b>	<b>35</b>	<b>70</b>	<b>72</b>

Source: Surveyed data (2014).

Table No: 3 show that household materials that respondent's own. Sewing machine was owned by 68 respondents in which 40 respondents in age group of 31-40, followed by 15 respondents in age group of 21-30, 13 respondents in age group of 41-50 and no respondent (0) falls in age group of 51-60. Majority of respondents (98) use fan out of which 57 respondents in age group of 31-40, 20 respondents in age group of 21-30, 17 respondents in age group of 41-50 and 4 respondents in age group of 51-60. 42 respondents use gas stove for cooking in which 22 respondents in age group of 31-40, 12 respondents in age group of 21-30, 8 respondents in age group of 41-50 and no respondent (0) in age group of 51-60. Only 21 respondents use pressure cooker in which 18 respondents in age group of 31-40, 2 respondents in age group of 41-50, 1 respondent in age group of 21-30 and no respondent in age group of 51-60. Only 32 respondents own refrigerator out of which 14 respondents in age group of 31-40, 12 respondents in age group of 41-50, 5 respondents in age group of 21-30 and 1 respondent in age group of 51-60. Table and chair were possessed by 70 respondents out of which 34

respondents in age group of 31-40, 18 respondents in age group of 21-30, 16 respondents in age group of 41-50 and 2 respondents in age group of 51-60. 72 respondents own bed out of which 38 respondents in age group of 31-40, 17 respondents in age group of 21-30, 14 respondents in age group of 41-50 and 3 respondents in age group of 51-60. More number of respondents use phone for communication out of which 51 respondents in age group of 31-40, 20 respondents in age group of 21-30, 5 respondents in age group of 41-50, and no respondent (0) in age group of 51-60. Only 35 respondents use washing machine out of which 21 respondents in age group of 31-40, equal number of respondents (4) in both age group of 21-30 and 41-50 and no respondent in age group of 51-60.

Table No: 4  
Changes in socio-economic status after getting microcredit

Changes in Socio - economic status	Degree of Impact	Class Interval (Age Group)			
		21-30	31-40	41-50	51-60
Utilization of loans	Same	4	8	5	0
	Increased	16	45	10	3
	Decreased	0	4	3	2
Growth of business	Same	5	20	6	2
	Increased	13	29	7	2
	Decreased	2	8	5	1
Income	Same	7	18	4	3
	Increased	11	32	10	2
	Decreased	2	7	4	0
Food & consumption level	Same	6	9	6	2
	Increased	11	37	12	2
	Decreased	3	11	0	1
Saving	Same	6	15	5	3
	Increased	12	36	7	1
	Decreased	2	6	6	1
Other livelihood facilities	Same	5	18	6	3
	Increased	14	30	8	2
	Decreased	1	9	4	0
Skill development	Same	4	19	7	3
	Increased	16	31	9	1
	Decreased	0	7	2	1
Recognition in family	Same	5	16	5	1
	Increased	12	32	8	2
	Decreased	3	9	5	2
Women empowerment	Same	6	24	5	2
	Increased	10	23	9	1
	Decreased	4	10	4	2

Source: Surveyed Data (2014).

Table No: 4 reveals that changes in socio-economic status of respondents after getting microcredit in terms of same, increase and decreased. The details of changes have been explained as following;

### 8.1 Utilization of loans

Credit for their family Utilization of loans remains same for 17 respondents. Utilization of loans increased for 74 respondents. At the same time, it was decreased for only 9 respondents. Thus, more number of respondents were used their micro credit for their specific purpose of self employment. Only a few respondents were failed to use it for specific purpose. It came to know from the study that, some respondents were used their micro expenditures.

### 8.2 Growth of business



According to the information regarding growth of the business, 51 respondents have been expanded their business by using microfinance. 33 respondents stated that there is no remarkable growth in their business. At the same time, 16 respondents feel a decrease in their business due to the lack of marketing facilities and high rate of loan repayment. It was very difficult to re capital as they have to pay the monthly installment from the profit regularly.

### **8.3 Income**

Income was increased for 55 respondents while it remains same for 32 respondents'. At the same time 13 respondents stated that there was a decrease in their income. Commonly, it is found that there is a positive impact on income of women Entrepreneurs after getting microcredit service.

### **8.4 Food and consumption level**

In this study food and consumption level is considered based on the level of satisfied food consumption, level of expenditure, needed food nutrition and children food nutrition level .Food and consumption level was decreased for 15 respondents. About 23 respondents feel that there was no significant increase in their family income. Further, 62 respondents have accepted that they spent more money for nutrition food consumption for their family after start self employment.

### **8.5 Saving**

55 respondents agreed that there is a moderate increase in their family saving. Some respondents indicated that they have bought new asserts by the saving of their business, which was Started using microcredit service. At the same time, a few respondents explained that they could not have a significant saving because of the increasing unexpected expenditure such as diseases and traditional circumstances.

### **8.6 Other livelihood facilities**

Under these variable cloths, jewels, medical needs, housing instruments and housing development are considered. 54 respondents agreed that there is an improvement in their livelihood facilities after starting self employment. Livelihood facilities remain same for 32 respondents. They pointed out that there is no significant increase in livelihood facilities specially housing development because of more income obtained from their enterprises spent for family expenditures. Decreased other livelihood facilities were stated by 14 respondents.

### **8.7 Skill development**

Under this variable, participation on training programs on skill development, awareness programs, children school attending, education level of children and motivation of parents regarding children education such as good achievement of regular school attendance and extra classes are considered.

Skill development increased for 57 respondents. Skill development remains same for 33 respondents. Only 10 respondents identified for decreased skill development. Thus, most of the women agreed that micro credit service contributes children education through income generation.

### **8.8 Recognition in family**

Recognition in family includes better condition or status among family members, the relationship with the life partner and children and freedom. Most of the respondents feel that they have been in good status in family after start a small business and income generation. Recognition in family increased for 54 respondents. 27 respondents stated that there is a remarkable improvement regarding the recognition in family. Decreased recognition in family was for 19 respondents.

### **8.9 Women empowerment**

Empowerment includes good heath, shelter, rights to make decision, mobility and power. When considering mobility, it was observed that women's physical mobility has expended by attending monthly society meetings and trainings and awareness programs as well as through visit to banks and offices. Women members have travelled to villages and cities they had never seen before. Unlike in the past, they now travel without their husband either alone or with other women. Enhanced mobility has increased women's confidence. 43 respondents agreed with the moderate improvement in empowerment. At the same time, empowerment remains same for 37 respondents. Further, 20 respondents disagreed with the empowerment because of the social bad thoughts and gender related issues.





### Conclusion and Recommendation

The study concludes that the microcredit facility has supported women to become Entrepreneurial. Most of the women are self employed and they do not involve in other income generating activities. The findings of the study shows there is significant improvement in socioeconomic conditions of women through microcredit. Moreover, there is increment in income, skill development, food & consumption level and other livelihood facilities. At the same time, it is found that the growth of business and Women empowerments are still not good enough. Although there is an increase in income of women entrepreneurs through microfinance, they not yet achieved expected outcome. It has been found that most of the women do traditional familiar business and they have less knowledge on marketing.

Furthermore, from the study we came to know that rural women have been empowered economically as well as socially through microcredit program. Even though, it has been found that only a few women had decision making ability in the family. Further, lack of training, lack of organized local markets and high interest rates of loan recovery are also identified as constraints for sustainable livelihoods of women Entrepreneurs.

Therefore, the women Entrepreneurs have to be trained in order to obtain multi skill, such as decision making, leadership, technical skill (especially job related technique), financial management training, marketing and exposure visit. Moreover, government and non – government organization should be flexible attitude towards the women Entrepreneurship activity on their loaning scheme such as interest free loans and marketing facilities etc. for sustainable women Entrepreneurship.

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### Some interviewed women entrepreneurs

M.Nafeesa, 69A, Nellithievu, Nintavur-24.

M.Raafiya, 71A, Nellithievu, Nintavur-24.

AMS.Janooriya,4, Velluskat Road,Nintavur-25.

MI.Suhara, 501,Jummah Mosque Road, Nintavur-16.

M.Roofiya,Hospital Road, Nintavur-3.

A.Nafeela, 286, South Road, Nintavur-5.

AL.Soofiya Ummah, 88A, Theatre Road,Nintavur-19.

A.Nasarumma,Nintavur-11

PTS,Nasreen, 04, Meera Nagar Nintavur-11.

A.Nasreen, GPS Road, Nintavur-22.