

Microfinance and Its Contribution towards Women Empowerment: A case-study on Pakistan

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Abstract

This paper explores the fact that how microfinance has contributed in the well-being and empowerment of women. AHP and factor analysis is used to screen out variables and then further their indexes are formulated. Then linear regression is applied. This study reveals the fact that microfinance has contributed to the well-being as well as empowerment of women. After participating in Microfinance program, now women are more involved in major household purchases, their ability to make small purchases increases, their increased participation in child related decisions like their education, their marriages etc., they are more respected by their husbands as they have started serving as an input in the overall household income, their tensions have been decreased and their survival have become easier leading to the well-being of the household. The physical mobility of women and the managerial control over the loan that are on the women's name have also been increases.

Keywords- Microfinance, Microfinance Institutions, Empowerment, Mobility, Managerial Control

1. Introduction

Like in many developing countries of the world, commercial banks are hesitant to provide their financial services to the poor clients as they do not have the necessary collateral to get the credit as well as small amounts of money they possess to open saving accounts. As a result, a number of microfinance institutions have been developed and are playing an important role in providing financial services to the poor (Brau & Woller, 2004). Microfinance has become an important tool for rural development and poverty alleviation in the recent years. In Pakistan, a number of microfinance institutions including National Rural Support programs, Non-governmental Organizations (NGOs) and Government agencies had been actively involved in such activities.

Microfinancing is defined as an important tool to eliminate poverty by empowering the people through the provision of sustainable livelihood. It aims to fulfill the needs of those people who are living below a pre-defined level of poverty. The governments in the developing countries have encouraged and are supporting the microfinance institutions (MFIs). Basically, microfinance is seen as a process to make the people who are living 'below poverty line' to come out of the situation to 'above poverty line' situation.

Since the beginning of 1990s, International community of donors made strategies where they specifically targeted the women as a principal strategy of poverty alleviation and the reason was the assumed financial self-sustainability of Microfinance institutions (MFIs). The reason for shifting to women through special credit programs is the growing empirical evidence of high returns on their loans that have convinced the international development agencies and donor community to support women access to microfinance. So, high repayment rates on loans of women are seen in a way that they are using the loans in a productive way as well as controlling the credit. It is widely assumed that there is direct link between women access to credit and their raised status within the household and increase in the livelihood functions performed by women as advisers of health, nutrition and educational status of other household members. Access to credit by women represents a form of economic empowerment thereby leading to increased self-confidence of women within the household as well as an important contributor of cash to the household income. Microfinance and its impact on women empowerment is an emerging topic in Pakistan and a little work has been in this area. So, this study is sought to examine the impact of microfinance on poverty reduction-especially how it has helped women to make decisions as well as empowerment of them.

2 .Literature review

2.1 Targeting Women under Microfinance:

Microfinance refers to the small scale financial services i.e. micro-savings; microcredit and micro-insurance to the poor people who are running their small enterprises in order to generate income to meet their financial needs

and importunity. These small scale financial services mainly credit and savings are given to those people who are running small ventures where goods are manufactured, reprocessed as well as sold; who work for wages; earning income by renting a part of land, vehicles and drafting animals, or machinery and to other poor people or groups in developing countries, both in rural and urban areas. These financial services help them to improve their current consumption as well provide them excess liquidity for future for any unforeseen circumstances (Robinson, 2001).

Women are majorly targeted by the microfinance institutions with an expressive goal of making them empowered. And the assumptions for targeting them are different. Some says that women are the underprivileged and poorest part of the society. Other people conceive that if investment is being made to enhance the capabilities of women, it will help them to become empowered to make their own choices as well as lead to the superior economic growth and development (Mayoux, 1997).

Microfinance has got much attention as a strategy to enable women to participate in the decision as well as development process by international aid donors, governments, scholars and other development experts. Great progress towards the identification of barriers to financial services for women as well as ways to overcome those barriers is being made by the microfinance industry (Cheston and Kuhn, 2002). According to the Human Development Report presented to UNDP in 1995, women are living on less than \$1/day and they constitute 70% of 1.3 billion people. In every country, women have less employment opportunities as compared to men and they are also amongst the lower paid sector of most economies and it is being reported in World Bank's gender statistics database. So these statistics have given justifications that women should be given priority for access to the financial services as they are more deprived than men (Cheston and Kuhn, 2002).

Generally women who have Microfinance Institutions clients are better credit risks as compared to men as they have showed better repayment rates, thereby, leading to lower portfolio risk and fewer write-offs. And this trend is stronger for regulated Microfinance Institutions, Non Governmental Organizations and individual based lenders (D'espallier, Gue´rin & Mersland, 2011).

Narayan (2002) has explained empowerment as the extension of autonomy in choice and action i.e. ones got more control and authority over the resources as well as decisions, thereby, impacting ones life. Empowerment enables people to involve themselves into the decision making process if they are not into it. It is also seen as the capabilities of the individual to participate in economic decision making by getting hold of earnings. When these individuals decide about their choices by their own by getting control over material and non material resources, they become empowered (Rowlands, 1997).

2.2 Studies on Microfinance and Women Empowerment:

Microfinance programs currently encourage women empowerment rather than serving only as a tool for poverty alleviation. The concept of creating linkage between microfinance and women empowerment is very old. In 1975, at the first International Women's Conference in Mexico, the trouble of women's access to credit was given special attention. For a woman being capable to earn an income and to raise her status and self-reliance, access to credit is considered very important (Mayoux, 1995).

According to Younas (1997), women empowerment is defined as gaining more control, participation opportunities and more responsibility in various aspects that may be social, political, economic or legal that has an effect on their lives. Various indicators to measure the impact of microfinance on women empowerment are being used by different authors. Hashemi, Schuler and Riley (1996) had developed the indicator of empowerment based on the eight criterions that are freedom of mobility, ability to make small purchases, ability to make large purchases, involvement in major household decisions, relative freedom from the domination by the family, political and legal awareness, involvement in public protests and political campaigns and economic security and contribution to the family support. The results of this study suggested that mobility of women, their ability to make purchases and major household decisions, involvement in public protests and campaigns, political and legal awareness and their ownership of productive assets is being increased due to involvement in Microcredit programs being offered by Grameen Bank and BRAC. Grameen's bank has found to have stronger impact on empowerment and contribution of women to their family support.

Evidences on impact of women's involvement in microcredit program over the indicators of women empowerment have also been found in Rural Bangladesh in 1998-99. An Item Response Theory (IRT) is used in a comprehensive survey where binary indicators to measure women empowerment were used and these indicators proxy for decision-making power, women's autonomy, input in household and societal decision making. This revealed the fact of women greater participation in the household decision making, more social mobility as well as networks, more accessibility to economic resources and more bargaining power in relation to their husbands (Pitt, Khandker, & Cartwright, 2003).

According to Asim (2008), bargaining power of women within the household for variety of decisions like health related decisions, child related decisions, economic and social mobility decisions are not affected by their

participation in microfinance programs. But these programs have empowered women within those household decisions like sale or purchase of house, house repair and purchase of TV or refrigerator which were generally taken by men in patriarchal civilizations. Mahmood (2011) found that most of the women who have borrowed from the microfinance institutions are now more empowered in making decisions like spending money on their and their health expenses, daily household expenses, and children's educational expenses and so on within their households.

Financial as well as business decisions and the enterprises are run by few women in Pakistan. Most Females got a feeling of increased status and self-confidence through Micro-financing programs which mean they are taking more decisions by their own. If females are accessed to financial resources, it results in improved well being of the household. If females became entrepreneurs, they spend major proportion of their income on health care, food quality and children's education and this increased self-confidence is the result of group meetings and being the part of the microfinance institution activities. In Pakistan where females do not have permission to interact with other people especially men most often due to cultural constraints, these group meetings serve as a favorable chance to interact as well as exchange of ideas and experiences (Gobbi, 2005).

Goetz and Gupta (1996) had created the loan control index that classified the borrowers in categories that ranged from full control over the loan use (entire production process is under control) to the no control over the loan (no knowledge about the loan use or no labor input being inserted) where they argued that females have less control over their loan use as that is being controlled by their husbands and they serve as an intermediary between them. When women are given access to credit and they use in the set-up of the enterprise, they have to face heavy workloads as well as repayment pressures. Sometimes, men use their loan to start a new venture or females are hired as unpaid family workers for low benefits. It also results in withdrawal of male support leading to less input in the expenditure of the household (Mayoux, 1997).

Impact of micro-financing on women empowerment can be enhanced by providing additional services like training, awareness raising programs and other activities other than the financial services. If NGO field worker create awareness regarding gender issues and women's rights, close monitoring of different aspects of control over credit as well as empowerment, provide training to the clients to promote control of women over loans as well as emphasizing women's rights within the household and community, it will increase the women likelihood of controlling their loan as well as income generated from it (Hunt & Kasynathan, 2001).

3-Methodology

This is an exploratory research whose purpose is to explore whether the microfinance services that are being provided to women are helpful for them to make them more empowered or not. The research questions of this study are:

- How does microfinance facilitate the women empowerment?
- Whether the demographic profiles, microfinance institution selected to take the loan as well as the duration of membership has significant impact on women empowerment or not?

3.1 Sample and Population

Primary data was collected from the 120 households in the three cities of Pakistan that are Bahawalpur, Lodhran and Multan city. The target population consists of all the women who were registered with The First Microfinance Bank, KASHAF Foundation, National Rural Support Program (NRSP) and Tameer Microfinance Bank. To collect the data, a structured questionnaire was administered. These questionnaires were distributed during the period of 30th September to 15th November. . Out of 120 questionnaires only 100 questionnaires are included for further data analysis and 20 are not included due to inappropriate responses as well as half filled questionnaires. So the response rate is 83%.

3.2 Data Analysis

To analyze the responses software package SPSS 16 and spread sheets were used The analysis techniques that are used on the data are Percentages, Descriptives, Factor analysis, Analytical Hierarchical Process (AHP), Chi-square and later on one way ANOVA is applied to find the association and impact of microfinance on women empowerment.

4 - Results and findings

4.1 Demographic Profile of Women:

In survey, 50 percent of the respondents are taken from the Lodhran while 40 percent belong to Bahawalpur and 10 percent are from Multan.

Table 1

Age	25-35 35-45 45-55 More than 55	25% 40% 29% 6%
Marital status	Married Widowed	86% 14%
Education level	None Primary Secondary	84 % 8% 8%
Microfinance Institution Preferred for the Loan	The First Microfinance Bank National Rural Support Program KASHAF Foundation Other	30% 28% 29% 13%
Years of Membership In Microfinance Program	Less than 1 year 1-3 3-6 More than 6 years	21% 44% 28% 7%

According to the study, most of the females i.e. 41 % take loans with the mutual consent of their husbands while 37 % says that they take the loan by themselves. 72 % of the husbands accept the proposal of their wives to take the loan from microfinance institution without any resistance and 20 % of the husbands decided to take the loan and their wives acts as an intermediary between them and the microfinance institution. 65 % of the females said that their decision to join the microfinance program has affected their life in a positive way that they have used that loan in a productive way i.e. started boutique work, open a small shop in the house and some have said that they have repaired their house by this loan and some of them have told that this loan has helped them in their children's education and it also helped them in the marriage of their son/daughter. 32 % of the women responded that the participation in the microfinance program has not affected their life in any way and it remains as it was before. 3 % of the respondents said that their participation in the microfinance program leads to more quarrels within the household in a way that when they are unable to repay the loan, their husbands refuse to pay it leading to more quarrel. 52 % of the females said that now they have greater say within the household after participating in the microfinance program as she also serve as an input in the household income and their husband now more respect them and 8 percent % believed that their say within the household has been decreased because the loan taken has been put into the business that becomes not profitable and their repaying causing difficulties, due to which their husbands blame them you decided to take the loan and now its repayment is causing problems. 61 % females have said that their control within the household have been increased while 8 % have said that they still have less control within the household.

58 % of the females have said that they have become empowered in the household after taking the loan and the empowerment, they got, is in the following ways:

- 75.9 percent says that their husband now gives them more respect.
- 3.4 percent says that their husband's family now gives them more respect.
- 20.7 percent says that she has become central within the household.

42 % said that they have not gained empowerment within the household after taking the loan. These females also said that they have gained economic independence after participating in the microfinance program as they have started their own business and these females constitute 68 % of the sample size.

4.2 Results of descriptive statistics

Factor analysis is used to group variables together. Six major categories are made which are ability to make small purchases, ability to make child related purchases, ability to make large purchases, say in child related decisions, say in social mobility decisions and say in health and economic decisions. Factor loading shows that women value purchasing utensils, pans and pots for the household, purchasing toiletries and cosmetics for herself as well as her clothes as compared to other factors in small purchases. While in child related purchases, she values purchasing clothes for the children. The factor loading of ability to make large purchases reveals that

women value sale/purchase of personal assets and purchasing household assets as compared to other factors in the respective category.

While in case of preference in decision making within the household, she is more valued in decisions regarding the children's schooling in child related decisions and in case of social mobility decisions, she is valued for social visits in the neighborhood as compared to other factors of social mobility decisions. These women are also given preference in decision making regarding borrowing money from microfinance institution as compared to other health and economic decisions.

Firstly chi-square is used to check the relationship of demographic attributes, microfinance institution preferred for the loan and years of membership with the variables of study. The findings have revealed marital status has significant association with the say in child related decisions; city has significant association with say in social mobility decisions and microfinance institution being preferred for the loan has significant association with say in health and economic decisions. Years of participation in the microfinance program has significant association with the women's ability to make small purchases, child related purchases, large purchases as well as her say in child related decisions. There is also significant association of microfinance institution being preferred for the loan and years of membership with the physical mobility of women after taking microfinance. These results have also revealed that marital status of women, their age, their city and also the institution being preferred for the loan has significant association with the managerial control over the income generating loan they have on their name.

One way ANOVA was used to check the effect of demographic variables, microfinance institution preferred for the loan and years of membership on six variables constructed from factor analysis and also on the other variables that are managerial control and physical mobility. It is found that women in age group ranging from 35-45 and 45-55 are statistically more significant ($p = 0.083$) than women in age group of 25-35. It means the women who are in the age group ranging 35-45 and 45-55 are given more preference in the decision making related to health and economic security as compared to the females who are in the age group of 25-35. One way ANOVA is applied on city of the participants to check strength of relationship with their ability to make purchases and preference in decision making within the household. It is revealed that women of Lodhran are more empowered in making purchases that are child related as well as large purchases as well as child related decisions as compared to the women in Bahawalpur. In case of Years of membership, when one way ANOVA was applied, it is found that the women whose membership is less than 1 year and membership ranging 1-3 years are more concerned about the purchases related to their children and the women who are the members of microfinance program from less than 1 year are more concerned to purchase the household assets like purchasing the furniture, purchasing the personal assets, purchasing TV etc. as compared to those people who are having membership ranging 1-3 years and 3-6 years. The women who are having membership of less than 1 and 1-3 years are given more preference to participate in child related decisions as compared to those having membership of 3-6 years and the women who are having membership of less than 1 year are given more preference in decision making related to health and economic decision index as compared to those having membership ranging 1-3 and 3-6 years.

In case of physical mobility, one way ANOVA has revealed that the women who have preferred National Rural Support Program to take microfinance services are more physically mobile than The First Microfinance Bank and Tameer Microfinance Bank and the women who are having membership of 3-6 years as well as more than 6 years are more physically mobile as compared to those having membership of less than 1 year and 1-3 years. When one way ANOVA is applied on the city of the participants to check the strength of relationship with their managerial control over the loan that is on their name, it is found that the women who are the residents of Lodhran and Multan are having more managerial control over the loans on their own names as compared to the residents of Bahawalpur and in case of Microfinance Institution preferred for loan, the clients of The First Microfinance Bank are having more managerial control over the income generating loans on their name than the participants of National Rural Support Program and KASHAF Foundation.

Conclusion and discussion

Women are generally more underprivileged and exposed to poverty and it is a basic condition of development that they should be empowered. This empowerment is very important to bring about changes in areas such as finance and health in the family and in the society. So the delivery of microfinance program is one of the attempts to the empowerment of women. This research is being conducted to assess the impact of microfinance on the women empowerment in Pakistan. The females that are taken as the respondents are the clients of Microfinance institutions named The First Microfinance Bank, KASHAF Foundation, National Rural Support Program and the Tameer Microfinance Bank and these respondents were the residents of Bahawalpur, Lodhran and Multan. The clients considered are of the age ranging from less than 25 to more than 55 and most of these

females are illiterate and have not got any formal education. Majority of the females are married and widowed. These females are the members of these microfinance institutions from the years ranging 1-3 years. The decision to take the loan is done by husband and wife equally and wife only. The loan that is taken is used by wife mostly. It is revealed after analysis that after taking microfinance, their survival has become easier as they mostly have used it in the productive way. Most of the females have started small shops within the house or started boutique work which results in increased income thereby, making the females as an input to the household income as they have started contributing in the overall income and they are now more respected by their husbands. This also results in economic empowerment of women as now they have more income of their own which they can use according to their will i.e. they have gain more control over the income they earn.

In order to check whether the demographic variables, type of institution being preferred for loan and duration of membership are associated with the women's ability to make purchases, preference in decision making, physical mobility and managerial control over the loan that are on their own names, it has been found that marital status is significantly associated with their decisions related to the children and city is associated with women say in social mobility decisions and duration of membership is statistically significant for women ability to make purchases (small purchases, child related purchases and major household purchases), and her involvement in major family decisions as well as child related decisions and these results are consistent with the study of Hashemi, Schuler and Riley (1996). It is also revealed that marital status, respondent's age, city and the microfinance institution being preferred for the loan are associated with the managerial control over the loan on their own names. Physical mobility is also associated with the microfinance institution being preferred for the loan and the years of participation in the microfinance program.

It is also found that marital status of women and their city has also positive impact on the managerial control over the loans that are on their name and the physical mobility of women also increase if they have become more educated, their marital status increases as well as increase in their age.

So after taking microfinance from the microfinance institutions, women decision making has improved which has further impacted her purchasing ability i.e. after getting decision making power, these women become more involved in large purchases that are purchasing furniture, purchasing personal assets like jewellery, sale or purchase of house as well as house repairing and they are less involved in making small purchases and child related purchases. In country like Pakistan, women focus more on to have their own houses as well as they should be available with all the things that are important to make their survival easier. The results of this study are consistent with the previous finding of Hashemi, Schuler and Riley (1996), Cheston and Kuhn (2002), Kabeer (1998), Sharma (2008), Mahmood (2011), Gobbi (2005) and Asim (2008) in a way that now women are more involved in major household purchases, their ability to make purchases small increases, their increased participation in child related decisions like their education, their marriages etc., they are more respected by their husbands, their tensions have been decreased their survival have become easier leading to the well-being of the household.

So, microfinance serves as an important tool for the development of women as well as its empowerment within the male dominating society leading them to become more self-confident, having greater decision making powers and also as an input to the household income.

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