Impact of Microcredit on Women Empowerment: Evidence from Thrift and Credit Co-Operative Societies of Anamaduwa Divisional Secretariate Divisions in Sri Lanka

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Introduction

Microcredit can be defined simply as a method of supplying working capital to small scale entrepreneurs. Microcredit and credit-plus services such as consultancy; skill and business development trainings; and market assistance are increasingly used as grass-root instruments for alleviating poverty and improving the poors' access to financial services in developing countries. The micro-loan is intended particularly for poor women to allow them to collect the required capital needed to start or improve a small business. Women's empowerment refers to women's capacity to increase self-reliance, their right to determine choices, and their ability to influence the direction of change by gaining control over material and nonmaterial resources. Empowerment helps to improve the socioeconomic status, political participation and social networks and overall developments of women. It also contributes to the economic productivity and social well-being of poor women and among their household members.

The exisiting empirical and theoretical literature reveal that the evolution of thinking on microcredit and women reflects an acknowledgement of the failure of the formal credit market to reach poor women (Sharma, 2011). Colombage et al. (2008) have claimed that Micro Finance (MF) has positive impacts on client's socio-economic development at various levels such as at family, business, community and individual. Gunathilake and de Silva (2010) have found that owing the loan increases woman's control over the loan-assisted project which has a significant and positive impact on her level of empowerment. However, de Mel et al. (2008) has showed that men have the positive impact of microcredit on their income than women borrowers. The above findings diverse the discourse on impact of microcredit on women empowerment.

Objectives

This study attempts to contribute to the literature by examining the objectives: (i) to analyze the impact of microcredit on income empowerment of clients, (ii) to investigate the impact of microcredit on socioeconomic vulnerability of clients and (iii) to analyze the impact of credit-plus services

Methodology

The sample of the study consists of 40 women loan borrowers from five Thrift and Credit Co-operative Societies (TCCSs) operating in Anamaduwa Divisional Secretariat Division selected as eight women from each TCCS. Out of that 20 women borrowers are from those received credit with credit-plus services and another 20 women borrowers selected from those who received credit only. The data collection methods were used in the study are focus group discussions and invidual interviews using structured questionnaire. A multiple regression model is used to analyze the impact of microcredit on income change of households. The Women Empowerment Index (WEI) developed by Colombage et al. (2008) is used to analyze the contribution of microcredit on socioeconomic vulnerability of women. The following multiple regression model was used in the study.

$$Yi = \beta o + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + D_{1i} + Ui$$

Where, Y_i = monthly income of borrower, X_{1i} = education level of borrower, X_{2i} = age of borrower, X_{3i} = time period elapsed from the date of the loan (years), X_{4i} = amount of loan, D_{1i} = 1 received credit with credit-plus services, D_{1i}= 0 otherwise, U_i = Error term.

According to WEI, women's power in decision making appears in three domains; namely agricultural activities (Ag_i), domestic affairs (Do_i) and business affairs (Bu_i). The rating values used to calculate WEI are from 1 to 5 (where 1 is lowest value and 5 is the highest value). Thus, rating values reflect that 1 = decision is made by other family members (out of household) in the absence of the husband; 2 = decision is made by the husband, when he is present without consulting the wife; 3 = decision is made by the wife in the absence of the husband; 4 = decision is made jointly by husband and wife, or jointly with others in the absence of the husband; and 5 = decision is made by the wife, even when the husband is present.

WEI for various domains and overall level are calculated by using the following formulas:

$$WEI_{Ag} = \frac{\sum_{i=1}^{5}(Ag)_i}{5}; \quad WEI_{Do} = \frac{\sum_{i=1}^{5}(Do)_i}{5}; \quad WEI_{Bu} = \frac{\sum_{i=1}^{5}(Bu)_i}{5};$$

WEI_{Ag} = Empowerment index for agricultural activities
WEI_{Do} = Empowerment index for activities in house
WEI_{Bu} = Empowerment index for business activities

Thus, the overall Average Women Empowerment Index WEI is

$$WEI = \frac{WEI_{Ag} + WEI_{Do} + WEI_{Bu}}{3}$$

Results and Discussion

The results presented in Table 1 depicted that the regression model have satisfactory of goodness-of fit. The results further reveal that the borrower's level of education and number of years loans being taken are statistically significant at 5% level in enhancing the income while the variable age is statistically significant but it has a negative relationship with income. The variables quantity of loan and the dummy variable – credit received with credit-plus services were not statistically significant.

The domains level and overall WEIs clearly illustrate that there is an improvement after joining the Micro Finance Institutions (MFIs). (see Table 2). This supports the argument that MF enables women to improve their empowerment through reducing poverty and vulnerability. Colombage et al. (2008) also confirmed these positive achievements for women through group loans at high levels from their findings.

Table 1: Results of the Regression analysis

Independent Variable	Coefficient	P-Value
X1	4047411	0.010*
X2	-2.631971	0.000*
X3	.02253122	0.026*
X4	.0324481	0.705
D1	.01066628	0.882
Constant	7.645397	0.000
N = 40	$R^2 = 0.7115$	F–value = 17.42

*' significant at 5% level

Table 2: Women's Empowerment Indices

Index	Before credit	After credit
WEI_{Ag}	2.43	3.77
WEI_{Do}	2.78	4.23
WEI_{Bu}	2.29	3.63
WEI	2.5	3.88

Conclusion

The study finds that borrower's level of education and number of years loans being taken were statistically significant in enhancing the income. amount of loan and dummy variable – credit received with credit-plus services were not significant. The activity wise WEIs and overall WEI clearly demonstrate that there is an improvement after joining the MFIs. This supports the argument that MF enables women to improve their empowerment through reducing the poverty and vulnerability. However, increase of quantity of loans for new investments, provision of innovative and quality credit-plus services among women enterpreners will improve

their socioeconomic status, political empowerment and social networks which enhance the role of microcredit in rural economy.

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