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Microfinance and Women Empowerment: A Case of Tillotama Municipality, Nepal

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Abstract

So far as the role and importance of microfinance for women empowerment is concern, the main purpose of this study is to find out the contribution of microfinance in empowering the Nepalese women. Therefore, it is found that increasing involvement of women in microfinance related to understanding, awareness and family needs has been improved. However, the major decision is still taken by there elder males. Thus, the study conclude that the microfinance has significant contribution with sensing the needs and awareness among the women respondents. Finally, future effort by microfinance are still need to re think about their future concerned strategy regarding women empowerment in Nepal.

Key words: Women, Empowerment, Contribution, Microfinance, Nepal

Introduction

Microfinance establishes itself as an institution that delivers financial services, mainly savings and credit, to low-income people (Ledgerwood 1998; Rahayu, 2020).It provides financial services to low-income poor and very poor self-employed community (Agarwal and Sinha, 2010). The financial services provided by such

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institutions are savings and credit, insurance and payment (Bi and Pandey, 2011). Microfinance is also acknowledged as microcredit which involvesin the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector (Poudel and Pokharel, 2017). Kaur (2014) explored microfinance as a financial instrument such as borrowings, savings, advances, insurance and other basic financial services. Microfinance facilitates people having no financial access with the provisionsof small loans or finances (micro credit). These facilities are expected to stimulate poor people and community to launch productive economic activities or to expand the existing ones (Singh et al., 2014).

In the underdeveloped and developing countries, there exists number of individuals and communities who lacks the access to any form of formal financial services. In such scenario, microfinance guarantees small collateral-free loans to those poor people.It facilitates loans, savings, insurance, transfer services and other financial products of small denomination targeted to low-income clients. However, Micro-finance by providing financial services combined with non-financial services such as training, marketing knowledge and awareness, is more effective to trace positive impact on poverty reduction and living standard of the weaker sections of the society. Hence, it is the Microcredit Plus program consisting of both credit as well as non-credit aspects that is considered not only a way to generate economic growth and sustainable development but also a tool towards social development(Sigalla and Carney, 2012; Suprabha, 2014; Tariq and Sangmi, 2019).Schreiner (2000) illustrated microfinance as the formal scheme premeditated to improve the well-being of poor through better access to saving and loan services. The aspiration of microfinance according to Otero (1999) is not just about providing capital to the poor to eradicate poverty on an individual level, it also has a role at an institutional level. It operates to buildan institution that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg(2004) complain poor individual and community being excluded from the financial services sector of the economy. So, MFIs have emerged to address this market failure and facilitate the economic upliftment of those parts of community. By addressing this gap in the market in a financially sustainable manner, microfinance become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

Microfinance has been considered as a simple and effective credit tool to facilitate poverty eradication cause. Microfinance facilitates the working poor to set up or expand small businesses that generate additional income for the family use. This extra income generated with the help of such Microfinance allows poor families to access food, healthcare, educates their children and utilize the saving for the better future. Microfinanceis considered as one of the reliable alternatives to promote self-employment. It supports the poor

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communities who cannot provide collateral to obtain loans they take but have indigenous skills and strong desire to commence economic activities for self-employment and income generation (Shrestha, 2009).

The issue of social and economic reform is one of the pertinent issues that under developed and developing countries are facing. In this regard, Women Empowerment has come up as a one of the major factor.Empowerment is an ability on women to make strategic life choices which were somehow in some point had been denied to be provided in their life. It is a process for women to increase self-reliance, independent right to make choices, and to control available resources which will assist in challenging their own subordination(Sevefjord& Olsson, 2000; Mosedel, 2005). Kabeer (2005) described women empowerment as the processes by which women takes full control and ownership of their lives where they are entitled to take decision regarding their welfare. Although MFIs cannot empower women directly, MFIs can help them through training and awareness-raising to challenge the existing norms, cultures and values which place them at a shortcoming in relation to men, and to help them have better control over resources and their lives (Reji, 2009; Weber and Ahmad, 2014; Addai, 2017).

Many MFIs have considered womenempowerment as a mean of social and economic reform. Hence, they are focusing their activities on these sectors (Mayoux, 2001). Women empowerment may be defined as an enhancement in participation control and responsibility of women in various facets that affect their lives. These facets may be social economic, legal and political (Yunus, 2007). Women are relied more to showcase high level of financial responsibility as compared to men. In addition to this, women are more likely to invest increased income in the household and family wellbeing than men (Kabeer, 1998). Perhaps most importantly, access to financial services can empower women to become more confident, more assertive, more likely to participate in family and community decision, and better able to confront systemic gender inequalities (Hashemi et.al., 1996).

Over the last few decades, Microfinance has been applied by various development organizations, NGOs, the UN and other agencies. Microfinance has come out as a support to large-scale previously excluded poorer groupswho are deprived of financial services due to lack of capital access (Reji, 2009). It also permit women to have a greater role in family decision making, to possessbetter access to economic resources, to enjoysuperior social networks and more bargaining power with their husbands and to have greater freedom of mobility (Mayoux, 1998).

It is seen that the formal financial institutions could not meet the economic demands and needs of economically poor people in developing countries. Therefore, the development of small-scale finance providers makes it possible for poor people to engage in a range of various activities such as ‘farming, fishing, or herding’ or operating small enterprises where goods are produced, recycled, repaired, or sold(Robinson 2001; Rahayu, 2020). The livelihood of women in the rural areas of

Nepal is difficult due to some social deformity like superstitions, domestic hostility and illiteracy and other household problems. These problemsare mainly seen in the male dominant society where female are not considered important in any of the household or community decisions. This situation has prompted female to come together and stand for themselves against the disparity. There has been a collaborative effort from the name of Self-Help Groups (SHGs) has proved successful in several areas like community management, gender equality and eradicating social evils. There has been a success in the community forest management with women's group which is a live example of women empowerment (Agrawal, 2009). Contemporary studies on the impact of microfinance on women empowerment recognize five major dimensions of women empowerment including their participation in microfinance programs: economic, social, political, legal and psychological empowerment. Out of these, economic and social empowerment are the most predominant aspects (Maclean, 2010; Chowdhuryand Chowdhury, 2011; Laha and Kuri, 2014; Addai, 2017).

The studies states that microfinance justifies the financial services provided in name of small loans to the poor to start or expand their small business that may enhance their standard of living by improving earning ability as well as empower women by enabling them to make economic decisions and alleviate poverty. Micro-finance facilitates financially weak entrepreneurs and to the low-income households who have no collateral and lack access to standard bank loan. Microfinance programs facilitate the process of developing microenterprises.In addition to this, ithelps existing business to grow by diversifying their activities and coping poverty among the needy people of the developing countries. Likewise, Nepal as a developing country has about three decades of experience in microfinance.This has been exclusively acknowledged as a poverty-reduction program focused towards enhancing the income level and social standard of the people living in poverty, particularly women.Therefore, this research is expected to explore the role of microfinance on livelihood improvement of the people living in Tillotama municipality of Nepal through employee opportunity, income level, consumption expenditure, capital expenditure and social information. This study isaimed to assess thecontributionof microfinance on women empowerment in Tillotama municipality, Nepal.

Methodology

This study uses descriptive research design to explore the contribution of microfinance in women empowerment in Butwal sub-metropolitan city. Amongall the microfinance users' women in Butwal sub-metropolitan city, 210 microfinance women membersfrom different microfinance institutions are taken as the sample for this study. A convenient and purposive sampling technique was used to collect the respondents' opinion. The data for the study are collected from structured questionnaire based on 5-point Likert scale (distributed manually as well as via online), organizational documentations, personal observation and unstructured interview. The questionnaireincluded the aspects of economic security, family &household

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decision making, legal & political awareness and independency & economic mobility aspects of women members of microfinance before involvement in microfinance and after involvement in microfinance to fulfill the stated objectives. For data processing SPSS version 23 and Microsoft excel was used. Thus, to analyze the data descriptive statistics has been used and Cronbach's alpha of all items have been used for reliability test as presented in table 1.

Table 1: Reliability Statistics

Statements	**Cronbach's Alpha**	**No. of Items**	**Items Deleted**
Economic security and microfinance	0.81	5	Q4
Family & household economic decision making and microfinance	0.78	5	Q6
Legal & political awareness and microfinance	0.76	5	Q3
Independency & economic mobility and microfinance	0.82	5	Q6

Source: SPSS output.

Table 1 shows the internal reliability for all scales used in this study. The value of Cronbach's Alpha is 0.81 for statements of economic security and microfinance, 0.78 for family & household economic decision making and microfinance, 0.76 for legal & political awareness and microfinance and 0.82 for independency & economic mobility and microfinancewhich are all together 20 statements. As rule suggested, a coefficient greater or equal to 0.70 is considered acceptable and a good indication of construct reliability (Nunnally, 1978). The derived values of Alpha are greater than 0.70, which suggests that all items related to construct are reliable and acceptable.

Data Presentation and Analysis

This study is aimed to see the contribution of microfinance in empowering the Nepalese women, for this response of women members of different microfinance in Butwal sub-metropolitan city on different aspects of microfinance and empowerment has been taken.

Table 2: Respondents Profile

Academic Qualification	Marital Status				Total	%
	Married	%	Unmarried	%		
Master Degree and Above	6	2.86	-	-	6	2.86
Bachelor Degree	9	4.28	3	1	12	5.71
Intermediate	25	11.9	4	2	29	13.8
SLC	55	26.2	13	6	68	32.4
Basic Level and Below	78	37.14	17	8	95	45.23
Total	173	82.38	37	18	210	100

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Source: Survey, 2020

Table 2 shows that 28.32% of respondents are married and rest 17.62% are unmarried women members of different microfinance of Tillotama municipality of Nepal. Table also shows that 45.23% respondents has basic level and below academic qualification consisting 37.14 married and 8.09% unmarried women. It is also seen that 32.40% respondents are having SLC which comprise 26.20% married and 6.20% unmarried women. Likewise, the respondents havening intermediate academic qualification are 13.80% including 11.90% married and 1.90 unmarried women. Rest of 5.7% respondents has bachelor's degree and 2.86% respondents has master or above degree. It is noted that there is no any unmarried respondent of having master or above degree.This table indicate that majority of respondents are having basic level or below academic qualification among them most are married women. The data also convey that majority of microfinance members are married women with low level of educational background in Tillotama municipality.

Table 3: Economic Security and Microfinance

Statements	N	Mean		Std. Deviation	
		Before	After	Before	After
I have confident to generate income for my livelihood.	210	3.08	4.11	1.02	0.68
I am confident to face financial crisis.	210	2.88	3.58	0.76	0.92
I have assets like house/land/livestock in my name.	210	3.22	4.14	0.66	0.56
I am able increase my regular earnings.	210	2.74	3.47	1.24	0.65
I have independent saving for future.	210	2.45	4.24	0.78	0.52

Source: Survey, 2020

Table 3 shows the economic security status of respondents (women members of microfinance) before being member of any microfinance and after being member of microfinance. It shows that the women's confident of generating income for the livelihood after involved in microfinance is increased through various income generating training activities. Table also indicated that the confidence level of women to face financial crisis is improved besides that it is found that in major financial crisis they need advice and support before making any

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decision. It is displayed that majority of women are abled to own assets after being member of microfinance. It is found that the respondent's ability of generating regular earning is increased though few of respondents are not assure on increasing their regular earnings which indicated that for increasing the regular earning along with motivation to women's, microfinance have to provide skill development training for increasing their income level. It is found that the women's saving habit is gradually increased after being member of microfinance through different types of daily, weekly and monthly savings schemes of microfinance.

Table 4: Family & Household Decision Making and Microfinance

Statements	N	Mean		Std. Deviation	
		Before	After	Before	After
I am involved in decision making related to improvement in household earnings.	210	3.15	4.34	0.72	0.68
I am involved in decision making related to household expenses	210	3.18	4.1	0.76	0.92
I am involved in decision making related to large purchases	210	2.58	3.57	0.66	1.05
I can buy clothes or other essentials for myself without permissions of my husband	210	2.88	4.05	1.22	0.64
I am involved in decision making regarding children education/marriage/career	210	3.25	3.78	0.72	1.02

Source: Survey, 2020

Table 4 shows the involvement in family and household decision making by respondents (women members of microfinance, based on five-point Likert scale) before being member of any microfinance and after being member of microfinance. It shows that increasing involvement of women in decision making related to improvement of family earning after they are being members of microfinance. Table also shows that women's involvement in decision making of normal household expenses increased after being member of microfinance which has low involvement before being member. Table 4 express that the involvement of women in the decision making related to large purchases has slightly increased after being member of microfinance.Meanwhile, it indicated that the decisions related to large purchase is still taken by the senior member of family who are generally male in the Nepalese context. It is found that the respondents are being able to take buying decisions of clothing and other essential items after being member of microfinance

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which was previously difficult for them. It is also displayed that the women are involved in decision making related to their children's education/marriage/career however the final decisions are taken by their husbands.

Table 5: Legal & Political Awareness and Microfinance

Statements	N	Mean		Std. Deviation	
		Before	After	Before	After
I know that women have reservation in jobs and board members in an organization	210	2.78	4.15	0.82	1.08
I know that in case of abuse or violence, I can seek legal protection	210	2.88	3.68	0.76	0.92
I know that social inclusion program of Nepal Government.	210	2.76	4.08	0.88	0.67
I know to take membership of any political parties	210	2.96	3.76	0.73	0.58
I aware to develop the social relationship of women in their neighbor	210	2.67	4.17	1.12	0.78

Source: Survey, 2020

Table 5 shows the legal and political awareness level of respondents (women members of microfinance, based on five-point Likert scale) before being member of any microfinance and after being member of microfinance. Table shows that respondents are aware of women's reservation in jobs and can be a board member in an organization after involved in microfinance. However, they feel that there exist practice of nepotism and favoritism while competing for job and for board member of organizations. Table 5 also shows that respondents are aware of appealing for legal protection in case of abuse or violence after being member of microfinance. Though, they express that in such violation and abuse they are restricted for making compromise besides any legal treatment. Table present that most of the respondents are aware of social inclusion program of Nepal government after being member of microfinance but they still feel that there is no impactful participation as per that inclusion program. The table 5 also clarified that majority of respondents aware of taking membership of any political parties after being member of microfinance. However, majority of them do not show keen interest to join any political parties due to the political situation of Nepal. The table displayed that the respondents are aware to develop the social relationship with their neighbor, understanding the importance of social networking and connectivity after involved in microfinance.

Table 6: Independency & Economic Mobility and Microfinance

Statements	N	Mean	Std. Deviation

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		Before	After	Before	After
I can go outside the home alone.	210	2.88	3.5	0.82	1.08
I do not seek husbands or elder's permission before going out.	210	2.74	3	0.76	0.92
I can travel to nearby market alone.	210	3.22	3.5	0.66	0.56
I got idea of using my small savings	210	2.89	4.1	0.87	0.62
I can invest small amount independently.	210	2.24	3.6	1.12	0.96

Source: Survey, 2020

Table 6 shows the status of independency & economic mobility of respondents (women members of microfinance, based on five-point Likert scale) before being member of any microfinance and after being member of microfinance. Table shows that respondents has got some confident to go outside of home alone after being members of microfinance. However, they feel unsecure moving outside of home alone. Table also shows that though respondents' confident of going outside home alone increased but they need to take proper permission from their husbands before going outside home. Table 6 presents that respondents has got some ideas of investing their small savings productively through various training program after being member of microfinance. This table also displayed that respondents got confidence of investing their small amount in different profitable alternative options independently.

Conclusions

Microfinance institutions have a major impact on the economic reform of the society of the developing countries. The importance of MFIs is unparallel in the process of improving the quality of life of its members via different programs.Empowering women is one of the main social objectives of microfinance programs. This study also tries to explore the contribution of microfinance on women empowerment in the Tillotama municipality of Rupandehi district of Nepal. This study found that the ownership rights over the family properties increasing towards the women after the participation in microfinance besides the major properties are still in control of males. It is explored that the microfinance has increased the consciousness towards saving money for the future. Meanwhile, it has enhanced the financial literacy among the members of microfinance and women.The research shows that those determinants of society are gradually improving their ability to find out small investment opportunities of their small savings. The study reveals that micro finance enhances the decision-making capability of women members in household and family decision makings though it is also pointed that the major decision of the family is taken by the senior members of the family. It is also noticed that the microfinance improving the awareness level of its members in political and legal provisions through various awareness programs besides that the women understand the importance of networking and developing their social relationship. The study observed that the microfinance enhances the economic mobility through various income generating training programs. Besides that, it also develops the independency level of women through building their confidence level.

The findings of this study revealed that microfinance is a powerful tool in enhancing women empowerment that includes indicators like economic security, household economic decision making, family decision making, mobility and legal awareness. All the indicators have positive and relationship with the women empowerment. Post program participation has more impactful and effective on women than their previous situations. Participation in microfinance program not only led to increase in women participation in seminars, workshops and training which helps women in enhancing their empowerment and also facilitate in good decision making which is consistent with Sandhu and Gurveen, 2013) who stated that better access to microfinance results in poverty alleviation, economic empowerment, financial sustainability, improved standard of living and overall empowerment. This study concludes that the microfinance has significant contribution in women empowerment with sensing the need of information and awareness among the women members which are incorporated by organizing different programs.

Thus, the knowledge generated through this study can be useful to future researcher and concerned authority for their future concerned strategies. This study will be significant to microfinance institutions in providing a basis for re-assessing their programs as per the changing situation, researchers and academicians. Microfinance leaders may use the findings of the study in updating their programs. Similarly, academicians will also find the study useful in adding to the existing literature on microfinance and women empowerment. Finally, the study concludes that there is still a considerable area for further research and further improvements. In addition, the study has trying to assess and analyze the contribution of microfinance in women empowerment in academic Tillotama municipality of Nepal.

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