

## **THE ROLE OF MICRO CREDIT IN THE WOMEN EMPOWERMENT OF SRI LANKA**

**Shohani Upeksha Badullaheewage**

Department of Economics, Faculty of Humanities and Social Sciences,

University of Sri Jayewardenepura, Nugegoda, Sri Lanka

Shohani.92v@gmail.com

### **Abstract**

*The proposed research studies about the role of micro credit in the women empowerment of Sri Lanka. The importance of the women in a society is multi fold. Women are such an asset to the society without which the society cannot work in an efficient and effective manner. The development and growth of a country depends upon the status of the women in the society and what facilities they are given to enhance and improvise their concerned situations. In context to Sri Lanka, there were various problems and obstacles that were faced by the women during the post war time because of the situations prevailing at the time. In such regard, it was pivotal for the government to take necessary initiative in order to improve their overall conditions and situations. Micro credit is one of the most important steps taken in this regard. The main object of this study is to find out the role of such micro credits in improving the overall status of the women and to what extent it has helped in achieving the overall objects of the country. In this research work, qualitative data has been collected and analyzed as to how importance of micro credit in relation to women empowerment to lay out a significant change in the social and financial affairs of the women. Thus, in upgrading the level of women and empowering them, micro credit has eventually played a huge role.*

*Keywords: Empowerment, Micro Credit, Poverty, Women*

## INTRODUCTION

The scope of micro credit has increased over the years because of its subsequent needs and requirements in today's time. Micro credit is a sub set of micro finance as micro finance is a bigger concept and includes a variety of financial services. In a clear perspective, microfinance means extending financial services to the people of low income groups or to the small entrepreneurs. The financial services in this context mean loans, saving, insurance etc. For the development of any country, micro finance there by plays a massive role. Micro credit is one major part of micro finance as it is only limited to the credit facility extended to the people who are in the actual need of it. Providing adequate financial assistance to the needy people so that they can improvise their quality of life at some extent is the main objective of introducing micro credit. The evolution of micro credit has also resulted in the development of thinking as well as the actual development of the countries (Qudrat-I Elahi and Lutfur Rahman, 2006). The introduction of micro credit in the world does not only extend to financial level but also up to social level. For many countries, this has been a major tool for reducing the poverty to some level. One of the greatest impacts of microcredit has been on countries like Philippines, Bosnia, and France where the usefulness of micro credit has been spread in terms of management of risks as well as improvising the financial support. After the success of its utilization in various countries, Micro credit project has also been introduced by World Bank which mainly aims at combating or reducing the poverty and assist in the development of the private sector by extending the financial services to required group of people (Projects.worldbank.org, 2018). In Sri Lanka, support of poor people through micro credit had made their sense of lifestyle comparatively better and thus there has been a subsequent boost in the household income as well as possession of the assets. Micro credit has been an effective tool for the present development of the country and making the country reach where it is currently today. The economic growth of the country does not solely depend upon its contribution through men but the contribution of women has an equal role. The participation of the women in the working and fulfillment of their own needs and requirements has tremendously increased. During the post war time, women in Sri Lanka faced a numerous problems. They lost their male supporters, family members and assets etc. which made their empowerment more effective and in today's scenario nothing good works would survive without women. The introduction of micro credit in Sri Lanka showed a major evolution during the post war period in Sri Lanka. At that time, women were in a major need of financial assistance and in this regard, the Government took the initiative of bringing more forward the concept of micro credit. Since then, microcredit has been an effective tool of socio economic development of the women.

## Research problem

This study revolves around one concept and that is analyzing the impact of micro credit facilities on the overall empowerment and assistance of the women. The growth and development of the country is reliable on a number of factors and the involvement of women in it in an efficient manner is thereby an important aspect. In developing countries, there is a range of problems like poverty, non-accessibility to resources, unemployment, difference in the wage rates etc. and hence various hardships are faced, especially by the women of the country. Various micro finance and credit programs have been initiated by the Government of Sri Lanka and these have been initiated since the time when women faced double challenges at the difficult times of conflicts and natural disasters. Thus, the level of the impact and how successful has been the implementation of an ailment of micro credit facilities by the women is the research problem.

## Research objective

The main objectives of conducting this research are as follows:

- Analyzing the impact of micro credit on the overall development and growth of the women's status.
- Identifying various ways through which women empowerment has been possible because of this facility extended by the Government.
- Extending suggestions in context to making available this facility in a better and enhanced manner for improving the present conditions of the women in terms of their income and social living.

## LITERATURE SURVEY

### Micro credit analysis

Micro finance is regarded as one of the rising tools for the overall social and economic development. Micro finance is a broader term which has inclusion of various services in it and for this; various micro finance institutions have thus been established. (Zeller and Sharma, 2000) said that the poor are the main sufferers and for micro financing institutions give an access to pivotal services for their survival like credit, saving, insurance etc. According to him, the conditions of the poor people can be improvised if an access to adequate services is provided by the Government. Microfinance is one such tool which directly played a vital role in the progress of the poor (Ibru and C., 2009). For the commencement of any new work, there is a requirement of some minimum money and micro financing has through its institutions, made it possible to reach itself to the needy and required group of people. Micro credit is a very pivotal subset of micro finance, which is basically the credit which is extended to the poor for the

purpose of their growth and development. Poverty reduction is the basic agenda behind the introduction of micro credit under micro finance (Khan, Shaorong and Ullah, 2017). For the sustainable development as well as equitable overall growth of the country and its poor residents, implementation of various micro credit programs have begun (Rahman, 1999). Micro credit is a part of the micro finance as micro credit only limits to extending small credit facilities and no other financial services.

Sri Lanka is a developing country and the residents have come across to a range of problems post the conflict period. In context to the post conflict period, the economic development of the country has been hugely possible because of provision of micro finance by the government of the country. The creation of various opportunities in the country in terms of not only the financial development but also for the social development has been possible through Micro financial institutions extending micro finance to the people in requirement (Un.int, 2018). Inequality in terms of income, employment, access to assets in the country automatically raised the requirement of financial assistance. According to, (Wijesiri, Viganò and Meoli, 2015) The Micro Financial institutions in the country have raised its efficiency as compared to the prior times when they were comparatively inefficient. The availment of micro credit by the people in Sri Lanka had a direct impact on their well-being. The rural poverty in Sri Lanka has been mainly in terms of income poverty and providing micro credit to the rural poor people has seemed to be considered as their survival kit (Ramakumar, 2002). The women in the country face major problems in terms of inequality and unemployment whereas micro credit is their last resort.

### **Economic empowerment**

Economic as well as Social Empowerment is significant for the growth and development of any country. In a literal sense, Economic Empowerment refers to a situation when people are self-sufficient and there is growth in terms of their overall sense of living and income level. When the people who are given enough sources or means to control their lives in an efficient manner, it economically empower them. According to, (Jones and Alan, 2001) Empowering individuals for the purpose of reshaping their lives in better form, is a trait of Economic Empowerment. As a result of economic empowerment, the earnings of the family increases which there by increases the standard of living and quality of living of people. The main agenda behind economic empowerment is to make individuals be independent financially or economically, which is the biggest need of the hour in today's time. (Rubin and Rubin, 2008) states that the organization of community and its appropriate development comes under the scope of Economic Empowerment. According to him, the overall development of any nation depends upon

implementing programs which are beneficial for the poor section of the nation. Economic empowerment is a kind of economic aid which aims at benefitting the individuals at a comparative higher rate (Fleshman, Kimani and Dovi, 2012).

Giving proper aid to the people who are in the requirement of financial and economic assistance is very vital for empowering not only the people but also the country. For the adequate enhancement in income and distribution, the programs and policies implemented by the Government only improve the family crisis of the people. Micro credit is one of the pivotal mechanisms in this regard and according to (Duflo, 2012) its scope has increased over the years for all the poorer sections of the society and especially for the women. The provision of economic empowerment lifts the position and well-being of the people and make them self-reliant through giving them funds and resources necessary in this regard, thus it is important to fulfill their short term as well as long term objectives. In Sri Lanka, the empowerment of both women as well men holds an equal importance. There is a separate clause in the constitution of Sri Lanka in context to the non-discrimination in terms of gender (Udagama, 2014).

### **Role of micro credit in economic empowerment of women**

The economic development of a country is inter related and inter dependent to the empowerment of women (Duflo, 2012). Empowerment in a broader sense signifies the ability of the person to reach his or her potential. The scope of women entrepreneurship has over the time has become more recognized and appreciated because of the interest of the women and also because of their responsibilities. The empowerment of women through economic assistance has resulted in being a major contribution for the overall development. For the wellbeing of themselves and their households, women need capital, in context to which micro credit has a major role. The women's productive capacity gets enhanced and they play an equitable role in reduction of poverty (Mughal, 2014). Micro credit is basically small credit which helps to sustain and maintain the small businesses that the women intend to commence. In a bigger perspective i.e. worldwide, more than 100 million people have received small loans of which women forms the majority (Global Citizen, 2018). Women from the poor families have more urge towards improving the conditions of their families and micro credit thus acts as a vital tool for the choice of the freedom in them.

Micro Finance Institutions extends various programs and schemes in context to availability of micro credit to the women. After availing these small loans, the women across the world have been able to initiate and flourish their respective businesses. It has been analyzed that with the provision of these small loans, women have been able to choose a business activity in which they want to indulge on their own instead relying on their mainstream choice of

business (Herath, Guneratne and Sanderatne, 2016). In Sri Lanka, the scope of women empowerment has eventually grown because all the adversities faced by the women at the phase of war and post to it. The precise attainment of women economic empowerment is at that level when they become able to make their economic decisions on their own without being dependent upon any other individual and with the assistance of small loans extended to them, they have been able to reach the level. The institutions which extend micro credits to the women emphasize on implementing such schemes and programs which are beneficial for the women and which does not make difficult for women to repay the loan (Yogendrarajah, 2015). The most important ability of the women is to live their lives in their own terms, provision of micro credit has helped a lot of women to achieve this ability and become financially independent. The financial independence assists in the upbringing of their children and family in an efficient and effective manner. The financial inclusion of women have eventually enhanced in various sectors which has resulted in more participation of them.

## **METHODOLOGY**

The women empowerment through micro credit has shown an immense positive result in Sri Lanka due to its subsequent benefits and advantages. According to, there is a direct and rising impact of micro credit on the self-employment. This research study aims at identifying the precise impact of these micro credits on the enhancement and empowerment of the women in Sri Lanka. This has been analyzed through the qualitative research using the secondary sources of data. For the proper collection of data, it has been made sure that the relevant source is used in taking out the relevant information. Secondary data in reference to the empowerment women, micro credit, micro finance, position of Sri Lanka in terms of women empowerment has been studied. For this, International journals, books, magazines, research papers have been referred. Various relevant reports have also been referred in this context by the researcher.

### **Research goals and aims**

The objectives of carrying out this research are evaluating the following aspects:

- The present status of women in the country because of the assistance through micro credit.
- Role of micro credit in the country of Sri Lanka.
- Analyze the overall economic employment of the country.
- Improvements and amendments implemented in the proper provision of service.

## **Research philosophy**

The collection of adequate and relevant data entirely depends upon the quality of information gathered through the research conducted. The data collected can be efficient only if the appropriate philosophy is used in this regard by the concerned researcher. For the purpose of carrying out the present research, the philosophy that has been taken in to account is pragmatism research philosophy. This theory is based upon proper evaluation of the actual factors in order to draw a relevant conclusion. Thus, for the purpose of determining role of micro credit in the subsequent empowerment of women in Sri Lanka, the actual factors have been taken in to account which were and are prevailing in the society have taken in to consideration. The secondary data relevant to the subject matter has been utilized through compiling the actual facts.

## **Research Design**

The research design is a very important aspect to conduct a research in proper order and it could be comprised of various components. There are three types of research designs namely descriptive, explanatory and exploratory (Stark, 2004).The descriptive, explanatory and exploratory research designs have been considered respectively to provide a detailed description of the research question, create a relationship between the facts and figures and develops the hypothesis. The research study used the descriptive research design to answer the research questions and make a justification on the research problem.

## **The data**

The technique used for the concerned study is utilization of the secondary data and using as much information as necessary for drawing the intended results. This technique has been chosen because the benefits of micro credit in past regarding the women empowerment can be only known through making use of the actual facts.

## **Data analysis**

As much as it is important to collect the relevant data, a proper analysis of the data so collected is also equally vital. Data analysis is a complex process if it there is no prior way decided for carrying out the research activity(Scott, 2005). The present study utilized the qualitative source of data and hence, the data has been analyzed by extending the relevant description and interpreting the correct meaning of the data which has been collected. The data has been there by analyzed through using the descriptive style which has rendered the required outcomes.

## RESULT AND DISCUSSIONS

The basic objective of this study is to analyze and evaluate the role of micro credits in the women empowerment in Sri Lanka. The relationship between the micro credit and overall women empowerment in the country of Sri Lanka has been explained as below. The findings of the study reveal the following pivotal aspects:

### **Boon or bane**

On the analysis of the proposed subject, it has been revealed that the status of women in terms of their economic growth in Sri Lanka has shown a positive result. According to, (C. Nirmala, 2012), 'Micro credit has eventually regarded as a boon to the present women empowerment. They have directly empowered themselves and their family as a result of it. Although, micro credit has improved their status in terms of their financial position and stability, but they still tend to have lesser recognition in the community as compared to the other gender. The availability of micro credit has no link with their participation in the government programs as these two are not inter related. Overall, the position of Sri Lanka in terms of the financial stability, gross domestic product and economic growth has shown a very positive improvement and enhancement, thus it can be stated that this has been a boon to the country as well as for the women of the country, especially after post war period.

### **Women Empowerment Index in Sri Lanka**

The Women Empowerment Index of Sri Lanka has shown a positive difference in over the years. The Human Development Index of Sri Lanka is 0.691 and the rank of the country in terms of Gender Inequality is as per the statistics is 74 (UN Women | Asia and the Pacific, 2018). The provision of small credits has resulted in the empowerment of the women along with the empowerment of the country. After the post war period, there were various adversities that were faced by the women because of the demise of the male members of the family. This scheme assisted bringing back the normality in the women's life of Sri Lanka. The gratification level begins with the individual level and after then at the economy level. The women empowerment index eventually showed the growth because the women in the country became satisfied at the individual levels as because of the small amount of money, they were able to commence small business and eventually succeed in it with a period of time. The support extended through the micro credit also showed a significant improvement in the decision making power of the women gradually in the country at a higher level



Table 1: Statistical analysis of Micro Credit dimensions in relation to women empowerment

	Mean	Number
<b>Women empowerment</b>	3.81	337
<b>Repayment of loan</b>	4.22	337
<b>Amount of loan</b>	3.72	337
<b>Credit delivery</b>	4.32	337
<b>Loan interest</b>	4.14	337

*Source:* (A Study on Empowerment of Rural Women Through Microcredit Facilities in Sri Lanka, 2015)

Table 2: Gender Inequality Index

Country	GII Value	GII Rank
<b>Sri Lanka</b>	<b>0.386</b>	<b>87</b>
<b>India</b>	<b>0.530</b>	<b>125</b>
<b>Pakistan</b>	<b>0.546</b>	<b>130</b>
<b>South Asia</b>	<b>0.520</b>	<b>-</b>
<b>High HDI</b>	<b>0.291</b>	<b>-</b>

*Source:* (Human Development Report, 2016)

### Impact on the social conditions

The social conditions of the women have shown an intensified improvement post the provision of the micro credit facilities. When this facility was not initiated, the women were only limited to the household chores despite having an urge to improvise themselves not only at an economic level but also at the social level. The contribution of the women was only limited to their respective households which made their self-confidence and self-esteem eventually get down. But, post to the introduction of the micro credit facilities, the position of the women in terms of their social life has improved at a very high extent. As a result of their self-independence, they have become able to be more socially active, meet new people, encounter new friends which has indeed assisted in the growth of their social status and helped to regain their self-confidence and esteem (Herath, Guneratne and Sanderatne, 2016). As a result of this, they are not only limited to have their duty or responsibility towards household chores only. The more they have become socially active, the more it has become possible for them to speak and represent their ideas in front of the other people in the society. The findings clearly reveal that the status of women has shown a positive impact as a result of the micro credit facility extended to them.

## Reduction in poverty

The poverty of a country relies upon the economic conditions of the people living there. As a result of the micro credit, not only the investment has been made by the women but they became able to indulge in to savings as well. Financial services not only include extending money to the poor people but also assisting them for saving the same. As a result of these services, the poverty has not completely finished, but it has reduced to a large extent in the country. The facility of the micro credit is specifically for the poor people and the women have taken the full benefit and advantage out of it by investing at the right places through right techniques. Together with the women empowerment, poverty reduction has been a major contribution because of the micro credit. Sri Lanka has been able to manage its position because of the subsequent contribution of the women in the overall growth and development of the country. Had these services not been granted to the women, the status of the entire country could also have been in stake.

There is a positive relationship between the facility of the micro credit and reduction in poverty along with the overall women empowerment of the country.

Table 3: Population below official poverty line

	1990/91	1995/96	2002	2006/07	2009/10
<b>Poverty Headcount Index (%)</b>					
<b>All Island</b>	26.1	28.8	22.7	15.2	8.9
<b>Urban</b>	16.3	14.0	7.9	6.7	5.3
<b>Rural</b>	29.5	30.9	24.7	15.7	9.4
<b>Estate</b>	20.5	38.4	30.0	32.0	11.4
<b>Number of poor (million)</b>	4.5	5.3	4.3	2.8	1.8

Source: Sri Lanka poverty assessment, 2011

## CONCLUSION

The study evaluates and analyzes the importance of micro credit in the overall economic empowerment of women in Sri Lanka. The changes that have been taken place as a result of the provision of this facility have been broadly discussed above. There are various noticeable positive aspects that have been able to encounter in the women's life as a result of it. A proper literature survey has been conducted in order to evaluate the current and past position of the women in terms of their empowerment. For the purpose of this research, much more of qualitative data has been gathered, collected and analyzed although there were some

limitations to obtain the expected full data due to the unavailability of adequate resource channels. The importance of micro credit in relation to women empowerment has shown a significant change in the status of the overall growth of the women whether socially or financially. For the economic and social growth of Sri Lanka, micro credit is extending its contribution at a vital level. As a result of it, there have been profound and major changes in the lives of the women like they have become their own decision makers and also begin participating in various aspects. Thus, in upgrading the level of women and empowering them, micro credit has eventually played a huge role.

## **RECOMMENDATIONS**

For the purpose of having more positive results overall and to make more and more women a part of this system, the amount of the loan which is available through this micro credit system should be increased and the interest amount should come down. Most of the women in the rural areas are still not able to access this service as they have a fear about the repayment of the concerned amount. Various programs and projects have been initiated by the government of Sri Lanka, which needs more modification and improvement. The Janasaviya and Divinaguma Programs (people strength), which later replaced by the Samurdhi Program (prosperity), was initiated with the main motive to alleviate poverty but the drawback of this program is the higher rate of interest which makes it difficult for the poor women to repay the loan. One another major program by the Government to extend micro credit to the women is Women's Bureau Gemidiriya which is based on the deposit taking. The Government plays a massive role in initiating and implementing various programs for the alleviation of poverty in Sri Lanka in making the women empowered, but the Government should take steps to make it more convenient and favorable for women to rely on these programs. The people who are living in the rural areas should be given more advantages and benefits out of it because at the end poverty of a country is measured by the status of all the people living in the country and not through a particular group of people. For the purpose of empowering the women of the country at a more large extent, the needs and requirements of the women should be given a due importance as it is the basis on which everything can work out. Apart from the financial services, various non-financial services should also be imparted to the women who would assist in their overall growth and development.

## **ACKNOWLEDGEMENTS**

The author is grateful to Hon Dean, head of the department and the senior lecturer panel in the department of Economics of Faculty of Humanities and Social Sciences in University of Sri Jayewardenepura Sri Lanka for their

support and encouragement to make this write up success. Special thanks to the Editors of the Journal for the many valuable comments on the previous version of the paper which has improved its quality and content to the present state.

## REFERENCES

- C. NIRMALA (2012). MICRO FINANCE A BOON TO WOMEN Empowerment". Excel International Journal of Multidisciplinary Management Studies, 2(1).
- Duflo, E. (2012). Women Empowerment and Economic Development. *Journal of Economic Literature*, 50(4), pp.1051-1079.
- Fleshman, M., Kimani, M. and Dovi, E. (2012). Economic empowerment. *Africa Renewal*, 25(5), pp.34-42.
- Global Citizen. (2018). The Impact of Microcredit on Women's Lives in Bangladesh. [online] Available at: <https://www.globalcitizen.org/en/content/the-impact-of-microcredit-on-womens-lives-in-bang/> [Accessed 23 May 2018].
- Herath, H., Guneratne, L. and Sanderatne, N. (2016). Impact of microfinance on women's empowerment: a case study on two microfinance institutions in Sri Lanka. *Sri Lanka Journal of Social Sciences*, 38(1), p.51.
- Ibru and C. (2009). Growing microfinance through new technologies.
- Jones and Alan (2001). *Knowledge Capitalism: Business, Work, and Learning in the New Economy*.
- Khan, W., Shaorong, S. and Ullah, I. (2017). Doing business with the poor: the rules and impact of the microfinance institutions. *Economic Research-Ekonomskalstraživanja*, 30(1), pp.951-963.
- Mughal, S. (2014). Empowering Women Through Microfinance: Study with the Perspective of Pakistan. *SSRN Electronic Journal*.
- Projects.worldbank.org. (2018). Projects : Microcredit Project | The World Bank. [online] Available at: <http://projects.worldbank.org/P051310/microcredit-project?lang=en&tab=overview> [Accessed 21 May 2018].
- Qudrat-I Elahi, K. and Lutfur Rahman, M. (2006). Micro-credit and micro-finance: functional and conceptual differences. *Development in Practice*, 16(5), pp.476-483.
- Rahman, A. (1999). Micro-credit initiatives for equitable and sustainable development: Who pays?. *World Development*, 27(1), pp.67-82.
- Ramakumar, R. (2002). Micro-Credit and Rural Poverty: An Analysis of Empirical Evidence. 37(10).
- Rubin, H. and Rubin, I. (2008). *Community organizing and development*. Boston: Pearson/Allyn & Bacon.
- Scott, S. (2005). Three handbooks of qualitative research and data analysis. *Qualitative Research*, 5(1), pp.133-137.
- Stark, O. 2004. Rethinking the Brain Drain. *World Development*, Vol. 32, No. 1, pp. 15-22.
- Udagama, N. (2014). The Fragmented Republic: Reflections on the 1972 Constitution of Sri Lanka. *Sri Lanka Journal of Humanities*, 39(1-2), p.81.
- Un.int. (2018). Sri Lanka Permanent Mission to the United Nations. [online] Available at: <https://www.un.int/srilanka/> [Accessed 22 May 2018].
- UN Women | Asia and the Pacific. (2018). Asia and the Pacific. [online] Available at: <http://www.bing.com/cr?IG=EF441AC2B0904F0CB32FA7CCB42664AA&CID=06DC0B2B225F61E509BE00D523E860F7&rd=1&h=293Dk04pza0Dm8QRNj3ImpG-8URegkzKhOc5Z5nqbUI&v=1&r=http%3a%2f%2fasiapacific.unwomen.org%2fen&p=DevEx.LB.1,5531.1> [Accessed 29 May 2018].
- Yogendrarajah (2015). A Study on Empowerment of Rural Women Through Microcredit Facilities in Sri Lanka. *Management Studies*, 3(5).
- Wijesiri, M., Viganò, L. and Meoli, M. (2015). Efficiency of microfinance institutions in Sri Lanka: a two-stage double bootstrap DEA approach. *Economic Modelling*, 47, pp.74-83.
- Zeller, M. and Sharma, M. (2000). Many borrow, more save, and all insure: implications for food and micro-finance policy. *Food Policy*, 25(2), pp.143-167.