

## A Contribution of Microfinance in Women Empowerment: A Case of Janakpur Municipality, Nepal

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**Abstracts:** *Microfinance has been one of the major sources of financing for financially backward society in the rural part of Nepal. The economic demography has also been found updated recently through the women empowerment movement. Hence, the study mainly looks into the role and importance of microfinance in the women empowerment movement in the rural part of Nepal like Janakpur. The study found that the general awareness regarding the importance and role of microfinance has been updated. However, the decision making authority is still under the control of Elder Male members of the house. The researcher came to the conclusion that the microfinance has been playing an exemplary role in the field of women empowerment in Janakpur. However, there are still some rooms for improvement in the policy and operation of microfinance.*

**Keywords:** Contribution, empowerment, Janakpur, microfinance, women

### 1. Introduction

The term microfinance is an economic phenomenon of financial services that is provided to financially backward individuals with the limited access to the financial institution services. Microfinance is an effective weapon and strategy to expose a reach to the financially challenged society having limited or no access to any kind of collateral (Jehan, 2020). Microfinance establishes itself as an institution that considers the financial status of low-income individuals with the services like savings and credit (Rahayu, 2020). The major targets of microfinance are individuals with low income and self-employed poor communities (Agarwal & Sinha, 2010). The financial services provided by such institutions are savings and credit along with insurance facilities (Bi & Pandey, 2011). There are certain ranked people who cannot afford to take service from the formal banking sector. Microfinance is acknowledged as microcredit to those communities. According to Kaur (2014), microfinance basically provides the financial services like borrowings, savings, and advances, insurance and alike. They are entitled to facilitate people having no financial access with the micro credit facility to enhance their living standard. According to Singh et al. (2014), facilities are expected to stimulate poor people and community to expand their economic functioning.

In the underdeveloped and developing countries, there exists a number of individuals and communities who lack the access to any form of formal financial services. In such a scenario, microfinance guarantees small collateral-free loans to those poor people. Furthermore, microfinance also provides non-financial services along with the financial service. It provides consultation services along with trainings, formal marketing skills, market awareness which can be an ace factor to eradicate woman poverty. Such Microcredit Plus program has been a key factor for the economic growth along with the sustainable social development. (Sigalla & Carney, 2012; Suprabha, 2014; Tariq & Sangmi, 2019). The objective of microfinance should not only have confined with the economic upliftment of the poor individual but also at an institutional level. Such process should consider providing the financial services to the poor who are not considered by the formal banking sectors. There is a problem in the society where deprived individual and community are not considered by

formal financial sector of the country. Hence, as a solution to this problem, microfinance institutions have emerged to contribute to the cause of eradicating poverty in an individual and community level. This process has made the microfinance a part of the formal financial system. However, the existing differences in the income and resources, absence of good governance and opportunities, and unchanged industrialization have been obstructing the motive of poverty reduction movement (Acharya, 2020).

Shrestha (2009) states that Microfinance has been able to establish itself as a simple form of financial measure which has been an effective and efficient means to eradicate poverty in the society. It has facilitated the poor family to earn a living through the establishment of small business. Earning from such a business has helped the financially deprived family to take care of their food, healthcare along with the formal education to their children. On the other hand, it has also promoted the indigenous skill of individual and community through providing loan for business establishment without any collateral.

Addai (2017) established the issue of social and economic reform as one of the pertinent issues that under developed and developing nations are facing. In this regard, Women Empowerment has come up as a one of the major factors. Through such a practice, women are able to accomplish things which they are deprived previously. Through this, women have been able to assure a financial independence, self-reliance and decision making authority in the society. MFIs take an initiation to spread awareness among women regarding their rights, roles and responsibilities in the current society. This has an impact on the women psychology regarding their esteem value in the social activities.

Many MFIs have realized that women empowerment can be the mean of social and economic reform. This realization is the main reason for initiation of women related activities in the society. (Mayoux, 1998). Such activities have assured Women empowerment in many areas like socio-economic, legal and political. (Yunus, 2007). As per Hashemi et.al. (1996), Females are relied more to showcase high level of financial responsibility as compared to male members in a family. Perhaps the financial independence is one of the major factors that empowers women and enhance their roles and responsibilities in the family and society.

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 groups who are deprived of financial services due to lack of capital access. This has uplifted the status of women in a family (Mayoux, 1998). It is a fact that the low economic status individuals do not have a proper access to the formal financial institution of the developing nations. Considering such a constraint, small scale finance providers have been providing the finance to the poor people to pursue economic activities like agriculture, fishing, herding and other enterprises (Robinson, 2001; Rahayu, 2020). Zeb & Zaheer (2021) further states that the microfinance has been established with a purpose of providing access to the deprived society who are financially discriminated for their inaccessibility to financing. Through the MFIs, those individuals and communities have come under the financial system in a simple and reliable manner. This has helped low income segment community to earn a living through various economic activities.

It is not possible to directly observe the empowerment process. Along with the rights, it also brings responsibility which in turn brings a level of freedom to the deprived society. (Mahmud, Shah and Becker, 2012). Empowerment being a multidimensional socio-economic process helps deprived segment to regain control of their lives. (Mandal, 2013). The women of rural areas of Nepal have been going through social challenges due to the prevailing social deformities. The problems such as superstitions, domestic hostility, inaccessibility to the formal education system and alike are still found in the unprivileged and male dominated society. Similarly, there had been a reservation on MFIs with the claim that

the majority of the loan amount being used by the male member of the family leaving behind the repayment burden to the women.

This situation has prompted female to come together and stand for themselves against the disparity. For such disparity, the active involvement of Self-Help Groups (SHGs) has been proved effective solving the problems like gender inequality, social discrimination, and alike. The live example of women empowerment can be seen through the success of community forest management under the control of women's group in various part of Nepal (Agrawal, 2009). There are many modern studies conducted on an impact of microfinance on women empowerment. As per these studies, there are five major dimensions of women empowerment that includes the sectors like economic, social, political, legal and psychological empowerment. Among these sectors, economic and social empowerment have been considered to be the principal factors. (Maclean, 2010; Chowdhury & Chowdhury, 2011; Laha & Kuri, 2014; Addai, 2017).

The studies show that microfinance has become one of the major and reliable means of financing to the under privileged community. The major focus of the MFIs is to provide loans and credits along with the market consultation services. The MFIs have been one of the important means to the empowerment of the women in a society. The financial independence gained through the support of the MFIs has empowered the women in the aspects like decision making, pursuing economic activities and many more. Moreover, MFIs also help financially challenged entrepreneurs with the collateral free loans to sustain in the market. 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 importance of the microfinance in the livelihood of women in Janakpur municipality of Nepal.

## **2. Methodology**

This study uses descriptive research design to evaluate the contribution of microfinance in the cause of empowering women in Janakpur sub-metropolitan city. Among all the microfinance users' women in Janakpur sub-metropolitan city, 265 microfinance women members from different microfinance institutions are taken as the sample for this study. The study has deployed a convenient and purposive sampling technique to collect the respondents' opinion. The data for the study have been collected using structured questionnaire based on 5-point Likert scale ( 5 being strongly agree and 1 being strongly disagree), organizational documentations, personal observation and unstructured interview. The questionnaires were distributed manually as well as via online. The questionnaire included the aspects of financial security, decision making authority in a family, assertive legal & political involvement & 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 and Microsoft excel have been used. Thus, to analyze the data descriptive statistics has been used and Cronbach's alpha of all items have been used for reliability test.

Cronbach's Alpha has been calculated to be 0.78 for economic security and microfinance, 0.75 for family and household economic decision making and microfinance, 0.73 for legal and political awareness and microfinance, and 0.79 for independency and economic mobility and microfinance, according to the test. Because a coefficient of more than or equal to 0.70 is considered acceptable and trustworthy, all construct-related variables were also considered reliable and acceptable.

## **3. Data Presentation and Analysis**

The study was conducted to verify the contribution of microfinance toward the empowerment of Nepalese women. For this response of women members of different

microfinance in Janakpur municipality on different aspects of microfinance and empowerment were taken.

**Table 1 Respondents Profile**

Academic Qualification	Marital Status				Total	%
	Married	%	Unmarried	%		
Master Degree and Above	9	3.40	2	0.75	11	4.15
Bachelor Degree	17	6.42	12	4.53	29	10.94
Intermediate	25	9.43	18	6.79	43	16.23
SLC	65	24.53	22	8.3	68	32.83
Basic Level and Below	72	27.17	23	8.68	95	35.85
Total	188	70.95	77	29.05	265	100

Source: Survey, 2021

Table 1 depicts that 70.95% of respondents were married and rest 29.05% were unmarried women members of different microfinance of Janakpur municipality of Nepal. Table also shows that 35.85% respondents had basic level and below academic qualification consisting 27.17 married and 8.68% unmarried women. It was also seen that 32.83% respondents with SLC which comprised 24.53% married and 8.3% unmarried women. Likewise, the respondents having intermediate academic qualification are 16.23% including 9.43% married and 6.79 unmarried women. Rest of 10.94% respondents has bachelor's degree and 4.15% respondents has master or above degree. It is noted that there is no any unmarried respondent of having master or above degree. The table 1 shows that majority of respondents had basic or below academic qualification and majority are married women. The data also convey that majority of microfinance members were married women with low level of educational background in Janakpur municipality.

**Table 2 Economic Security, Independency & Economic Mobility**

Statements	Mean		Std. Deviation	
	Before	After	Before	After
Confident in my ability to earn income to cover my expenses..	3.06	4.09	1.01	0.68
In the face of a financial catastrophe, I am confident.	2.86	3.60	0.78	0.94
In my name, I have registered property such as a house, land, and livestock.	3.22	4.18	0.68	0.58
I'm able to boost my usual income.	2.72	3.48	1.26	0.67
I have a separate savings account for the future.	2.47	4.26	0.79	0.54
I am able to leave the house by myself.	2.89	3.46	0.84	1.09
I don't have to ask my spouses or elders for permission to go out.	2.76	2.99	0.77	0.98
I can go to a nearby market on my own.	3.23	3.55	0.67	0.57
I came up with the notion of putting my meager money to good use.	2.90	4.06	0.88	0.64
I am able to invest a tiny sum on my own.	2.26	3.57	1.14	0.98
N= 265				

Source: Survey, 2021

Table 2 depicts the economic security position of respondents (women microfinance members) prior to joining any microfinance and after joining microfinance. It demonstrates that after participating in microfinance, women's confidence in earning income for their living grows as a result of numerous income-creating training programs. Table also showed that women's confidence in dealing with financial crises has improved, and that in significant financial crises, they require assistance and support before making any decisions. The majority of women were able to hold assets after joining a microfinance organization. It is found that the respondent's ability of generating regular earning is increased though few of respondents were 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 was gradually increased after being member of microfinance through different types of daily, weekly and monthly savings schemes of microfinance.

Table also 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 presents that respondent has got some ideas of investing their small savings productively through various training program after being member of microfinance. This table also displayed those respondents' got confidence of investing their small amount in different profitable alternative options independently.

**Table 3** Family & Household Decision Making, Legal & Political Awareness

Statements	Mean		Std. Deviation	
	Before	After	Before	After
Involved in the household incomes decision-making process.	3.17	4.36	0.74	0.69
Involved in household expenditures decision-making	3.19	4.11	0.78	0.94
Involved in the decision-making process for major purchases	2.60	3.58	0.68	1.07
Have the freedom to buy clothes and other necessities for myself without my husband's permission	2.90	4.07	1.26	0.65
Involved in making decisions about their children's education, marriage, and careers.	3.26	3.79	0.74	1.04
I am aware that women face discrimination in the workplace and on boards of directors.	2.79	4.15	0.83	1.09
I am aware that in the event of abuse or violence, I can seek legal protection.	2.85	3.67	0.77	0.93
I am aware that in the event of abuse or violence, I can seek legal protection.	2.77	4.09	0.89	0.68
I am aware of how to join any political party	2.97	3.77	0.74	0.59
I am aware to improve the social relationships of women in their community.	2.68	4.18	1.14	0.79
N= 265				

Source: Survey, 2021



Table 3 shows the involvement in family and household decision making by respondents and legal and political awareness. It shows that the women's involvement in decision making regarding family earning had increased after their involvement in microfinance. Table also shows that women's involvement had been increased in decision making of normal household expenses after being member of microfinance which has low involvement before being member. Table 3 suggests that the involvement of women had increased in the decision making related to large purchases after being member of microfinance. Meanwhile, it indicated that the decisions related to large purchase was still taken by the senior member of family who were generally male in the Nepalese context. It is found that the respondents were being able to take buying decisions of clothing and other essential items after being member of microfinance which was previously difficult for them. It is also clarified that the women have material involvement in decision making process regarding their children's education/marriage/career however the final decisions were taken by their husbands.

Table shows that respondents were 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 also shows that respondents were 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 were restricted for making compromise besides any legal treatment. Table presents that most of the respondents were 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 also clarify that the majority of respondents were aware of taking membership of any political parties after being member of microfinance. However, majority of them did not show keen interest to join any political parties due to the political situation of Nepal. The table displayed that the respondents were aware to develop the social relationship with their neighbor, understanding the importance of social networking and connectivity after involved in microfinance.

#### **4. Conclusions**

Microfinance institutions have a major impact on the economic reform of the society of the developing countries. The importance of MFIs is unparalleled in the process of improving the quality of life of its members via different programs. Women Empowerment has been one of the major objectives of a microfinance. This study also tries to find out contribution of MFIs on women empowerment in the Janakpur municipality of Dhanusha 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 women members of microfinance. 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 improves 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 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 study shows that the microfinance has become an effective means to upgrade the financial status of women in Janakpur Municipality. The contribution of microfinance has been a key in various aspects like financial security, decision making in household and economic activities, legal and political awareness and alike. 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. Along with the increased participation in workshops, seminars and trainings, microfinance also helped women to strengthen their decision making ability. This study concludes that the microfinance has provided women with access to information and social and economic awareness through different programs.

Thus, the knowledge and information gathered from this research can have a material contribution for future researchers and concerned authority to formulate the strategies. This study will be substantial for microfinance institutions to draw a foundation in providing a basis for re-assessing their programs as per the changing situation. Similarly, academicians can get benefited to use the finding of this research for their study on microfinance and women empowerment. Hence, it is recommended to the Microfinance institutions to have a consideration for the further improvement in the context of the deprived society.

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