

## **Women Empowerment in Microfinance: Poverty Alleviation Tool**

**Anurudha Gishan Illangakoon<sup>a†</sup>, S. M. Ferdous Azam<sup>a</sup>, Ali Khatibi<sup>a</sup>  
and Sepali Sudasinghe<sup>b</sup>**

<sup>a</sup> Post Graduate Centre, Management and Science University (MSU), Malaysia.  
<sup>b</sup> Sri Lanka Institute of Development Administration, Sri Lanka.

### **Authors' contributions**

*This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.*

### **Article Information**

DOI: 10.9734/SAJSSE/2021/v12i430324

#### Editor(s):

(1) Dr. Ridzwan Che Rus, Universiti Pendidikan Sultan Idris, Malaysia.

#### Reviewers:

(1) Rorim Panday, Bhayangkara Jakarta Raya University, Indonesia.

(2) Timothy Abiodun Okeowo, Lagos State Polytechnic, Nigeria.

Complete Peer review History, details of the editor(s), Reviewers and additional Reviewers are available here:  
<https://www.sdiarticle5.com/review-history/76648>

**Opinion Article**

**Received 13 September 2021**

**Accepted 27 November 2021**

**Published 04 December 2021**

### **ABSTRACT**

This article attempts to discuss, how does women empowerment in Sri Lanka could be used as an effective tool to alleviate poverty. Predominantly microfinance was identified as an effective concept to reduce poverty and improve social well-being. The women empowerment is also play a vital part in the process. Microfinance industry has adapted various business strategies and innovative ideas to address and influence poverty reduction. It is acceptable fact that women play a pivotal part in economic development in Sri Lanka. As per the Millennium Development Goals (MDGs) stipulated in 2000, women empowerment and gender equality have been identified as one of the main objectives of MDGs to achieve in every country. It is known fact that there has been a strong relationship between microfinance and women. It's not only women it has a broader relationship mainly in perspective of empowerment. The aim of this paper is to discuss importance of building women empowerment through microfinance by way of substantial in building confidence, courage, skill development and empowerment, and ultimately become an effective poverty alleviating tool. It is very important to focus on Financial, Social dimensions, Government and Regulator support and Environment performances to put microfinance on to track to become a new standard for the microfinance sector by getting

<sup>†</sup>Working as Chief Risk officer in Bank in Sri Lanka;

\*Corresponding author: Email: a.gishan@yahoo.com;

effective participation from women sector. Therefore in order to get the real result from these emerging concepts, need women participation for up-tick the microfinance and alleviate poverty.

*Keywords: Women empowerment; microfinance MF; microfinance institutes MFI; SHG self help groups.*

## 1. INTRODUCTION

The importance of microfinance towards achieving sustainable development in a country is clearly stated in the United Nation's Millennium Development Goals (MDGs). It mainly covers areas such as nutrition, education, health, gender equity, and environment. In order to address these areas, the microfinance is being used as main contributor to the process. Microfinance concept has been evolved beyond extending business loan. It has a broader coverage and outreach. Lemire [1] predominantly, po-poor banking initiatives, women segment had not been taken into consideration in providing services and not even for center of attention. However, since eighteenth century there was some improvement in level of women participation through corporative movement. Gradually expended to mid twentieth century very slow pace. However, during last three decades it was noted that significant change in thinking and attitude of MFIs and other stakeholders [2,3]. There has been a significant growth in borrowers since 2009, reported 139.9 million borrowers benefited from the microfinance service in 2018, which is almost 42% increase compared to 2009. In 2009 count reported 98 million. Most important fact is 80% of the borrowers are women and 65% are rural borrowers, composition that have remained unchanging over the past ten years, in spite of increase in the number of borrowers (Microfinance Barometer [4]. They realized the importance of serving women and take them as a partner into the industry. This was clearly evident from steps taken by Grameen Bank who changed the proportion of women participation from 44% to in 1983 to 95% in 2001, (Armendariz., B and Morduch, J [5]. What was the reason behind the strategic move to focus more on women? Three main reasons (1) gender equality (2) Poverty reduction, and (3) MFI efficiency (Mayoux, [6,7]. Microfinance is considered as an effective tool to support to find new avenue to generate income, inculcate savings habits, negotiating powers and control over their income which ultimately leads to build entrepreneurship and women empowerment. In

case of poverty reduction, it is contended that women use their income more viable and productive sources which help to nurture the social wellbeing and improvement in household affairs [8-11]. Final factor, MFIs efficiency would support by way of comparatively efficient repayment rate by women borrowers and also inspired by significant reduction in over dues and less administrative cost to monitor. But some are in the opinion that real situation is much more difference in relevant to efficiency. They argue that serving women is much costlier due to various reasons, such as approach particular segment is fairly time consuming, borrow small amounts , difficulty in mobility, business training ,cultural and social issues to convince [12-15]. Nevertheless in long run, development in women segment and empowerment would lead to positive outcome rather than negatives.

It is globally accepted fact that women can play a vital part in development agenda and women empowerment correlates with poverty alleviation. The women empowerments generally being identified as a "perfect approach", but concerns are what extent strategies, measures and development interventions could contribute to making improvement towards effectively empowerment to get desired results. Women are progressively comprehended as a vital part of the international development agenda [2,16].

"There are many stories of the transformative effect of microfinance on individual borrowers but until recently there has been surprisingly little rigorous research that attempts to isolate the impact of microfinance from other factors or to identify how different approaches to microfinance change outcomes" (Center for Global Development, [17].

Although there has been a moderate growing economies in Asia, when compared to rest of the countries in South Asian, Sri Lanka has sizable part of poverty level. As per The Department of Census and Statistics (DCS) official poverty line (OPL) was established and updated every three years in line with the household income and expenditure survey

(HIES) which was revised in 2017. OPL is arrived adjusting Colombo Consumer Price Index (CCPI). Sri Lanka has achieved a high-level of human development and many successes under the Millennium Development Goals, particularly in terms of health, education, and poverty. Sri Lanka is ranked under the category of countries with high human development, recording a Human Development Index (HDI) of 0.766 (Rank 73) in 2015. With relating to women entrepreneurship aspect Asian Development Bank (ADB) has identified four key interconnected challenges and bottlenecks bring about institutional changes that will foster an environment conducive to women's entrepreneurship in Sri Lanka: These are women entrepreneurship limited access to finance, Low business capacity of women entrepreneurs, Inadequate policy and regulatory framework for women entrepreneurship; and Poor data and evidence on women entrepreneurs on which to base policies and practices (Report Promoting Women's Entrepreneurship in Sri Lanka, ADB 2019).

With high pace of growth in microfinance in 1980s, various steps had been taken by most of the stakeholders to address the poverty in grass root levels with ambitious plans to make them financially and socially sound position. Major steps have been taken mainly enhanced financial access through Women Entrepreneurs Finance Initiative (We-Fi), encouraged MFIs to lend women borrows, increased Outreach, more than 90% of loans and We-Fi grants were made for economic activities outside Colombo District, including 22% in lagging regions (Eastern, Northern, Sabaragamuwa, and Uva) and across various industries (including manufacturing, tourism, trade, healthcare, and agriculture). Capacity Enhancement focused more comprehensive tailored training program and increase financial literacy levels [18,19].

But it was a hard task to all of them. South Asia is the largest market in terms of borrowers (86 million), with one specificity :90 of borrowers are women (Microfinance Barometer 2019). In 2018,140 million borrowers benefited from their services compared to only 98 million in 2009. Among these borrowers, 80 %are women and 65% come from rural areas. This figures show how important women segment. In Sri Lanka, 82% of Microfinance clients represent women which clearly indicate the importance of empowering women to achieve poverty in the household.

Recognizing the complexities surrounding the term 'empowerment' of women, the essay assesses the impact of microfinance by looking at potential empowerment indicators such as engagement in productive activities, self-reliance, better status at all levels, increased self-confidence, decline in violence experienced and prospects of moving out of poverty. Singh, S. [5] Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. Women empowerments, Poverty, Microfinance have a very close link and correlation. Habte, S, M, Niner., S [20] Out of three factors, Microfinance plays a vital part which basically support poor segment by extending self-employment opportunities, encourage them to exploit business opportunities, improve entrepreneurial skills, reduce gender gaps by way of creating income opportunities to women, instill banking habits such as saving, insurance, improve social well-being and subsequently become empowered society. Microfinance has been successful in providing women to enter into economic resources and financials which could be considered as helping tool to achieve not only poverty, also to create security to women. (Microfinance barometer 2019, WB Report on poverty 2019) The industry is one of the main avenues to empower poor women in the society economically, socially and also personally. Microfinance is not only a financial service provider any more, it encompasses the providing total solution to poor segment who do not have ways and means to approach large financial institutes.

However, Banerjee, Duflo, Glennerster and Kinnan [17] found that microfinance is not the exclusive solution to world poverty. Sam Daley-Harris, Director of the Microcredit Summit Campaign, [21] writes, "Microfinance is not the solution to global poverty, but neither is health, or education, or economic growth. There is no one single solution to global poverty. The solution must include a broad array of empowering interventions and microfinance, when targeted to the very poor and effectively run, is one powerful tool.". Nevertheless need to find a solutions and avenues to address the poverty issue and how could it be addressed to a certain extent. Women participation in microfinance services would not only contributes to improve the economic base and living standards, but also supports to advance the social status of women, in the society as well as within the household [22-25]. Many MFIs, through their social mobilization

process, create opportunities for women to interact with the broader society, build social assets such as social networks and mutual trust, raise self-reliance. Habte, S, M, Niner., S [20] In general issue and concern are whether microcredit fund are flowing to correct and actual person who deserves funding.

The way out must contain wider range and extensive outreach targeting poor segment which should contain majority in women segment. It clearly shows from the statistics in microfinance clients based in Sri Lanka which represent all most 75% are women borrowers.

Economist Kabeer(2005)defines “women’s empowerment as the process by which those who have been denied the ability to make strategic life choices acquire such ability. The main objective of microfinance scheme or programme is to provide opportunity for the poor to access financial services in order to engage in income generating activities. This as it were, would lead to economic empowerment of the poor women, all over the world form majority of the poor because they are deprived of the paid jobs”.

## 2. LITERATURE REVIEW

Microfinance is not a recently developed concept. It evolved from the 18<sup>th</sup> and 19<sup>th</sup> centuries and became a very strong in 1970. Pioneer and “guru” of in modern day microfinance concept is Nobel Prize winner Professor Mohammad Yunus who instrumented to establish Grameen Bank in Bangladesh. He attempted to end poverty levels through microfinance concept and talked about “microfinance services, specifically credit for self-employment and savings capabilities”, should give more priority to poorest segment. Beside that women should take part in the process on priority as they are considered to be “very adept at saving, highly creative entrepreneurs, and consistent in ensuring that earnings go directly to meeting family needs.” Prof. Yunus, in 1997 said that “Microfinance is an important tool for sustainable social and economic progress, and a key strategy in ending poverty”. Subsequently many countries commenced opening MFIs to support microfinance segment. Shore bank was the first microfinance and community development bank founded 1974 in Chicago.

Need to accept the fact that there has been a significant development in financial sector which provides access to women over the years.

Nevertheless the main concern is that whether they have the capacity and appetite to enter into microfinance services due to gender related disadvantages [26]. It was evident that women’s poverty levels, social discrimination against women results in smaller loan sizes in comparison to men. It is difficult to assess the reason but there may be subjective and objective reasons for this. As per Kabeer [27] there is limited number of leadership in MFIs, which would have been the reason for the biased loan access and weal business approach towards women segment. She further said that although microfinance does not address the entire hurdles to women’s empowerment, it can contribute to their empowerment if properly implemented [27].

Since 1976, Microfinance industry has been developed in such a way and lots of studies have been done to examine the impact of microfinance (MF) on the poor, how it could be applied to eradicate poverty. There were different opinions and arguments with reference to whether access to microfinance has the potential to reduce poverty significantly (Khandker, [28] or it has insignificant impact on poverty reduction (Morduch, 1998; Roodman & Morduch, [29,30].

Previous studies had discovered that microcredit plays preeminent part in addressing women poverty which gives them to earn and improve their living standards, moreover improve negotiation skills and business senses Gunathilake & de Silva, 2010; Chang, [27]. One of the main objectives of the microfinance concept is to develop a person as a strong entrepreneur and uplift their living standards. It is noted that most of the MFIs and lending institutes focus on women mainly due to the reasons that they experience women carry fairly less creditrisk, less probability of defaults and tend to focus more towards entire family benefit. Authors S. Sarumathi and K. Mohan, [31] stated that microfinance support to gain psychological and social empowerment than economic empowerment which mainly covers the areas of confident building, courage and skill development. However, it was discovered (World Bank 2015) that in the societies discrimination has been passively happening and evident that at macro level most of unemployment would represent majority from poor women segment which is around 70%. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution’s activities, benefiting multiple generations.

There have been a number of dimensions and frameworks for women’s empowerment developed by authors and researches in different fields. As per Malhotra, [32] “Women’s empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial, interpersonal, legal, political, and psychological.”

There are various approaches that microfinance services target women which some time design programs targeting only to develop empower women. It is a good approach as long as it gives short and long term results. What would be the objective of women empowerment through microfinance services? There have been schools of thought that women are most vulnerable of the underprivileged, amongst the poorest and hence they should be taken care on priority. In the same time some stated that endowing feminist capabilities and competencies would certainly empower them to contribute greater economic growth and development. Mayoux (2011) [32] out with three paradigms in microfinance which are the Financial Sustainability paradigm, the Poverty Alleviation paradigm and the Feminist Empowerment paradigm which shows in Table 1.

It was also revealed that opportunity to increase access to financial services would pave the way to greater empowerment and explicitly perceive microfinance as a tool in the fight for the women’s rights and independence. Some argue that although women are empowered through microfinance there is no much of sustainable development in the rural areas, reduction in unemployment and increase asset base. According to the study accessibility and affordability of rural microfinance services in Sri Lanka would depend on the household income, availability of collateral, reachability of MFIs, interest rates, availability of information technology, vocational training and level of education (Premaratne S.P, [33]. But argument is why so much of pre- requisites to support poor segment, country like Sri Lanka. This clearly shows MFIs are more focused and concern of their profitability and recovery of loans. If so what would be the moral duty of eradicating poverty and empower women. Ultimate objective would be to see a win -win situation for all stakeholders if not nothing going to materialize. Micro service intuitions play a pivotal part. As any other financial institutions and profit making entities, MFIs also responsible to enhance shareholder wealth and sustain in the market with generating

**Table 1. Three schools of thought about Microfinance**

	<b>Financial Sustainability</b>	<b>Poverty Alleviation</b>	<b>Feminist Empowerment</b>
Underlying development paradigm (Thomas, et al., 2001)	Neo-liberal market	Poverty alleviation and community development	Feminist critique of capitalism
Target group	Entrepreneurial poor	Poorest of the poor	Poor women
Reason for targeting women	Efficiency, high female repayment rates, increasing economic activity of women	High levels of female poverty, women’s responsibility for household self-being	Gender equality, human rights of women
Definition of empowerment	Economic , expansion of individual choice and capacity for self-reliance	Community development , well-being and self-sufficiency	Transformation of power relations in society
Role of participation	Consultation and group formation to decrease costs of service delivery and increase commitment and innovation	Development of self-owned and self-managed peoples’ organizations for community development.	Empowerment of women to articulate their collective interests and organize for change in gender relations

Source: Adapted from Box 1, Mayoux 2000a

decent financial performances. As MFIs, they should select and motivate micro-entrepreneurs establishing of market linkages for inputs and outputs, identification of livelihood opportunities, business and technical training, Microfinance societies, Self -Helped Groups (SHG) and individual clients are run by poor people who do not have much access to broader economic services and explore new opportunities in the market, unless MFIs support. In that case clients need more intermediaries and slightly improved infrastructure to reach new markets and clients.

It is an acceptable fact that microfinance alone cannot do the job. Prof Yunus [27] had mentioned that "Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people's potential, micro-credit is an essential tool in our search for a poverty-free world". With the expansion of the industry, there has been an influx of number of MFIs to the industry. As a result of entering new companies to the system, it triggered to create 'market saturation', and a hyper-competitive situation. Furthermore regular new entry to the industry would lead to deteriorate the returns and market share. The situation would become further aggravate when MFIs tempt to charge very high interest rate. Therefore, most important part of the game is to push MFIs and women segment to have a proper understanding and inculcate economic growth and women empowerment to eradicate poverty in the society.

### 3. DISCUSSION

Women empowerment is one of the major tools to alleviate poverty to a certain extent and use as major source for microfinance to support the society. Why do women Empowerment important? In general perception that women do not get what they deserve. There are so much of impotent factors that really look into the women participation and empowerment considering various factors which could be used to change the game. We can look at in different dimensions why women are important in poverty eradication through women empowerment. There are facts, such as Talent, Overall development of the society, Economic benefit, Reduce corruption, Self-esteem etc. It is proven that women are talented as men. Historically, women were not given due recognition, not given much opportunity for higher education like men and

imposed restrictions to pursue their talents mainly due to the cultural, social factors, religion and conservative thinking pattern in respective societies. Predominately, nobody realized that effective and more objective programmes towards enhancing women empowerment which would support and take leadership to create economic and social development in the society instead of mere development of individual. Women empowerments would lead and provide support to more financial independence of women. Also this would use as a game change to reduce malpractices and also take punitive steps and leadership to reduce corruption. As we know corruption is embedded in the society and could not be eliminated entirely. By giving due place to women in the society, women would be able to improve self-esteem and self-respect among the society. Malhotra and Schuler, 2002; Raj, [34] constructed a list of the most commonly used dimensions of women's empowerment, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial / interpersonal, legal, political, and psychological.

All stakeholders should come together and set objective to explore the possibility of exploit women empowerment as one of the poverty reduction tools. Poverty is a multidimensional concept which contains lack of income to meet basic human needs, lack of skills and capabilities, weak political affiliation, socio cultural issues. This clearly shows that income is too limited indicator of poverty and need to address other dimensions to come out from real poverty level. Hence, mere improvement in women income would not fulfill the real objective of alleviating poverty but it should build empowerment themselves. It is common for all communities in rural areas people need financial support to actively participate agriculture base and non agriculture base income activities small scale trading of commodities, agriculture, farming, domestic industries such as food processing, handicraft horticulture activities, etc. They may also need credit for consumption, especially during lean periods. As mentioned earlier, although community needs funding to gear up with income source, majority do not have formal sources to borrow, mainly from formal banks, due to several reasons several reasons such as non availability of collateral, unable to prove ownership in the assets, prolong land disputes, quantum of the transaction which is compared to small and high transaction cost irrespective of size of the facility. It is known fact

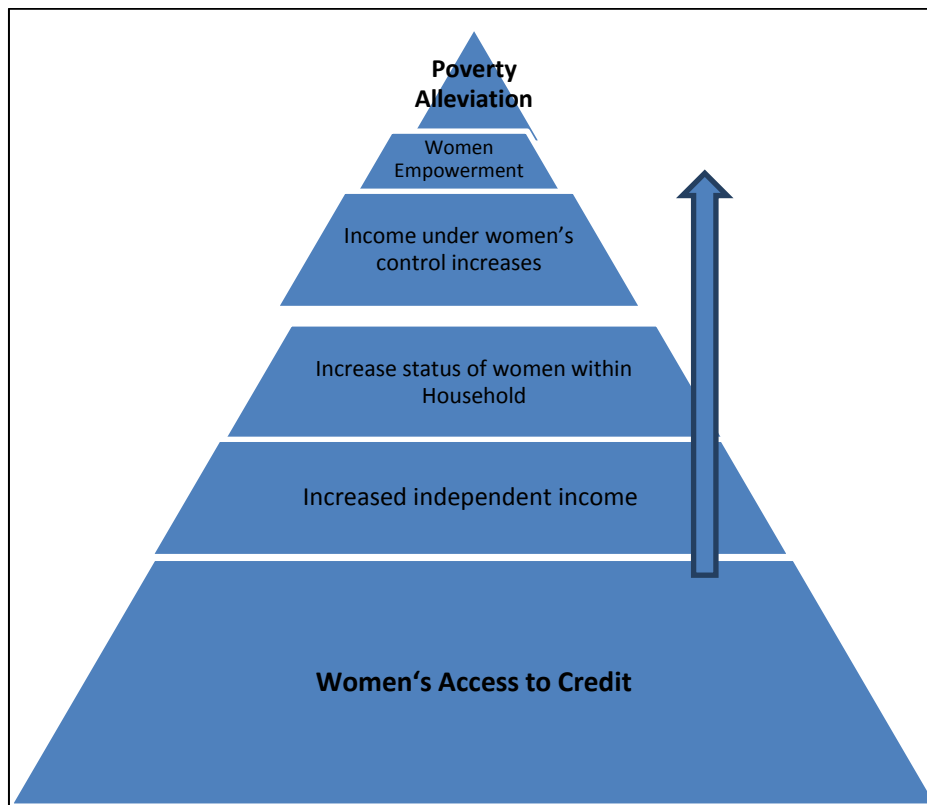
that formal banks are reluctant to support this segment. As an alternative option, Grameen banking concept was introduced in 1980s and thereafter Microfinance institutions (MFIs) have been entering to the financial system focusing to support poor segment in the society. Microfinance institutions (MFIs) provide various products and services; mainly focus on availing small loans, saving products, insurance services, training. Usually, microfinance is not for consumption and only given for micro entrepreneurs engaged in some form of livelihood development activities or other form of useful business activity. Unfortunately, majority of profit oriented companies' availed loans for consumption, offering loans beyond their repayment capacity, forcing them towards loan sharks. Overall, the main objective of microfinance has gradually been negatively impacted and lost its way due to this encroachment by profit motivated institutions and has resulted to create some issues in the society. It was noted that in Sri Lanka out of 2.6million microfinance loan holders, there were approximately 170 cases surfaced. When the details were requested to verify people were reluctant to provide those information. Although we talk about women empowerment as poverty alleviation tool through microfinance, lack of proper regulation system has been major factor this situation resulting in the intrusion of merely profit driven lenders with high interest loans given without assessing the purpose of loans and repayment capacity which are essential integral elements of the true microfinance concept around the world.

Most of the authors and researchers had discussed relationship of women empowerment and microfinance. MFIs can empower poor people, particularly poor women, and strengthen economic and social structures (Morduch, 1999; Rahman, 2004; Mayoux, 1999; ADB, 2000; Van Maanen 2004; Greeley, [35]). As mentioned previously poverty alleviation is not merely support to increase income but it should go beyond that. Hence most of the countries target women become primary target in microfinance due to many reasons. It was revealed that report done by Dam Sam Daley Harris in 200) Microcredit Summit Campaign Report [21] in a sample of 3100 programmes, 83.5% of the clients were women, as were 95% of Grameen's clients (Armendáriz and Morduch, [5]. As per records published by ADB in 2000 stated that 1Bn women out of 1.5Bn people living with an income of less than USD dollar per day. This

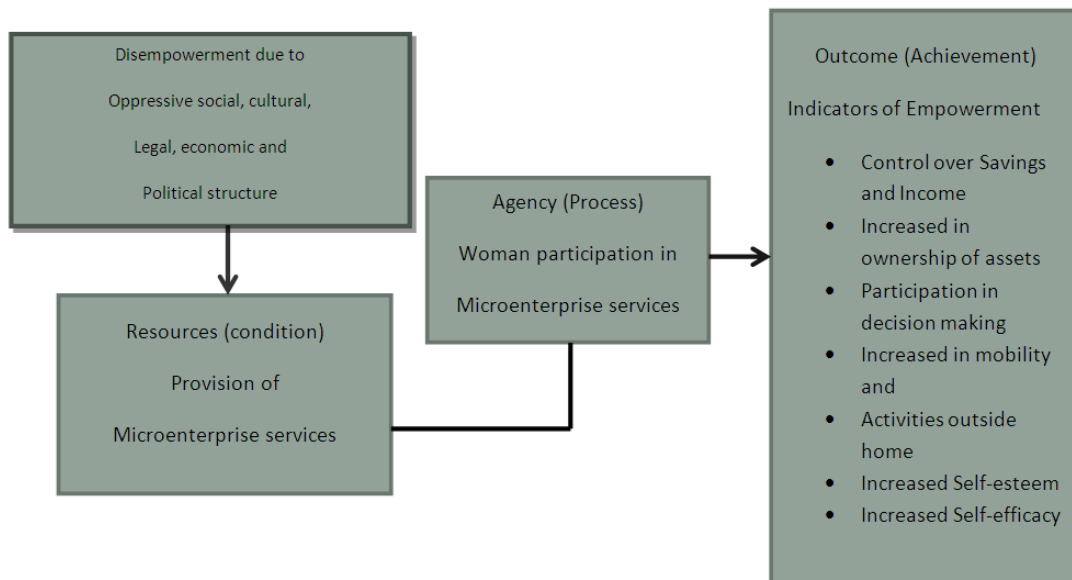
highlighted the importance of approaching women to increase income levels and commenced supporting them. There for it is most important to arrange financial support to women in order to understand the value of money and gravity of income generating activities which creates sense of gradual enhancement of income and productivity levels, to achieve welfare for their households. It was proven and evident that availing loans to women would result in meeting social goals like improving household food consumption, nutrition levels, health, and children education and also explore possible ways to save and invest for future consumption.

Khandker, S.R [28], found a relationship between borrowed money and end use of funds which shows positive correlation between borrowed money and expense composition of household. Out of total borrowed money they would use 5% towards household non -food expenses and 1% towards food expenses. It would slightly change in the men perspective. They would use 2% in non- food expenses and very minimum amount towards food expenditure.

Fig. 1 shows the hierarchy of the step would take women to reach to women empowerment position. It starts from women access to credit and gradually building up with other characteristics in the process. Basically mere access to credit would not full fill the concept of women empowerment. This could not be done in isolation and directly. Gradual step by step process, if not entire process would collapsed and women get into more and more trouble, end up with serious financial and social issues. Even though women have sources to get financial assistance from MFIs and other formal sources, need to have more flexibility and independence in handing funds for their respective business. Then only they get the real ownership and gravity of the entire concept. MFIs also should play a big part, not just availing credit to women. They should clearly evaluate and assess the requirement of the client pre and post disbursement of the credit. Most of the MFIs fail to do so and only concentrate on recoveries and high return. Hence these basic questions to be asked themselves before availing credit to women.1) How does MFI facility would affect to improve women's income, assets and productivity?2) How would women enter into credit support influence their human and social capital? 3) How does the MFIs service support to improve decision making power and independence?



**Fig. 1. Women's access to credit**



**Fig. 2. Empowering women through microfinance**

Source: Article Empowering Women through Microfinance: Evidence from Tanzania

Fig. 2. described a framework constructed by Mushumbusi Paul Kato and Jan Kratzer taking the essences of finding of famous economists N.Kabeer , Malhotra and Schuler, and Chen. They had mentioned that women were not given

due position and not able to act according to their choice due to suppressive social, cultural, economic, and political culture in respective countries which leads most of the times resulting state of disempowerment. It was stated by



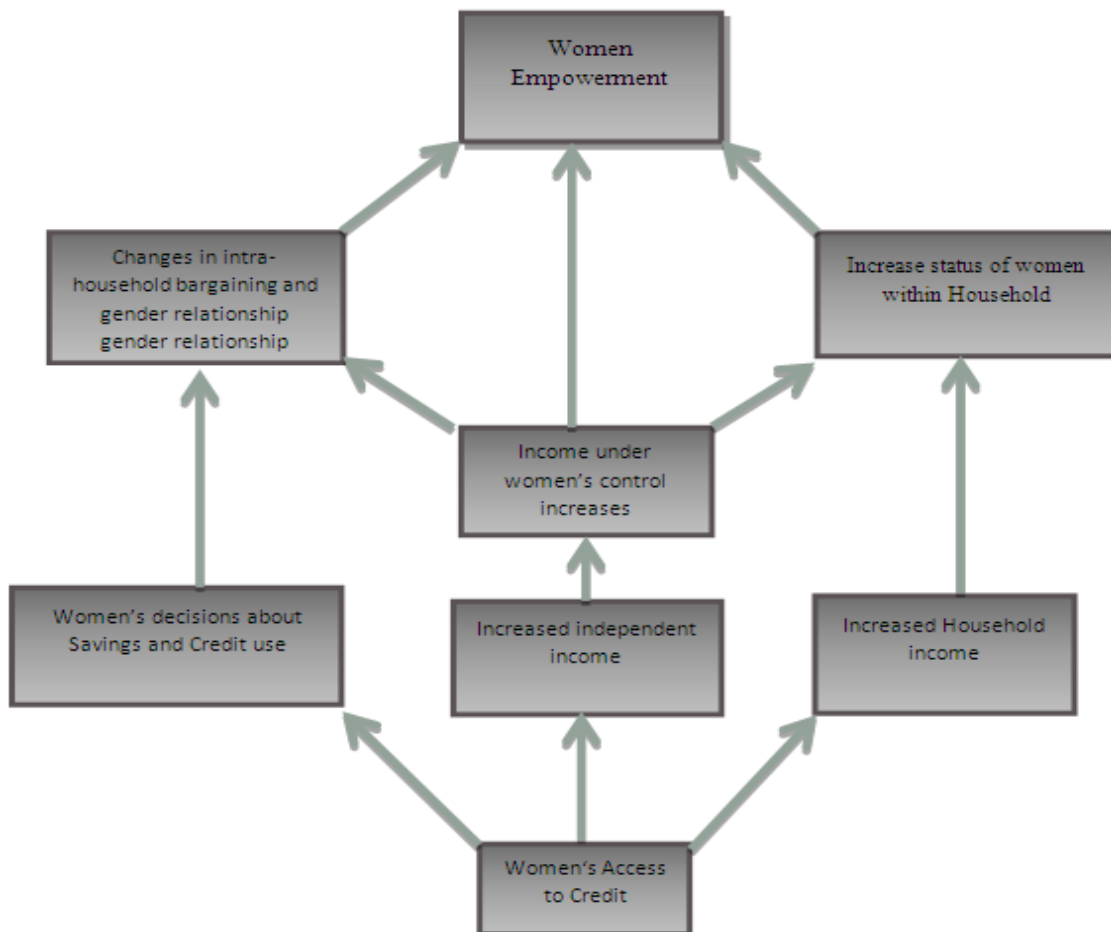
Kabeer “logical association between poverty and disempowerment because an insufficiency of the means for meeting one’s basic needs often rules out the ability to exercise meaningful choice’ [36]. Further stated that poor women need resources which would support to come out with indigenous way of disempowerment and lookout of box approach to become a empowered person by taking the assistance from microfinance services of MFIs.

working capital, inculcate savings habits, insurance etc. In the same time apart from traditional banking services MFIs should also look at the ways to support women to increase productivity, training, community development programs. This would certainly help to retain customers and also support sustainable growth in the microfinance industry. Furthermore, next level is to take micro clients to next level small and medium size entrepreneurs.

MFIs can play a pivotal part in empowerment process and poverty alleviation. MFIs services would certainly enhance the capacity of poor women to take strategic decisions and change behaviors towards changing their lives. MFIs should evaluate the funding requirement more sensible way, envisaging business gradually and more sustainable way while supporting women segment. They should avail start-up capital and

Integrating poor women to the economic system and get the best out of it would be a challenge. It should be done in such a way to get some positive results. One of the good examples for properly guided program to reduce poverty through women empowerment was called The Chars Livelihoods Programme (CLP), goal of the project is to reduce extreme poverty.

**Framework of women’s Empowerment through Microcredit**



**Fig. 3. Framework of women’s empowerment through microcredit**

The subject project was carried out in Chara Island in Bangladesh, targeting 55,000 extremely poor women segment, was sponsored by UK Government under their international development Agency called DFID. They distributed GB£100s worth of investment capital among target segment mainly to procure cattle. Furthermore, they conducted training and awareness programmes mainly highlighting on how to manage their investments, market, economic opportunities for the women. They did not stop from that even gone to the extent to educate social issues, taught about “social evils” such as child marriages, dowry issues, sexual harassments, domestic violence etc. Project had been taken placed almost 18 months. CLP program was successful and contributed to create women empowerment which was as a result of several strategies adopted, mainly focused, Group meeting and training, created self-confidence household decision making powers, attention on health and food security. That clearly shows as shown in the Fig. 3 women empowerment could start from women access to credit. But it should flow in proper way to reach ultimate objective of women empowerment. It has been noted that economic entry only would not fulfill the strategic needs and women need to aware of the correct path to achieve social development while addressing financial issues.

In spite of various researches, mechanisms and entrants of number of MFIs to the market still major part of the world having issues how to address this poverty. Before ending the article would like to provide few points which could be applied to address the situation to a certain extent.

I. One of the major obstacles is that the deserving poor segment of people has not been reached and properly addressed yet. Although most of the stakeholders continue dialog about microfinance industry, strategies for poverty alleviation, relevant programmes have not been focused and planned properly targeting particular poverty line or very poor people in the society. In Sri Lanka SHG mechanism is not a very popular concept in microfinance which is around 25%-30%. This clearly shows that there is a huge opportunity in this area to develop. Other countries like India and Bangladesh MFIs adopt SHGs system which is app 50% -60%. The extreme poor often lack self-confidence so they hesitate to join a

group. Therefore, sincere efforts towards inclusion of deserving poor within this programme should be made.

- II. Meticulous use of microcredit for the income generating activities and production based activities rather than for consumption so that the economic conditions of families are enhanced. It is evident that if any project is meticulously planned and nurtured with pumping of micro-credit then livelihood issues of households can be addressed to a great extent. Thus, focus should be laid on productive employment generation; MFIs should encourage and monitor the progress constantly.
- III. Most of the projects and businesses look only on financial return aspect. But it should be beyond that. This is one of the concerns whether subject programmes generate viable economic activity to pursue. Most of the programmes experience hardships to generate yield a rate of profit to necessary to cover the interest on the loan. Need to advice and strategies the project at least to generate operating profit. One of the greatest developments that have been made in this respect is the formation of SHGs. SHGs are therefore one form of community organization which can be developed for a variety of purposes, both financial and non-financial. In India, as explained by Tankha [31] the term generally refers to a form of Accumulating Savings and Credit Associations (ASCA). The same could be applied to Sri Lanka. Tankha [31] further elaborates that SHGs are typically economically homogenous groups formed through a process of self-selection based on the affinity of members. They predominantly consist of women and have a membership ranging between 10 -20. Premaratne., S.P, Senanayahe, S.M.P Warnasuriya., M [37].
- IV. In some instances although MFIs have in depth of outreach of the programme, failure to understand the actual financial requirement of the borrowers and extend insufficient financials assistance. Risk management process in MFIs should be strengthening with proper governance framework. In addition, focus to be given to recruit competent and experience staff, not just marketing team. Always better to have female staff for field operations and follow up process.

- V. Microfinance concept should promote and value proposition should be rolled out each province in Sri Lanka. Most of the MFI and Banks would prefer to extend microcredit to urban areas where they can reach people more frequently and recover loans from their other sources /refinance from other avenues. The distribution of micro financing is non-uniform. Efforts should be made to remove regional disparity in the distribution of microfinance services and ensure proper distribution in both rural and urban areas of the country.
- VI. Government of Sri Lanka and Central regulatory body should issue a road map to Government and Private sector financial institutes to support women to empower them more sustainable way. Stringent follow up and control mechanism to be implemented. Government should review different business sectors and industries time to time. Look for low cost funding and distribute among financials institutes as refinance scheme. Go behind errant financial institutes and penalize or cancel license /take legal action. Impose maximum interest rate cap on lending.
- VII. Code of Conduct to be introduced to all microfinance entities to maintain the high quality of services, ensure that MFIs do not take undue advantages from clients and conduct proper pre and post disbursement process. Codes of conduct are fundamentally an effort at self-regulation, whether they apply to one organization, such as a microfinance institution (MFI), or an association and its members. Cara S. Forster, SEEP (2012). What we have found is that lack of professionalism and lack of self-discipline among stakeholders. Hence, push for code of conduct is very essential by way of Promoting an industry that is professional and competitive, Facilitating the development of clients in terms of their economic and social well-being, and Providing adequate financial services to communities with scarce resources. In this context women borrowers could do better job than male borrowers.
- VIII. Effective collaboration of Government and MFIs. Sri Lanka has very systematic governing structure from grass root level to central government level. Hence, we should explore the possibility of getting the advantages towards effective implementation of microfinance industry and women empowerment. There are more than 14,000 villages in Sri Lanka. Most of those villages have Village Development Councils (or Grama Sanwardena Samitiyas). At the same time, every village has four to five Government officials. Sri Lanka has many sub-national governments which include 23 Municipal Councils, 42 Urban Councils, 271 Pradeshiya Sabas, and 332 Divisional Secretariats. Whatever the traditional policies implemented by the financial institutions and the central Government, it may not generate the expected results unless those policies benefit entrepreneurs or the business community. It is necessary, therefore, to think innovative new paradigms and models for economic recovery focusing private sector business.
- IX. Social aspect: MFIs and regulatory body should adopt proper mechanism to see the social well-being of the women. What are the constrains women members face in borrowings and establishing relationship with MFIs, are there any region, district or society specific issues , how far micro programs could empower women psychologically, economically sociologically,
- X. Another aspect that requires attention is continuous training and awareness building. Training in entrepreneurship and skill development should be provided to SHG members. Recent Convid 19 outbreak has created ample opportunity to domestic industry in Sri Lanka. Government and other min decision making bodies have realized the importance of domestic industry and self – sufficient in agriculture. Microfinance industry and women should treat this as an opportunity and get ready to supply production to local market.
- Although segment is very small, MFIs or Governing body should explore possible way of introducing Key performance Indicators (KPI) Financial and Social indicators to measure the performances of women segment of microfinance clients. Pre and post finance follow ups are very important and paramount to sustain the industry and identify endues of funds.

#### 4. CONCLUSION

Since 1980s, microfinance appeared to provide effective proposition and simplest formula for

poverty alleviation. These initiatives were expected to generate incomes large enough to bring the poor out of poverty. This narrow vision of development has made microfinance tantamount with 'poverty alleviation'. It is foremost important to protect the industry and focus on sustainable growth in Microfinance industry. If Industry is sustainable, we can see how to address poverty issue by applying to various segments. As women were deemed to be thrifty – able to manage with meagre resources and responsible borrowers, they became the targets for such predatory lending. The pretext was of 'empowering' women through self-employment. This article attempted to show the importance of women empowerment through microfinance and ultimately use as a poverty alleviation tool. In the same time, all should understand the importance of sustainability of microfinance institution and industry as a whole. However, most of like other countries Sri Lanka also become a victim of unregulated industry dynamics and jeopardize the underline concept of microfinance. This has been further aggravated due to high competition in industry, flow of high costing funds for micro finance, strategic drift in MFIs, profit motive of MFIs, active engagement of profiteers, active formation of informal finance sector, high gearing position of micro-entrepreneurs. Nevertheless, if all stakeholders get-together and create a proper awareness and enlighten the importance of these dynamics, would certainly overcome poverty issue through effective microfinance application to women segment.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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