

ROLE OF SOCIO-ECONOMIC FACTORS ON WOMEN'S DECISION TO AVAIL MICROFINANCE: A STUDY OF JAMMU REGION

Meenu Sharma, Shri Mata Vaishno Devi University, Katra, Jammu
Meenakshi Gupta, Assistant Professor, Shri Mata Vaishno Devi University,
Katra, Jammu

Roop Lal Sharma, Shri Mata Vaishno Devi University, Katra, Jammu

ABSTRACT

Women comprise roughly half of the total inhabitants in our country. So women's better condition is essential for the growth and advancement of the country. This has led to boost the procedure of female empowerment. But it is impacted by several confounded issues including economical, social and financial existing in the society. Keeping these issues in sight, this study looks at the socio-economic factors impacting the decision of women to avail microfinance in Jammu Province of Jammu & Kashmir. A total of 1150 women beneficiaries of self help groups were sampled from the study area and multiple regression model was used to determine the socio-economic factors that affect women's decision to avail microfinance. The results of the study confirmed that age, education, family size, monthly income, monthly expenditure and monthly saving had a positive and significant relationship with women's decision to avail micro finance and the one variable marital status did not have such relationship.

Keywords: Microfinance, Socio-Economic Factors, Growth, Decision, Empowerment, Impact, Jammu and Kashmir.

INTRODUCTION

Women have to play different roles in the family as well as in the society. So women's better condition is essential for the growth and advancement of the economy (Duflo, 2012) but it is a global challenge because in the past women have no power and they are under the control of men. Due to this also, a large percentage of women especially 70% in the world are poor (Kabeer,2001). However, women have no right to use credit and other such services. This condition is more rigorous in rural areas. Accessibility of microloan is a key element in poverty reduction programs and empowers women economically (Rathirane and Semasinghe, 2017). About women empowerment, Jawahar Lal Nehru said, "When women move forward, the family moves, the village moves". International aid donors, govt. policymakers and other development experts consider microfinance as an important tool to empower women. The main goal of access to microfinance is to reduce poverty and empowers its members particularly women, by providing linkage with banks such as savings, credit, insurance and payment services. A large number of organizations who provide microfinance benefitting women because women are excellent enough to use, manage and repay loans on time (Kratzer and Kato, 2013) From an advancement point of view, they are more disposed to impart the advantages to others in their family, particularly their youngsters (Garikipati et al., 2017, Swain and Wallentin, 2009). Additionally, it is seen that female expanding job in the family will prompt their empowerment (Hunt, 2002) but it is impacted by several confounded issues including economic, social, and financial existing in the

society. Keeping these issues in sight, this study looks at the socio-economic factors affecting the decision of women to avail microfinance.

Literature Review

Due to household responsibilities, women were not involved in any profession and family business which is an indicator of a low level of development among them. There are various socio-economic factors that influence women's decision to avail microfinance. Some researchers have recognized variables like male or female, spousal relationship, size of the family, know-how in business, education and income as impulsion to the accessibility of credit (Arun et al., 2006, Ashraf and Ibrahim, 2014, Obisesan and Akinlade, 2013, Yusuf et al., 2013). In their study, (Okojie et al., 2009) found that majority of the rural poor women do not get credit because they have no property of their own to pledged as security for the repayment of a loan and also they must obey their husbands to get the loan. Age was found to have a statistically significant relationship with access to loans. In particular, young people take more loans as compared to older participants. As people get older, they become more unwilling to take risks which are the same as taking loans. Additionally, they kept their attention on saving and reluctant to start a new business in older ages (Moffatt, 2005). As far as education level is concerned, highly educated women are likely to take loans than the less educated women because such women are more inclined to take risks in business and have the confidence to repay the loan (Chaudhuri, 2010). Availability of credit is mainly associated with the main aim of meeting the different needs of the family. However, as Chaudhuri (2010) found that again because of the high number of people living within the household, the more probability that the women will access to credit and default on loans. Women are more willing to take risks in business and accumulated wealth through availing credit is an attempt to meet the many needs of the family. Indeed, the success of microloans is influenced by many factors such as age, business value and well-being regarding health and comforts of the person (Kasali et al., 2016). It was also pointed that "age, education levels of women and levels of income are significant factors that influence women empowerment" (Rahman et al., 2009). The literature shows that women especially in patriarchal societies face several problems concerning access to credit. It is also seen that in patriarchal societies, women must obey their husbands and perform familiar duties and husbands are likely to make use of loans that are given to their spouses. Typically, women's business is fully or partially being in command of their husbands (Othman, 2006). It was also revealed that that microfinance proves to be a useful strategy for economic development, elimination of poverty, generating employment, raise the standard of living and also the empowerment of women. It is also found that age, occupation, caste, qualification, place of residence, BPL/APL families and years of participation are some factors influencing the level of participation and the amount of borrowing of microfinance programs (Iqbal and Haq), 2015. There is a very small number of women in business because in many families it is seen that women depend on their husbands to earn money and support their families (Anyanwu, 2004). Moreover, due to dominance of male in the family women have less authority to control and manage the resources as compared to men (Chen et al., 2004). (Madichie and Nkamnebe, 2010) tried to see the issues that restrain women who do small business to take loan for developing their business. He found that family and cultural expectations, multiple responsibilities of taking care of their children and household tasks are some of the issues that reluctant women who do small business to have access to credit. It was also pointed out that access to credit among those respondents who must obey their husbands and their business is under their control as compared to their counterparts who have not taken permission to borrow. It was also seen that the possibility regarding decisions to access microcredit is

influenced by many factors like size of the household, a large number of children in the family and the number of activities involved in by the respondents to earn money (Alnaa, 2017). Educated women members of self-help groups were having more decision-making capacity as compared to the uneducated women (Duggal, 2016). Also, the educated women take more loans and utilized them for the betterment of their standard of living. (Anggraeni, 2009) pointed out that expansion in age, literacy level and income derived from agricultural activities have a greater impact on women's decision to avail microfinance. (Kumar, 2009) found that women's and their husband's education, the number of family members rely on another for financial support and the existence of official institutions significantly influence women's decision to avail microfinance. The distinctive feature of the rural areas limits the women's movement outside the world and also restrains the expansion of their small business (Kabeer, 2005). Age is a feature of living that affects women's empowerment. In Bangladesh, daughter-in-law is responsible to look into family work but mother-in-law has the right to make decisions regarding family disputes, in line with other studies, we find that empowerment is higher in the case of old respondents (Haque et al., 2011, Mahmud et al., 2012). It is also pointed out that the effect of microfinance in both rural and urban areas is dissimilar because in rural areas agricultural and craft business are the main livelihood of rural people whereas, in urban areas micro business that is easily managed and does not involve a large amount of savings or experience/skills (Van Rooyen et al., 2012, Al-Shami et al., 2016). Moreover, rural women are having more social responsibilities as compared to females living in urban areas. It is evident that rural women development is influenced by the type of family prevailing in the rural areas (Surti and Sarupria, 1983) Likewise, religion has a strong impact on women's self sufficiency (Kabeer, 2001) It is broadly recognized that microfinance can be extremely helpful in improving the lives of females as seen by income in income earn through various income-generating activities and also increase their well-being in the family.

Objectives of the Study

To study the impact of socio-economic factors on women's decision to avail microfinance.

Data Source and Research Methodology

The present study has been carried out in Jammu Region of Jammu & Kashmir to study the socio-economic factors affecting the decision of women to avail microfinance. The multi-stage random sampling technique was used to gather data to achieve the objectives. Because of the large prevalence of self-help groups in the Jammu region, three districts namely Jammu, Kathua and Udhampur districts were selected at random. Thereafter, six blocks were selected randomly from these three districts and from each of these blocks 24 villages were selected on a random basis. From each village, women beneficiaries of self-help groups were selected as respondents. Therefore, a sample of 1150 women beneficiaries of self-help group from Jammu, Kathua & Udhampur district were selected randomly. The present research is based on a primary survey. Based on the objectives, a well-structured questionnaire was prepared and used for collecting data from the women beneficiaries of self -help groups. The data analysis was carried out using multiple regression model through SPSS version 23.

Model Specification

Multiple regression model was employed to see the socio-economic factors impact on the women's decision to avail microfinance through the amount of loan received by the women beneficiaries of self-help groups. This was specified as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_i$$

Where,

Y = Amount of loan received by the women beneficiaries of self-help groups (in rupees)

X1 = Age (Years)

X2 = Education (number of years spent in school)

X3 = Marital status (1 if married and 2 if unmarried)

X4 = Family size (number of members in the family)

X5 = Monthly income (in Rupees)

X6 = Monthly expenditure (in Rupees)

X7 = Monthly saving (in Rupees)

α = Constant or intercept

β_s = Regression coefficients

e_i = Error Term

The socio-economic factors impact on the women's decision to avail microfinance is shown in Table 1. According to Table 1, the value of R (79.1%) signifies that there is strong correlation between the dependent variable (amount of loan) and the independent variables (age, education, marital status, family size, monthly income, monthly expenditure and monthly saving). The R^2 value (62.6%) indicates the best model fit and it also indicates 62.6% of the variation in the dependent variable (amount of loan) is explained by the seven predictor variables in the model, namely age, education, marital status, family size, monthly income, monthly expenditure and monthly saving. Similarly, F-statistics is 273.204 with p-value less than 0.01 indicates goodness of fit of the model. As pointed out in Table 1, the result shows that a year increase in age would decrease the women's decision to avail microfinance by 0.109 while those who are married decrease their decision to avail microfinance by 0.005. This indicates that in older ages, women kept their attention on saving and reluctant to start a new business. Additionally, most of the loans taken by the women are used by their husbands. Likewise, a proportionate Increase in education would increase the women's decision to avail microfinance by 0.088. This indicates that educated women are more inclined to start a new business and have the ability to take risk and timely repay the loan. It also enables women to get benefits of various schemes and programs of the government. This is supported by the result of a similar study conducted by Mohapatra et al., 2016. However, a proportionate increase in family size would lead to an increase in women's decision to avail microfinance by 0.045. This can be explained by the fact that increase in family size and to meet the different needs of the family, the more probability that the women have access to credit. The result further predicts that an increase in monthly income, monthly expenditure and monthly saving cause 0.321, 0.257 and 0.256 increases in women's decision to avail microfinance. This indicates that women with higher monthly income, monthly expenditure and monthly saving have high probability of getting microfinance loan. Therefore, it has been found that age, education, family size, monthly income, monthly expenditure and monthly saving positively impact women's decision to avail microfinance with p-value 0.000 and 0.052 and these are significant at 1% and 10% level. Variable like marital status has negative relationship with them (p-value 0.922). Therefore, it has been concluded that socio-economic factors have a greater impact on women's decision to avail microfinance in Table 1.

Table1
IMPACT OF SOCIO-ECONOMIC FACTORS ON THE WOMEN'S DECISION TO AVAIL MICROFINANCE
DEPENDENT VARIABLE: AMOUNT OF LOAN
INDEPENDENT VARIABLES: AGE, EDUCATION, MARITAL STATUS, FAMILY SIZE, MONTHLY INCOME, MONTHLY EXPENDITURE & MONTHLY SAVING

Variables	Estimates	Standard Error	T	P-value
Constant	1.122	0.146	7.674	0.000
Age	-0.109	0.019	-5.805	0.000
Education	0.088	0.025	3.543	0.000
Marital status	-0.005	0.050	-.098	0.922
Family Size	0.045	0.023	1.943	0.052
Monthly income	0.321	0.025	12.986	0.000
Monthly expenditure	0.257	0.025	10.243	0.000
Monthly saving	0.256	0.025	10.389	0.000
R	0.791			
R-Square	0.626			
Adjusted R- Square	0.624			0.000
F-statistics	273.204			

Source: Field Survey Data (2019) **Note:** * $p < 0.01$ *** $p < 0.10$.

Conclusion and suggestion

The present study looks at the socio-economic factors that have an impact on women's decision to avail microfinance in Jammu Region. The outcome of the analysis revealed that the identified factors that have positive and significant impact on the women's decision to avail microfinance include age, education, family size, monthly income, monthly expenditure and monthly saving. Variable like marital status has negative relationship with women's decision to avail microfinance. The microfinance institutions enable women to get small loan that helps them to meet their essential prerequisites in a well-organized manner. However, the following efforts can be taken into account for the growth and development of women:

1. Formation of self-help groups should be encouraged in marginalized and socially backward areas having weak networking with the banks.
2. Awareness camps should be held in different areas with clear guidelines.

REFERENCES

- Al-Shami, S.S.A., Razali, M.M., Majid, I., Rozelan, A. & Rashid, N. (2016). The effect of microfinance on women's empowerment: Evidence from Malaysia. *Asian Journal of Women's Studies*, 22, 318-337.
- Alnaa, S.E. (2017). Microcredit to Rural Women, Intra-household Power Play and Employment Creation in Northern Ghana. *Journal of Interdisciplinary Economics*, 29, 197-213.
- Anggraeni, L. (2009). Factors influencing participation and credit constraints of a financial self-help group in a remote rural area: the case of ROSCA and ASCRA in Kemang Village West Java. *Journal of Applied Sciences*, 9, 2067-2077.
- Anyanwu, C. Microfinance institutions in Nigeria: policy, practice and potentials. G24 Workshop on "Constraints to Growth in Sub Saharan Africa," Pretoria, South Africa, 2004. 1-31.
- Arun, T., Imai, K. & Sinha, F. 2006. Does the Microfinance Reduce Poverty in India? Propensity Score Matching based on a National-level Household Data. Economics Discussion Paper, *The University of Manchester*, September, 1-6.
- Ashraf, M.A. & Ibrahim, Y.B. (2014). Poverty Alleviation and Identifying the Barriers to the Rural Poor Participation in MFIs: A Case Study in Bangladesh. *Journal of Economic Cooperation & Development*, 35.
- Chaudhuri, M. (2010). The Family and Its Representation. *Social Sciences: Communication, Anthropology, and Sociology*, 363.

- Chen, M. A., Vanek, J. & Carr, M. (2004). Mainstreaming informal employment and gender in poverty reduction: A handbook for policy-makers and other stakeholders, Commonwealth secretariat.
- Duflo, E. (2012). Women empowerment and economic development. *Journal of Economic literature*, 50, 1051-79.
- Duggal, K. (2016). Asian Journal of Multidisciplinary Studies. *Asian Journal of Multidisciplinary Studies*, 4, 185.
- Garikipati, S., Johnson, S., Guérin, I. & Szafarz, A. (2017). Microfinance and gender: Issues, challenges and the road ahead. *The Journal of Development Studies*, 53, 641-648.
- Haque, M.S., Akter, R. & Laoubi, K. (2011). Effectiveness Of Community Based Organization (Cbo) Microcredit Programme Of Concern Worldwide: A Case Study Of Bangladesh. *African Journal Of Business Management*, 5, 10101-10107.
- Hunt, J. 2002. Reflections on microfinance and women's empowerment. *Women, Gender And Development In The Pacific: Key Issues*, 13.
- Iqbal, J. & Haq, A.U. (2001) Microfinance: A Tool for Poverty Alleviation, A Case study of District Rajouri.
- Kabeer, N. (2001). Conflicts over credit: re-evaluating the empowerment potential of loans to women in rural Bangladesh. *World development*, 29, 63-84.
- Kabeer, N. (2005). Gender equality and women's empowerment: A critical analysis of the third millennium development goal 1. *Gender & Development*, 13, 13-24.
- Kasali, T. A., Ahmad, S. A. & Ean, L. H. 2016. Determinants of Microcredit Access: Empirical Analysis from South-West Nigeria. *Journal of Economic Cooperation & Development*, 37. Kratzer, J. & Kato, M.P. (2013). Empowering women through microfinance: Evidence from Tanzania.
- Kumar, D.S. 2009. Participation in self-help group activities and its impacts: Evidence from South India. *The Bangladesh Development Studies*, 1-18.
- Madichie, N.O. & NKAMNEBE, A.D. (2010). Micro-credit for microenterprises? *Gender in Management: An International Journal*.
- Mahmud, S., Shah, N.M. & Becker, S. (2012). Measurement of women's empowerment in rural Bangladesh. *World development*, 40, 610-619.
- Moffatt, P.G. (2005). Hurdle models of loan default. *Journal of the operational research society*, 56, 1063-1071.
- Mohapatra, S. and Sahoo, B.K., 2016. Determinants of participation in self-help-groups (SHG) and its impact on women empowerment. *Indian Growth and Development Review*.
- Richardson, A.M. (2004). Women's inheritance rights in Africa: The need to intergrate cultural understanding and legal reform. *Human rights brief*, 11(2), p.6.
- Obisesan, A. & Akinlade, R. (2013). Credit constraints and poverty among Nigerian farming households. *Agricultural Journal*, 8, 94-100.
- Okojie, C.E., Monye-Emina, A., Eghafona, K., Osaghae, G. & Ehiakhamen, J. (2009). Institutional environment and access to microfinance by self-employed women in the rural areas of Edo state, Nigeria. *International Food Policy Research Institute (IFPRI)*.
- Othman, N. (2006) Muslim women and the challenge of Islamic fundamentalism/extremism: An overview of Southeast Asian Muslim women's struggle for human rights and gender equality. *Women's Studies International Forum. Elsevier*, 339-353.
- Rahman, S., Junankar, P.N. & Mallik, G. (2009). Factors influencing women's empowerment on microcredit borrowers: a case study in Bangladesh. *Development Economics*. Springer.
- Rathirane, Y. & Semasinghe, S. (2017). Microfinance interventions and empowerment of women entrepreneurs in Sri Lanka. *International Journal of Social Science and Technology*, 2, 51-66.
- Surti, K. & Sarupria, D. (1983). Psychological factors affecting women entrepreneurs: Some findings. *Indian Journal of Social Work*.
- Swain, R.B. & Wallentin, F.Y. (2009). Does microfinance empower women? Evidence from self-help groups in India. *International review of applied economics*, 23, 541-556.
- Van Rooyen, C., Stewart, R. & De Wet, T. (2012). The impact of microfinance in sub-Saharan Africa: a systematic review of the evidence. *World development*, 40, 2249-2262.
- Yusuf, M.B.O., Shirazi, N. S. & Matghani, G. (2013). The impact of Pakistan poverty alleviation fund on poverty in Pakistan: An empirical analysis. *Middle-East Journal of Scientific Research*, 13, 1335-1344.