



## Impact of Microfinance on Social Mobility and Women Empowerment: The Case of South Punjab

<sup>1</sup> Areeba Khan, <sup>2</sup> Sulaman Hafeez Siddiqui, <sup>3</sup> Sohail Saeed, <sup>4</sup> Ali Azam

<sup>1</sup> The Islamia University of Bahawalpur Pakistan. areeba.khan@iub.edu.pk

<sup>2</sup> The Islamia University of Bahawalpur Pakistan. sulman.siddiqui@iub.edu.pk

<sup>3</sup> The Islamia University of Bahawalpur Pakistan. sohail.saeed@iub.edu.pk

<sup>4</sup> The Islamia University of Bahawalpur Pakistan. ali.azam@iub.edu.pk

ARTICLE DETAILS	ABSTRACT
<p><b>History</b>  <i>Revised format: 30 Nov 2019</i>  <i>Available Online: 31 Dec 2019</i></p> <hr/> <p><b>Keywords</b>  <i>Microfinance, Women Empowerment, Social Mobility</i></p> <hr/> <p><b>JEL Classification:</b>  <i>M54, M59</i></p>	<p>This purpose of this study was to examine the impact of microfinance on women empowerment and social mobility of women in the under privileged region of Bahawalpur located in south Punjab. The study uses a sample of 772 female clients of two active microfinance institutions, NRSP and Apna bank. A comprehensive questionnaire was used for the survey and results were analyzed through smart PLS. Findings of results suggested that Microfinance is an efficient tool in facilitating social mobility and financial empowerment in women belonging to the region of Bahawalpur. The value and originality of the paper rests with its use of social mobility as a determinant of well-being and enhancement in standard of living.</p>

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Corresponding author's email address: areeba.khan@iub.edu.pk

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### 1. Introduction

Pakistan is a country struggling with the issue of poverty since its independence. Four out of every 10 people are living under poverty line. The Multidimensional Poverty Index result indicates 60.6 % of Pakistan's population doesn't complete education, nearly four out of 10 individuals (39 percent) don't have any benefits and more than 38 percent of the populace lives in a one-room house. Around 33 percent of population does not have access to healthcare facilities (Rana, 2016). According to Mahmood, (2016) Pakistan's 60% population is even unable to earn exactly \$2/day, and more than 70% of these are women. This situation has more or less prevailed through last 70 years of independence. Pakistan has always performed poorly on the gender equality index and is lowest in the South Asian region.

As a patriarchal society and a developing country, Pakistan is facing issues in delivering the women their due rights as members of society. In name of protection and dependence on the head of family, women are deprived of their basic right to decide for themselves and be a productive part of the labor force. Social and economic empowerment for women is important not only for their own self but is also crucial for the development of the country. Keeping this objective under consideration, The Government of Pakistan has been a signatory to major projects like Millennium development goals, Sustainable

development goals and Convention on the elimination of discrimination against women. These all projects share the same focus on empowering women economically and socially in every aspect of life.

Microfinance is one such vehicle that is assumed to have a significant impact on well-being (the state of being comfortable, healthy, educated and happy) of the users. The most important component of well-being is happiness, which may not directly be achieved through increased earnings but assurance of higher social bonding (Corpstake, 2007).

The stagnant poverty levels in Pakistan and low performance on happiness index could be attributed to lack of social mobility amongst classes. This study aims to examine the efficacy of microfinance as a tool in women empowerment and enhancement of social mobility towards achievement of the goals pertaining to overall well-being and gender equality.

## **2. Literature Review**

### **2.1 The Microfinance Drive**

Skoufias, Leite, and Narita (2013) describe that microfinance's' right borrowers are women as they are credit-constrained than men because they lack collateral, they are poor than men and also they are good at repaying their loans. Lending from formal institutions is associated with success in business and it would create employment opportunity for others.

Pakistan has performed poorly on the metrics of equal opportunity and egalitarian distribution of income. This inefficiency in resource allocation and gender bias discourages the female segment of society who wants to ascend their selves from one social position to another.

Microfinance, besides other tools for improving well-being in women, is a financial service that provides access to easy loans to entrepreneurs, especially females. The microfinance movement, started by Bangladesh gained popularity world over. In Pakistan it started in 1982 with the advent of Agha Khan Rural Support Program (AKRSP) and Orangi Pilot Project (OPP), as an activity targeted at empowering women from their homes and improving their overall contribution in economy (Pokhriyal, Rani, & Uniyal, 2014).

Microfinance institutions are set to achieve goals to help people have a standard living, to reduce poverty, to give them healthy lifestyle, women empowerment, social and economic development of women and gender equality. Group loans increase well-being of women because in group people are socially related to each other in case of difficulty they try to help each other and prevent themselves fail emotionally, socially and materially as well. But Microcredit is the one aspect to help women and society to cope up with misery so it will not be the enough measure for the sustainable development (Goey, 2012).

Women borrowers are more inclined to alleviating poverty for themselves and their families. In minimal cases they gave opportunity to other women or helped other women. On micro level this suggests that they work to empower themselves economically and in some cases they are contributing to economic growth. Household gets finances when they have somewhere to spend it, on easy repayment term and conditions. Mostly borrowers just use a microfinance loan to fuel up their consumption circle (Lock & Smith, 2016)

Korankye & Abada, (2017) state that microfinance benefits women economically as well as socially without bringing any harm to the institution of marriage. It has the potential to alleviate poverty especially in women, as has been witnessed by the microfinance experience in Bangladesh, Latin America and other developing countries. Mader (2013) and Hossain (2015) also suggest that microfinance institutions helps to reduce poverty, give empowerment to women and development of society.

Microfinance is being considered a powerful instrument for economic upheaval of the financially disadvantaged and its demand is increasing by the day. SECP has also acknowledged microfinance institute's efforts and issued regulations for non-bank microfinance institutions.

National financial inclusion strategy (NFIS) has established policy for financial inclusion 2015-2020. The main drivers to achieve the policy are; promoting financial literacy, capacity building for institutions, non-branch banking and increasing number of microfinance bank points. This strategy is developed in best concern for all of stakeholders. So all the stakeholders will make combined effort and help to achieve NFIS 2015-2020 strategy (Social Performance Country Report, 2016).

Skoufias, Leite, and Narita (2013) describe that microfinance's' deserving borrowers are women as they are more credit-constrained than men because they lack collateral. The availability of these loans to women at the very least increase their participation in labor market and as well it increases their social status economically.

Women prefer to get a loan that is readily available to them and also has a greater impact on them. These types of loan help them to raise voice for their contribution results and for their bargaining power to influence households decision; decision related to healthcare facilities, education facilities available to their children. These loans also help them to free them up from loan sharks. Women serve as intermediaries between household expenditures and microfinance lenders. The bargaining power given to the women in return of socially honorable finances is more likely compensation to them. Those women who acquired the planned loans they invest it in their businesses and the outcome for this type of activity take time. That's why planned loan may make women economically empowered but bargaining power in this case does not increases. (Garikipati, Agier, Guérin, & Szafarz, 2016).

## **2.2 Incidence of Microfinance, Economic Empowerment of Women and Social Mobility**

Social mobility is a change in social position of individual or group on the basis of economic, occupational and political mobility (Sorokin, 1959). Social mobility is a concept that belongs to the field of sociology and sociologists study social mobility in terms of changing status of occupation. The economists on the other hand, focus on income and wealth to measure social mobility. Social mobility measures social fairness and is now perceived as measuring tool for equality of opportunity between unequal and differing social groups (Nunn, Johnson, Monro, Bickerstaffe, & Kelsey, 2007).

According to Aldridge (2001) ability of people is basis for social mobility. The ability either can be inherited or attained through socialization. Different studies have inferred different conclusion about the role that ability plays in social mobility. Aldridge (2001) further studies potential explanatory factors as barriers to social mobility which includes educational background of society members; poverty faced by members of society from childhood and its impact on their psychological behavior; family and upbringing techniques prevailing in families; capital access either it is social, cultural or financial; behaviors; opportunities; discrimination and procedures to —hoard opportunities in profession as well as in societal concerns.

Arku (2007) concluded that microfinance clients get economic and non-economic benefits from microfinance programs. The relationship of women empowerment and microfinance are interrelated because it alleviates poverty for poor families and make their status increased in society. Wellbeing is defined as living in peace when there is sustainable environment around poor. And wellbeing of poor can be enhanced by socio-economic empowerment that is facilitated by microfinance.

Self-help groups and Non-profit organizations both working together to give better results, by trying to empower poor. SHGs have made drastic change in income level of poor. It has helped them to increase their economic power by investing loan in productive activities which helped them in asset possession. It

has changed financial position of the poor households as well as helped to increase in social mobility SHGs mainly helped women to increase their empowerment (Devi, 2009).

### 3. Research Objectives

The objective of this research is to study influence of microfinance on social mobility and financial empowerment of female borrowers. Microfinance makes society and its individual more flexible in terms of movement from one social status to another. The broader objective of the study is to evaluate the relationship of microfinance and gender equality in terms of agricultural land right to women, their education, healthcare facilities, their participation in economic activities. To effectively introduce social mobility in society, it is critical that we understand the causal relationship between lifting women out of poverty and women serving as powerful agents of social change.

The inferences derived from literature review are as follows:

- Microfinance services have significant relationship with economic empowerment of female entrepreneurs.
- Microfinance services have significant relationship with social mobility of female entrepreneurs.
- Microfinance program have a significant impact on socio-economic status of female entrepreneurs.

### 4. Materials and methods

The current study uses quantitative method for data collection and analysis for data adopting mono method for data collection and analysis of data. The respondents for the research were female entrepreneurs.

Data were collected from two microfinance banks operating in the region of South Punjab i-e National Rural Support Program (NRSP) bank and APNA microfinance bank. The respondents for the study were female entrepreneurs who were availing microfinance facilities residing in the area of Southern Punjab.

NRSP is a non-profit organization, started its activities in year 1991. It is largest microfinance program in Pakistan. It has its branches in 64 cities of Pakistan. It is giving loan to approximately 3.17 million of poor household. APNA microfinance bank is working as microfinance bank under 2001 ordinance. It has specialized its operations in a portfolio which consists of loan for agricultural sector, the poor and un privileged, for women, and microloan for small businesses.

Data were obtained from all the field offices of both banks. NRSP bank has 7 field offices in the South Punjab region whereas APNA bank has started its operations in Bahawalpur recently hence, APNA bank has one office which serves Dilawar Colony and Islami colony Bahawalpur area and two offices in Multan region which cater to Multan and surrounding areas.

The questionnaire items used in this study is divided in two categories on nominal level and likert scale level. The descriptive part of questionnaire is of nominal scale. Whereas, the items used to study behaviors, attitudes and psychology. The likert scale level for this questionnair is 1) highly increased 2) increased 3) neither increased nor decreased 4) decreased 5) highly decreased. This scale was used to examine either microfinance has change anything for the borrowers. The descriptive part of the questionnaire collected to evaluate the women borrowers economic and social condition. This part comprises of age, education level, civil status, size of family, type of house, savings, income, spendings etc. And the second part of questionnaire is based on items which will examine the condition of female either it has become better or become poorer or has no impact.

### 5. Results and discussion

The instrument from this study has been adapted from Hossain (2015) and Durgappa (2014)

**Table 5.1 Reliability analysis**

Measurement Scale	Cronbach's Alpha	Results of reliability
(ratio Scale)		
<b>Microfinance Program</b>	0.86	Good
<b>Social Mobility</b>	0.798	Acceptable
<b>Economic empowerment</b>	0.875	Good

The above result shows that reliability of instrument is above cut off value. Hence, the instrument is suitable and reliable for further analysis.

For validity of construct correlation analysis is used. Researches states that a correlation less than 0.85 shows that there is discriminant validity. Discriminant validity states that instrument constructs are not assessing the same information. If the correlation value exceeds 0.85 it would be depicts as the variable constructs are overlapping.

**Table 5.2 Correlation analysis**

Table: Correlations				
		Economic	Socialmob	MFI
Economic	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	72		
Socialmob	Pearson Correlation	.664**	1	
	Sig. (2-tailed)	.000		
	N	72	72	72
MFI	Pearson Correlation	.850**	.681**	1
	Sig. (2-tailed)	.000	.000	
	N	72	72	72

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Henseler, Hubona, & Ray (2016) suggests the criteria for validation is AVE should greater than 0.5. the AVE values in the test is greater than 0.5. Hence, two tests has suggested that instrument is valid.

Before analysis of regression results from PLS, outer loading of PLS Algorithm test results are evaluated. The less than 0.5 value for outer loading for any construct tells that there is error. This error will affect the results of regression. So, these error terms should be excluded from the model and then start interpreting the results of regression.

The outer loading for this study is shown below which has been colored red\* by the PLS software will be excluded and again check if there is any remaining error in model.

**Table 5.3** Outer Loadings before Adjustment for Error

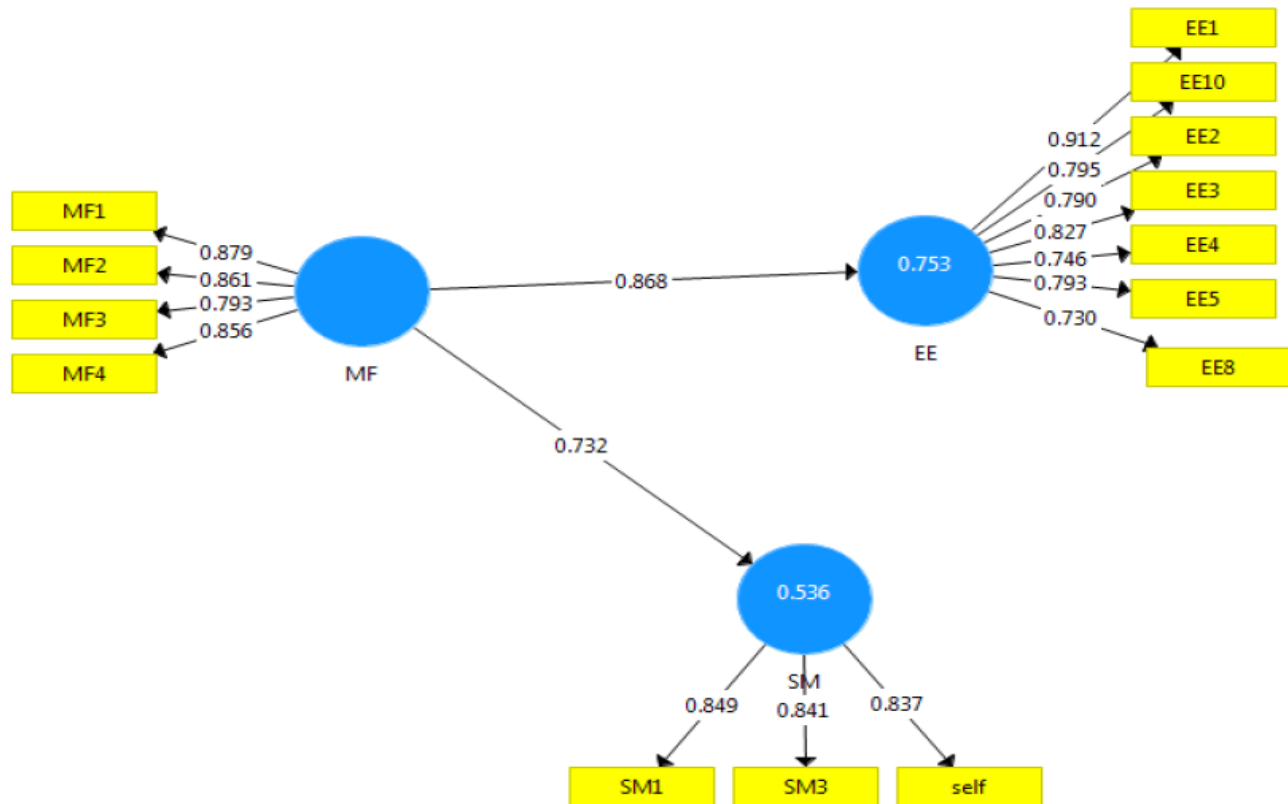
	EE	MF	SM
EE1	0.906		
EE2	.769		
EE3	.828		
EE4	.731		
EE5	.799		
EE6	.565*		
EE7	.589*		
EE8	.707		
EE9	.567*		
EE10	.780		
MF1		.878	
MF2		.862	
MF3		.791	
MF4		.858	
SM1			.849
SM2			.841
SM3			.837

The new outer loading table shows that there is no error remaining in the data. The further analysis can be carried forward.

**Table 5.4** Outer Loadings after Adjustment For Error

	EE	MF	SM
EE1	.912		
EE2	.790		
EE3	.827		
EE4	.746		
EE5	.793		
EE8	.730		
EE10	.795		
MF1		.879	
MF2		.861	
MF3		.793	
MF4		.856	
SM1			.849
SM2			.841
SM3			.837

To analyze the multivariate regression the current study has used SmartPLS software. The model analyzed is as follows:



**Figure 5.1 PLS results**

The PLS Algorithm states two values on arrows  $\beta$  value is displayed. And in circle or latent variable R<sup>2</sup> value is displayed.

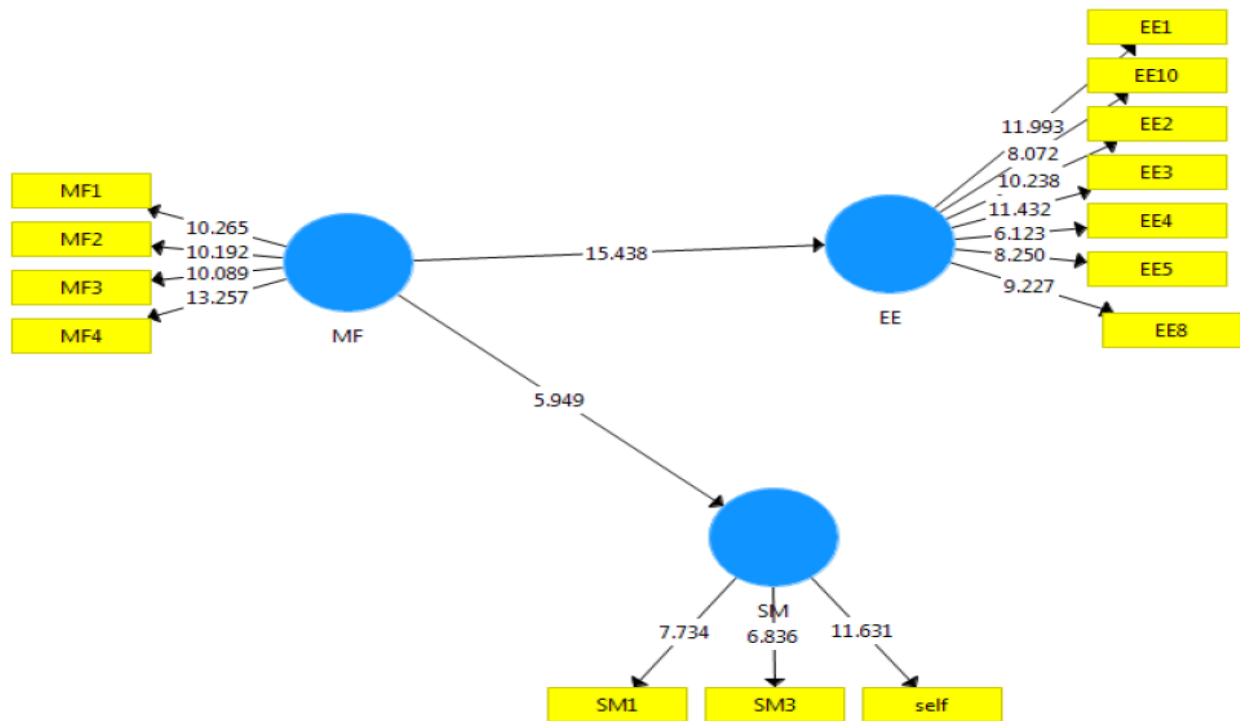
These results suggests that women from age group and their responsibility are interrelated because with the increased responsibility of their children upbringing they try to minimize their activities even the income generating activities and give time to their children. Respondents' education level is not a problem s they are facilitated by the existing borrowers and the bank staff. Most of borrowers are illiterate women. Amongst those, women who are married and living in nuclear families are more inclined to take microfinance loans. Family size between 3-6 members uses microfinance loans. The reason can be that lower family size can depends on one member income and family size of 3-6 members cannot depends on one member's income so, women of family has to work to help her husband to make a better living. The larger family size means they live in joint family, there are more members earning in family and the increased household workload on women restricts them to earn. In this patriarchal system, head of the nuclear family is a man, hence the husband makes most of the decisions.

The higher number of children in household compels women towards microfinance. The income of female borrower's household range lies above the average income range of Pakistan household thus resulting in financial empowerment of women.

Economic independence is the main driver for women to take loan. The main reason for women to avail loan displayed in pie chart is to setup or expand their business. Rs. 10,000-50,000 loan is available for women entrepreneurs. Most of the borrowers have taken loan in the range of 40,000-50,000 in expectation of financial easing of the working capital for a small setup.

The borrowers who have taken loan for their businesses and spend it efficiently do not exhibit problematic behavior in repayment of loan because they have invested it on an income generating activity.

Microfinance has made most of women borrowers able to move freely in society because of their increased social and economic status.



**Figure 5.2 Bootstrapping results**

In bootstrapping model t-statistics is displayed. T-statistics value should be greater than +1.96 to be lying in acceptance region. The t-statistics are both greater than + 1.96. the assumption has been accepted or rejected will be decided on p value of t-statistics.

The SmartPLS software gives Standardized beta coefficients, R2 (R square) value and t-statistics. These statistics give significant value on which basis a relationship can be accepted or rejected.

**Table 5.5 Model Fit**

Variable	R square	Standardized coefficient beta	T-statistics	Sig.
MF_->EE	<b>0.733</b>	<b>0.856</b>	<b>14.4</b>	<b>0.00</b>
MF_->SM	<b>0.537</b>	<b>0.733</b>	<b>6.8</b>	<b>0.00</b>

The R square value indicates that independent variable (microfinance) will change the dependent variable (economic empowerment) with 73.3% and 53.7% variance in model will be the result of microfinance impact on social mobility for female entrepreneurs. T-statistics should be greater than 1.96.

The model is fit as SRMR value in bootstrapping was less than 95%. The questionnaire and items in it are valid and reliable to further analysis. The results of t-statistics show that there is significant and high correlation between the variables.



## 6. Conclusion

The above findings and discussion concludes that there is a positive and significant relationship of microfinance program on economic empowerment and social mobility. The microfinance program factors are microfinance loan, saving facility, income generating activity. Whereas after excluding the economic variable to make the model fit.

This current research is based on Bahawalpur the future researcher can get data from different cities to have better results. The future researches can be conducted while taking different dimensions along with the social and financial empowerment to have better representation of microfinance.

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