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The Effect of Microfinance Factors on Women Entrepreneur's Performance in Batticaloa District-Special Reference to SEEDS (GTE) Ltd

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Abstract: Women play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low household income and societal discriminations mostly in developing countries have hindered their effective performance of that role. The objective of this study is to examine the effect of microfinance on women entrepreneurs' socio economic performance in Batticaloa. The results indicate that the microfinance factors positively and moderately affect the women entrepreneurs' socio economic performance. The economic benefits of microfinance on women entrepreneurs have potential effect on the economic development. In terms of development and social impact, the microfinance factors allow significant improvement in quality of life on women entrepreneurs in Batticaloa District. Microfinance factors allows the poor people to better manage spending, which often generates saving ,and this provides better standards of living to their family, and dependents in terms of housing nutrition, health and education. New Microfinance system promotes a sense of entrepreneurship among women.

Keywords: Microfinance, women entrepreneurs, performance, Batticaloa

Introduction

Micro finance is often considered one of the most effective and flexible strategies in the fight against global poverty. It is sustainable and can be implemented on the massive scale necessary to respond to the urgent needs of those who are living on less than \$1 a day, the worlds poorest. Practically twice

in a year small entrepreneurs obtain micro credit from various Micro finance institutions. This continual reinvestment multiplies the impact of each dollar loaned.

The microfinance industry has long recognized women as a force in international development and as a market worthy of attention, but it could do even better if it addressed ongoing barriers to women's participation and empowerment. Women business owners often are associated with the best credit risks and are more likely than men to funnel earnings in to their children's education.

Despite the crucial role of women entrepreneurs in the economic development of their families and countries; it is, however, discovered that women entrepreneurs have low business performance compared to their male counterparts (Akanji, 2006); and this is caused by factors which normally affect entrepreneurial performance. Such factors include lack of credit, saving, education or training, and social capital (Shane, 2003).

Women entrepreneurs, especially in developing countries lack training (IFC, 2007) and entrepreneurial process is a vital source of developing human capital as well as plays a crucial role in providing learning opportunity for individuals to improve their skills, attitudes and abilities (Brana, 2008; Cheston & Kuhn, 2002; Shane, 2003). Again, the effect of training on women entrepreneurs' performance, especially in developing countries, has not been adequately addressed in the literature. Taking cognizance of the peculiar situations of most women in developing countries in terms of poverty, low educational levels

and other societal discriminations (Porter & Nagarajan, 2005; Roomi & Parrot, 2008); training is a very important micro-finance factor for women entrepreneurs as it would provide the skills and experience needed for business (Akanji, 2006, Cheston & Kuhn, 2002; Kuzilwa, 2005).

Entrepreneurship theory (Shane, 2003) stated that entrepreneur's ability to discover and exploit opportunity for entrepreneurial activity differs between individuals and depends on individual's attitude towards risk-taking. For instance, a risk-averse individual is less likely to exploit entrepreneurial opportunity (Shane, 2003). As such, a person may not search for or discover entrepreneurial opportunity if he/she has a negative attitude towards risk-taking. In the same vein, an individual may have an innovation business or service idea, and great likelihood to access micro-finance but may not utilize the opportunity if he/she fears risk. Behavioral theories such as the Theory of Planned Behavior, specifically the Intention Theory (Ajzen, 1991) concluded that attitude towards behavior leads to intention which eventually leads to actual behavior. Other supporting behavioral theorists (e.g Crisp & Turner, 2007) found that attitude and behavioral intention are positively related.

SEEDS it could be defined as Sarvodaya Economic Enterprise Development Services Guarantee Limited was established in 1987 in order to provide a wide range of micro finance services to the people who were engaged with self employment activities in Sri Lanka. In 2002 SEEDS expanded its micro finance service to Batticaloa district to strength the vulnerable community in rural area. SEEDS obtained a significant experience that the small enterprise can be sustainable with law investment and higher human resource there by offering opportunities for long term employment.

Literature Review

Evidences from literature show that adequate credit aids entrepreneurship performance (Gatewood et al., 2004; Kuzilwa, 2005; Lakwo, 2007; Martin, 1999; Ojo, 2009; Peter, 2001). The result of such credit assistance to entrepreneurs, especially women, is often seen in improved income, output, investment, employment and welfare of the entrepreneurs

(Kuzilwa, 2005; Lakwo, 2007; Martin, 1999; Peter, 2001). Credit had positive impact on business performance of entrepreneurs in Kenya (Peter, 2001), income and wellbeing of women in Uganda (Lakwo, 2007). Credit and savings had positive impact on performance in Nigeria (Ojo, 2009). Credit and training had positive impact on women entrepreneur's performance in Tanzania (Kuzilwa, 2005). Savings acts as insurance for credit since women entrepreneurs lack physical collaterals (Akanji, 2006; Mkpado & Arene, 2007; Versluysen, 1999). Savings has been found to have positive effect on enterprise productivity in Nigeria (Ojo, 2009).

Research Problem

Micro finance is important to reducing poverty in rural economy. Especially women's contribution is essential to house hold income. Compare with other district in Sri Lanka, a significant number of women lost their spouse due to the ethnic war and natural disaster and several NGOs focus to increase the income of the women headed families through micro finance service, even though they not yet achieved expected out come. The Problem of this study is the effect of microfinance on women Entrepreneur's Performance.

Objectives

1. Identify the factors of microfinance focusing the women entrepreneurs
2. Find out the activities of SEEDS (GTE) Ltd in order to promote women entrepreneurship through micro finance service.
3. To examine the effect of microfinance on women entrepreneurs' socio economic performance in Batticaloa.

Methodology

In this study, the data were collected as primary as well as secondary. the primary data were collected from 100 sample household surveys using structured questionnaires and interviews .The samples were selected from women entrepreneur in batticaloa

district. Thus are hundred (100) women entrepreneurs who were getting microfinance from SEEDS (GTE) Ltd.

The sample were analyzed by univariate and bivariate analysis consist of mean, standard deviation, p-value, correlation and co-efficient. The result gathered through the SPSS have presented in the charts and tables. Likert scale rating (from 1-5) were used to measure the variable through relevant statement by descriptive analysis.

Results

Table 1.1: Overall Mean & Standard Deviation of Micro Finance System

Variables	Mean	Std. Deviation
Growth of business	3.01	0.541
Utilization of loans	3.20	0.620
Utilization of profits	2.02	0.492
Disposable income	2.90	0.689
Savings	2.56	0.538
Food and consumption level	3.01	0.541
Educational level	3.20	0.752
Livelihood improvement	2.28	0.668
Micro finance System	2.97	0.171

The table 1.1 shows the overall impact of micro finance on women entrepreneur's performance.

Growth of the business

Information regarding Growth of the business in small business enterprises was measured through five indicators which are expected income, expansion of the business, employment opportunity, new product development and use of new technology and equipment. 14% of the respondents feel the variable of growth of business by using the microfinance is in low level, 71% of respondents feel it in moderate level and 15% feel it is in high level. The variable of growth of business gets a mean value of 3.01 as moderate level. Expected income and expansion of the business are showing 3.46 mean values, 50% of respondent have agreed that they are in moderate level of these two

variables. Employment opportunity gets 2.05 mean value it shows low level of opportunity for new employment. New product gets 3.00 mean value it shows moderate level in new product development.

Utilization of loans

As consider the mean value of utilization of loan is 3.20. It shows moderate impact of microfinance. Usage of loans indicates 3.94. Because of 94% of respondent were using their micro credit for the specific purpose which they mentioned in the proposal. But satisfaction of loan shows as 2.05 mean value. Because of the amount of loan disbursed by micro finance institution was insufficient.

Utilization of profits

The variable of utilization of profit gets a mean value of 3.02 even though out of three indicators of utilization of profit not get the same mean value. The indicator of sufficient of profit gets 3.00 mean values and the indicator of monthly installment gets 3.95. Compare above two indicator loan repayment of profit utilization is higher than other factor. If we consider invest part of profit it shows 2.05 mean values showing as lower than other two factors it mean small entrepreneur were awarded that they should pay the monthly installment as regularly from the profit.

Disposable income

Using likert scale, impact of micro finance focusing on women entrepreneur found to have a moderate impact on the disposable income after the micro finance loan service. Mean value is 2.90 which is in the moderate range. Level of income is one of the three indicators of value of income gets 3.00 mean value it shows respondents have agreed level of disposable income gradually increased. Family income gets mean value of 2.55 which indicates there were no major effect in the family income after micro finance loan service. However family expenses moderately covered by disposable income which gets 3.00 mean value.

Savings

As we know most of the micro finance institution attempt to mobilize the savings or family savings in the

rural economy according to the micro finance institutions add the saving is one of the eligible criteria for loan applicants those who are in the project area. 2.56 mean value shows for saving variable which comes to the moderate range. Savings in income gets 2.99 mean value and 51% respondents have agreed that at the meant time regularly savings also gets 2.54 because of they were instructed by the micro finance institution regarding the compulsory savings. Considering the children saving gets mean value 2.50 which mean 50% respondent agreed that the income not sufficient to saving in the children account. Another 50% respondents have agreed that they would like to deposit small part of the income to their children's account.

Unexpected expenses shows as 3.00 mean values which explain the respondents were using the income to face the unexpected incident or expenses such as deceases and natural disaster as moderate range. Increasing of assets is the one show low means value 2.05 out of five indicators in the saving variable which indicates there was no significance changes in the assets which means the family income is not being used to increase the assets.

Food and consumption level

Satisfaction of family food, food nutrition and children food nutrition are taken as indicators of food and consumption level. Satisfaction of family food gets 3.95 mean values which is the higher value compare with other two factors. 60% of respondent have accepted that they have spent for the family food after start a small entrepreneurship.

Educational level

Education level include following indicators children school attending, parents motivation skills and education level of children. And overall mean value of education level gets 3.20 as moderate range. School attending shows 3.45 mean value and also motivation skills get same value 3.45, those mean values indicates micro finance service contributes to children education through income generation. But the education level gets 2.55 mean values which explain quality of education and infrastructures were insufficient.

Other Livelihood improvement

Other livelihood improvement variable includes cloths and jewel, medical needs, social and religious event, life insurance policy, and housing development. 2.28 mean value shows the overall indicators. Cloths and jewels gets 2.05 mean value in which there was no considerable positive change in the indicators. As we know the rural level population depends on government hospital and free clinic for their medical needs that what medical need shows as 2.50 mean values. Social religious events indicators also get 2.50 mean values as well. Life insurance policy gets mean values 2.05 it mean 51% of respondents have dissatisfied. Housing development gets mean value 2.05 it mean 52% respondents have disagreed because of the big part of income which obtained from their small enterprises spent for family expenses apart from housing development.

Conclusion and Recommendation

Micro finance system should consider effective business proposal when they disburse the loan. Feasibility study has to be done for expansion of the business. The business proposal should financially viable and practically suitable. The women entrepreneurs have to be trained in order to obtain multi skill, such as technical skill (especially job related Technique), financial management training, marketing and exposure visit.

Post loan service will be carried out by MFIs in order to ensure the utilization of loan. It can be done by the close monitoring, partial loan disbursement, supplying material and conducting awareness program. MFIs can get assistance from various government and non government organization in order to aware the rural community regarding nutrition food and consumption. Such as School level awareness program, Special workshop for feeding mothers, Special loan for milking cows and country poultry and Attach the child wealth rank records with loan application.

MFIs can introduce various loan products to improve the children education of their clients, Such as students progress report has to be attached with loan

application for loan interest loans, gifts and seasonal promotional items have to be issued the parents those who encourage their children good achievement as well as regular school attendance. MFIs must determine the loan size accordance with number of student in the family.

The study confirmed that most of the women entrepreneurs have moderately improved their socio-economic conditions through micro finance system.. Moreover, poor livelihood assets, vulnerabilities and weak transforming structures and process are identified as constraints for sustainable livelihoods of women entrepreneurs and associated group. It is therefore necessary to provide institutional, organizational, and government support for sustainable women entrepreneurship.

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