

Access to Finance and the Role of Microfinance for Women Entrepreneurs in Pakistan

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Abstract

Microfinance is considered to be a promising solution for poverty reduction and entrepreneurship development in the developing as well as developed economies. The central argument of the thesis is that microfinance services to poor entrepreneurial women helps in the development of their enterprise and entrepreneurial abilities. The thesis also investigates the role of microfinance in women's economic empowerment, well-being of the family and further access to finance from commercial banks.

The study is guided by the current state of knowledge and previous research on the impact of microfinance on women's development. This empirical study is based on 300 questionnaire responses from women borrowers from microfinance institutions. The findings are triangulated with 50 interviews from women entrepreneurs and 14 interviews from loan officers and heads of microfinance providers to gain a deeper insight into finance constraints on women in Pakistan and to seek the lenders' point of view.

The findings suggest that women micro entrepreneurs can only access microfinance; and commercial bank loans are unavailable to them due to the lack of track record and collateral. Findings suggest that the injection of an optimal size of microcredit in female enterprises with training and mentoring facilities improves the profit of enterprise; this enhances the contribution to the household income that increases family welfare. The outcome on the well-being of the family is the same whether the loan is used for business or consumption resulting in the conclusion that the fungibility of the loan also benefits women borrowers. The argument that microfinance programme contributed to the development of entrepreneurial skills is not well supported by the empirical findings. Finally, evidence shows that the objectives of female economic empowerment and entrepreneurship are attained by those microfinance schemes that provide formal training, saving facilities and social benefits with credit in the package.

The analysis discloses the issue of multi-borrowing in the semi urban areas of Punjab where there is a concentration of microfinance institutions with no centralised database of borrowers. These empirical results contribute to the wider microfinance literature by studying the relatively less researched developing economy of Pakistan. The study makes a theoretical and methodological contribution to the study of microfinance.

Dedication

This thesis is dedicated to my beloved father, Mahmood Javed (Late) whose prayers are always with me and my mother Rubina Mahmood for her endless love and affection.

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Table of Contents

Chapter: 1	1
Introduction.....	1
1.1 Introduction and Statement of the Problem.....	1
1.2 Aims and Objectives of the Study.....	2
1.2.1 Aim of the investigation:	2
1.2.2 Objectives:	2
1.2.3 Research Questions:.....	3
1.3 Scope of the Study.....	4
1.4 Country Background and Rationale of the Study.....	5
1.5 Microfinance Sector in Pakistan	8
1.6 Structure of the Study.....	10
Chapter: 2.....	13
Literature Review.....	13
2.1 Microfinance	13
2.1.1 Emergence of the concept of microfinance and its evolution:.....	13
2.1.2 Innovative techniques and expansion of microfinance.....	20
2.2 Microfinance, poverty, gender equality and economic growth.....	23
2.3 Women's economic empowerment, entrepreneurship and access to finance	29
2.3.1 Entrepreneurship	29
2.3.2 Access to finance	35
2.3.3 Well-being and Empowerment:	37
2.4 Studies on the impact of microfinance on women's economic empowerment, entrepreneurship and well-being.....	39
2.5 Conclusion.....	55

Chapter: 3.....	57
Research Methodology	57
3.1 Selection of Research Methods	57
3.1.1 Selection of research philosophy	57
3.1.2 Selection of research design.....	61
3.2 Planning of instrument design, sampling and pilot study	66
3.2.1 Design of Survey and semi structured interviews.....	67
3.2.2 Pilot study	70
3.2.3 Validity of the questionnaire indicators and issues of access and ethics	71
3.2.4 Sample and sampling method	72
3.2.5 Administering the questionnaires/ interviews and the response rate	75
3.2.6 Issues and limitation of data collected from questionnaires and interviews.....	77
3.3 Field Work.....	78
3.3.1 Kashf Foundation.....	78
3.3.2 Asasah Foundation.....	79
3.3.3 Khushhali Bank Limited	80
3.4 Data analysis methods	80
3.4.1 Quantitative Analysis, hypotheses and operationalisation of variables:.....	81
3.4.2 Ordinal Logistic Regression	86
3.4.3 Qualitative Analysis.....	87
3.5 Conclusion.....	88
Chapter: 4.....	90
Descriptive and Bivariate Analysis.....	90
4.1 Descriptive Analysis	90

4.1.1	Demographics of the respondents	90
4.1.2	Income, spending, assets, savings and credit	92
4.1.3	Microfinance	94
4.1.4	Women's entrepreneurship and access to finance	96
4.1.5	Women's economic empowerment in the household	101
4.1.6	Well-being of the woman and her family	102
4.2	Bivariate Analysis	103
4.2.1	Chi-square Test	104
4.2.2	Mann Whitney Test.....	111
4.3	Conclusion.....	116
Chapter: 5.....		118
Women's Entrepreneurship and Access to Finance.....		118
5.1	Hypotheses and variables	118
5.1.1	Research Questions and Hypothesis	118
5.1.2	Dependent and independent variable, correlation and multicollinearity:	122
5.2	Ordinal Logistic Regression Analysis.....	124
5.2.1	Enterprise Growth (H_1)	124
5.2.2	Entrepreneurial skills development (H_2).....	128
5.2.3	Access finance from banks (H_3)	130
5.2.4	Robustness of Results	133
5.3	Conclusion.....	133
Chapter: 6.....		136
Economic Empowerment and Well-being of the Family		136
6.1	Hypotheses and variables	136

6.1.1	Research Questions and Hypothesis	136
6.1.2	Dependent and independent variables, correlation and multicollinearity:.....	139
6.2	Ordinal Logistic Regression Analysis.....	141
6.2.1	Economic Empowerment (H ₄).....	141
6.2.2	The well-being of the family (H ₅).....	144
6.2.3	Robustness of Results	147
6.3	Conclusion.....	148
Chapter: 7.....		151
Structure, processes and experiences of women borrowers and microfinance providers.....		151
7.1	Microfinance Providers	151
7.1.1	Mission, structure and human resource of MFIs	152
7.1.2	Microfinance and credit plus	154
7.1.3	Screening and monitoring of clients	163
7.1.4	Microfinance and women borrowers	167
7.2	Women Borrowers	171
7.2.1	Social demographics and categories of women borrowers.....	171
7.2.2	Microfinance and Access to Finance	175
7.2.3	Women Entrepreneurship	180
7.2.4	Women's economic empowerment and a household's well-being.....	188
7.3	Microfinance Echo System	193
7.4	Conclusion:.....	197
Chapter: 8.....		198
Conclusion and Recommendations.....		198
8.1	Summary of the significant findings	198

8.1.1	Microfinance and women’s entrepreneurship:.....	198
8.1.2	Microfinance and further access to finance:	200
8.1.3	Microfinance and women economic empowerment and the well-being of the family:	202
8.2	Contribution to the knowledge:.....	204
8.3	Recommendations	205
8.4	Implication for future research	208
8.5	Limitation of this study	208
References		210
Appendices.....		234

Contents of Figure:

Figure 1.1: Map of Punjab Province	5
Figure 1.2: Structure of the study	12
Figure 2.1: A Gap for financing to the poor	17
Figure 2.2: How Microfinance filled the gap to finance the poor	22
Figure 2.4: Diagrammatical presentation of operations and impact of microfinance.....	54
Figure 3.1: Research Philosophy	60
Figure 3.2: Research method	66
Figure 5.1: Dependent and independent variable and indicators	121
Figure 6.1: Dependent and independent variable and indicators	138

Contents of Table:

Table 2.1: Research studies on microfinance	43
Table 3.1: Sampling method and unit of Analysis.....	74
Table 3.2: Division of Questionnaires	76
Table 3.3: Division of Interviews	77
Table 3.4: Operationalisation of the dependent and independent variables	83
Table 3.5: Operationalisation of the control variables.....	85
Table 4.1: Descriptive statistics for the demographics of the respondents.....	91
Table 4.2: Income, asset and savings before and after microfinance	92
Table 4.3: Descriptive statistics for characteristics of microcredit of the respondents	96
Table 4.4: Descriptive statistics of enterprise and entrepreneurship of the respondents	97
Table 4.5: Women's entrepreneurship and access to finance	100
Table 4.6: Descriptive statistics for women's empowerment in business decisions	101
Table 4.7: Descriptive statistics for women's economic empowerment in the household	102

Table 4.8: Descriptive statistics for the well-being of the family	103
Table 4.9: Chi-square Test on women's entrepreneurship and amount of microfinance loan	105
Table 4.10: Chi-square Test on women's entrepreneurship and training	105
Table 4.11: Chi-square Test on women's empowerment in business decisions and amount of microfinance loan.....	106
Table 4.12: Chi-square Test on women's empowerment in business decisions and Training for business by MFP	107
Table 4.13: Chi-square Test on women's economic empowerment and amount of microfinance loan.....	108
Table 4.14: Chi-square Test on women's economic empowerment and number of years of membership with a microfinance institution.....	109
Table 4.15: Chi-square Test on the well-being of the family and the amount of the microfinance loan.....	110
Table 4.16: Chi-square Test on the well-being of the family and number of years of membership of a microfinance institution	111
Table 4.17: Mann Whitney U Test on entrepreneurship of women having new or existing businesses.....	112
Table 4.18: Mann Whitney U Test on business empowerment of women having new or existing businesses.....	113
Table 4.19: Mann Whitney U Test on the economic empowerment of women with or without business enterprise	114
Table 4.20: Mann Whitney U test on well-being of the family of women with or without business enterprise.....	115
Table 5.1: Ordinal Logistic regression for enterprise growth-model-I.....	125
Table 5.2: Ordinal Logistic regression for enterprise growth-model-II	127
Table 5.3: Ordinal Logistic regression for entrepreneurial skills development.....	129
Table 5.4: Ordinal Logistic regression for access to finance-model-I.....	131
Table 5.5: Ordinal Logistic regression for access to finance-model II.....	132
Table 6.1: Microfinance Schemes.....	139
Table 6.2: Ordinal Logistic regression for economic empowerment	141

Table 6.3: Ordinal Logistic regression for the well-being of the family	145
Table 6.4: Quantitative Analysis-hypotheses, variables and statistical tests	150
Table 7.1: The Enterprise Gross loan Portfolio and female active client of Khushhali Bank in 2010.....	158
Table 7.2: The Comparative analysis of microfinance loan requirements and policies & procedures of three microfinance providers	161
Table 7.3: Categories of microfinance institution's women borrowers.....	174
Table 7.4: Microenterprise of the women's respondent	183
Table 7.5: Content Analytical Table of women entrepreneurship and household.....	193

Conceptual Framework:

Conceptual Framework 7.1: Microfinance Echo System	196
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List of Abbreviation

AKRSP- Aga Khan Rural Support Programme
BCU-Birmingham City University
GCSE-General Certificate of Secondary Education
GEM- Global Entrepreneurship Monitor
HDI- Human Development Index
KB-Khushhali Bank Limited
KF-Kashf Foundation
MDG-Millennium Development Goals
MFB-Microfinance Banks
MFI-Microfinance Institution
MFPs-Microfinance providers
MPI- Multidimensional Poverty Index
NGOs- Non Governmental Organisation
PPAF- Poverty Alleviation Fund
ROSCA-Rotating Saving and Credit Association
RSP-Rural Support Programme
SBP- State Bank of Pakistan
SECP- Securities and Exchange Commission of Pakistan
SMFI-Specialized Microfinance Institutions
SPSS-Statistical Package for the Social Sciences
UNDP- United Nations Development Programme
UPAP- Urban Poverty Alleviation Programme
VIF- Variance Inflation Factor

CHAPTER: 1

Introduction

1.1 INTRODUCTION AND STATEMENT OF THE PROBLEM

Microcredit is a small amount of finance for the poor people (Otero, 1999) of developing countries to generate income by investing it in micro-enterprises. In the developed economies microcredit is mostly used to encourage self-employment amongst unemployed. It is a challenge to make microfinance attractive in such economies because of the presence of unemployment allowance and welfare benefits (Schreiner and Woller, 2003; Sengupta and Aubuchon, 2008). Microcredit is not a subsidized credit or grant (Helms, 2006); it is provided at a high interest rate due to the high cost of distribution of small loans to people of various areas and high cost of administration due to the fact that regular meetings are held for monitoring the borrowers (Hermes and Lensink, 2007).

Microfinance is a broader term than microcredit. Microfinance is a package which not only includes credit but also facilitates the poor people by providing guidance in budgeting and business management skills through mentoring and training. Moreover, it is often complemented with the opportunities to save in the form of various products, life and health insurance for the clients and/or their spouse and a money transfer facility (Cull, et al., 2009). Such a portfolio of activities brings about entrepreneurial awareness to the family as a whole. The packages of microfinance offered differ among various microfinance institutions and these are shaped according to the social and cultural needs of a country. A microfinance model successful in one country is not necessarily successful in another country (Sengupta and Aubuchon, 2008); every system has to take into account the social and business environment of the country.

Microfinance is considered to be one of the most important developments for poverty reduction and enabling people to become an active part of the economy (Mawa, 2008). Microfinance in developing countries is focused on women more than men as women are poorer (Lucy, et.al, 2008) and less active economically and therefore less able to generate net income to gain power within societies and households. Fewer defaults on the repayment of loans is another factor which makes women more attractive to microfinance institutions (Lucy, et al., 2008)

Research on the area of microfinance is considered to be essential to deal with issues of women's empowerment, poverty alleviation and the welfare of the family in developing countries. However, the availability of data in specific regions and barriers to access others means some regions are research rich and others lacking comprehensive coverage of the issues. Moreover, the dearth of empirical studies and contradictory findings (Weiss, et al., 2003) make this an ideal area for more rigorous research. Specifically the studies on independent microfinance programmes and entrepreneurship are less researched areas (Islam, 2009). This study emphasizes the role of women's entrepreneurship in a developing country's context and attempts to fill the gap in the literature.

This chapter is divided into five sections. The first section will introduce the aims and objectives of the study with emerging research questions. The second part will provide the scope of the study. The third part will provide the background of the country and the rationale for this study. The fourth part will consider the microfinance sector of Pakistan and the last part will provide the structure of the study.

1.2 AIMS AND OBJECTIVES OF THE STUDY

1.2.1 Aim of the investigation:

The aim of this study is to develop a conceptual framework to evaluate the impact of microfinance on women's economic empowerment and its contribution to the development of female entrepreneurs. Furthermore, it considers strategies to improve the utilization of and access to microfinance for enterprising women in Punjab, Pakistan.

1.2.2 Objectives:

Following are the objectives of the study:

- i. To develop an exploratory model from the literature of women entrepreneurs in urban and rural areas of Pakistan, identify the factors that affect access to finance and investigate the barriers for women entrepreneurs and the role of microfinance in Pakistan.
- ii. Using the exploratory model to assess the relationship between microfinance and the growth of women entrepreneurship and economic empowerment with household welfare in Punjab, Pakistan.

- iii. To derive a conceptual framework for women entrepreneurs to improve access to finance.
- iv. To develop policy recommendations for microfinance institutions and government.

1.2.3 Research Questions:

The following research questions derived from the literature will elaborate the main theme and focal points of this study:

1. Does participation in the microfinance programmes contribute to the development of women entrepreneurship in Pakistan?

The first research question is related to the development of women entrepreneurship underpinned by microfinance programmes. For the purpose of this study, women's entrepreneurship development includes enterprise growth and entrepreneurial abilities. Additional factors which can impact microfinance on women entrepreneurs are: the demographics of the women borrowers of microfinance institutions (MFIs); the ultimate use of microfinance by women; entrepreneurial training for women clients; preferred organizational structure of business for women entrepreneurs; the composition of women entrepreneurs in different sectors of business; and women's independent participation in all the operational activities of their enterprise.

2. Does participation in the microfinance programmes provide a positive push towards access to finance by women from commercial banks and financial institutions?

The second research question is related to the access to finance from commercial banks other than microfinance banks. The access to finance from commercial banks is a problem for micro-entrepreneurs and an obstacle to enterprise development. The microfinance sector enhances the ability of micro entrepreneurs to effectively utilise borrowed funds and to gain access to formal credit institutions. The improved credit history and experience of managing borrowed funds could help micro-entrepreneurs to access loans from commercial banks. The following factors have been broadly considered in this research to study the impact of microfinance on further access to finance from commercial banks: reasons for choosing microfinance as source of credit by women; using credit from more than one source such as loans from informal or/and formal sources of finance; access to commercial bank loans by

women; support and help by microfinance institutions to expand business and train women clients to apply for further finance from commercial banks.

3. Does a microfinance loan economically empower women and increase the well-being of their families?

The third research question is related to women's economic empowerment and the well-being of the family due to microfinance. The following points examine the third research question in detail: the ability of women borrowers to make financial decisions in their household and business; the role of microfinance in women's economic empowerment, social and political awareness and the well-being of family; and the system of providing awareness by microfinance institutions to women and their family members.

To find the answers to these research questions a model of microfinance has been developed through literature that is linked with women entrepreneurship development, women economic empowerment, the well-being of the family and access to finance by women entrepreneurs. The model will be tested in the province of Punjab in Pakistan. And the resulting framework will establish policy recommendations for the government and the microfinance institutions.

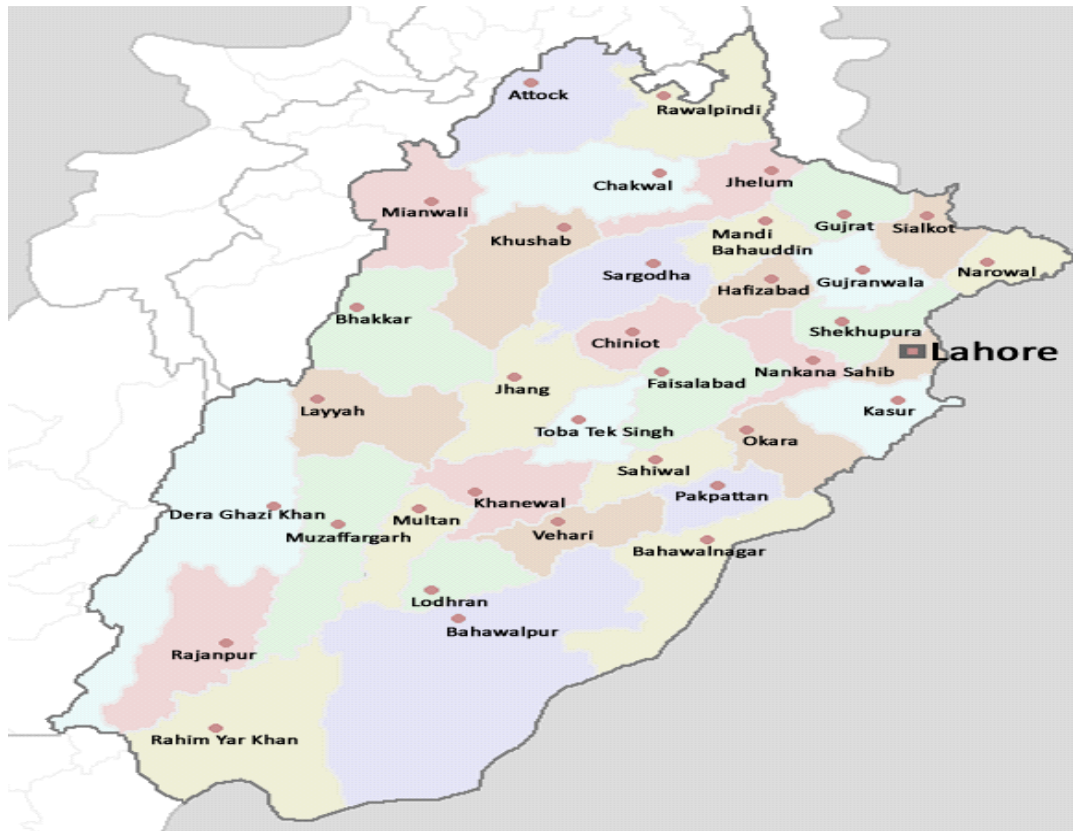
1.3 SCOPE OF THE STUDY

This study has been carried out in Pakistan which falls under the classification of a developing country. The capital city is Islamabad and it is divided into five provinces: Punjab, Sindh, Baluchistan, North West Frontier and Kashmir, although Kashmir is considered to be independent of Pakistan, but its coexistence within Pakistan for over 60 years warrants it to be treated as the fifth province. The focus of this study is on the province of Punjab and specifically on the four districts of Lahore, Kasur, Gujranwala and Vehari that are accessible to the researcher. The three districts of Lahore, Kasur and Gujranwala are from the eastern region of Pakistan and one district of Vehari is from the central region of Pakistan as shown in Figure 1.1.

This study will focus on three microfinance providers (MFPs) operating in Punjab with two specialized microfinance institutions (SMFIs) Kashf Foundation and Asasah Foundation and a microfinance bank (MFB), Khushhali Bank Limited. The reasons for the selection of three microfinance institutions are their objective to provide loans specifically to women for income generation through any economic activity. The Kashf Foundation is one of the oldest microfinance institutions serving only women. Khushhali Bank Limited (KB) is semi-

government microfinance bank intended to disseminate government plans to alleviate poverty slowly and gradually by microfinance and increase the self-sufficiency of poor people in the country. The KB also regulates the microfinance sector in the country. Asasah Foundation was chosen due to its clear preference to support women entrepreneurship development and empowerment through educating and involving the family of the women.

Figure 1.1: Map of Punjab Province



Source: CCOL (2009)

1.4 COUNTRY BACKGROUND AND RATIONALE OF THE STUDY

In the context of Pakistan, the 6th most densely populated country in the world, 180.71 million (Economic Survey of Pakistan, 2011-12) and 23% of its population live below the poverty line that is \$1.25 a day (Economic Survey of Pakistan, 2009-10). This is a challenge for policy makers and international donors within the country. Up till 2005-06 the efforts to reduce poverty were having some positive impact, but the world economic and political crises

have negated improvements in poverty reduction (Economic Survey of Pakistan, 2009-10) and these findings are corroborated by Multidimensional Poverty Index (MPI) 2010 indicators (Alkire and Santos, 2010). Poverty amongst women remains a cause for concern for the government and the international community at large. 55.8% of women in Pakistan are living below the poverty line (United Nations Human Poverty Index, 1995 cited in Goheer, 1999, p.2) and they experience greater obstacles to breaking out of the poverty trap due to market inefficiencies, a problem compounded by social, religious and cultural norms. To break this cycle of poverty microfinance is often considered to be an effective strategy to enable poor and vulnerable females, the most marginalised sections of the population, to engage in economic activity.

The focus placed by the microfinance sector on women is mainly attributable to gender inequality. The women in Pakistan have been poorer due to fewer opportunities to work, as they have restricted access to the outside world (Roomi, 2005; Gobbi, et al., 2005). Women are responsible for the children and the home (Goheer, 2003) and the reproductive responsibility make them less healthy due to the slow implementation of health related policies for women in Pakistan (Hou and Ma, 2011). If women are working outside the home they are double burdened. They suffer a greater pay differential for their work. Moreover, an excessive work load leads to deterioration of their health (Panhwar, 2004). Like the developing country of Bangladesh, the education of girls amongst poorer sections in Pakistan is also not considered important as they have to help in the household with their mothers (Lucy, et al., 2008). Therefore, rural women are more socially bound than urban women. The lack of education, health and financial resources disadvantages, felt more keenly by rural women, restricts their growth potential (Afza and Rashid, 2009). Consequently, the women in Pakistan bear the burden of poverty more than men due to gender inequality. According to a Human Development Report (2010) Pakistan is ranked 125th out of 169 countries on the Human Development Index (HDI). HDI measures the average achievement of the country taking into account three basic aspects of human development: health, knowledge, and income (Human Development Report, 2010). Pakistan's Gender-related Development Index is 93% as the percentage of HDI which helps us to understand inequalities in achievements between men and women. A similar index is the Gender Empowerment Measure, which takes into account gender gaps in economic and political spheres for which Pakistan is ranked 99th

out of 109 countries (UNDP, 2010; Human Development Report, 2010). All these indicators place Pakistan among the less-developed countries having greater gender disparities.

Furthermore, the social and cultural constraints restrict women in taking part in formal work outside their home as women labour force participation is 21.8% as compared to men which was 86.7 % in 2008 (Human Development Report, 2010). Such constraints lead to lower ratios of women entrepreneurs in Pakistan as female entrepreneurs are only 5% of the total entrepreneurs (GEM, 2012). Women in Pakistan have to survive under the subordination system and are affected by the cultural norm of veil and honour. The women in developing countries not only face cultural and social constraints, but also restrictions due to tribal and feudal system (Roomi, 2005).

According to Niethammer, et al. (2007) women entrepreneurs have limited access to institutional credit because of less knowledge of how to access formal finance and having no ownership or control of land or property that could be used as collateral. Anecdotal evidence suggests this is a particular issue for women in Pakistan. A study by Roomi (2005) identifies various obstacles faced by women entrepreneurs in Pakistan in the start-up and development phases of their business. Women face a mobility barrier, which includes travel for business purposes, not only as a result of poor infrastructure but also due to the social and cultural norms that have discouraged them from going outside and moving freely from childhood. This limited mobility often restricts their choice of business to pursue. Most women engage in businesses that do not require mobility and which also, typically, only require contact with other women, for example, beauty salons. The women trying to develop their businesses face barriers like non acceptance of women's authority by male employees and find it difficult to establish credibility with customers and suppliers due to their gender (Roomi, 2005). These attitudes are reflected in the women's difficulty in accessing finance, an additional barrier which increases the constraints they face.

Gender inequality, social, cultural and financial constraints and government failure to provide credit facilities for women suggest a study of microfinance within Pakistan's context is timely. Moreover, literature on microfinance is evolving and the ensuing debate has alluded to conflicting results of Microfinance Institutions (MFIs) to alleviate poverty and empower women. There are few rigorously tested empirical studies on microfinance (Hermes and Lensink, 2007) and women's entrepreneurship development through microfinance. Furthermore, the studies are mostly in the region of Bangladesh where microfinance is

considered to have originated, a myth that is over expounded as microfinance initiatives can be traced back to the 1960s Comilla project within the united Pakistan (Haq, 2008). Therefore, there is a case for research in the area of microfinance within the context of Pakistan and to consider its effects on female economic empowerment with entrepreneurship in other developing countries.

1.5 MICROFINANCE SECTOR IN PAKISTAN

With poverty and gender inequality in Pakistan there is a need for development programmes to overcome these issues. The Government of Pakistan tried in the past to provide subsidized credit, but such programmes failed with a fraction of poor women receiving credit (Goheer, 1999). However, microfinance institutions have offered benefits, challenges and considered the wider social dynamics which emerge when access to finance is offered to females. The World Bank report in its beginning commented that in Pakistan the microfinance sector had received considerable government attention due to its poverty alleviating potential (World Bank report, 2007).

The microfinance sector is in its infancy stage in Pakistan; however, the origin of informal and formal sources of finance in the country is as old as the origin of the country which also led to the microfinance initiative in 1960 (Haq, 2008). After independence in 1947 the government paid more attention to agricultural lending than micro lending as Pakistan is an agricultural country. The agricultural sector loans were provided by the Government in case of loss to the farmers due to natural calamities; and loans by cooperative banks, agricultural banks and development finance corporations served the small farmers in rural areas (Hussein and Khan, 2009). These agricultural credits and institutions became unsuccessful in achieving the goals of alleviating poverty and increasing agricultural productivity due to few farmers holding these facilities. Therefore, by the end of the 1980s the government had reduced its support in agricultural credit (Hussein and Khan, 2009).

Before the 1990s many Non-Governmental Organisations (NGOs) had taken microcredit and savings initiatives such as Orangi Pilot project in Karachi and the Aga Khan Rural Support Programme (AKRSP) in northern areas of Pakistan (Haq, 2008). In the 1990s microfinance was recognized and began to flourish. Some of the developments since 1996 have been the establishment of first specialized microfinance NGO, Kashf Foundation; the establishment of the first urban microfinance programme the Urban Poverty Alleviation Programme (UPAP); and the National Association for microfinance providers in Pakistan in 1998 which later

evolved into a formal organization in 2001 named Pakistan Microfinance Network (Haq, 2008).

Governmental support in the microfinance sector came with the formation of a funding organisation named the Pakistan Poverty Alleviation Fund (PPAF) and the establishment of Microfinance Bank (MFB) named Khushhali Bank in 2000. In 2002 the first private sector microfinance bank named First Microfinance Bank Limited was formed under the Microfinance Institutions Ordinance in 2001. The State Bank of Pakistan set up a separate microfinance division which evolved into the microfinance department in 2007. The establishment of PPAF and the formation of the MFI Ordinance 2001 transformed the microfinance sector from a multi-dimensional to a specialized microfinance sector and enhanced the concept of the microfinance institution from a social service to a financial enterprise (Hussein and Khan, 2009). There are a number of Specialised Microfinance Institutions (SMFIs), Microfinance Banks (MFBs), Rural Support Programmes (RSPs) and NGOs providing microfinance facility in Pakistan. SMFIs are NGO based microfinance organisations registered under the Societies Act, Trust Act and the Companies Ordinance. MFB are licensed commercial banks under the prudential regulation of the State Bank of Pakistan (SBP) to serve the microfinance industry. They are allowed to accept deposits and can offer savings products by law. RSPs focusing only on the rural credit are NGOs registered under Companies Ordinance and as a group are registered under the Securities and Exchange Commission of Pakistan (SECP) (Basharat, 2012). To date there are almost 8 MFBs, 9 SMFIs, 6 RSPs and a number of other foundations, programmes and NGOs providing microfinance facilities all over the country (Arshad, 2012). Microfinance providers (MFPs) include not only local NGOs, but also multinational NGOs such as BRAC-Pakistan and ASA-Pakistan. The market is dominated by MFBs in the case of active borrowers with an increasing trend whereas the RSPs' share of active borrowers decreased annually from 35% in 2010 to 28% in 2011 (Basharat, 2012).

The microfinance sector in Pakistan is serving both men and women, but often women are more referenced within this context. In the second and third quarters of 2012 the microfinance sector served more women than men, 59% and 57% were female clients respectively (Arshad, 2012). The outreach of microcredit to women borrowers has also been improving annually: 45.6% in 2009 to 51.8 % in 2010 and a slight rise to 55.2% in 2011. Moreover, the number of women saving money has increased: 19.4% in 2011 compared with

8.4% in 2010 (Basharat, 2012). However, women are less active savers as compared to men since in quarters 2 and 3 of 2012 the number of active male savers was 59% and 61% respectively compared with women savers 41% and 39% respectively (Arshad, 2012). Among the microfinance peers, SMFIs and RSPs have more female borrowers and MFBs have more male clients. Moreover, the female borrowers have declined in MFBs: 32.8% in 2010 to 25% in 2011; however they have increased in SMFIs and RSPs: 79.8% and 52.4% in 2010 to 82% and 71.5% in 2011 respectively (Basharat, 2012). The focus of the microfinance sector, especially the SMFIs and RSPs, is on the females that initiated this research on women borrowers and entrepreneurs. The combination of two SMFIs and a MFB in this research provides a mix of female clients from a variety of microfinance peers and in future this study can be extended by comparing the outcome between the microfinance providers. Some of the recent developments in the microfinance sector include branchless banking, attracting national and international investors to overcome funding constraints, diversification of lending methodology from group to individual lending and the growth of MFB deposits. On the other side, the high operating cost, diverse funding sources, corporate governance issues and external macro factors of the country are some of the challenges faced by the microfinance sector of Pakistan (Basharat, 2012).

1.6 STRUCTURE OF THE STUDY

The thesis is divided into eight chapters. The first chapter introduces the aims and objectives of the study with the scope and rationale for the study. This chapter also provides information on the economy and the microfinance sector of Pakistan. Chapter 2 reviews the microfinance literature regarding poverty, gender inequality, entrepreneurship, women's empowerment and the well-being of the family. The emergence of the microfinance and empirical studies of microfinance is discussed and argued with reference to the literature. The literature review leads to the formation of a model for this study.

Chapter 3 considers the research methodological issues and provides a rationale for the selection of the methodology specific to this study. The research design, designing of the survey and the selection of sampling techniques are debated. The results and issues arising from the pilot study are reported and that leads to the improvement of the research instruments. The data collection procedure and data analysis methods with the operationalisation of the factors and the variables are discussed in detail in this chapter.

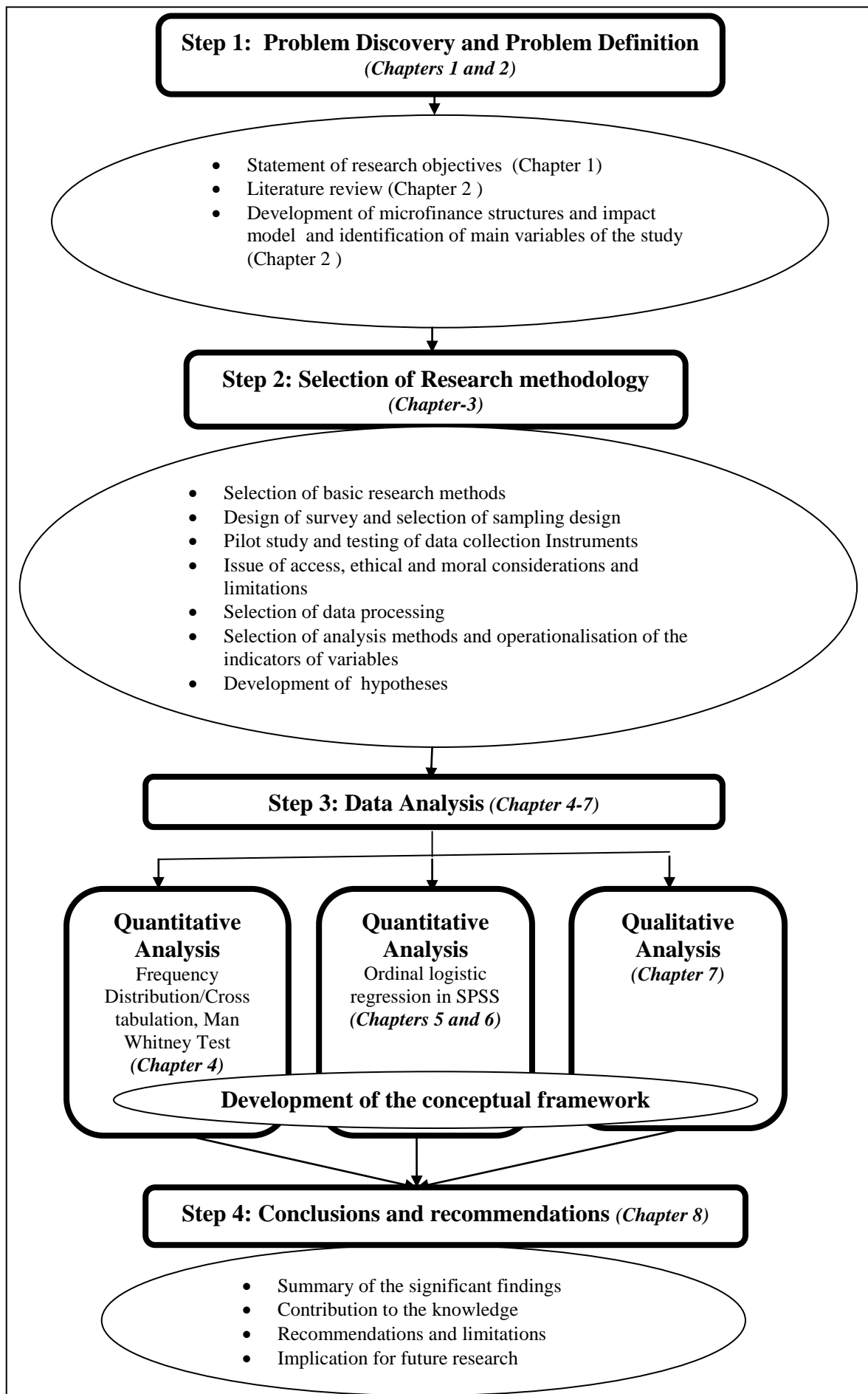
Chapter 4, 5 and 6 are the three chapters which examine quantitative data analysis using different statistical techniques with the help of Statistical Package for the Social Sciences (SPSS). These chapters focus on the research questions and hypotheses of the study. Chapter 4 provides the descriptive analysis of the questionnaire data including univariate and bivariate analysis. In chapter 5 the first three hypotheses are tested that answer the first two research questions using ordinal logistic model. The remaining two hypotheses and a research question are dealt in chapter 6 of the thesis.

Chapter 7 focuses on the three research questions to confirm or refute the quantitative results of the study. The results of interviews with women are examined in depth and the analysis is presented in this chapter. This chapter also contains the detailed analysis of the interviews from the loan officers and heads of three microfinance finance institutions. The comprehensive examination of the questionnaires, interviews and review of secondary data from annual reports and websites of the institutions are used to develop the conceptual framework of the study and the results.

Chapter 8 summarizes the research and results of the research questions. The contribution to the knowledge in the literature of microfinance and recommendations are provided for the policy makers and government for the microfinance sector. Finally, the chapter is concluded with the limitations of the study with recommendations for a further area of research which may be explored in the future.

Figure 1.2 depicts the structure of the thesis in four steps. The first two chapters discuss the core issues, literature and definitions. Chapter 3 examines the selection of research methodology. Thereafter data analysis and findings are discussed in detail in chapters 4, 5, 6 and 7 of the thesis. Chapter 4, 5 and 6 are related to the quantitative part and chapter 7 discusses the qualitative part of the analysis and the development of the conceptual framework of the study. Finally, chapter 8 provides the conclusion of the study with recommendations and implications for further research

Figure 1.2: Structure of the study



CHAPTER: 2

Literature Review

This chapter provides a review of pertinent literature relating to microfinance with a particular emphasis on issues relating to poverty, gender inequality as the link to entrepreneurship amongst women in general and women of Pakistan in particular. The first part will provide an insight into the emergence of the concept of microfinance, its evolution, innovative techniques and expansion. The second part considers the relationship between microfinance, poverty, gender inequality and economic growth. The third part focuses on the literature relating to entrepreneurship, empowerment, well-being and access to finance. The fourth and last part critically examines the studies on the impact of microfinance on poverty reduction, empowerment of women and enterprise development by women and the well-being of the family. This part identifies the gap in literature and formulates the model to be tested in a developing country such as Pakistan.

2.1 MICROFINANCE

2.1.1 Emergence of the concept of microfinance and its evolution:

The presence of microfinance existed for centuries in medieval societies in one form or another (Helms, 2006) but it has gained significance, respectability and acceptance as one of the tools to alleviate poverty (Sengupta and Aubuchon, 2008). The emergence of microfinance has evolved over the last two decades with the substantial component of development (Greeley, 2003). It is considered as a viable solution for poverty alleviation and reducing inequalities in society, which are the challenges that the world is facing today (Kanak and Iiguni, 2007). The economics of poverty has implications for the economic well-being of a country, its output and political and socio economic well-being. A high level of economic deprivation has the capacity to destabilise political and social norms and give rise to conflict that in turn has a negative impact on the efficiency of an economy (Gurses, 2009). This also hinders financial deepening, financial and legal institutional development. Within developing economies such as Pakistan, financial institutions fail a large section of the population in providing access to credit, savings and insurance, in particular to the most marginalised section of the community (Haq, 2008). Though the origin, practice and need for

microfinance exists in developed economies (Schreiner and Woller, 2003), the main focus of the researcher into the relationship to microfinance at large is on developing economies.

The essence of microfinance is to endow resources to those who are unable to draw on their past savings and lack assets to provide collateral to gain access to external finance (Kanak and Iiguni, 2007). According to Otero (1999, p.1), '*Microfinance is the provision of financial services to low income, poor, and very poor self-employed people*'. It shows that microfinance is a credit facility for the poor people. However, it is not just lending to the poor, it is more than microcredit including financial services such as a savings and insurance (Sengupta and Aubuchon, 2008). The microfinance approach is holistic in that it works with the poor section of society to develop their capacity to engage with the wider economic environment to gain financial advantage and engage in entrepreneurship to overcome adverse economic existence (Islam, 2009).

The credit and saving are desirable to improve the present and long term welfare of the household. Both are required for smooth consumption when there are fluctuations in income such as seasonal income in agriculture or due to illness of the main earner of the household (Armendariz de Aghion and Morduch, 2005; Morrison, et al., 2007). For centuries many efforts have been made to reach the poor who are unable to borrow through informal savings and credit groups (Helms, 2006). The poor are inclined towards the informal credit networks due to easy access as they offer fast, flexible and convenient financial services. The traditional informal resources for the poor were loans from friends, relatives etc. or from money lenders or landlords. But money lenders exploit the rural poor by high interest rates because of their monopoly or simply because of their fear of high default rates (Rallen and Ghazanfar, 2006). According to Aleem (1990) one reason for high interest rates is the asymmetric information as the lender has less information of the borrower's ability to repay the loan. The moneylenders spend time and money in the screening of loan applicants and thus transfer that cost to the clients in the form of interest. Aleem (1990) studied 14 money lenders of the rural informal credit market in Chamber, Pakistan and found that there was monopolistic competition in that market with imperfect information. He found that the interest rate charged by lenders in the informal market was close to the average cost of lending, whereas the cost includes the cost of screening clients, pursuing overdue loans, overheads and the cost of capital with an unrecoverable loan cost. Hence the money lenders charge high interest rates because of the high cost of accessing the borrower's information

and may use the high interest rate from poor borrowers to offset the high rate of defaults (Aleem, 1990). Moreover, the moneylenders usually use inhumane methods to recover loans in the case of default by borrowers (Bhatt and Tang, 2001). Bhatt and Tang (2001) highlighted some other limitation of the informal credit market such as it was not able to serve the expanding needs of micro-entrepreneurs because of the reliance on personal funds by moneylenders and landlords; and these markets don't provide any facility for saving which is required by the poor.

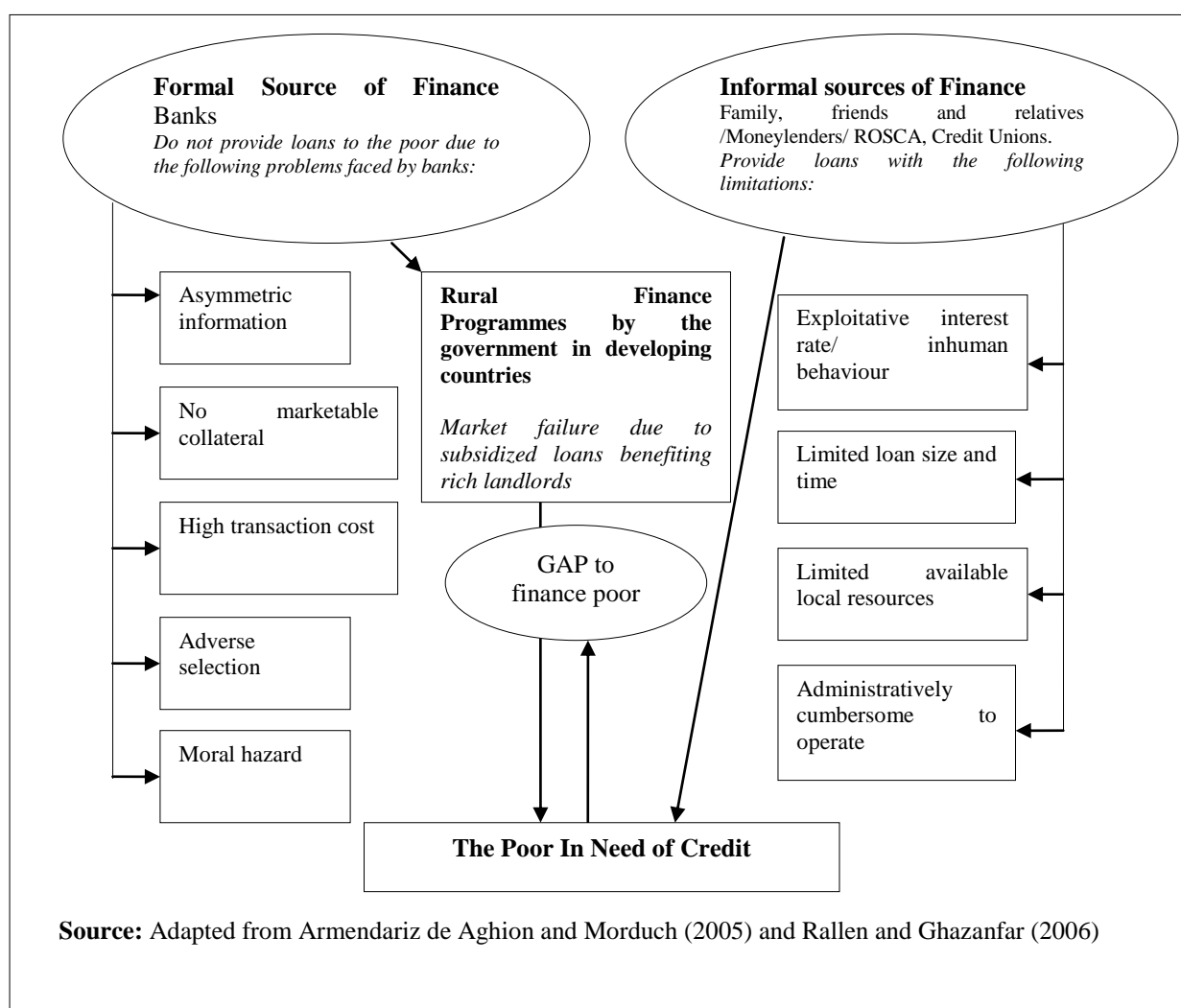
Some other informal solutions to save and borrow for the poor would help the low income people of developing countries. These include Rotating Saving and Credit Association (ROSCA) and Credit Cooperative or Credit Union. In ROSCA members contributed money weekly or monthly for an agreed period of time and every week or month one member keeps the total of money contributed by members but all members contribute till the end of the period (Rallen and Ghazanfar, 2006). In Africa this type of arrangement is called stokvels, in which the member who received the total sum of money weekly would organise a party which the public paid to attend. The gains on such parties would belong to that member. But these stokvels are usually for consumption requirement rather than investment (Mosley and Rock, 2004). Helms, (2006) indicated that ROSCA is rigid, as a person is tied up until his turn to access the money and it is also risky when one member could not participate after taking his total sum of money. This system also is not able to help the member if he needs money before the time of his turn for the total money. So, ROSCA and the Credit Unions could not fully accomplish the needs of the poor too because of limited flexibility in loan size, time and available local resources and onerous administration (Rallen and Ghazanfar, 2006). Similarly the loans from friends and family have problems of limited flexibility and also the fear of loss of dignity in their community (Helms, 2006).

The formal financial institutions are required to bridge the gap to finance the people living at the margin. These formal financial institutions have restricted resources to obtain reliable information about the prospective clients and to gain such information would add to their transaction costs (Sriram, 2005). The unavailability of formal records about the credit history is a hurdle in the way of rendering the services to the poor sector of the economy. Consequently, the formal resources to credit such as banks usually avoid providing loans to the poor. Armendariz de Aghion and Morduch (2005) identified asymmetric information as an obstacle to bank lending. Banks in order to lend need full information about the quality of

potential borrowers to acquire their ability to repay. Lack of information about poor borrowers is an important factor in the inability of banks to serve the poor. Banks in developing countries could overcome the problem of lack of information by requiring collateral, generally in the form of land from rural borrowers (Hoff and Stiglitz, 1990), yet the poor usually do not have valuable collateral to offer as security. Banks may have cheap ways to gather information on potential borrowers but it involves a high transaction cost due to handling many small loans (Armendariz de Aghion and Morduch, 2005). Hoff and Stiglitz (1990) described the information asymmetry and high transaction cost as characteristics of the rural credit market in the form of three problems. Firstly, a Screening Problem, it is costly to determine the risk of default of each borrower; secondly an Incentive Problem, it is costly to ascertain the actions of borrowers that show that they will make repayment; and thirdly the Enforcement Problem, it is difficult to enforce repayment. Moreover, banks require more formal documentation for providing finance to their clients and this increases the transaction cost (Sriram, 2005). Another important problem that the banks face due to information asymmetry is adverse selection. The banks cannot easily differentiate between risky customers and safe customers; therefore they have to raise interest rates for all the customers. This high interest rate discourages the safe borrowers as they may not be able to pay such high interest rate that excludes the safe borrowers and ultimately the risky borrowers will take loans on such high rates. This situation gives rise to a moral hazard problem because the risky borrower may have less incentive to make their efforts successful with the loan due to having no fear of seizure of their personal property or poor could work hard and draw profits out of the efforts financed by the bank and disappear without repaying the loan (Armendariz de Aghion and Morduch, 2005; Rallen and Ghazanfar, 2006). According to Deakins and Hussain (1994) the risk associated with financing small businesses is asymmetric information creating the problems of a moral hazard and an adverse selection for the bank. These hurdles make the banks shy away from financing small firms which raises liquidity constraints for small entrepreneurs.

For the reasons of asymmetric information, no marketable collateral, high transaction cost, adverse selection and moral hazards, banks are always reluctant to serve the poor population as shown in the Figure 2.1.

Figure 2.1: A Gap for financing to the poor



Similarly the informal source of finance will try to fill the gap of finance for the poor but this is usually characterized by exploitative interest rates, inhuman behaviour to recover the loan, limited loan size and time, limited available resources and is administratively cumbersome to operate (Armendariz de Aghion and Morduch, 2005). The figure 2.1 shows that both formal and informal credit networks could not fully accomplish the poor's need of credit and there is still a gap to finance the poor. The various rural finance programmes operated by the government of developing countries tries to serve the rural poor, however the subsidised loans which benefit the richer landlords rather than the poor make all their efforts in vain (Goheer, 1999). To fill this gap there is a need to relax the stubborn behaviour of the formal sector and remove the demerits associated with the informal credit sector. Stiglitz (1990), suggested peer monitoring in collective credit, in which the government can play an

important role by providing credit to the rural poor by forming small cooperatives in rural areas, making each member of the cooperative responsible for the entire credit. The peer monitoring can remove the problem of asymmetric information. Although it would need to have such a comprehensive programme which would fully overcome the problems of the formal and informal credit network and bridge the gap to provide credit facilities to micro-entrepreneurs. Many private, public and non-profit organizations have developed programmes, especially in the developing countries, to fulfil the need of credit to poor entrepreneurs (Bhatt and Tang, 2001). One of these programmes that is considered as successful in most of the developing world is microfinance (Bhatt and Tang, 2001).

It is not the case that no earlier efforts were made to aid the poor before microfinance. Helms (2006) provides a detailed history of microfinance starting its initiating program in the 15th century Catholic Church founded pawn shop to substitute the moneylenders. In the 18th century Jonathan Swift first introduced microcredit by establishing successful an Irish Fund Loan System. This Fund Loan system provided a small loan to poor farmers without collateral. In the mid-19th century Friedrich Wilhelm Raiffeisen and his supporters developed the idea of cooperative unions in Germany. At that time various types of larger and more formal savings and credit institutions began to emerge in Europe and from 1870 the cooperatives spread in Europe, North America and in the developing countries. In 1895 the Indonesian People's Credit Banks, currently the largest microfinance system, opened in Indonesia.

In the early 20th century, in rural Latin America various adaptations of credit models began to emerge. In the 1950s and 1970s the government and donors became interested in development projects in the agricultural sector by providing credit on a subsidized interest rate to the small and the marginal farmers, but remained unsuccessful. The reasons for its failure were that the banks faced losses due to subsidized lending rates, poor repayment discipline and the funds not reaching the poor farmers (Helms, 2006). Armendariz de Aghion and Morduch, (2005) stated some of the experience of rural finance programs in the 1800s was in the low income countries of the Philippines and India. The programme failed in the Philippines as it provided lower interest than the inflation rate and that created a financial imbalance and only a few wealthy farmers reaped the benefit. Similarly the Indian programme became inefficient due to the fall of the recovery rate. According to Rallen and Ghazanfar, (2006) the subsidized loans by the government were distributed on political

reasons, moreover, they did not provide the opportunity to save money. The good projects of poor entrepreneurs were not served by these credits due to the majority of their distribution going to undeserving people. The poor people also lost the informal credit market with this subsidized credit (Armendariz de Aghion and Morduch, 2005). This rural financial market failure is shown in Figure 2.1 and proves that instead of facilitating the poor it made a gap in financing them. This market failure pushed the movement of the microfinance programme that fully accomplished the needs of the poor.

The above historical background of credit shows that the concept of microfinance has been for centuries but more recently in 1970s it reported success in Bangladesh with the development of the Grameen Bank. Dr. Muhammad Yunus in 1976 started lending to poor women in the village of Jobra. In 1972 the economic position of Bangladesh was worse after independence from Pakistan and two years of flooding. Dr. Muhammad Yunus realized that the reason for that poverty was the lack of access to credit for the poor. He personally lent \$27 to 42 women for bamboo stool manufacturing. After his different experiences of lending to the poor, Dr. Yunus settled on a model and in 1983 finally founded the Grameen Bank as a financial institution. The Grameen Bank provides loans to the poor and especially to women. The Grameen Bank growth rate has increased since its foundation and has reached up to 5.5 million members up till 2005-06 with 95% of the members being women (Sengupta and Aubuchon, 2008). Microfinance is successful in the developing country of Bangladesh and the same model is replicated in other developing countries with successful results.

According to Helms (2006) some of the other pioneers of microfinance in the 1970s were ACCION International which was started by Joseph Blatchford in Latin America and then spread to the United States and Africa; and the Self Employed Women Association Bank in India started in 1972 providing banking services to the poor self-employed women of India. In 1980 the microfinance programmes depicted that the repayment rate for credit to the poor, especially women, was high and the poor people's willingness to pay the interest rate allowed the microfinance institutions to cover their costs. In 1983 the Bank Rakyat Indonesia (BRI) was given autonomy by the Government after subsidized credit failure, serving 30 million low income savers and borrowers in 2006. In 1990 the term microcredit was replaced by microfinance including savings, insurance and money transfer services other than credit (Helms, 2006).

2.1.2 Innovative techniques and expansion of microfinance

The question arises as to what factors are behind the success of the Grameen Bank and similar other programmes where other methods of financing the poor have failed. Many economists attribute the success of the Grameen Bank to the innovative technique of group lending (Sengupta and Aubuchon 2008) and many other innovative techniques that avoid the mistakes of the past. In the group lending technique of microfinance, a group of 5-20 people take the loan without providing any collateral. Each member of the group has an individual responsibility to repay the loan but in case of default all the members have to bear the loss of future credit from the microfinance institution (Rallen and Ghazanfar, 2006).

This technique of micro financing helps to overcome the difficulties of non-financing of the poor in the past by the financial institutions due to lack of information. Instead of getting information from the institutions, they used the information that the members had about one another. The group lending has the advantage of the social ties amongst the group members. The loss of an extended loan in the future in case of default forces the members to monitor each other (Stiglitz, 1990; Rallen and Ghazanfar, 2006). According to Bhatt and Tang (2001) the joint liability transfers the responsibility of selecting the group members, regular payment of loan instalment by the group members and the implementation of the credit contract to the borrowers, who have enhanced access to such information thus decreasing the risk for the bank. This will also help to control the problem of Adverse Selection. Instead of increasing the interest rate for risky borrowers, the process of selection is left to the members themselves. As they know each other a risky borrower must group with borrowers of the same risk (Stiglitz, 1990; Sengupta and Aubuchon, 2008). Thirdly it also decreases the risk of moral hazards as the members know each other so they have to face the social consequences if they default. But this technique has some limitations like the high cost of group members monitoring and the harsh social and financial punishments in case of default (Rallen and Ghazanfar, 2006). The Figure 2.2 exhibits that the group lending technique helps to overcome the problems of asymmetric information, adverse selection and moral hazard which were faced by formal credit institutions when providing loans to the poor.

The evidence of the group lending ability to reduce the transaction cost is not clear. The total transaction cost depends on various factors. Bhatt and Tang (2001) highlighted some of the factors of differing transaction costs for the lenders in group based lending. First is the institutional arrangement of the organization of transactions, for example in some cases

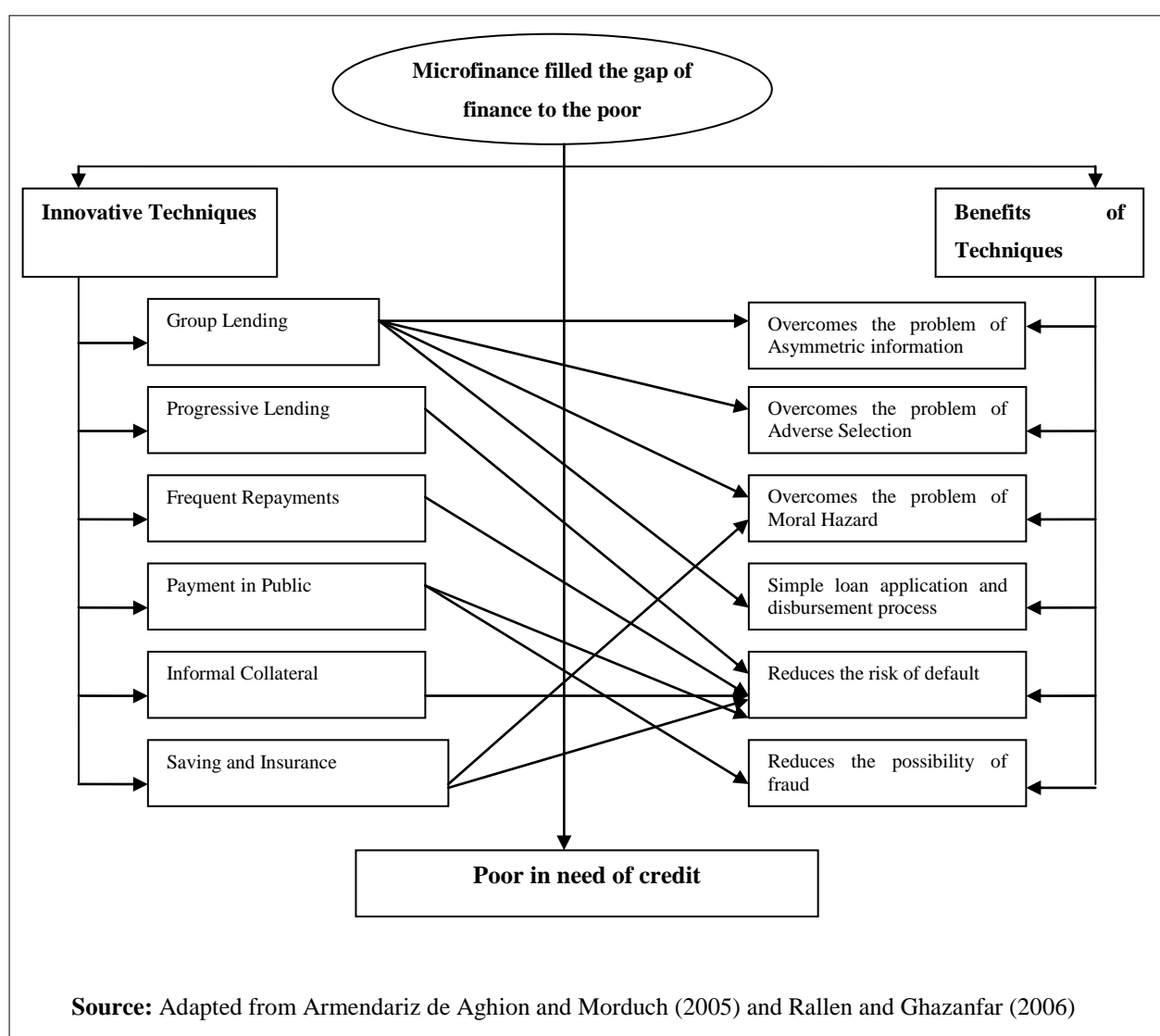
lenders make the decisions regarding the loan recipients and the amount, which increases the transaction cost for lenders. Second is the degree of the group members' liability for example if the loan is given to the entire group with joint liability to repay, the transaction cost is shifted to the borrower from the lender. Third is the social capital context as the transaction cost would be shifted to the borrowers if the social capital is strong and vice versa. Fourth is the saving for example compulsory saving helps to reduce the transaction cost as it provides added sources of funds for loans which reduces the dependence on donors which results in less data collection and reporting requirements by the lenders. Fifth the liberalized interest rate policies that help the lender to cover all costs from the borrowers resulting in lowering the transaction cost. Moreover, the legal system leads to a decrease in the transaction cost as the lender can depend on the legal system to guarantee the loan repayment (Bhatt and Tang, 2001).

Microfinance programmes have simplified the cumbersome administrative operations by simple loan application and disbursement processes (Morrison, et al., 2007), as shown in Figure 2.2. There are also other benefits from a number of innovative techniques of microfinance such as progressive lending, frequent repayment and non-traditional collateral. These techniques are either provided on an individual basis or in group lending form. In progressive lending initially the borrower receives a small loan that will gradually increase with each timely repayment. This strategy guards the microfinance provider against the default by the borrower because the microfinance provider has no collateral to sell off in case of default. The weekly or bi-weekly repayments will show the ability of borrowers to repay the loan and discover the reason for non-payment. Moreover, as the microfinance institution understands the social ties of the poor people so the strategy to repay the loan in front of community and people of the local area increases the chances of repayment (Armendariz de Aghion and Morduch, 2005; Rallen and Ghazanfar, 2006) as shown in Figure 2.2.

Micro-credit has had a major impact on relaxing the credit constraints for the poor in general and for poor women in particular by providing them collateral free loans (Morrison, et al., 2007). Nevertheless, The Bank Rakyat Indonesia practiced the collection of non-traditional collateral that may have little market value but is highly valuable to the borrowers. The compulsory saving requirement by many microfinance providers can also serve as collateral for the loan. The saving and insurance options in microfinance eliminate the moral hazard problem. The flexible loan repayment by Grameen II is another innovation that provides the

borrowers multiple options to repay the loan on an individual basis (Sengupta and Aubuchon, 2008). It is shown in Figure 2.2 that microfinance has filled the gap in financing the poor by its innovative techniques that help to overcome the problems faced by formal credit institutions and reducing the risk of default and fraud. Therefore, microfinance is considered to be an important source of funds for the poor entrepreneurs that not only reduces poverty but also helps to increase their ability to earn (Sengupta and Aubuchon, 2008).

Figure 2.2: How Microfinance filled the gap to finance the poor



The microfinance sector has been spreading rapidly from last decade. According to Helms (2006) it has reached the five continents. Latin America has the longest tradition of microfinance. However, in Sub-Sahara Africa microfinance is weaker than in other regions

and in Eastern Europe and Central Asia it is new concept. Similarly, in the Middle East and North Africa microfinance is not yet considered as a part of a financial system. Microfinance has strong footings in the continent of Asia. In Asia the microfinance facility is usually emphasized in rural areas. Bangladesh, Vietnam and Indonesia are the most developed in the sector of microfinance in terms of the outreach of loans and saving facilities (Helms, 2006; Weiss, et al., 2003), however in countries such as India, China, Afghanistan and Pakistan the outreach of microfinance is not as great. With all the disproportions of microfinance outreach in the countries of Asia it is still a most developed continent in terms of volume of microfinance institutions (Weiss, et al., 2003).

Microfinance is growing not only in the developing countries but also in the developed world. Sengupta and Aubuchon (2008) indicated that the progression of worldwide Microfinance Institutions (MFIs) is now in several countries. The microfinance sector's growth is noticed in developing as well as developed countries; however it is less successful in the developed world. The group lending methodology of the Grameen Bank is replicated in the Good Faith Fund in Arkansas, United States but it failed because of the different social context from the developing countries (Sengupta and Aubuchon, 2008). Schreiner and Woller (2003) found that the success of microfinance is much more difficult in the United States than in the developing countries because of a number of reasons. Various welfare benefits and public safety nets for the unemployed and the complex laws and regulations compliance for small firms discourage self-employment and hence the need of credit for small ventures. In addition, the group lending technique of microfinance does not work well in developed countries because of weak social capital and poor people who have already an access to credit. Therefore, variety in microfinance products is necessary in order to compensate for the need of different types of clients in different regions. (Weiss, et al., 2003).

2.2 MICROFINANCE, POVERTY, GENDER EQUALITY AND ECONOMIC GROWTH

This section will throw light on poverty and gender issues that are linked to microfinance. According to Mawa (2008) microfinance is related to two of the eight Millennium Development Goals (MDG), numbers one and three. The Millennium Development Goals (MDGs) are development goals to be achieved by the world in 2015 to alleviate poverty and improve health and education. These efforts are reducing world poverty as the number of

people living below than \$1 a day in developing countries are 980 million in 2004 as compared to 1.2 billion in 1990 (UN, 2007).

The first MDG is to eradicate extreme poverty and hunger. It is recognised that poverty is a complex inter linked and complicated phenomenon that cannot be considered in isolation or measured in terms of monetary value alone. Poverty is conventionally viewed as lack of income, assets and resources but it's then broadened to include lack of self-respect and independence (Cagatay, 1998). Weiss, et al. (2003) argued that to find the solution to poverty it is necessary to understand the different groups of poor people. The people who temporary became poor due to unexpected adverse circumstances should be treated differently from the people who are chronically poor. The chronically poor may be the destitute ones that are physically or socially disadvantaged or non-destitute ones that are have less assets and resources. Furthermore, those people who are below the poverty line are those non destitute ones who are the core poor.

Poverty is now viewed as a process in which, instead of focusing on what the poor lack, focuses on what assets they own and resources they can access (Cagatay, 1998). A definition of poverty is provided by the United Nations Development Programme UNDP in its Annual Report (2008, p.13) *"Poverty is not just about money: lack of access to essential resources goes beyond financial hardship to affect people's health, education, security and opportunities for political participation"*.

This is a comprehensive definition of poverty that introduced the human poverty concept. Human poverty is people with a lack of opportunities and this concept is helpful in understanding the cause of poverty not its symptoms. The measurement of human poverty focuses on clean water, health services and level of literacy. The concept of human poverty is helpful in clarifying the relationship between gender inequality and poverty, as it focuses on gender differences in the lack of education and health services and social constraints (Cagatay, 1998).

The third MDG that relates to microfinance is to promote gender equality and to empower women. Gender equality according to WHO (2001, p.43) means *"...equal treatment of women and men in laws and policies, and equal access to resources and services within families, communities and society at large"*. Gender inequality is not good for economic growth and poverty reduction. The relationship between poverty and gender equality as measured by Morrison, et al. (2007) suggests that the developing countries with higher

gender equality have lower poverty rates. Similarly the Francisco (2007) study in the South East Asian countries found that gender based inequalities obstruct socio-economic growth and development. Based on the evidence from these countries she found that it is very important to develop appropriate gender equality policies and programmes and ensure their implementation.

Poor people suffer due to different types of poverty; however women are more disadvantaged because of gender inequalities in the distribution of income, access to credit, control over property and the gender disparities in the labour market and economic and political institutions (Cagatay, 1998). Similarly according to a study in Bangladesh by Lucy, et al. (2008) all citizens of the country suffer from poverty but women and children bear most of the poverty burden. Women and girls continue to face discrimination in their home and society in every area whether it is health and nutrition, education and employment or political participation. Hence women are not only at greater risk of chronic poverty but also vulnerable due to any social, economic, political, ethnic, health or macroeconomic policy related crises. Women are also poorer as much of their work is inside the home which is not economically counted and unpaid and if they work outside the home their work is also not socially recognised. Therefore, there is a need to formulate macroeconomic policies from a poverty and gender perspective that help to eradicate gender inequalities and poverty (Cagatay, 1998). Morrison, et al. (2007) developed a framework for understanding the link between gender equality and economic growth/poverty reduction. According to them the increase in gender equality in households, markets and society helps to increase women's labour force participation, productivity, earnings and well-being of the children due to women's better access to the market, better health and education and control over decision making in the household. The increase in female earnings stimulates short term growth, reduces current poverty and also stimulates long term growth and reduces future poverty through higher consumption expenditures and higher savings respectively. The well-being of the children is also a way to improve economic growth and reduce poverty through gender equality as it increases the children's ability and productivity as adults (Morrison, et al., 2007). It shows that a country where efforts are made to achieve gender equality is able to achieve the goals of economic success and development. A study has shown through various case studies that gender equality is good for the increase in economic contribution by women and overall economic development of a country. A programme that targeted the poor women of Pakistan

benefited more than half of the participants as the women's status in the household increased due to their contribution in economic activity. Moreover, it also leads to broader empowerment on individual, household, community and society levels (Jones, et al., 2006). Consequently to capitalise and harness women efforts, the development programmes explicitly inculcate women's participation to achieve economic success. More specifically access to credit is essential (Cagatay, 1998) to enable women to gain a foothold on the economic ladder to help them to uplift their families' well-being.

With the issues of poverty and gender inequality in mind, the most important challenges faced by most of the developing world and in some cases in pockets of developed countries too, require strategies and development programmes which promote self-reliance. To achieve this objective microfinance has been considered to have potential to make a significant contribution towards the reduction of poverty (Mawa, 2008). The State Bank of Pakistan Quarterly report, (2005) demonstrated the impact of microcredit on poverty reduction and economic growth through the formation of a model. Microfinance is considered an effective tool to fight poverty through enhancing self-employment. It supports the economic condition of the poor people through better standard of living with greater access to education and health facilities. This model shows that microcredit targets women as the poorest segment of society which helps to enhance the women's empowerment. Women's empowerment here addresses the issues of female participation in the economy, gender equality and role in family decision making that increases with microcredit. This in turn decreases the fertility rate and increases the family well-being. Moreover, microfinance helps to increase employment by the development of micro-enterprise and thus the economy grows and poverty declines with the increase in investment and employment opportunities. This model shows that microcredit has a positive impact on the development of microenterprise, women's empowerment and the well-being of their families. All studies relating to these impacts of microfinance are discussed in section 2.4 of this chapter.

The objective of microfinance is to help the poor people, men and women, to become entrepreneurs (Haque and Harbin, 2009) by taking a risk to start an enterprise. This optimism about microfinance is reflected in various empirical studies. Morris and Barnes (2005) studied three microfinance programmes in Uganda and he found a reduction in the financial vulnerability through diversification of the income source and accumulation of assets. The most commonly cited example of the success of microfinance is Bangladesh such as Pitt and

Khandker (1998) study three group based programmes in Bangladesh which found an increase in annual consumption expenditures. Chemin (2008) showed that the participants of microfinance programmes in Bangladesh spend 3 % more on expenditure than the similar non participants. Moreover, he found a positive impact of microfinance on the supply of labour and male and female school enrolment. Another study on the Bangladesh microcredit programme argued that microcredit was associated with lower objectives and subjective poverty with a strong impact on poverty for about six years; however it levels off after six years (Chowdhury, et al., 2005). Khandker (2005) using panel data from Bangladesh indicates that microfinance contributes to an annual reduction in moderate poverty by a 1.6 percentage point and in extreme poverty by a 2.2 percentage point for microfinance programme participants. Furthermore it also benefits the non-participants of microfinance programmes by reducing the moderate poverty level by a 1 percentage point and extreme poverty by a 1.3 percentage point each year in programme areas. The result of the study indicates that the microfinance programme in Bangladesh has a major impact on the reduction of extreme poverty and on women borrowers.

Some studies shows that poverty is not reduced by microfinance it just burdens the poor with additional debt. Coleman (1999) conducted his study on the credit programme of Northeast Thailand and concluded that there is insignificant impact of the credit programme on physical assets, savings, debt, production, sales, expenses, labour time, health care and education. In a later study by Coleman (2006), he refined the methodology used in the previous study and concluded that credit programmes are reaching the wealthier people rather than the poor. He found that the impact of the programmes was positive on the household welfare of the richer members rather than the poorer members. Similarly, Duong and Izumida (2002) conducted a study on rural development finance in Vietnam and concluded that banks were rationing the credit on the basis of the reputation of the household and the amount of credit applied for

The studies on microfinance are criticized on the methodologies implied in finding the impact of microfinance on poverty. Such as the work of Pitt and Khandker (1998) which is criticized on the grounds that in the sample the selection is not strictly followed on the criteria of less than half an acre of land holding of borrowers (Weiss, et al., 2003). Morduch (1998) reworked on it by simple comparisons that took into account the bias not controlled in the previous work. But he found no impact of the microfinance programme on the increase in consumption or educational enrolment of children. However, Pitt (1999) on re-examination

of the work reconfirmed the earlier positive findings in Pitt and Khandker (1998). Chemin (2008) criticized that Pitt and Khandker (1998) overestimated the results by not enforcing the eligibility criteria of land holding for borrowing and Morduch (1998) underestimated the results as he did not account for non-random programme placement. Similarly, according to Weiss, et al. (2003) the results of the study by Coleman (1999) appear highly dubious on the ground that after months of village bank membership there is no impact on the income or asset variables. From this discussion it is found that empirical evidence on the impact of microfinance on poverty not only differs in their conclusions showing mixed results in different countries but also casts doubt on the grounds of biases caused by different statistical techniques used.

On the other hand Hermes and Lensink (2007) argued that although microfinance has a positive impact on economic development, it has not reached the poorest of the poor. Microfinance is a good method to fight poverty but there is a need to target the poorest borrowers first by the microfinance institutions. The microfinance institutions have to make a distinction between the marginally poor and the very poor clients (Sengupta and Aubuchon, 2008). Weiss, et al. (2003) suggests that the microfinance loan officers and members of the borrowers in group lending may exclude the very poor from borrowing because of the high risk of bad credit. Chemin (2008) concluded with the same result that microfinance is not targeting the poorest. Helms (2006) supports the finding that microfinance services are available to a limited number of clients and many clients cannot access the credit. Research by Sebstad and Cohen (2000 as cited in Helms, 2006, pp. 20), on seven MFIs in four countries that are Bolivia, Bangladesh, Uganda, and the Philippines concluded that if the microfinance programmes precisely focused on the poorest then they would be able to achieve the target to access the extreme poor households, however, it is outside the scope of microfinance programmes to reach destitute clients. Therefore, there is a need for development programmes that target the extreme poor.

On the other hand, Helms (2006) suggested that there is a great risk in providing credit to destitute and people with no source of income in that they would be unable to pay back the loan. He claimed that for such people grants, employment and training programmes and infrastructure enhancement programmes would be more beneficial than microcredit. Similarly, Mosley and Rock (2004) view the advantage of microfinance from a larger perspective. They, in their study on the six African microfinance institutions examined, found

that the benefit of microfinance is reaching the vulnerable non-poor, the working poor and the entrepreneurial poor. They argued that microfinance benefit does reach the extreme poor indirectly, through the labour market such as the poor people enter into the labour market as employees of microfinance clients; human capital has increased expenditures on education and health extending to the poor through household members and inter-generational effects; and enhancement of social capital as the clients group reaches the poor through the extension of credit groups to include the poor and through stabilization of village income that benefits the poor people better than by direct lending. Therefore, microfinance in an area benefits the whole community indirectly due to the enhancement of the labour market, human and social capital, however, it depends on the proper utilization of the microfinance services for the development purpose.

Microfinance is criticized on the grounds that it is costly due to the high transaction and information costs and that is why most of the microfinance programmes depend on donor subsidies. Most importantly there are a few empirical research studies into the effect of poverty reduction by micro-credit with disputed results (Hermes and Lensink, 2007). Therefore, there is a gap of research in the area of microfinance to find out its effect on poverty alleviation. It is necessary to study the impact of microfinance in a specific region, other than the most researched region, from the direct interaction with the borrowers and lenders of such programmes to identify the real impact of it on poverty reduction in that country.

2.3 WOMEN'S ECONOMIC EMPOWERMENT, ENTREPRENEURSHIP AND ACCESS TO FINANCE

2.3.1 Entrepreneurship

The term entrepreneur is derived from a French word and it means 'one who takes between' (Deakins and Freel, 2009). Entrepreneurs play an important role in the economic development of the country by indulging in business and by providing job opportunities for others (Jalbert, 2000). This approach to consider entrepreneurs important in the economy came from the economic approach to entrepreneurship that flourished under 'the physiocrats' and 'Austrian School' of thought (Deakins and Freel, 2009). However, the entrepreneurial approach and its role in economic activity, in literature have conflicting models (Matlay, 2005).

The term entrepreneur was first used by the French economist Cantillon and another French writer, Say views the entrepreneur's function as bringing together the different factors of production which are the fundamental phenomenon of economic development (Dhameja, 2004). Many of the current theories of entrepreneurs stem from the Austrian School writers. One of the writers, Kirzner thought that an entrepreneur is someone who is vigilant and takes the opportunity to earn profit from exchange because he has additional knowledge of the market which is not known by others. So Kirzner's entrepreneur is creative as his additional knowledge provides him with the opportunity for creativity (Lowe and Marriott, 2006; Deakins and Freel, 2009). Moreover, the entrepreneur of Shackle is also creative but can imagine the opportunity before its creation. On the other hand, Schumpeter considers an entrepreneur as an innovator who could bring change by new technological products or processes. Another writer, Knight views the entrepreneur as a risk taker. According to Knight an entrepreneur is one who is willing to take risk of and gain profit for taking this risk. (Deakins and Freel, 2009). Casson defined an entrepreneur as someone with different skills to coordinate scarce resources, make judgement, decisions and take risks (Deakins and Freel, 2009).

The psychological approach provides the personality characteristics or traits of successful entrepreneurs. MacClelland identifies key competencies of successful entrepreneurs as: initiative and assertiveness, ability to see and act on opportunities and commitment to others (Deakins and Freel, 2009). Moreover, considering the work of writers on the psychological trait of entrepreneurship, Deakins and Freel (2003) identify characteristics of an entrepreneurial personality as a need for achievement, a calculated risk taker, having a high internal locus of control, creativity, innovative, a need for autonomy, ambiguity, tolerance and vision. According to the social behavioural approach, the success of the entrepreneur depends on the culture of the society. All these approaches and views by different writers provide an overall picture of the entrepreneur. The entrepreneur is a comprehensive term that can be narrowly viewed as the catalyst of economic development and broadly viewed as either a person with built in qualities to gain success or a person that learns the characteristics to become successful in an enterprise (Lowe and Marriott, 2006).

It was not until the end of the eighteenth century that entrepreneurship was recognised as an important evolution for the development of society (Matlay, 2005). Entrepreneurship is considered important in many countries to develop strategies for economic growth (Birley,

1989). The key problem with this argument is that the process to economic growth from entrepreneurship is in fact complicated. There is also a difference of results on the economic growth with different motivation factors of entrepreneurship (Acs, 2006). Women are considered to play an important role in the economic development of a country. The women can increase the economic growth of a country if they are economically productive (World Bank, 1994). Before 1970 entrepreneurial activity was mainly attributed to men. With a growing number of female owned businesses in developed and developing economies researchers have been required to focus on women entrepreneurs and their economic activity (Matlay and Martin, 2009). Dhameja (2004) points out that the woman in the house works like an entrepreneur as she innovates how to survive on limited resources and uses her skills to form a useful thing from waste materials. There is an expansion of women' entrepreneurship after the acceptance of women in the mid-eighties. As a result, firms owned by women across the world contain 25% to 33% of the business population (NAWBO, 2009). In contrast, in developing and transition economies entrepreneurship is a comparatively new concept (Jalbert, 2000) and the research on entrepreneurship contains most of the literature on male entrepreneurs (Birley, 1989). Little is known about female entrepreneurs as there is limited literature in the small business research (Carter and Shaw, 2006) however, the gradual change in the role of women in western economies and the rise of female entrepreneurship globally has attracted the attention of academicians and researchers. According to research on men and women in Sweden by Joona and Waddensjo (2008), during 1990 and the start of the twenty first century there is a substantial rise in self-employment with more employees hired by women entrepreneurs than men. However, a country's specific characteristics also determine the participation of women's entrepreneurship. Global Entrepreneurship Monitor (GEM) (2002) shows varying degrees of female entrepreneurial participation across 37 countries ranging from 0.6 % (6 per 1000) in Japan to 18.5% (185 per 1000) in Thailand. Similarly the GEM (2008) Early Stage Entrepreneurial Rates by Gender demonstrates that more women are involved in entrepreneurial activity in the early stage of business in Angola than men. On the other hand in Egypt the gap between female and male entrepreneurial activity is wider. The same variation in the geographical regions is observed between men and women's early stage entrepreneurial rates in GEM (2012). The difference in entrepreneurial activity between males and females across countries varies because of different cultures and customs.

In the overview of women's entrepreneurship, Jalbert (2000) focuses on the characteristics of female entrepreneurs such as risk taking, personal motivations, married, first born, self-employed father, general business management skills, competence in finance and in managing relationships and some others. The characteristics of a successful woman entrepreneur depend upon the development of the entrepreneurship concept and the recognition of its importance in an economy. In this context Scott (1986) surveyed women entrepreneurs in the United States and found the majority were in the age category of 30-49, married, previous managerial experience and attended college. Indian women entrepreneurs start their businesses before the age of 35, have a good educational background, are married, the majority have attended training of less than 3 months before the establishment of the enterprise and belong to an urban background and nuclear family instead of a joint family (Dhameja, 2004). The GEM (2007) report throws light on the characteristics of women entrepreneurs in high income and low/middle income countries. The women entrepreneurs in high income countries are established entrepreneurs between the ages of 35 and 54 years old and are better educated than women in low income countries where they become established entrepreneurs between the ages of 35 and 44 years old. This showed that the women entrepreneurs in high income countries have the advantage of a better education. The education is an important factor that grooms the qualities of an entrepreneur. Therefore, the entrepreneurial training and entrepreneurship education is considered to play a vital role in the development of entrepreneurs (Matlay, 2008). Though, in relation to developing countries of South Asia, women entrepreneurs not only need education but a supportive family and less social constraints in order to develop their enterprise (Sinha, 2005).

Female entrepreneurs are usually concentrated in retail and service industries (Anna, et al., 2000). In Pakistan women are mostly associated with traditional businesses (Goheer, 2003) and in Sri Lanka they are mostly concentrated on sewing and dress making businesses. In India women are engaged in the light manufacturing sector like garment making and in Bangladesh, cotton and small scale enterprises (Sinha, 2005). According to GEM (2007) women in low/middle income countries show more participation in consumer oriented industry, whereas the women entrepreneurs in high income countries are attached to extractive, transformative and the business services sector. Nevertheless, women are now moving from traditional businesses to male dominated ones as women in Europe are

developing small tourism businesses that were largely dominated by men (Matlay and Martin, 2009).

Traditionally women played the role of homemaker but the growth in women owned businesses in western economies is the sign of women's changing women role in society (Birley, 1989). The female's desire for self-determination and career challenge is achievable through the enterprise route. Female entrepreneurship helps in accomplishing the goal of independence and autonomy; get rid of the constraints of formal employment and domestic routines and nullifying the traditional roles allocated to women (Goffee and Scase, 1982). The motivations to start a business are internal factors that are pull factors and external factors that are push factors. The pull factors for motivating the entrepreneurs are usually attractive as they relate to desire for wealth, independence, autonomy, freedom to innovate, sense of achievement and flexibility (Orhan and Scott, 2001; Lowe and Marriot, 2006). A study on women entrepreneurs in the United States found out that the majority of the women under study started businesses because of the challenge (Scott, 1986). The push factors forced the women to become self-employed because of necessity such as dissatisfaction from a paid job or job insecurity, inadequate family income, career limitations such as difficulty in finding a suitable job or work with flexible timings due to family responsibility and lack of opportunity for innovation (Orhan and Scott, 2001; Lowe and Marriot, 2006). Matlay and Martin (2009) point out that only one third of the sample of women entrepreneurs in the tourism industry in Europe chose entrepreneurship due to push factors such as job loss, need of more income or temporary unemployment. However, Birley (1989) indicated that women's attitudes to entrepreneurial activity are mainly determined by their position in the society and different cultural conditions. In developing countries, however, familial and social conditions suppress the independence and mobility of women which forbid them to start businesses. It's true that family obligations are a hurdle for women to become successful entrepreneurs both in developing and developed countries. The traditional gender roles expectation in many developing countries makes entrepreneurship a difficult task for the women (Sinha, 2005). On the other hand entrepreneurship might be appealing for women because of the flexibility in working hours which make it possible to meet the responsibilities of home and work (Scott, 1986; Orhan and Scott, 2001). In low income countries entrepreneurship for women is desirable because of greater parenting responsibilities as in

jobs most employers do not provide childcare facilities and fathers in poorer countries are less involved in childcare (Minniti, 2003).

Studies show different typologies of women entrepreneurs. As Goffee and Scase, (1985 cited in Lowe and Marriot, 2006, pp.142-143) classified women entrepreneurs into four types based on their attachment to entrepreneurial ideas and willingness to accept conventional gender roles. These are Conventionals, committed to both entrepreneurial ideas and conventional gender role; Innovators, committed only to entrepreneurial ideas; Domestic entrepreneurs, committed more towards conventional gender roles and Radical entrepreneurs, attached to either factor. These studies surely give insight into the motivation of women entrepreneurs but become outdated. Orhan and Scott, (2001) gives a detailed model of women's entrepreneurship motivation. They collected information from 25 French women entrepreneurs about their general background prior to entrepreneurship and the moment when they decide to become entrepreneurs. For women's background information three categories were developed, the first one is male domination such as secretary, worker or mother at home, the second is evolution of women means women in executive or managerial positions or in or any professional area and the third is women on a level of achievement and originality. From the moment when women decide to become entrepreneurs, different aspects were analysed in terms of environmental influence such as succession in a family business, existence of role models within the close environment or dependence on partner's expertise and individual motivations such as pull and push factors. The dimension of gender and entrepreneurial motivation is linked and explained through typology of seven motivating factors identified in the study. These seven motivating factors were dynastic compliance, no other choice, natural succession, entrepreneurs by chance, forced entrepreneurs, informed entrepreneurs and pure entrepreneurs (Orhan and Scott, 2001).

Entrepreneurship is a broad term with a number of interchangeable meanings (Matlay, 2005) such as self-employment, however, this term is not a well-developed term in developing countries. The above discussion also indicates some constraints for women to develop as entrepreneurs in the developing countries. Many writers and approaches have different views about the term entrepreneur. The entrepreneurs can have many skills and qualities either already in their personality or by learning, however, their success can be affected by the culture. Moreover, entrepreneurial skills are hard to measure (Armendariz de Aghion and Morduch, 2005) in the entrepreneurs who may be unaware of these skills and/or have such

skills. Casson (2003) pointed to some of the qualities entrepreneurs required for decision making. They include self-knowledge, imagination, practical knowledge and analytical ability to formulate the decision for solving problems; foresight and search skills for data gathering; and computation and communication skills for the execution of the decision. These skills are considered essential for the entrepreneur to make decisions. This research adapted the qualities of entrepreneurs by Casson (2003) according to the culture of the developing country of Pakistan. In Pakistan low income group or middle class families, who are the target of the microfinance institutions, usually have less formal education. The education level also depends on the rural and urban areas, where in rural areas most of the women are uneducated. The educational environment and cultural limitations on the women are the constraints to gaining awareness about entrepreneurship and access to credit. Keeping in view all these factors the definition of the entrepreneur has been kept simple. The term of *women entrepreneurs* in this study means women who themselves take initiative and risks to start new businesses; run existing enterprises and expand the current scale of business due to access to funds from microfinance providers. The *women's entrepreneurial abilities* in this thesis mean the personal skills of the women that help to run the enterprise and these include self-confidence, communication skills, financial management, computation skills and foresight and planning.

2.3.2 Access to finance

Female entrepreneurs are on the rise globally (Jalbert, 2000). However, women entrepreneurs in developed and developing countries are facing a number of constraints. Such as women entrepreneurs in developing countries confront barriers like lack of access to capital, land and business premises because asset ownership is male dominated (Roomi, 2005). Financing is a challenge for every entrepreneur but women owned businesses encounter more constraints than male owned businesses in accessing finance (Constantinidis, et al., 2006). Women entrepreneurs face obstacles in accessing finance due to inability to provide collateral to guarantee the loan (Jalbert, 2000). Often bank criteria are not conducive for those who do not have a track record of borrowing or experience of running the business (Deakins and Hussain, 1994). The condition will be worsened when the question of financing a female enterprise is raised. On the other hand research on the US male and female entrepreneurs by Buttner and Rosen (1992) showed that both genders faced the same difficulty in obtaining loans for new businesses. Constantinidis, et al. (2006) argues that the barriers to financing

faced by women entrepreneurs are dependent on the women owned firm's characteristics. Women usually start micro businesses in low growth industries like services and retail with a small start-up capital and higher risk projects which are less attractive for the banks. Female entrepreneurs prefer not to apply for bank loans either because they do not require external financing or they perceive that the application for a loan will be rejected (Coleman, 2000; Carrington, 2006). Women in developing countries do not know how to apply for bank finance and most of the women use their personal savings and personal credit to start-up businesses (Niethammer, et al., 2007; Carrington, 2006). Female entrepreneur's individual characteristics also have an impact on the financing pattern of women owned firms such as a low level of education, low financial and managerial competence, lack of confidence on their entrepreneurial capabilities, lack of experience and exposure, no personal assets, a poor credit history, risk averseness and family responsibilities (Verheul and Thurik, 2001; Sinha, 2005; Constantinidis, et al., 2006). Recent research in a developing country found that female farmer's loan applications are rejected by banks due to women's lack of familiarity with banks' recent policies, lack of education, absence of personal bank accounts and limited ownership rights (Sandhu, et al., 2012a).

However, in developing countries cultural and traditional values are biased against women as it is considered that a woman's role is as a housekeeper. Women entrepreneurs have a double work burden due to childcare responsibilities (Sinha, 2005). In developing societies the religious perceptions of women subordination which raised problems of immobility and lack of business networks (Roomi, 2005). According to Sinha (2005), lack of education, training, poor access to marketplace, especially the international market and lack of ownership right places women entrepreneurs in the developing countries second to male entrepreneurs.

However, microfinance institutions are encouraging females in developing economies in pursuing enterprises to overcome economic and social barriers by providing them with collateral free and simplified application processed loans (Morrison, et al., 2007). Kevane and Wydick (2001) have identified a number of reasons for the increase in credit targeted at women entrepreneurs. Firstly, large numbers of women are moving towards entrepreneurial activity from developed and developing countries; secondly, NGOs providing microfinance in the developing countries are focusing on women's empowerment; and thirdly, studies show that credit to women has a great impact on household and family welfare.

2.3.3 Well-being and Empowerment:

The well-being of the family is a concept related to poverty. According to the World Bank (2000, p.15), “*poverty is pronounced deprivation in well-being*”. Poverty, inequality and vulnerability are three aspects of the various aspects of well-being according to the World Bank sourcebook (Coudouel, et al., 2002). The well-being can be defined in terms of monetary dimensions such as income and consumption; and in non-monetary dimensions such as health, nutrition, literacy, deficient social relations, insecurity and low self-confidence. These monetary and non-monetary dimensions are used as objective and subjective measures of poverty. However, the methods used for analysing well-being vary with the country and depend on the availability of data (Coudouel, et al., 2002). In this thesis, for the *well-being of the family* the non-monetary dimensions are considered, therefore here it means the welfare of the women borrowers and their families such as health and education and support from the family. The monetary dimensions are separately discussed in the income, consumption and savings part of the survey.

Empowerment is the one’s capacity to make their choice. The term empowerment is interchangeably used with a variety of terms such as independence, self-reliance, control and also has various definitions (Narayan, 2002). For measuring and understanding the word empowerment there are different frameworks. In every framework there are some elements of empowerment. Alsop and Heinsohn (2005) defined empowerment as the capacity to make a choice out of the available choices (agency) within formal and informal institutions having rules and regulations (opportunity structure), that will together provide different degrees of empowerment and lead to development outcome.

Kabeer (1999) also discussed agency and achievement elements in measuring women’s empowerment and also included material, human and social resources. She defined empowerment as the expansion in people’s ability to make planned life choices in a context where they were previously left without this ability. The definition of Kabeer is interesting as she defined empowerment as a process in which the previously disempowered gain the ability to make a choice. The World Bank considered empowerment as one of the important factors in reducing poverty. Narayan (2002, p.14) defined empowerment in the context of poverty reduction as,

“... the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives”.

In this definition the author emphasized the poor people choices like the agency element in Kabeer's definition and also included institutions like opportunity structure in Alsop and Heinsohn's definition. Empowerment, like entrepreneurship is a broad term taking into account the different types of empowerment such as social, economic, political and legal empowerment (Mayoux, 2005). From all types of empowerment only economic empowerment is used in this study due to its link with money matters either of the household or the enterprise. The term *women's economic empowerment* in this study means the freedom or participation without pressure to make a decision relating to money matters, however, most of the money matters focused in this study are related to the welfare of the family and the making of important monetary decisions by women.

Mayoux, (2005) has defined women's empowerment and well-being of the women and household in relation to microcredit under three contrasting paradigms. The first is the feminist empowerment paradigm, the second is the poverty alleviation paradigm and the third is the financial self-sustainability paradigm. Each paradigm has different aims and definitions of policy issues in relation to microfinance and women's empowerment.

The main focus of the feminist empowerment paradigm is gender inequality and women's human rights. This paradigm encourages schemes for helping women whether individual or collective at household, community and macro-levels (Mayoux, 2005). The focus of the poverty alleviation paradigm is poverty reduction and community development through health care, literacy etc. Microfinance is promoted in this paradigm as a way to increase the well-being as women's access to savings and credit increases the women economic decisions about the well-being of themselves and their children. The focus of the financial self – sustainability paradigm is large microfinance programmes that are self-sufficient and cover the cost by setting the right interest rate. The main target group is women due to the high repayment rate and contribution of women's economic activity to economic growth. According to financial sustainability and feminist empowerment paradigms the economic empowerment and well-being is achieved by women's own economic activity, however, the increase in the household income is stressed more on the poverty alleviation paradigm (Mayoux, 2005). Nevertheless no microfinance programme can be specified strictly under any one of these three paradigms as the same model of microfinance may have different policies and strategies for gender and poverty alleviation (Mayoux, 2000). From the above discussion it is clear that this model of Mayoux takes empowerment in terms of economic

empowerment, increased well-being and social and political empowerment. However, these paradigms raise various questions relating to the empowerment. The model that will provide the economic empowerment of women may be questioned on the grounds that income may increase in small proportions or may not increase. Moreover, men may have control over the use of credit which limits the women's income generating activities (Goetz and Gupta, 1996). Women's ability to increase income may be hindered due to less mobility and unpaid domestic work (Mayoux, 2005). Similarly microfinance may increase the income which can increase the well-being of the women and their children. However, if women have no control on the use of credit the purpose of increased well-being is far out of reach. Lastly microfinance may not be able to increase social and political empowerment if for example a woman fails to repay the loan it may exclude her from the group, or the time used in loans meetings decreases the time for other social and political activities (Mayoux, 2000). This model of virtuous spirals of three microfinance paradigms can be used to answer questions raised by it in any specific context and in any specific programme.

2.4 STUDIES ON THE IMPACT OF MICROFINANCE ON WOMEN'S ECONOMIC EMPOWERMENT, ENTREPRENEURSHIP AND WELL-BEING

Microfinance, as a powerful tool for reducing poverty, improving the well-being and empowering of women is proved through various studies in developed and developing economies. A survey based study of 20 borrowers of the Grameen Bank Bangladesh found that microfinance plays an important role in poverty alleviation with large economic and social benefits (Mawa, 2008). Similarly a study by Zapaiska, et al. (2007) found that it has significantly reduced rural poverty in Bangladesh's women. There are various studies on the impact of microfinance on poverty alleviation with negative (Coleman, 1999; Durrani, et al., 2011) and positive results (Pitt and Khandker, 1998; Khandker, 2001; Chemin, 2008; Chowdhury, et al., 2005 and Khandker, 2005). The reasons for this difference in findings are discussed in detail in section 2.2 of this chapter.

Generally the studies on microfinance provide an optimistic view about the impact of microfinance on the well-being of the household when women are the recipients of loans. Pitt and Khandker (1998) found that a credit programme for women has a larger impact on household expenditure, assets owned by women, male and female labour supply and boys

and girls schooling. As Khandker, et al. (2008) in their research on the young women's labour market opportunities concludes, women's borrowing has a more positive impact on household per capita expenditures and the value of household assets than men's borrowings. Moreover, their study shows a higher demand for credit by young women than by older women and a reduction of fertility. Moreover, Copestake, et al. (2001), Ghalib, et al. (2012), Mamun, et al. (2011b) and Montgomery (2006) provide positive results of the increase in household income, improvement in health care, clothing, education of children and savings by microfinance. The positive results of microfinance on well-being depend on the proper use of the loan. As Banerjee, et al. (2010) shows that there is no increase in average monthly expenditure per capita from microfinance, but the expenditure on durable goods has increased. Similarly Brett (2006) reported that net household income has declined. However, most of the studies on well-being of the family reported positive results.

Microfinance helps to alleviate poverty especially in women of developing countries through women's empowerment and is a contributor to economic success. A study from Bangladesh reported improvement in women's physical mobility, economic security and political and legal awareness (Schuler and Hashemi, 1994). The results from the study of Pitt, et al. (2006) in Bangladesh found that women borrowers of microfinance have more empowerment by participating in the household and more financial and economic resources and mobility. Sanyang and Huang (2008) in their study on women for poverty alleviation in rural Gambia pointed out that microfinance has a great potential to empower women. A case study on Bangladesh's NGO providing microfinance to women for poverty alleviation found many positive effects on women's empowerment. The results of the study show empowerment by increase in family income, land ownership, political participation, freedom of movement and primary and joint roles in decision making among microcredit participants. The success of microfinance to women can be seen from the fact that the repayment rate of microcredit by the women is extremely high (Lucy, et al., 2008). The studies by Kim, et al. (2007) and Swain and Wallentin, (2007) also reported the positive impact of microfinance on female empowerment. However, Goetz and Gupta (1996) argued that microfinance has done little to change the status of women within the household as men still have the control over the household income and can misuse the credit money and it has little effect on women's empowerment. Moreover, credit only to women and not to men can increase the exploitation of women within household. A study by Brett (2006) on female microcredit participants in

Bolivia found that the microfinance institution's financial stability could not indicate the success of microfinance. Similarly the high repayment rate should not be taken as a measure of success of microfinance as many repayments are not the result of women's labour. Kabeer (2001) indicates that reason for the difference in outcomes of female empowerment studies. She identified that different methodologies and different questions asked in these studies are the reason for it.

In a study of access to finance for women entrepreneurs in Ireland, Henry, et al. (2006) reported microfinance as a major source of funds for their projects as compared to banks, venture capital and enterprise support agencies. The access of women to credit can provide them with start-up or working capital for income generating activities. Microfinance is more important for the women of the developing world, where a woman has to struggle hard for her economic and social success. Women in developing countries need a loan but do not meet the loan eligibility criteria due to having no collateral or only a small loan requirement. Therefore, women face a credit constraint as compared to men (Morrison, et al., 2007). Kabeer (2001) argues that women in the developing countries either belong to a well-off family or low income group, they have to face constraints to access the resources in a male dominated society in order to recognize their entrepreneurial prospects. However, female entrepreneurs have the same potential in generating the income as male entrepreneurs when having access to microcredit. A study shows that female entrepreneurs generate less employment than men in the child bearing years in which women must allocate much of their time to caring for children but as women pass their mid-thirties this difference also disappears (Kevane and Wydick, 2001). This shows that women can be economically active in their later years when they have less responsibilities of childcare.

Microfinance helps the poor to develop their skills and use them to earn money through micro enterprises (Mawa, 2008). The microfinance studies on female enterprise growth and women's entrepreneurship development are limited. The research by Xavier, et al. (2008) and Afrin, et al. (2010) in India and Bangladesh concluded that microfinance helps to develop entrepreneurship and financial management skills in women borrowers. Similarly, Morris and Barnes (2005) evidenced from Bangladesh that micro enterprise can be expanded and developed through microfinance. The study by Banerjee, et al. (2010) showed that microfinance is successful in creating and expanding businesses but has no effect on the health, education and women's empowerment in the short term. On the other hand

Chowdhury (2008) and Jayawardana (2011) reported no development in women's entrepreneurship from microfinance. The reason can be the social and cultural constraints faced by women in developing countries. A study in Nepal and Pakistan indicated that after accessing microfinance women's enterprises grow. However, they also pointed out cultural and legal constraints in female enterprise development in Pakistan (Gobbi, et al., 2005). Businesses supported through microfinance often have lower barriers to entry but the financial, social and cultural factors restrict women from starting high growth businesses (Shaw, 2004). This suggests the need for training for entrepreneurs (Brixiova, 2010) with microcredit to help the women to maximize their potential and the income of their families. Training in business and business networking is helpful in promoting entrepreneurship (Karlan and Valdivia, 2006).

The studies on the impact of microfinance on women to develop their own microenterprises and increase their empowerment and the ultimate effect on poverty reduction require more research. The following table shows the studies conducted on microfinance specifically in the areas of poverty, women's empowerment and entrepreneurship, well-being of the households and access to finance. The table 2.1 showing qualitative and quantitative studies indicates that the majority of the empirical research on microfinance is in Bangladesh due to the availability of data and the focus of the academicians because of the microfinance evolution and success.

Table 2.1: Research studies on microfinance

Literature	Broader theme	Specific theme	Research design, instruments (sample size) and analysis	Area Studied	Result
Afrin, at al. (2010)	Rural women and entrepreneurship development by microfinance	Entrepreneurship	Survey research, questionnaire (246), Structural Equation Modelling and Factor Analysis,	Bangladesh	Financial management skills and borrower's experience from the parents' families have significant relationship with the development of rural women and entrepreneurship.
Agier and Szafarz (2013)	Optimal microfinance loan size and loan approval for men and women	Loan size and approval	Secondary data research (34,000), Probit and linear regression	Brazil	The loan approval rate is not gender biased; however, there is a glass ceiling on large loan size of female entrepreneurs.
Banerjee, at al. (2010)	Effect of introducing microfinance in a new market	Well-being/ Poverty	Experimental research- treatment vs. control group, (104 areas) quantitative analysis.	India	Microcredit has no effects on average monthly expenditure per capita, but expenditure on durable goods increased and there is also expansion in the businesses. It appears to have no apparent influence on education, health, or women's empowerment.
Brett (2006)	Impact of microcredit on household income through female entrepreneurship	Well-being/ Poverty	Ethnographic research, semi-structured interviews (28) and observations (50)	Bolivia	The gross income of women clients may increase with the help of microfinance, however, the net household income declines.
Chemin (2008)	Impact of microfinance on expenditure per capita, supply of labour, and level of school enrolment for boys and girls and also the repayment delays.	Well-being/ Poverty	Secondary data research (survey), treatment vs. control group, Statistical matching technique	Bangladesh	-Positive impact of microfinance on participants' expenditure, supply of labour and male/female school enrolment. -Not targeting the poorest -95 % of repayment rate is achieved after (average) 291 days of repayment date

Chowdhury (2008)	Development of women's entrepreneurship at household level through microfinance	Entrepreneurship	Survey research, questionnaire (920), Ordinary Least Square (OLS)	Bangladesh	Microfinance does not promote women's entrepreneurship at the household level; however, it significantly increases the capital of existing businesses operated by male members of the household.
Chowdhury, et al. (2005)	Impact of microcredit on poverty	Poverty	Survey research, face to face interviews (909), Logit regression	Bangladesh	Microcredit is linked with both lower objective and subjective poverty. The impact of microcredit on poverty is strong for six years with levelling off after six years.
Coleman (1999)	Impact of group lending	Well-being/ Poverty	Survey research, in-depth informal interviews (445), treatment vs. control group, quantitative analysis	Northeast Thailand	-Insignificant impacts on: physical assets, savings, production, sales, productive expenses, labour time, and expenditure on health care and education. -No signal that bank loans are directly invested in productive activities with a positive return
Coleman (2006)	Outreach of microfinance	Poverty	Survey research, in-depth informal interviews (445), treatment vs. control group, quantitative analysis	Northeast Thailand	Microfinance programmes are not targeting the poorer (women) section of the society
Copestake, et al. (2001)	Impact of microfinance on business performance and well-being	Well-being/ Poverty	Survey research, Questionnaire (420), secondary survey data, focus group discussions and interviews (196), Quantitative and qualitative analysis	Zambia	One third of the sample is below the poverty line. Half of the clients in the sample left the programme after receiving only one loan. The clients that graduated from a first to a second loan enjoyed a high growth in profits and household income and benefited from diversifying their business activities.
Durrani, et al. (2011)	Role of microfinance on poverty reduction through social and economic factors	Poverty	Survey research, questionnaires (68), quantitative analysis	Pakistan	Microfinance did not improve the income of the poor; however, it elevated the social status of the poor.
Emeni (2008)	Outreach of microfinance institutions	Microfinance Institutions	cross-sectional survey design,	Nigeria	The outreach of microfinance institutions (MFIs) is not very encouraging and people have less access to formal

	and the challenges faced by them	outreach	Questionnaire (14), t-test		source of finance. Therefore, there are a lot of challenges faced by MFIs
Fatima (2009)	Rural women's access to credit and socio economic constraints	Access to credit by women	Secondary data research-survey (8,663), multivariate logit regression	Pakistan	The socio-cultural constraints considerably impact the access to finance by rural women. However, self-confidence and reliability factors encourage female borrowings that are dependent on: women's age, marital status and employment.
Fletschner (2009)	Rural women's access to credit	Access to credit by women	Survey research, Field observations and interviews (210 couples), quantitative analysis	Eastern Paraguay	Women face more obstacles to access finance as compared to men. Moreover, women might not always be able to depend on their husbands to help them in the constraints they face.
Gaiha and Nandhi (2007)	Benefits of microfinance through self-help groups (SHGs) and women's empowerment	Well-being of the family	Survey research, interviews (participant, non-participant, agency, councils, NGOs and bank's official)	India	The SHGs targeting clients on the indicators of deprivation such as low caste, landlessness and illiteracy, are more evident than income indicators. Advantages of microfinance include health and education of children and reduction in domestic violence.
Garikipati (2012)	Impact of microcredit on male and female time use and women's empowerment.	Women's empowerment	Survey research (household survey and SHGs survey /treatment vs. control group), Focus group, interviews, Quantitative analysis (descriptive and regression analysis)	India	-Women if using the loan in their enterprise are able to allocate more time to it. -The use of the loan is more important than the access to loan. -Husbands move away from wage work to self-employment.
Ghalib, et al. (2012)	Microfinance and household poverty reduction	Poverty	Quasi-experimental research design, Interviews (1,132 households), Quantitative analysis	Pakistan	Microfinance has a positive impact on the well-being of households by participating in such programmes as there is positive significant impact on: the expenditure on healthcare / clothing, monthly household income and savings.
Gobbi, et al. (2005)	Microfinance and microenterprise development	Entrepreneurship and Economic Empowerment	Survey research, Interviews (100 women per country)	Pakistan and Nepal	In Pakistan there are cultural and legal constraints in the women's enterprise development. In Nepal microfinance does not reach remote rural areas.

		of women			<p>Nepal and Pakistan :</p> <ul style="list-style-type: none"> -Difficulty faced by women to fill out the application form -Existing MFIs poorly managed and high transaction cost of providing microfinance -Positive impact on women's enterprises due to expansion of businesses and more job creations.
Goetz and Gupta (1996)	Gender, power, and control over microfinance loan.	Women's empowerment	Survey research. interviews	Bangladesh	The paper identifies that loans to women and their high repayment rate is not a guarantee of usage of loan by women. Men can have control over the loan and there is need of more research to explore this complex issue of power and control by women in the household.
Halder (2003)	Microfinance programme impact and sustainability	Poverty and microfinance outreach	Case study (one microfinance institution BRAC) Secondary data from two impact assessment studies (IAS) for comparing: members and non-members and two IAS. Multivariate analysis	Bangladesh	<p>Rural development programme of BRAC is helpful in reducing poverty among the members as compared to the non-members. Moreover the results show the significant positive association of poverty with</p> <ul style="list-style-type: none"> -household physical assets -changes in infrastructure level.
Jayawardana (2011)	Entrepreneurship development among women	Entrepreneurship and empowerment	Qualitative analysis, Interviews	Sri Lanka	Microfinance is not helpful in the development of entrepreneurship and the economic empowerment among women for many reasons: the small amount of the loan, use of the loan for purposes other than income generation, investing money in low growth businesses, no financial literacy of entrepreneurship training programmes by microfinance institutions.
Kabeer (2001)	Control on credit and women's empowerment	Women's empowerment	Interviews with 50 female and 20 male borrowers and quantitative data of 700 households	Bangladesh	<ul style="list-style-type: none"> -Interdependence – by women more than men -Individualized behaviour in decision making by women may result in conflict within the household rather than empowerment -Need of conceptualization of empowerment

					<p>-Multiple dimensions of empowerment takes multiple routes</p> <p>-There are many benefits of providing loans to women other than empowerment</p>
Karlan and Valdivia (2006)	Impact of business training on microfinance clients	Entrepreneurship	Experimental research design-treatment and control group	Peru	In borrowers receiving training, improvement was observed in business knowledge, practices and revenues. The microfinance institution also got the benefit of higher repayment and client retention rates through this training.
Kevane and Wydick (2001)	Microfinance lending to female entrepreneurs	Entrepreneurship	Survey research, 358 (94 female and 264 male) entrepreneurs	Guatemala	The female entrepreneurs in their child bearing years are less active to give outcome of increasing employment through their enterprises. However, after their 30's the employment generated by female enterprises is the same as male enterprises. And results are similar for increase in sales for male and female enterprises.
Khandker, et al. (1998)	Income and employment effect of microcredit programmes	Poverty	Secondary data (survey)	Bangladesh	The positive results of microfinance in non-farming rural areas are reported as: income, employment, production and self-employment.
Khandker (2005)	Microfinance and Poverty	Poverty	Secondary data (survey)	Bangladesh	Microfinance helps to reduce poverty among female borrowers and overall poverty at village level and also benefits the economy.
Khandker, et al. (2008)	Impact of microfinance on young women's productivity	Well-being and Poverty	Panel data from secondary source.	Bangladesh	<p>Women ages between 15-30 have:</p> <p>Higher demand for microfinance than older women.</p> <p>Increased household per capita expenditures.</p> <p>Reduced fertility.</p> <p>There is no impact on children's schooling</p>
Khanker (2001)	Microfinance and Poverty	Poverty	Quasi experimental survey design	Bangladesh	The impact on poverty is positive on microfinance loan borrowers with increase in per income, expenditure and household net worth. The welfare impact of microfinance is same for borrowers and non-borrowers.
Kim, et al. (2007)	Impact of microfinance on women's empowerment	Empowerment	Interviews	South Africa	Microfinance helps to empower women, however, initially with microfinance there is a risk of increase in violence towards women which reduces after its acceptability in the locality.

Lucy, et al. (2008)	Empowering women	Empowerment	Survey research with case study (one microfinance institution), Interviews (100)	Bangladesh	Microfinance Institution empower women and help them to develop their small businesses by providing comprehensive training programmes
Madichie and Nkamnebe (2010)	Access to microcredit by women	Access to finance	In-depth interviews with 20 women	Nigeria	The study highlighted some internal, social, cultural and environmental constraints to accessing microcredit by women.
Mamun, et al. (2011a)	Repayment of microcredit	Loan repayment	Cross Sectional design, interview (333), Structural Equation Modelling	Malaysia	There are fungibility issues and repayment problems 50% of the total respondents used credit in non-income generating activities
Mamun, et al. (2011b)	Effect of microcredit on assets ownership	Well-being/ Poverty	cross-sectional design with quasi-experimental approach, interview (333) , Structural Equation Modelling	Malaysia	The microcredit amount has a significant relationship with the total productive assets and the number of employed members, which consequently results in the increase in household assets.
Mawa (2008)	Microfinance and poverty alleviation	Poverty	Survey research design, interviews (20)	Bangladesh	Microfinance is helpful in the alleviation of poverty.
Montgomery (2006)	Reaching the poorest of the poor	Poverty/Well-being	Survey research design, Questionnaires, (2881 rural and urban household including clients and no-clients) Quantitative analysis	Pakistan	The results show positive results on the health and education of the children of very poor clients by using the loans to invest in their household enterprises
Morduch (1998)	Microfinance and poor	Poverty/Well-being	Experimental research design-treatment and control group. Secondary (survey) data.	Bangladesh	There is no evidence that microfinance programmes increase the consumption levels or school enrolments of children

Morris and Barnes (2005)	Impact of microfinance	Enterprise development	Survey research, interviews (1,332 interviews and 965 follow up interviews after 2 years)	Uganda	The study indicated positive results in the client's enterprises such as addition of new products and services, improved or expanded enterprise sites and markets and increases in sales volume. The results on households include starting of new enterprises, spending more on durable assets and agricultural inputs and increase in household income.
Mosley and Rock (2004)	Microfinance, poverty and labour market	Poverty	Questionnaires, three microfinance institutions (150 clients and 50 non clients from each of the microfinance institutions)	Africa	The study identified that there are many more indirect benefits of microfinance to the poor than the benefits from the direct route.
Mosley (2001)	Microfinance and poverty	Poverty	Questionnaires and focus group interviews with borrowers and non-borrowers and interviews with microfinance institutions' staffs and dropped out clients.	Bolivia	Microfinance is not effective in reducing extreme poverty; however, it is cheaper than other poverty reduction measures for reducing the poverty of people close to the poverty line.
Pitt, et al. (2006)	Empowering the women through microfinance	Empowerment	Secondary (survey) data, treatment and control groups, Quantitative analysis	Bangladesh	The result of microfinance on women's empowerment is positive
Pitt and Khandker (1998)	Impact of microfinance on poor household	Poverty/well-being	Quasi-experimental research, Secondary (survey) data. Quantitative analysis	Bangladesh	Annual household expenditure increases more for female than for male borrowers.
Rahman, et al. (2009)	Factors that influence women's empowerment	Empowerment	Quasi-experimental approach, Treatment and control groups	Bangladesh	Age and education of women are the significant variables related to women's empowerment. Moreover, the non-borrowers are also empowered as the

					borrowers of microfinance.
Schuler and Hashmei (1994)	Women's empowerment	Empowerment	Survey research, member and non-members	Bangladesh	The members of microfinance institutions have a positive effect on their empowerment level.
Swain and Wallentin (2007)	Empowerment of women from microfinance	Empowerment	Quasi-experimental approach, Treatment and control groups	India	There is a significant increase in empowerment among female members of microfinance institutions.
Takahashi, et al. (2010)	Poverty impact of microfinance	Poverty	Questionnaires from members and non-members of microfinance, Quantitative analysis	Malaysia	Microfinance schemes do not have an immediate impact on poverty alleviation.
Xavier, et al. (2008)	Assessment of rural women's micro entrepreneurship	Entrepreneurship	Survey research, interviews with women of one microfinance programme, quantitative and qualitative analysis	India	Positive findings are reported for entrepreneurial development, economic empowerment and social empowerment
Zapalska, et al. (2007)	Success of microfinance	Poverty and entrepreneurship	Survey research, questionnaire (100)	Bangladesh	Microfinance in Bangladesh, reduces poverty and is a model for micro entrepreneurship

In Bangladesh microfinance started to gain popularity after the foundation of Grameen Bank in 1983 (Sengupta and Aubuchon, 2008). Bangladesh was part of Pakistan before 1971. However, the focus of Pakistan had been on agricultural credit up till 1980 (Hussein and Khan, 2009). The microfinance initiative was taken by NGOs in Pakistan before 1990 (Haq, 2008), followed by governmental support in 2000 (Hussein and Khan, 2009). Bangladesh's attention was more focused on the microfinance sector from its start as compared to Pakistan where microfinance is currently in its initial stages (Haq, 2008) (for more details see section 1.5 and 2.1.1). In Pakistan there are diverse microfinance services and products provided by different microfinance providers. Some follow the Grameen Bank model with no collateral whereas others take some non-traditional collateral practised in the Bank of Rakyat Indonesia (Sengupta and Aubuchon, 2008). Nevertheless, it is not necessary that a microfinance model successful in one country can also be effective in another. The social, cultural and religious factors not only impact the people of that country directly, but also indirectly by building up perception of the institutions dealing with those people. Moreover, the Pakistan government's attention on giving women greater access to microfinance is also challenging because of the number of social and cultural constraints that are also reflected in the institutional behaviour.

The microfinance sector in Pakistan is at the testing stage and few have learnt from their past experiences. Therefore, it requires strong evidence of outcome on poverty, female empowerment and entrepreneurship to replicate or modify a microfinance model. However, the results from these empirical studies in table 2.1 cannot be generalised due to different social, economic and legal environments in the developing countries. The studies on microfinance in Pakistan are limited as there is no comprehensive data available on microfinance (Fatima, 2009). There are a number of discussion papers and reports by microfinance providers and the Pakistan Microfinance Network that provide detailed analyses of microfinance sector development in Pakistan. However, the academic research on the impact of microfinance on women's development is required. A recent empirical microfinance research study by Ghalib, et al. (2012) on 1132 households, shows a positive impact of microfinance on the well-being of the household in Pakistan, is a good addition. The less empirical research and contradictory findings show that

the impact of microfinance on enterprise and poverty alleviation of women is a debatable issue in developing countries.

On the basis of these studies a model is developed to understand the operations and impact of microfinance on women in Pakistan. The diagrammatical presentation of model also considered some existing framework of credit and women's development in Morrison, et al. (2007), Mayoux (2005) and State Bank of Pakistan Quarterly report, (2005). However, these studies have not focused on the female entrepreneurship development impact of microfinance. This study used financial self-sustainability and poverty alleviation paradigms from Mayoux (2005) within the context of three Microfinance Institutions in Pakistan to cover the micro aspect of microfinance. It is also linked with the macro aspect of microfinance to see access to finance and the role of a credit programme for women in Pakistan as discussed in State Bank of Pakistan Quarterly report, (2005).

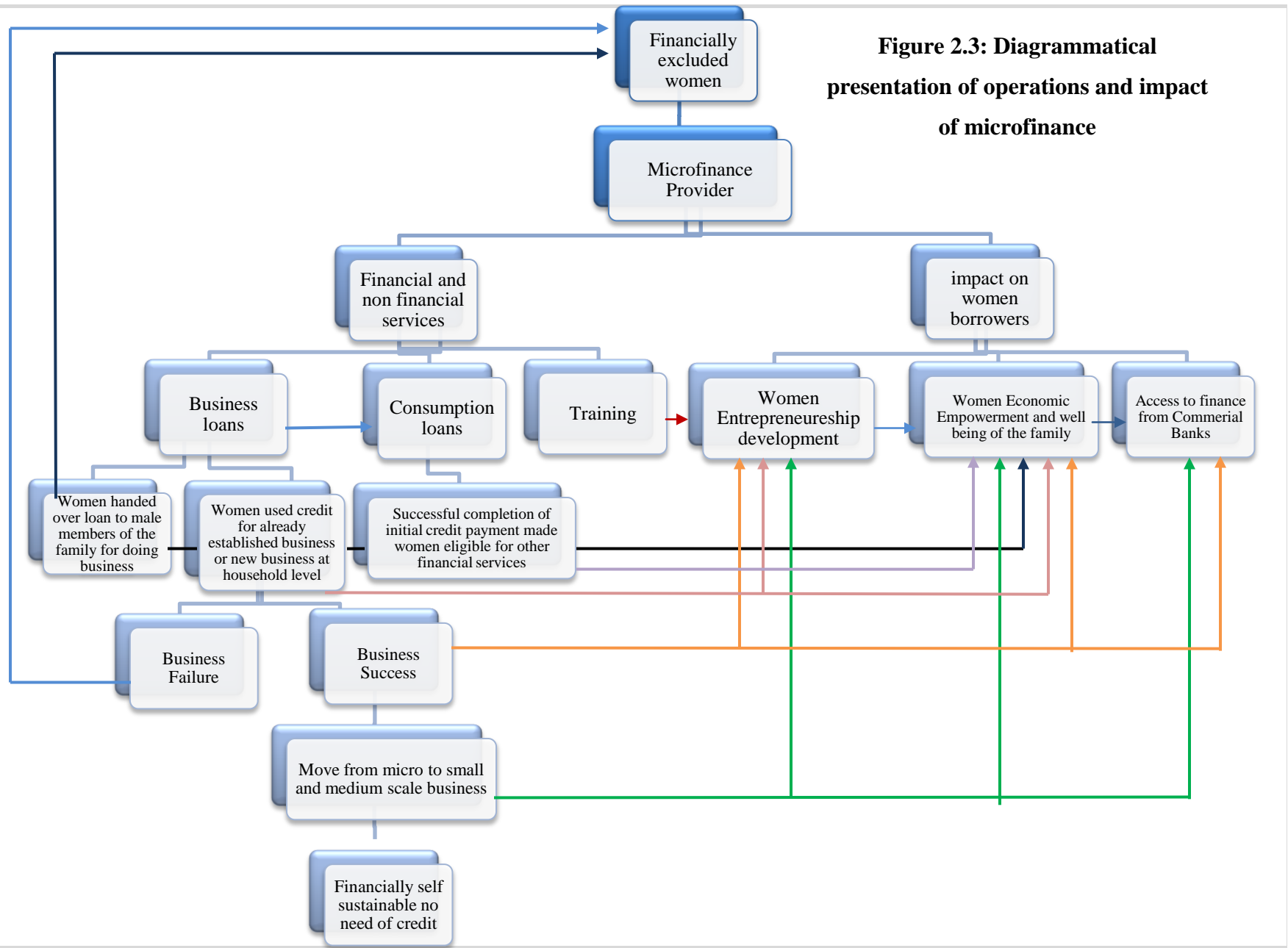
It starts from financially excluded women approaching microfinance providers or vice versa. The microfinance institutions provide financial services of business loans to new customers and consumption loans to existing customers. The women clients using business loans are also facilitated with non-financial services like training. Business loans are for the purpose of investing the credit in the microenterprise while consumption loans are for the urgent needs of the clients like unexpected health expenses of a member of the household that are not covered under micro insurance. These all financial and nonfinancial services by microfinance institutions have an impact on the women's entrepreneurship and microenterprise development, economic empowerment and well-being of the family and further access of loans from commercial banks other than microfinance banks. This show that increase in access to microfinance leads towards women having better education, health, well-being of children and family, increase in income and savings. If a woman uses the loan for her business and the business becomes profitable then there is development of micro-enterprise and this may also help to increase the abilities of women entrepreneurs for running businesses. These developments lead to an increase in economic empowerment and well-being of the family.

However, if a business, after taking microfinance, becomes unsuccessful or a woman misuses the credit money by handing it over to her husband or relative for consumption, it will again lead

to the financial exclusion of the woman, as she could not benefit from it. On the other hand if a woman hands over a loan for doing business to her husband or family head and she also gets the fruit of such business then there is a possibility to increase the economic empowerment of the woman and the well-being of her family. If a woman is investing the microcredit in her enterprise and if it grows in size from a micro to a small and medium enterprise then there is a possibility that she could be eligible for a loan of a relatively larger amount from commercial banks other than microfinance banks. The commercial banks are banks other than microfinance institutions, microfinance banks and other development financial institutions, providing Small and Medium Enterprise (SME) and corporate loans. A woman could also become self-sufficient in her business where she does not need any credit for her business. The model is demonstrated on the next page.

The main five variables of women's enterprise, development of entrepreneurship, economic empowerment, well-being of the family and access to finance with their indicators are operationalized in Chapter 3 (Table 3.4) after detailed investigation of various entrepreneurship, empowerment and microfinance studies.

Figure 2.3: Diagrammatical presentation of operations and impact of microfinance



2.5 CONCLUSION

This chapter has investigated the emergence of microfinance in the presence of formal or informal sources of finance due to its innovative techniques. The chapter highlights the link between microfinance and poverty as well as the link between microfinance and gender inequality. It also critically evaluates the poverty studies of microfinance. The literature on the impact of microfinance on poverty reduction often leads to contradictory findings. The social cultural differences in countries and different models of microfinance in different countries may lead to this contradiction in those academic pieces of work. However, even with the same data analysed according to different criteria and statistical techniques, conflicting findings are revealed. Few studies considered microfinance a solution for poverty alleviation due to increase in household expenditures, addition of assets and education of the children. While few other studies oppose these results, concluding no impact of microfinance on poverty reduction as these services are not reaching the poor. Other studies stress that microfinance is not for the extremely poor, whereas others view the advantage of microfinance to the community indirectly. Because there are few empirical studies in this area, the gap in the literature is not being fulfilled. The debate on microfinance and poverty literature provides an understanding of the issue, but also leads to question the entrepreneurial aspect of microfinance. As microfinance is provided to poor people for entrepreneurial activity, the positive or negative impact of microfinance on poverty is associated with the appropriate use of credit for income generating activity. Moreover, these studies have not directly researched the entrepreneurial impact of microfinance and women entrepreneurship through microfinance. All this discussion and the gap in the previous research can be overcome by this study. Therefore, the key research question is: Does participation in the microfinance programmes contribute to the development of women entrepreneurship in Pakistan?

In this chapter the impact of microfinance on entrepreneurship, empowerment and access to finance is developed especially from the point of view of women. This research focuses on women in a developing country who are affected by social and cultural barriers. Moreover, if they decide to become entrepreneurs they would have to face other constraints discussed in

the third part of this chapter (section 2.3). This discussion of the barriers to access to finance for women in developing countries and the limited research in the field of microfinance and access to finance in Pakistan leads to the second research question: Does participation in the microfinance programmes provide a positive push towards access to finance by women from commercial banks and financial institutions?

The literature on microfinance and women empowerment shows the positive impact of credit on empowering women whereas some concludes that men still control the microcredit provided to women. Many studies focus on female empowerment but this research concentrates on women's economic empowerment and how different uses of microfinance, consumption or business, impact the economic empowerment of women. The studies on microfinance and welfare of the household are vast with most showing positive results. However, the discussion in the literature shows that most of the studies in the field of microfinance are centred around Bangladesh due to the availability of research data. Therefore, there is a need to research the female empowerment and well-being aspect of microfinance in the region of Pakistan. This leads to the third research question of this study: Does a microfinance loan economically empower women and increase the well-being of their families?

This critical analysis of literature provides the rationale of this study. The relevant state of knowledge of microfinance and women entrepreneurs, the impact of microfinance on female entrepreneurship, economic empowerment, the well-being of the family and access to finance are encapsulated in a model considering the cultural and social context of developing countries. The structure and processes of microfinance and the impact of it is depicted by the model of the study. The next chapter which discusses research methodology will devise methods to test the model and identify suitable ways to perform the research.

CHAPTER: 3

Research Methodology

Chapter two reviewed the relevant literature and pertinent studies of microfinance that are helpful in the understanding the structure of microfinance in the developing economies and its impact on the women's development. This chapter deals with research methodology. The chapter is organised into three parts as follows: the first part of the chapter is about the selection and justification of basic research methods such as time horizon, research philosophy, approach, choice and method. The second part of this chapter considers design of survey, sampling technique, pilot study and testing of the research instruments. The third part of the chapter examines issues and limitations of data collection encountered in the field; and the last section provide a description of data processing and analysis methods.

3.1 SELECTION OF RESEARCH METHODS

3.1.1 Selection of research philosophy

The research methods used in any study are dependent on the type of research philosophy and nature of the research questions. The research philosophy is a way of viewing the social world by the researcher. It provides the forms and nature of the reality (ontology) and ways of understanding the valid knowledge (epistemology). Based on the ontology and epistemology of a philosophy the methods of conducting research are formed. Therefore, it is necessary to understand the philosophies of the research. The philosophy of positivism and interpretivism is considered as the main philosophies indicating the two extreme ways of understanding the social world. The positivist believes that scientific methods can be used in social science to solve social issues like in natural science (Collis and Hussey, 2009). This paradigm saw the social world as a single reality independent of the researcher (Blumberg, et al., 2008). Therefore, the researcher has no impact on the social phenomenon being investigated. The role of the researcher in this paradigm is not to explore the social reality but to measure it (Collis and Hussey, 2009).

The positivist determines the social reality through observation and experiments to develop a theory. The deductive approach is nearer to positivism as deduction is based on scientific

principles. The process of deduction starts with theory or hypothesis formulation, then operationalisation of concepts in the theory and collection of quantitative data. The derived theory is tested in a quantifiable way by applying different statistical tools and mathematical formulas. The theory is either accepted or not supported. The deductive approach helps to find out causal relationships and requires a large sample to generalize the results (Saunders, et al., 2003).

On the other hand the critics of positivism argued that humans cannot be separated from their social context (Collis and Hussey, 2009). Therefore, in the social world perceptions of people are important to understand the complexity of this world. Due to such complexity in the social world it could not be treated like natural science (Saunders, et al., 2003). The interpretivist believes that there are multiple realities as every person has a different perception. The interpretivist deals with exploring subjective realities in the social world (Blumberg, et al., 2008). In order to examine these multiple realities there is a need for a range of methods other than statistical analysis. Using a number of methods within qualitative approach is necessary to analyse and explore multiple realities as complex phenomenon cannot be determined in a single measure like in positivism (Collis and Hussey, 2009).

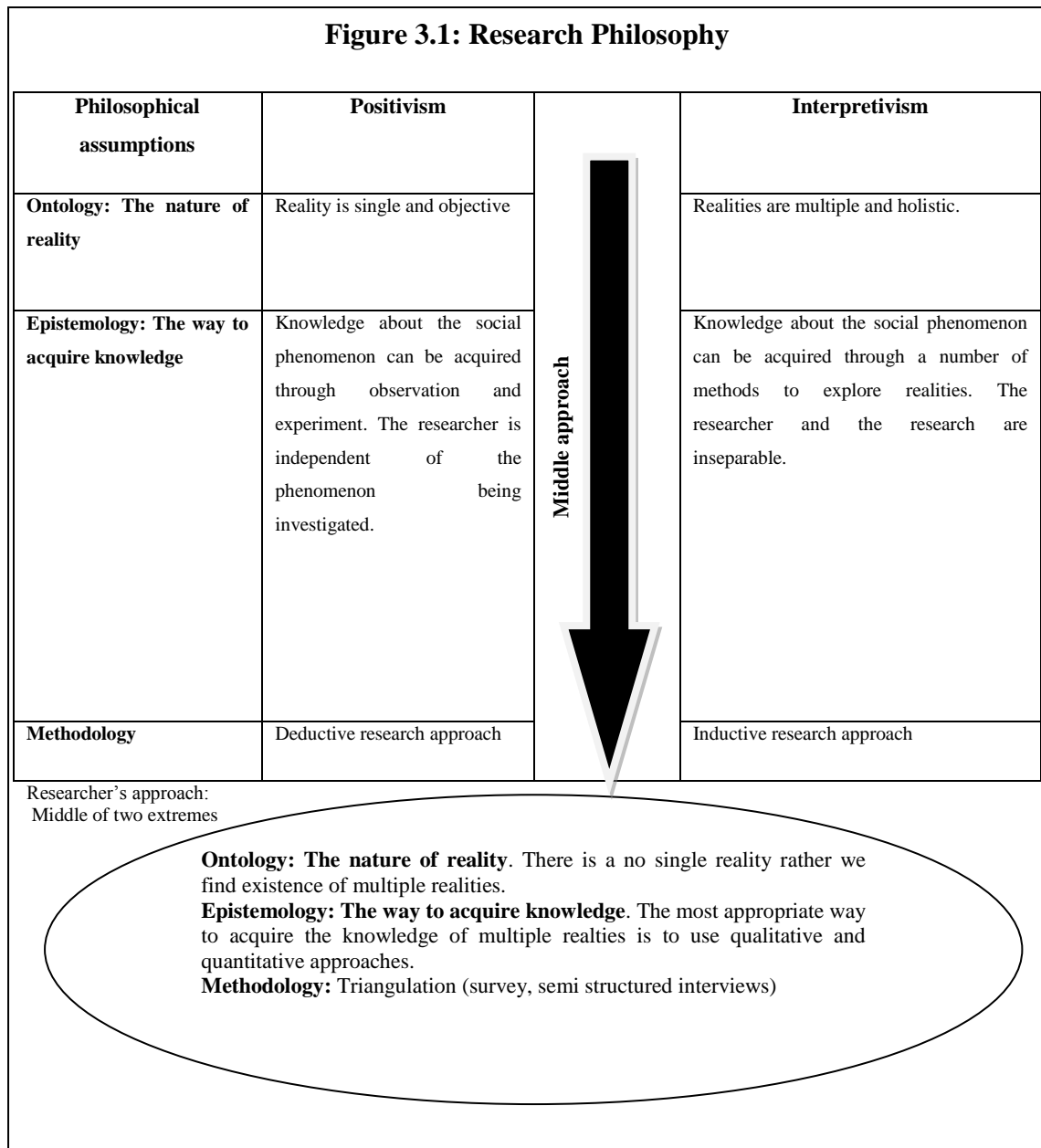
The interpretivist argues that the researcher cannot be separated from the social phenomena being investigated. The researchers are not objective and they have an influence on their research (Collis and Hussey, 2009). However, in interpretivism paradigm the results cannot be generalized as in positivism. The interpretivist believes that environment and situation in the social world is ever changing and that is why the results generated today cannot be viable with the passage of time (Blumberg, et al., 2008). This paradigm is believed to be attached to the inductive approach. Unlike deductive approach this approach passed through every process of research to develop a theory. In induction the qualitative data is collected to have an in depth knowledge with a small sample and as a result of the data analysis the theory is formulated as an end product (Saunders, et al., 2003).

Considering the research philosophies as discussed above, the ontology assumption of this research is that the social world dealing between microfinance and women's entrepreneurship and economic empowerment is a single hard fact. However, the social and cultural context allows people to have their own beliefs, so a single fact has many realities.

The researcher is of the view that society is objective and tangible, however the people playing various roles in the society are subjective and every person perceives the world independently. It is necessary to understand the meaning of the social world and the people attached to it. Therefore, this study will recognize the importance of human's subjective reality within the concrete and objective social world (Saunders, et al., 2003; Gill and Johnson, 2002). It is important to note here that the cultural and social factors are not observed directly in this research. These factors, however, are connected to economic decision making factors and women especially in a developing country cannot be separated from it. Therefore, social and cultural factors are indirectly taken into consideration in this research.

The researcher could be able to underpin the issue of microfinance and its role in development of a woman entrepreneur through not only measuring the hard facts but also through understanding the role of the actor, the subjective interpretation and the cultural beliefs that shape the meanings of these hard realities. It is important that we should not only focus on the system and institutions of microfinance but also the effect of socio-cultural factors on women's entrepreneurship. Therefore, the reality lies in the middle of these two paradigms to fully understand the complex realities. It, therefore, becomes essential to employ a triangulation approach to fully explore the process plus the factors that affect the relationship between microfinance and women's entrepreneurship.

Figure 3.1 illustrates the difference between the two paradigms; between these two extremes there are many philosophies, ranging from one extreme to the other. The Figure 3.1 shows that this research is not attached to one extreme or another. It lies in middle of the two philosophies by taking the ontology of one and the epistemology and methodology of other and the multiple realities concept from interpretivism and deduction approach from positivism. Thus the researcher believes that the study is somewhere in middle of the positivism and interpretivism paradigms as shown in Figure 3.1. The interpretivism is seen as fundamental to the investigation of the problem due to different issues that may be underlying in impact of microfinance on women entrepreneurs. The microfinance institutions and their end users have different views and perspectives that are required to be understood fully to enfold the knowledge. On the other hand the positivist approach to methodology is appropriate for the study.



This study will use both deductive and inductive approaches because both quantitative and qualitative methods of data analysis will be used. Although this research is based on a theory, that is related to deductive approach. Furthermore, this research also takes into account the perceptions of human beings (women borrowers/Loan officers) about the concepts that are attached as the outcome of an event (receiving/disbursing microcredit) that

attach it to induction approach. Therefore, both induction and deduction approaches are considered necessary for undertaking this research.

In considering the existing research on the issues of access to finance in the context of a developing country such as Pakistan, a model is developed (see Figure 2.3). With the help of literature review here we explore the gaps on new issues and existing issues that need to be tested in multiple contexts. This study deals with the issues of women's empowerment, entrepreneurship and access to finance in the context of the developing country of Pakistan. The theory is tested by collecting data from women borrowers of microfinance institutions in the province Punjab and the model is adjusted to take into account regional and national issues.

3.1.2 Selection of research design

The qualitative and quantitative are two different research methods of data collection and analysis (Saunders, et al., 2009). The qualitative research method is associated with interpretivism and the inductive approach of research while the quantitative research method is inclined more towards the positivism and deductive approach of research (Bryman and Bell, 2007). The qualitative research is descriptive and subjective using of words for the detailed analysis of the data. The emergence of research concepts and conceptual framework from the process of research justify its association with the inductive approach. In the qualitative method there is an involvement of people, it is conducted in a natural setting and more importance is given to the participant's point of view which shows that it is influenced by interpretivism. However, the results from qualitative research cannot be generalized as it focuses on the understanding of behaviours and relates to specific aspects of society (Bryman and Bell, 2007). The research methods of case study, ethnography, action research and grounded theory are different types of qualitative research. The case study research investigates real time facts in detail (Yin, 2003). Ethnography is the study of people and society and their values and beliefs. The focus of action research is on change in the social world as it considers that the researcher is part of the social world where change is taking place and it is constantly changing (Saunders, et al., 2009; Collis and Hussey, 2009). The grounded theory is systematic procedures used to develop a theory about phenomena (Collis and Hussey, 2009).

The quantitative research is numeric and objective. In this research, conceptual framework is developed after the collection and analysis of data and the results can be generalised which associate it to the deductive approach. The quantitative research is usually conducted in artificial settings and importance is given to researcher's point of view that links it to positivist philosophy. The researcher's being less involved with the subject of study results in a static research in relation to social reality (Bryman and Bell, 2007). The experimental research, survey and cross sectional studies are different types of quantitative research (Collis and Hussey, 2009). Experimental research is like natural science research: intended to find the causal relationship between variables (Saunders, et al., 2009). Survey research uses the deductive approach of collecting primary or secondary data, analysing it statistically and generalizing the results. On the other hand the cross sectional studies is used to research the problem over the same period of time (Collis and Hussey, 2009). The choice of any research method depends upon the research philosophy and research approach of a study. The philosophy and approach of this research is in between the two extremes. Therefore, both qualitative and quantitative research is used in this study.

The number of studies have been conducted on microfinance in developing countries using a range of different methodologies, which examined the impact on poverty alleviation, women empowerment, well-being of family, rural development and microenterprise development such as Pitt and Khandker (1998); Morris and Barnes (2005); Chowdhury, et al. (2005); Khandker (2005); Chemin (2008); Coleman (1999); Duong and Izumida (2002); Coleman (2006); Hermes and Lensink (2007); Mawa (2008); Zapaiska, et al. (2007); Khandker, et al. (2008); Schuler and Hashemi (1994); Pitt, et al. (2006); Kim, et al. (2007); Morrison, et al. (2007); Mayoux (2005) ; Morduch (1998); Emeni (2008); Brett (2006) and Schreiner and Woller (2003). These studies on microfinance are conducted in experimental, quasi experimental research design and using survey research design (for detail see Table 2.1: Research studies on microfinance).

The studies on microfinance by Pitt and Khandker (1998); Morduch (1998); Khandkher, et al. (2008); Chemin (2008); Coleman (2006); Coleman (1999); Rahman, et al. (2009) and Morris and Barnes (2005) compared the control group and the treatment group by using quasi experimental, experimental or survey research design. However, they used different statistical methods for analysing the results. Chowdhury, et al. (2005); Pitt, et al. (2006);

Duong and Izumida (2002); Kevane and Wydick (2001); Khandker, et al. (2008); Chowdhury (2008) and Afrin, et al. (2010) also used a quantitative data analysis approach with different statistical tests. All these studies are either cross sectional or longitudinal. However, Khandker (2005) used panel data for conducting research on microfinance and poverty reduction. All these studies are conducted in the developing countries of Bangladesh, Thailand, Vietnam, Uganda, Nepal and Pakistan.

On the other hand the research studies conducted by Goetz and Gupta (1996); Zapalska, et al. (2007); Mawa (2008); Emeni (2008); Brett, (2006); Kanak and Iiguni (2007) and Schreiner and Woller (2003), used survey research design under a qualitative data analysis approach. Some researchers used case study approaches such as Hartungi (2007), Woolclock (1999) and Lucy, et al. (2008).

The above review of methodologies employed in studies showed that experimental, quasi experimental, survey and case study research designs were used in different time dimensions of cross sectional, longitudinal and panel. The data in these studies is analysed either quantitatively using a variety of statistical models or qualitatively using different methods. This study could not employ longitudinal or panel data due to time limitation and the cost to complete the research but the researcher intends to extend the study after the completion of the thesis. Therefore, this study is cross sectional as the data would be collected at one point in time. This limitation also prevents the researcher from using the experimental research design as there are many complexities, such as establishing and collecting data from control groups. However, the use of the experimental design can be very useful in this research if it is collaborated with other designs which allow the use of qualitative data analysis. The blend of experimental and quantitative approach with other qualitative approach can be challenging yet it has the potential to provide a deeper insight into the process and impact that microfinance may have on the lives of the participants. Such an approach is in line with the philosophy of this research which allows the researcher to use a triangulation approach. However, the cross sectional data and purposive sampling (discussed in section 3.2.4) restrict the use of experimental design. These limitations can be excluded by using the quasi experimental design. However, time limitation, no existing data on microfinance in Pakistan required for this study and the small sample size could not justify the quantitative approach of experimental or quasi experimental design. Furthermore, the concepts that need to be

testified go further than the relationships on the role of microfinance on three concepts; entrepreneurship, economic empowerment and access to finance. These concepts are subjective in nature and measurement of these in a pure numeric way is difficult.

The survey research design can be more appropriately based on the ability of this design to use the quantitative and qualitative approach to collect thorough data about social phenomena. The data collected from humans in this study will also rationalize the inductive approach. The survey design is also justified with a deductive approach of this study as a survey is usually associated with this approach (Saunders, et al., 2003). The data collection from humans about a social incident can include the possibility of the use of a case study method that requires investigating a real life phenomenon using multiple sources of evidence (Yin, 2003). The scope of each research design is based on the type of the research questions covered in the study. The quantitative research design such as survey research is more related to the 'what' and 'how much' questions, however, the qualitative research design such as case study is related to the 'why' and 'how' research questions (Yin, 2003). This research raises basic questions of 'what' in the first instance that is, what is the role of microfinance in women's entrepreneurship and microenterprise development? What is the contribution of microfinance in women's economic empowerment and well-being of the family? Whether microfinance facilitates women clients with further access to finance from commercial banks after expansion of their micro businesses or not? These questions will be covered in questionnaires and interviews (discussed in section 3.2.1). The researcher will then explore the question of 'how much' that is, to what extent microfinance is successful in developing women's entrepreneurship, increasing women's economic empowerment and well-being of the family and helping to gain further access to finance? These questions will be answered well by using interview techniques of data collection (discussed in 3.2.1). The basic questions of 'what' and to what extent will be covered in survey research design. The question of 'how' will be covered to some extent in this research such as how the microfinance plays a role in the development of women's entrepreneurship and how it helped in increasing women's economic empowerment and well-being of the family and how it helped to access further finance. These questions will be answered with the help of interviews with the officers of the microfinance providers and their women clients.

Therefore, in considering the need and limitation of this study the survey is considered to fully answer the research questions, however, it does not include the ‘why’ question therefore case study research is not the choice. The survey in the form of semi-structured questionnaires that serve the purpose of answering the ‘what’ and ‘how much’ research questions, the qualitative research design in the form of face to face interviews will provide the in-depth knowledge of the issue by responding to the ‘how’ question. Firstly the survey will be conducted and then face to face interviews will be conducted to explore in depth. It is right to attach triangulation to this study; and on focusing on the magnitude of each method, the design of this research will be qualitative research design (face to face interviews) within a quantitative research design (survey).

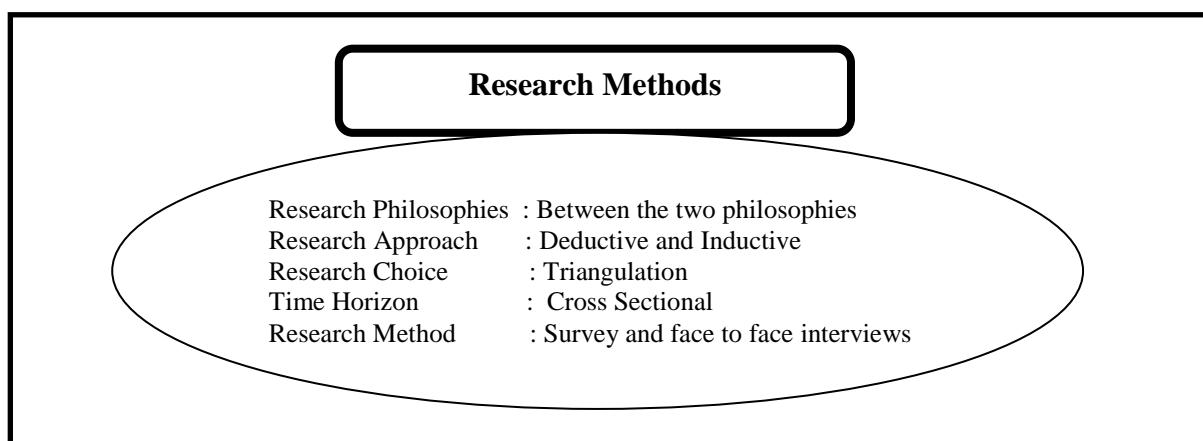
Considering the complexities of the research, the triangulation approach is more appropriate to answer the research questions of this study. Moreover, for validating the information the data is collected from three microfinance institutions which are Asasah Foundation, Kashf Foundation and Khushhali Bank Limited with multiple sources such as suppliers and end users of microfinance. Using the established framework and practices in framing and planning the research, this study employs both quantitative and qualitative methodologies of data collection and analysis to ascertain specific data. The quantitative approach is used to find the hard fact about the issue of microfinance and women entrepreneurs. Then the qualitative approach is used to further investigate the hidden realities in it. Triangulation of quantitative and qualitative data collection techniques will complement each other by verification of information obtained and the results inferred. The concepts of entrepreneurship and empowerment also require triangulation to fully understand the impact of microfinance on these multidimensional concepts shaped up by the cultural and social beliefs. The triangulation approach is supported by Kabeer (1999) on the measurement of women’s empowerment as it validates the information provided by an indicator.

Lincoln and Guba (1985) has pointed out that triangulation could be of the sources of data collection and of the research methods. Consequently this study will triangulate in terms of:

- Sources of data collection- multiple sources of data collection that is the primary data collection from three microfinance providers (MFPs) and their clients and secondary data from the annual reports/documents/websites of these three MFPs.
- Methods – research design that is survey research design and face to face interviews

- Methods – data collection techniques that are questionnaires, women’s interviews and MFP’s interviews
- Methods – data analysis techniques that are quantitative (descriptive and inferential statistics and regression analysis) and qualitative approaches.

Figure 3.2: Research method



In summary the research design of this study lies in the middle of two philosophies, having a blend of both inductive and deductive approaches, with interviews and surveys as research design, having questionnaires and interviews as data collection tools and a mix of quantitative and qualitative data analysis techniques as shown in figure 3.2. The research design of this study clearly depicts the triangulation of research methods and data collection and analysis techniques.

3.2 PLANNING OF INSTRUMENT DESIGN, SAMPLING AND PILOT STUDY

The second part of the chapter is mainly concerned with the designing of the research instruments for data collection, pilot study, the issue of access to a microfinance institution and their respondents and ethical considerations. Moreover, selection of sampling methods appropriate for this research and the number of questionnaires and interviews conducted for this study is explained in detail.

3.2.1 Design of Survey and semi structured interviews

The data collection is in a series of sequences where the end of one step leads to the other. The first step is the development of the questionnaires. The questions in the questionnaire are originated from the research questions of this study. However, previous research in the area of entrepreneurship, empowerment and microfinance are helpful in the designing of the questionnaire. Goheer (2003) worked on the women entrepreneurs in Pakistan and questions on demographics and entrepreneur profile are useful to develop instruments in this study appropriate to Pakistan's context. Similarly Kim, et al. (2007) worked on women empowerment and well-being by microfinance in South Africa; the indicators used by them are valuable in the selection of empowerment and well-being questions in this research according to the developing countries context. Moreover, Pitt and Khandker (1998), Mayoux (2005) and the State Bank of Pakistan Quarterly report, (2005) worked on the same variables of interest as this study and therefore, strengthen the instrument of this research. Since this study analyses entrepreneurship and economic empowerment as separate concepts, a further improvement in the questionnaire was required through pilot study. The pilot study corrected any necessary changes required in the structure of the questions in the questionnaire. After improvement in the questionnaires the data is collected from women borrowers. Moreover, the interviews are conducted with women borrowers and loan officers after some pilot interviews.

The questionnaire provided quantitative data that enabled the researcher to examine the access and impact of microcredit on female economic empowerment and women's entrepreneurial development. The questionnaire for this purpose is close-ended with information on five parts that are: Demographic profile; Personal finance, assets and income; Access to finance and Microfinance loan; Women's entrepreneurship and their enterprise; Women's economic empowerment and well-being of the family (Attached in Appendix-I).

The demographic profile includes multiple choice questions relating to age, marital status, number of children, family system and education of the women and their husbands. The personal finance and assets/income section includes multiple choice questions on bank accounts, income, house ownership, agricultural land and other asset ownership before using a microfinance loan. The third part of access to finance and microfinance loan also contains

multiple choice questions on loan, rate of interest, purpose of loan, most effective loans, application of loan to commercial banks, name of microfinance institutions, years of membership, amount of microcredit, responsibility to pay microcredit, usage of the microfinance loan and training programmes.

The fourth part is related to women's entrepreneurship and micro-enterprise including multiple choice and Likert scale questions. The multiple choice questions are related to ownership structure, years in business, percentage of ownership, form of business, number of employees, women employees, unpaid employees, source of start-up capital and usage of loan in business. The Likert scale questions are in a scale of 1-5, enquiring on micro-enterprise and women entrepreneurial abilities. It includes questions relating to their business development such as increase in profit, sales, business assets, labour and increase in chances of further access to credit by commercial banks. It also includes questions relating to the personal development of women as entrepreneurs like increase in self-confidence, communication skills, financial and computation skills, qualities of foresight and planning. Moreover, some questions relating to the autonomy of decision making relating to business is also in Likert scale form. Such as control on business decisions relating to the production process like purchase of raw materials, production of goods or rendering of services; hiring of the labour; sales and marketing of the products or services; purchase and sale of business assets; and decision relating to accounting and finance like pricing of goods or services, controlling expenses and managing finances.

The last portion of the questionnaire consists of women's economic empowerment and the well-being of the family. This part consists of a few multiple choice and mostly Likert scale questions such as empowerment to make decisions like spending on daily household expenses, spending from savings, use of earnings, sale and purchase of livestock/assets, spending on her health, education and children's health and education. The Likert scale question relating to the well-being of the woman and her family includes: increase in women's health and education, family health and education, formal support from male members of the society, decrease in household conflicts and encouragement from husband/family head to participate in any activity outside the home that was only for the woman's benefit. Moreover, some dichotomous variables of the increase in income, assets, necessary goods and savings after microfinance are also added in the last part.

Interviews were conducted in Urdu (National) and Punjabi (local) languages with women borrowers and loan officers. The interview guidelines are prepared separately for women borrowers and officers/heads of the MFIs. Both types of guidelines include questions relating to access to finance and microfinance, women's entrepreneurship, and women's empowerment and the well-being of the family. The interview guidelines for women respondents also included some general questions relating to family structure and hierarchy, self-employment, education and training (Appendix-1). The interviews covered all the research questions derived from the literature review; however the main focus was specifically on the access to finance for women and overall women's empowerment. These interviews also helped to understand and seek further the information provided in the questionnaires. The interviews record sheet was prepared to keep record of the number, date, time and duration of the interview, the name of the microfinance provider and the respondent (if provided), area of the respondent, mode of recording the interview and back up record on computer (Appendix-I).

The main questions in the semi-structured interviews with the head/managers of the MFIs are: where the actual amount of the loan is spent; who is responsible in the client's household for making decisions in business after the financial and non-financial support from the microfinance institution; how this credit is helping the women to develop as entrepreneurs; how this credit is developing their businesses; how microfinance is helping the women to deal with specific social and cultural barriers in the way of developing an enterprise and whether the MFI is helping in time of crisis in business or leaving them alone to deal with the situation and becoming defaulters and how MFIs helped in the expansion of the business and accessing finance from the commercial banks. The data about the supply side of microfinance was also collected from secondary data such as annual reports, policy documents and websites of the microfinance institutes. This investigation of the supply side of microfinance will help to articulate the whole issue of microfinance and also help to identify the actual practices and working of the microfinance process affecting the women clients. It was helpful to find out the role of microfinance institutions in achieving their objective of women's personal development in general and women's entrepreneurial development in particular. Moreover, the officers of the microfinance institutions are interviewed to find out how much is the default rate and how they are dealing with the

defaulter, keeping in view the social development objective. The qualitative data from the interviews assisted in explaining the underlying reasons and developing a conceptual framework to understand how established MFI programmes can be adjusted to deal with unique cultural, religious and local environmental issues.

3.2.2 Pilot study

Prior to the field work, a pilot study is conducted to ensure that the questionnaires are suitable for data collection and appropriate data is collected for the designated purpose and where necessary the questionnaire is amended accordingly. The researcher piloted the Urdu version of the questionnaire by sending the questionnaires to the microfinance providers by post. For the purpose of the pilot study 45 questionnaires were distributed to members of two microfinance providers, one is a microfinance bank and the other is a specialized microfinance institute. The data was collected from urban areas of Gujranwala and Vehari and rural areas of Clarkabad and Zafarkey, of the district of Kasur in the Punjab province. Out of the total of 45 questionnaires, 38 were completed and returned. One questionnaire was disqualified due to incomplete answers and finally 37 questionnaires were used for this pilot study. 46% of the completed questionnaires were from rural areas and 54% from urban areas. The instructions for filling in the questionnaires were also sent to microfinance institutions, which helped to fill in the questionnaires from their women clients. The problem faced in the pilot study was the delayed responses from microfinance institutions although follow ups by email proved helpful to complete the pilot study. The data from the pilot study is quantitatively analysed to find the preliminary findings of the study that are presented in Mahmood (2011) (Appendix III).

The pilot study helped to make some structural changes in the questions and in developing the contacts with the microfinance institutions. The changes were made in the questionnaire such as the questions not yielding results were removed; the unclear question statements were clarified; adding/removing the categories of options in a question due to no response or additional replies from the respondents; and recoding the options of a question. All these changes helped to develop the final version of the questionnaire. The changes were made in both the Urdu and English language questionnaires.

3.2.3 Validity of the questionnaire indicators and issues of access and ethics

The researcher developed the instruments of data collection in the English language. The English version of the questionnaire and interviews were tested on business school students within the Birmingham City University (BCU) and two academicians to test their clarity. Subsequently the questionnaires were translated into Urdu, the national language of Pakistan that is easily understood by most of the respondents of the microfinance institutions. After translating the questionnaire and interview, the main challenge faced was the validity of the instruments. For this the researcher sent the questionnaires and interview questions in the Urdu version to two language academicians in Pakistan from University of the Punjab to ensure clarity and their understanding of the translation.

The questionnaire was pre-coded to put the data into a Statistical Package for the Social Sciences (SPSS). All the multiple choice questions were coded 1 and any unanswered or not applicable questions were coded as 0. The Likert scale questions were coded in a 1-5 scale. The questionnaire was then checked by an SPSS expert, a BCU academic, to ensure the accuracy of codes and usability of data for SPSS. Similarly, for conducting interviews the main concepts (discussed in the section 3.4.3) are identified to analyse the data.

The finalization of the instruments was a time consuming process including the language check and proper coding. However, it helped to develop the questionnaire and interview in such a way that is in line with the objectives of the study; it also ensured the validity of the instrument. The questionnaire was then piloted with two microfinance institutions. Finally the researcher personally administrated the questionnaire and conducted interviews.

Access to microfinance institutions was a major obstacle but through persistence and communication access was negotiated. The researcher maintained contact with microfinance institutions by email, post and telephone. The letter from BCU was posted to the MFPs to fulfil their requirement of authentication. The final version of the questionnaire and interviews were sent to the MFPs for their information and consent for data collection. Moreover, the details of each phase of data collection and time frame were also sent to the institutions. The microfinance institutions provided permission to conduct research in their organisation from the clients and the staff. The prior communication helped to plan the schedule of the data collection in two and the half months.

The first page of the questionnaire and interview provided the details of the aim and objectives of the study and how secrecy would be maintained for the respondents of microfinance institutions. In a face to face meeting the researcher again explained to the institution and participants, the purpose for which the data would be used and how the research findings would be published. Consent of all participants was also obtained before collecting data from them. Moreover, the questionnaires were anonymous to maintain the secrecy of the participants. Responses from individuals are not being provided to the MFIs but overall aggregate findings will be shared with the participants. No participant was identifiable from the questionnaire or interviews.

Data gathered from the Microfinance Institutions (MFIs) was used for academic purposes only and its confidentiality maintained and the data used for only PhD research. The researcher followed the rules and regulations of Birmingham City University when visiting MFIs or interviewing their clients. Ethical approval was sought and granted by the Faculty Research Degrees Committee to conduct this research.

3.2.4 Sample and sampling method

Two major microfinance institutions of Pakistan, the Kashf Foundation and the Asasah Foundation and one microfinance bank, Khushhali Bank Limited have been selected for the purpose of the present study. The Khushhali Bank Limited and Kashf Foundation were selected as they have the 2nd and 3rd largest market share of microcredit with 19.9% and 15.2% of total active borrowers respectively at the end of 2010 (Khalid, 2010). In the province of Punjab, the Khushhali bank had 60% of the active borrowers of microfinance banks and the Kashf Foundation had 63% of the active borrowers of microfinance institutions at the end of the first quarter of 2011 (Pakistan Microfinance Network, 2011). These statistics shows that the Khushhali Bank and the Kashf Foundation are the largest microfinance providers in Pakistan generally and in Punjab province particularly. The Asasah Foundation is selected due to its outreach in rural areas and a high percentage of women participating in their loan programmes.

Specific programmes of entrepreneurial finance will be studied from these organizations in the districts of Lahore, Vehari, Gujranwala and Kasur of Punjab province. The province of

Punjab has the highest percentage (70%)¹ of active borrowers in Pakistan and Lahore and Gujranwala districts have the highest percentage of active borrowers in Punjab (Khalid, 2010). This study focused on urban and rural areas of Punjab province to cover the women borrowers in different geographical areas. The districts of Kasur and Vehari are selected because of access to microfinance by rural women in these areas.

The total clients (active borrowers) of the three microfinance providers under study are 5,48,077² in the province Punjab and 1,76,759³ in the four districts of Lahore, Gujranwala, Vehari and Kasur at the end of first quarter of 2011 (Pakistan Microfinance Network, 2011). 384 borrowers are selected by purposive sampling for a close-ended questionnaire to collect data for quantitative analysis; over 100 completed questionnaires are a reasonable number to conduct a statistical analysis. According to Saunders, et al. (2003) for a population of between 100,001- 10,00,000, the sample size should be 384 at a 5% margin of error and at a 95% level of certainty. This makes the sample representative of the population in the specific areas under study. Taking into consideration, the representation of sampling size and appropriateness of sample in the statistical analysis, 384 samples of questionnaires were selected. Heterogeneous sampling strategy is used in purposive sampling and before the selection of a sample a criterion is identified (Saunders, et al., 2003). The questionnaire sample is based on the following criteria:

- i. The women's borrowers of three microfinance institutions in the four districts
- ii. The women borrowers accessed at the time of the researcher's visit.

The women borrowers were selected from a group of borrowers who were having their bi-monthly meetings during the field work period. It was planned to complete almost an equal number of questionnaires from each of the microfinance providers with a combination of data from rural and urban areas, to be consistent and rigorous. The interview sample for women borrowers was selected on the basis of:

- i. Women who borrowed credit from three MFIs in the four districts,

¹ Calculated by figures of active borrowers in Punjab and total active borrowers from Khalid, (2010)

² The data of active borrower is collected from <http://www.microfinancepakistan.com/application.html> on 06-12-2010 and 23-09-2011

³ The total number of active borrowers of all three microfinance providers in Vehari district is not available, therefore total number of active borrowers of all microfinance providers in Vehari district are taken into account for Vehari district. The data of active borrower is collected from <http://www.microfinancepakistan.com/application.html> on 18-11-2010 and 23-09-2011

- ii. Women who start or run the enterprise by using the credit in their business.
- iii. Women who were accessible during the research period

The interview sample for loan managers should be the staff members that are administrating the loans of the women under study. However, the officers could be the head of the branch or institution. From all the microfinance providers 50 women borrowers would be selected for a semi-structured interview. Moreover, at least 3 loan officers and 1 head/ operational manager from each of the microfinance providers were selected for semi-structured interviews. The table 3.1 shows the sampling method.

Table 3.1: Sampling method and unit of Analysis

Research Tools Unit of Analysis	Questionnaires (Individuals: Women Borrowers)	Interviews (Individuals: Women Borrowers)	Interviews (Organization: Loan officers / managers)
Sampling Technique	Heterogonous sampling strategy in purposive sampling	Purposive sampling	Purposive Sampling

Table 3.1 depicts that in all the three instruments of data collection, a purposive sampling method is used. Purposive sampling is a way to discover the multiple realities (Lincoln and Guba, 1985). Moreover, due to cost and time limitation this method of sampling is considered to be suitable. Additionally, the respondents of the research are scattered in different geographical areas of the province of Punjab and that makes it difficult to access them. The rural areas are less accessible than urban areas due to the poor infrastructure and transportation system. All these limitations compelled the researcher to choose the non-probability sampling technique. The population under study is not divided into any prominent group to select a sample from each group. This reason avoids the use of the quota sampling technique. In this study there is no reason to select a sample haphazardly or through self-selection methods because the women clients can be contacted during their group meeting time. Therefore, the respondents were accessed by using such information

from MFPs and there is no possibility of using convenience, snowball and self-selection sampling techniques. Consequently, the purposive sampling technique was used with this sample size and a reasonable cost of data collection.

3.2.5 Administering the questionnaires/ interviews and the response rate

The questionnaires were administrated and completed by the researcher herself, with the help of an assistant when required. The services of a research assistant are used for the collection of data in rural areas only. This female research assistant has knowledge of and access to the rural areas of the Punjab and familiarity with the people, especially females of those areas; in addition she understands their language, culture and household setup very well. The knowledge and expertise of the assistant helped the researcher to easily access the females of rural areas. It also improved the response rate due to the trust that existed between the rural women in the sample and the assistant.

The women in the sample were selected from the list of the clients from each branch of the microfinance providers, those either living near to the branches or women likely to attend their group meeting on the visit day. The questionnaires were distributed in a specific area of one microfinance provider at one time. The researcher explained the purpose of the survey conducted and also discussed any issues that were raised by the women at that time. The questionnaires were completed and where the respondents showed reluctance their personal information was not recorded. A woman respondent completed the questionnaire herself if she was able to read and understand the questions or had the help of any member of her household. If a woman was illiterate then the researcher or assistant helped her by loudly reading the questions and the options and completed the questionnaire after receiving the response to each question from the woman.

A total of 384 questionnaires were in the sample and were distributed in person, however only 342 questionnaires were completed. Out of which 41 questionnaires were rejected due to incompleteness and 1 was rejected due to ineligibility as the respondent had already completed a questionnaire for another microfinance provider. 300 questionnaires were finally used for data analysis. The response rate of questionnaires is 78% as calculated below:

$$\begin{aligned} \text{Total response rate} &= \text{total number of responses} / (\text{total number in a sample} - \text{ineligible}) \\ &= 300 / (384-1) \end{aligned}$$

$$= 78\%$$

This is the total response rate; however the active response rate (Saunders. et al., 2003) is higher than that.

$$\begin{aligned} \text{Active response rate} &= \text{total number of responses} / \text{total number in a sample} - (\text{ineligible} + \\ &\quad \text{unreachable}) \\ &= 300 / (342 - 1) \\ &= 88\% \end{aligned}$$

Out of 300 questionnaires 194 were from urban areas of Punjab province and 106 were from rural areas. In the final 300 questionnaires 152 respondents were running their own businesses from microcredit, these comprised of 82 from Lahore district, 112 from Kasur, 24 from Gujranwala and 82 from Vehari district. 27% of the questionnaires were from the Kashf Foundation, 34% from the Asasah Foundation and 39% were from the Khushhali Bank. The table 3.2 shows the division of the questionnaires into rural (R) /urban (U) areas, four districts and three MFIs.

Table 3.2: Division of Questionnaires

	Kushhali Bank	Kashf Foundation	Asasah Foundation	Total
Lahore	6 (6 R)	48 (38 U + 10 R)	28 (28 U)	82 (66U + 16 R)
Kasur	29 (29 U)	32 (3 U + 29 R)	51 (31 U + 20 R)	112 (63 U + 49 R)
Gujranwala	-	-	24 (24 U)	24 (24 U)
Vehari	82 (41 U + 41 R)	-	-	82 (41 U + 41 R)
Total Questionnaire (Urban U and Rural R)	117 (70 U + 47 R)	80 (41 U + 39 R)	103 (83 U + 20 R)	300 (194 U + 106 R)

Interviews were conducted in two phases; first the women clients and then the Officer/ Head of the Microfinance institution were interviewed. For this purpose first the pilot interviews were conducted with 5 women borrowers and 2 Loan Officers of the Microfinance providers.

These pilot interviews helped the researcher to improve the questions and time management of the interviews. Table 3.3 shows the number of interviews conducted with the women clients, Loan Officers and Head/Operational /Regional Managers of the microfinance providers.

A total of 64 interviews were conducted. Most of the interviews were conducted with the Kashf Foundation due to the large network of branches in the Lahore and Kasur districts and the permission to visit the clients of these branches for research purposes. The interviews were mostly recorded except the respondents who did not grant permission for it. In this case it was written on the interview sheet which was actually completed in the case of each interview to keep the record and write the researcher's observations at the time (Appendix-I) of the interview. Each recorded interview was saved in the computer while the non-recorded interviews were written on the interview sheet.

Table 3.3: Division of Interviews

	Kushhali Bank	Kashf Foundation	Asasah Foundation	Total
Women Borrowers	10	28	12	50
Loan officers	4	3	4	11
CEO/Operational or regional manager	1	1	1	3
Total Interviews	15	32	17	64

3.2.6 Issues and limitation of data collected from questionnaires and interviews

The questionnaires were completed by women who were accessible at the time of research. As the women are dispersed in different geographical areas, the researcher could reach only those areas that were accessible by transport. The collection of survey data had time and

cost constraints. The researcher had to spend considerably more time if a woman was illiterate to explain the questions to get a correct response.

As a major part of the interviews were conducted in women's houses, some of their responses were affected by their husbands or male members of the households present. Though care was taken to ensure such cases were minimised by requesting some privacy but given the nature of their homes privacy at times was difficult to arrange. Moreover, poor transportation facilities in rural areas, different linguistic accents and women being less educated are some of the difficulties faced by the researcher. Working outside home as a female researcher also has some constraints that limit the number of working hours due to cultural factors that prevent women from going outside alone or going outside after evenings. However, working with a research assistant in rural areas, use of personal conveyance and prior arrangement of meetings with the clients of MFIs helped the researcher to complete the data collection in time.

The above discussion in part two of the methodology chapter helps to understand the research process and its planning. The designing of the survey instrument, selection of sampling and amendments in the questionnaire with the help of the pilot study was necessary before conducting the field work. The rural and urban area visits were helpful in understanding the response of the females and the importance of a trusting relationship between researcher and the respondents. The administration of the questionnaires and interviews helped the researcher to gain expertise in collection and management of data. The data entering and analysis in the software helped to improve data processing and quantitative analysis skills. The next two parts are related to field work and data analysis.

3.3 FIELD WORK

This part of the chapter explains how the field work was conducted. Following are the details of data collection from three microfinance institutions:

3.3.1 Kashf Foundation

The researcher planned to collect data from three microfinance institutions of Pakistan. The data was collected first from the Kashf Foundation in the districts of Lahore and Kasur respectively. In Lahore district, ten long established branches of the Kashf Foundation were selected. Out of these 10 branches five were in urban areas, three in semi urban areas and

two in rural areas. In Kasur district, 4 branches were selected out of which one was in an urban area and three were in rural areas. The Kashf Foundation had changed its lending methodology from group to individual lending, therefore the researcher selected those women in the sample who were in the vicinity of the branches and visited their homes. The Branch Manager and Loan Officers provided the contact details of women living near to a branch. Data from some of the clients was collected within the branches during the loan disbursement or payment period.

Firstly the researcher collected data from the Kashf Foundation in Lahore district. Ten branches in Lahore district were visited to complete almost five questionnaires from each branch. Two branches were visited per day. The branches visited in the urban areas of Lahore districts were: Baghban pura, Dharram Pura, Karim Park and Yakki Gate branches. The branches in semi-urban areas were Chungi Ammar Sadhu, Walton and Bedian. One branch in the rural area of Jallo was also visited by the researcher. A total of 48 questionnaires were collected from those branches. After collection of data from questionnaires, twenty four interviews with women entrepreneurs and three interviews with staff of MFIs were conducted in the rural, semi urban and urban areas of Lahore districts.

In Kasur, two main areas were visited, firstly the rural area and secondly the urban area branches. From the rural areas of Mustafabad, Sue Asal and many more small rural areas in Kasur district, twenty nine questionnaires were completed by the researcher with the help of a research assistant in two visits. In the urban area branch of Kasur district three questionnaires were completed. From the Kasur district a total of thirty three questionnaires were completed. A total of 80 questionnaires were completed from the Kashf Foundation, 41 from urban areas and 39 from rural areas. 32 interviews were conducted in the Kashf Foundation: 28 with women clients; 3 with Loan Officers and 1 with the Operations Manager.

3.3.2 Asasah Foundation

Secondly the data was collected from the Asasah Foundation in the districts of Lahore, Kasur and Gujranwala. Four urban area branches in Lahore district, two rural area branches in Kasur district and one urban area branch in Gujranwala district were visited. The Asasah Foundation is basically providing loans in groups; however it also provides individual loans to its good clients. Therefore, those groups of women clients were visited by the researcher in the monthly meeting where it falls within the data collection time period.

In Lahore, 28 questionnaires were completed from Mughal Pura, Yadgar, Ravi road, Bund road and many other rural areas of Lahore. From Lahore district a total of eleven interviews were conducted: 8 with women clients, 2 with CDO's and 1 with the Area Manager.

In Kasur, data was collected from the different urban areas of Kot Radha Kishen, Muhala Judgewala, Basti Qadeer Abad, Jammatt Pura, Gulberg Colony, Basti Lalshah, Basti Wanika; rural areas of Bhoe Asal, Ghanyeki, and Zafarkee Ghao; and semi urban areas of Rasulpura and Ghandhiya Road Nai Abadi. The questionnaires were completed by the researcher with the help of a research assistant. A total of 51 questionnaires were completed in Kasur district, following 5 interviews.

In Gujranwala district questionnaires were completed from the urban area in the Gujranwala city. A total of 103 questionnaires were completed from the Asasah Foundation and 17 interviews were conducted: 12 with women clients, 2 with CDO's, 1 with the Branch Manager, 1 from the Area Manager and 1 from the Head of the Asasah Foundation.

3.3.3 Khushhali Bank Limited

The Kushhali Bank has only one branch in a city. The data was collected from urban areas of the Kasur branch, rural areas of the Lahore branch and rural and urban areas of the Vehari branch. At the time of data collection the Khushhali bank was moving from an individual lending to a group lending system. From the Khushhali Bank, Lahore branch, 6 questionnaires were completed from the rural area of Jallo. In Kasur 29 questionnaires were collected from the urban areas of Kasur city, Muhala Hussain Nagar and Muhala Basti Barat Shah. In Vehari, 82 questionnaires were completed from urban and rural areas of Vehari city with the help of a research assistant.

A total of 117 questionnaires were completed from the Khushhali Bank and 14 interviews were conducted: 10 with women clients, 1 with a Business Development Officer, 2 with Relationship Managers and 1 with the Regional Manager of the Khushhali Bank Limited.

3.4 DATA ANALYSIS METHODS

This part of the chapter covers the methods used for data analysis. The data from the questionnaires was analysed quantitatively and data from the interviews was analysed using qualitative methods. The last part of the chapter is mainly related to an explanation of the statistical tests used in this study, variables and indicators of the research, operationalisation

of the variables and indicators, development of the hypotheses of the study and method used for qualitative analysis.

3.4.1 Quantitative Analysis, hypotheses and operationalisation of variables:

In quantitative analysis, descriptive and inferential statistics were used with regression analysis. The questionnaire contained multiple choice and Likert scale questions. The questions were in ordinal or nominal data form with the exception of some variables that were dichotomous. The data was analysed with SPSS by using descriptive and inferential statistics. The descriptive analysis includes frequency distribution, cross tabulation and bivariate analysis of the Chi-square Test. The ordinal and nominal nature of the data allows non-parametric tests in inferential statistics. Moreover, the data of the questionnaire is not randomly sampled; therefore non-parametric test could be applicable. The most suitable nonparametric test was the Mann Whitney Test that examined differences between groups. In this study two groups of women were compared and tested: one comparison is between the women who are entrepreneurs with those who are not and the second comparison is between women with new or existing businesses.

The questionnaire was designed to focus on the main five variables of interest related to microfinance: women's enterprise, entrepreneurial abilities, economic empowerment, well-being of the family and access to finance. The relationship between the variables was tested by using regression analysis. The five hypotheses of the study are as follows:

Hypothesis 1:

The greater the financial and non-financial services of microfinance, the greater will be the development in women's microenterprise.

H₁: Microfinance financial and nonfinancial services develop women's microenterprise

H₀: Microfinance financial and nonfinancial services do not develop women's microenterprise

Hypothesis 2:

The financial and nonfinancial services of microfinance programmes help to develop entrepreneurial abilities in women

H₂: Microfinance financial and nonfinancial services develop women's entrepreneurial abilities

H₀: Microfinance financial and nonfinancial services do not develop women's entrepreneurial abilities

Hypothesis 3:

The greater the financial and nonfinancial services of microfinance, the greater will be the chances of access of finance from commercial banks.

H₃: Microfinance financial and nonfinancial services increases the access of finance from commercial banks

H₀: Microfinance financial and nonfinancial services do not increase the access of finance from commercial banks

Hypothesis 4:

The increase in the number of years of membership of microfinance institutions helps to increase the economic empowerment of women.

H₄: Microfinance services develops women's economic empowerment

H₀: Microfinance services does not develop economic empowerment of women

Hypothesis 5:

The women's participation in microfinance programmes will increase the well-being of their families.

H₅: Microfinance services develops well-being of women and their families

H₀: Microfinance services does not develop the well-being of women and their families

The microfinance is an independent variable and women's entrepreneurship, microenterprise, economic empowerment, well-being of family and access to further finance are dependent variables. The variables are operationalised by specifying the indicators of the concepts (Nardi, 2006) and previous literature that used similar indicators is presented in Tables 3.4 and 3.5.

The compositing the indicators of variables in each hypothesis will be discussed in detail in chapter 5 (see Section 5.1.2) and 6 (see Section 6.1.2). The reliability of the measurement of indicators will be discussed in chapter 4 (see Sections 4.2.1.1, 4.2.1.2 and 4.2.1.3) and the validity of the instrument where all these indicators are used is discussed in this chapter (see Section 3.2.3) of the thesis.

Table 3.4: Operationalisation of the dependent and independent variables

Variables	Indicators	Measurement of indicators	Other Measurement of indicators in the Literature	Literature using similar or related indicators	Other related indicators used in the Literature
Women's microenterprise development	<ul style="list-style-type: none"> • Increase in profits • 	Ordinal-Likert Scale	<ul style="list-style-type: none"> • Dichotomous • Continuous • (Actual or average amount/ percentage) 	Gobbi, et al. (2005); Roomi (2010); Zapalska, et al. (2007) ; Marr (2002); Morris and Barnes (2005)	Profit/Net Profit; Average annual profit before and after microcredit; Change in profit.
	<ul style="list-style-type: none"> • Increase in sales 		<ul style="list-style-type: none"> • Dichotomous • Continuous • (Actual or average amount/ percentage) 	Gobbi, et al. (2005) ; Roomi (2010); Marr (2002); Morris and Barnes (2005); Kevane and Wydick (2001)	Annual Sales/Credit Sales/Average Sales; Sales Volume; Change in Sales.
	<ul style="list-style-type: none"> • Increase in Business assets 		<ul style="list-style-type: none"> • Open ended question to fill the amount of two years to find change of assets from last year 	Morris and Barnes (2005); Marr (2002)	Acquisition of assets such as premises, physical equipment, inputs, vehicles, land, animals; Change in assets
	<ul style="list-style-type: none"> • Increase in labour 		<ul style="list-style-type: none"> • Continuous • (Actual or average amount/ percentage) 	Gobbi, et al. (2005); Roomi (2010); Zapalska, et al. (2007) ; Kevane and Wydick (2001)	Average number of workers before and after microcredit; Change in employees; No. of employees
Development of Women's Entrepreneurship	<ul style="list-style-type: none"> • Increase in self confidence • 	Ordinal-Likert Scale	<ul style="list-style-type: none"> • Dichotomous 	Casson (2003); Gobbi, et al. (2005); Afrin, et al. (2010); Kim, et al. (2007)	Self Confidence
	<ul style="list-style-type: none"> • Increase in communication skills 		<ul style="list-style-type: none"> • Dichotomous 	Casson (2003); Gobbi, et al. (2005); Afrin, et al. (2010)	Communication skills improved
	<ul style="list-style-type: none"> • Increase in financial management and computation skills 		<ul style="list-style-type: none"> • Dichotomous 	Casson (2003); Gobbi, et al. (2005); Roomi (2010)	Development of financial management skills
	<ul style="list-style-type: none"> • Qualities of foresight and planning 		<ul style="list-style-type: none"> • Dichotomous 	Casson (2003); Roomi (2010)	Planning and organizing
Economic Empowerment	<ul style="list-style-type: none"> • Autonomy of decision making about spending money on daily household expenses • Autonomy of decision making about spending money from my savings • Autonomy of decision making about where to use the earnings 	Ordinal-Likert Scale	<ul style="list-style-type: none"> • Dichotomous • Open ended questions 	Kishon (1997 cited in Kabeer, 1999, pp. 448-449); Goetz and Gupta (1996); Pitt, et al. (2006); Kim, et al. (2007); Lucy, et al. (2008); Schuler and Hashmei (1994) ; Malhotra, et al. (2002); Mason and Smith (2003); Marr (2002); Sather and Kazi (2000)	Financial autonomy: women currently control their earnings; women's earnings as a share of household income; women's empowerment: purchasing, resources, finance and transaction management; Autonomy in decision making:

	<ul style="list-style-type: none"> • Autonomy of decision making about spending money on sale or purchase of assets or livestock • Autonomy of decision making about spending money on my health • Autonomy of decision making about spending money on my children's / family health • Autonomy of decision making about spending money on my education • Autonomy of decision making about spending money on children's education 				<p>purchases; Women's control over income; Access to, or control of cash, household income, assets, unearned income, welfare receipts, household budget; Domestic Decision-Making on:</p> <p>Finances, resource allocation, spending, expenditures, Social and domestic matters (e.g. cooking)</p>
Well-being of women and the family	<ul style="list-style-type: none"> • Increase in your formal education (school / college level degree) • Increase in formal education of your children / family • Increase in your nutrition and health • Increase in nutrition and health of your children / family • Increase in formal support from male members of the family (moral support, advice, physical help) • Decrease in household/family conflicts • Encouragement from husband/family head to participate in any activity outside the home that was only for your benefit etc. 	Ordinal-Likert Scale	<ul style="list-style-type: none"> • Dichotomous • Open ended questions 	Gobbi, et al. (2005); Malhotra, et al. (2002); Mason and Smith (2003); Marr (2002); Schuler and Hashmei (1994)	Domestic Decision-Making on: Child related issues (e.g. well-being, schooling, health); Mobility/freedom of movement;
Access to finance by women	<ul style="list-style-type: none"> • Increased chances of obtaining business loans from commercial banks • 	Ordinal-Likert Scale	<ul style="list-style-type: none"> • Nominal 	Qureshi and Herani (2011); Constantinidis, et al. (2006); Fletschner (2009)	Financial constraint; Number of requests for bank financing during the previous five years; Proportion of requests for bank financing granted during the previous five years; adequate access to credit
Microfinance	<ul style="list-style-type: none"> • Microfinance loan size • Number of years of membership in MFP • Training provided by microfinance institution 	<ul style="list-style-type: none"> • Ordinal data • Dichotomous data 	<ul style="list-style-type: none"> • Open ended question for the amount of loan or year of membership • Nominal data 	Goetz and Gupta (1996); Xavier, et al. (2008); Rahman, et al. (2009); Kevane and Wydick (2001); Afrin, et al. (2010); Montgomery (2006)	Amount of loan; Training status (technical/non-technical)

Table 3.5: Operationalisation of the control variables

Variables	Indicators	Measurement of indicators	Literature	Other related indicators used in the Literature
Age	Age of the women borrowers	Ordinal data	Gobbie, et al. (2005); Swain and Wallentin (2007); Goheer (2003); Xavier, et al. (2008); Zapalska, et al. (2007); Chemin (2008); Rahman, et al. (2009); Pitt, et al. (2006); Morris and Barnes (2005); Khanker, et al. (2008); Kevane and Wydick (2001); Afrin, et al. (2010); Montgomery (2006); Schuler and Hashmei (1994); Lucy, et al. (2008); Chowdhury (2008); Roomi and Parrott (2008); Mason and Smith (2003)	Women less /more than 31 years old
Education	Education of the women borrowers			Maximum education of household; male/female; education of highest educated female; Literacy of female; Numeracy of female; reading/writing/schooling
Household head	Household head in the women borrowers' house	Nominal data	Lucy, et al. (2008); Goetz and Gupta (1996)	Borrowers heading their households
Family system	Family system in the women borrowers' house	Nominal data	Goheer (2003); Sather and Kazi (2000)	Family structure (nuclear/extended/alone)
Children	Number of children	Ordinal data	Chowdhury (2008); Roomi and Parrott (2008)	Male/female member under five
Type of microenterprise	New or existing enterprise	Nominal data	Gobbi, et al. (2005)	
Use of microcredit	Use of credit in own business or others business	Nominal data	Gaiha and Nandhi (2007)	
Microfinance schemes	From which MFP women obtained services	Nominal data	Gaiha and Nandhi (2007)	Microfinance approaches
Household income	Increase in income of the household of the women borrowers after microfinance	Dichotomous data	Swain and Wallentin (2007); Xavier, et al. (2008); Rahman, et al. (2009)	Average monthly household income
House	Increase in immovable property-house of the women borrowers after microfinance	Dichotomous data	Khandker, et al. (2008); Schuler and Hashmei (1994); Lucy, et al. (2008); Swain and Wallentin (2007); Chemin (2008); Rahman, et al. (2009); Pitt, et al. (2006); Chowdhury (2008); Mason and Smith (2003)	Total value of non-land asset accumulation; property and economic status; land ownership; Livestock/animals owned; Live stock value; Household land asset
Agricultural land	Increase in immovable property- agricultural land of the women borrowers after microfinance	Dichotomous data		
Other assets	Increase in other assets such as non-agricultural land and jewelry, of the women borrowers after microfinance	Dichotomous data		
Household items	Increase in household items such as computer of the women borrowers after microfinance	Dichotomous data		
Livestock	Increase in livestock of the women borrowers' households after microfinance	Dichotomous data		
Necessity goods	Increase in the necessity goods (food items) in women borrowers' households after microfinance	Dichotomous data		
Savings	Increase in saving by the women borrowers after microfinance	Dichotomous data	Chemin (2008); Gaiha and Nandhi (2007)	

3.4.2 Ordinal Logistic Regression

A type of regression in which categorical data can be used is the logistic regression model. In logistic regression the problem of nonlinearity is solved by transforming nonlinear data into linear through logarithm. Moreover, logistic regression needs to meet some other assumptions. First is multicollinearity that means the independent variables should not be correlated (Field, 2009). The second assumption is independence of error that create the problem of overdispersion in which observed variance is larger than expected from the model (Field, 2009). And the third assumption is related to ordinal logistic regression that is parallel regression assumption. This assumes that relationship of each category of outcome variable is same; therefore, there is one model (UCLA, 2013). This assumption violates if the test of parallel lines is significant. The results of this study show that all the assumptions of logistic regression are met (see section 5.1.2, 5.2, 6.1.2 and 6.2); therefore it is selected to test the hypotheses of the study.

The equation for simple linear regression from the equation of a straight line is:

$$Y_i = \alpha_0 + \beta_1 X_{1i} + \varepsilon_i$$

Where, α_0 is the Y intercept and β is the coefficient and X is the independent variable and ε_i is a residual term. To analyse the questionnaires the logistic regression model is used. The logistic regression is the, “*prediction of the probability of Y occurring given known values of X's*” (Field, 2009, p. 266). The logistic model equation with P(Y) the probability of Y occurring, e the base of natural logarithms, β_n regression coefficient of variable X_n is:

$$P(Y) = \frac{1}{1 + e^{-(\alpha_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_{ni})}} \quad (\text{Field, 2009, p. 266}).$$

Therefore, in case of the first three hypotheses equation will be:

$$P(\text{women enterprise/entrepreneurship development /ATF} *^4) = \frac{1}{1 + e^{-(\alpha_0 + \beta_1 \text{microfinance size}_{1i} + \beta_2 \text{training}_{2i} + \beta_3 \text{Age}_{3i} + \beta_4 \text{Education}_{4i} + \beta_5 \text{Householdhead}_{5i} + \beta_6 \text{type of enterprise}_{6i})}}$$

For the fourth and fifth hypothesis the equation is:

⁴ ATF: Access to Finance

P(Women economic empowerment)

$$= \frac{1}{1 + e^{-(\alpha_0 + \beta_1 \text{membership years}_{1i} + \beta_2 \text{schemes}_{2i} + \beta_3 \text{Age}_{3i} + \beta_4 \text{Education}_{4i} + \beta_5 \text{Householdhead}_{5i} + \beta_6 \text{family system}_{6i} + \beta_7 \text{Use}_{7i} + \beta_8 \text{loan size}_{8i} + \beta_9 \text{Inincome}_{9i} + \beta_{10} \text{Inasseth}_{10i} + \beta_{11} \text{Inasseta}_{11i} + \beta_{12} \text{Inasseto}_{12i} + \beta_{13} \text{InHousehold items}_{13i} + \beta_{14} \text{Inlivestock}_{14i} + \beta_{15} \text{Innecessity goods}_{15i} + \beta_{16} \text{InSavings}_{16i})}}$$

P(Well – being)

$$= \frac{1}{1 + e^{-(\alpha_0 + \beta_1 \text{membership years}_{1i} + \beta_2 \text{schemes}_{2i} + \beta_3 \text{Age}_{3i} + \beta_4 \text{Education}_{4i} + \beta_5 \text{Householdhead}_{5i} + \beta_6 \text{family system}_{6i} + \beta_7 \text{Use}_{7i} + \beta_8 \text{loan size}_{8i} + \beta_9 \text{Inincome}_{9i} + \beta_{10} \text{Inasseth}_{10i} + \beta_{11} \text{Inasseta}_{11i} + \beta_{12} \text{Inasseto}_{12i} + \beta_{13} \text{InHousehold items}_{13i} + \beta_{14} \text{Inlivestock}_{14i} + \beta_{15} \text{Innecessity goods}_{15i} + \beta_{16} \text{InSavings}_{16i} + \beta_{17} \text{Children}_{17i})}}$$

The researcher is required to maintain the order of the categories of the dependent variable therefore ordinal logistic regression is chosen. The ordinal regression model is a good choice as explained by Kleinbaum and Klein (2010, p. 466):

An ordinal outcome variable with three or more categories can be modelled...using ordinal logistic regression, provided that certain assumptions are met. Ordinal logistic regression...takes into account any inherent ordering of the levels in the...outcome variable, thus making fuller use of the ordinal information.

3.4.3 Qualitative Analysis

The useful findings in the form of significant and insignificant data lead the researcher to work on the interviews with women clients and the Loan Managers. The data in the interviews was analysed to find answers to the three research questions (discussed in 1.2.3) that are based on the same concepts that was analysed from hypotheses.

The pilot study was conducted to improve the questionnaire and interviews which helped in final data collection and analysis of the results. Based on the survey research core themes are identified. On the basis of the core themes of women entrepreneurship, economic empowerment, well-being of the family and access to finance, interview sheets and record sheets were completed. The women's audio recorded interviews were transcribed and field notes were processed by the researcher and then translated from Urdu into English on the computer file. After processing the interview data, thematic coding was completed by

identifying the emerging pattern and subthemes from the data. The subthemes of demographics (D); microfinance and access to finance (MATF); women entrepreneurship (WE); women's enterprise development (WED); women's economic empowerment (WEE); and well-being of the family (WBF) are coded. All the statements and information provided by the women were placed under these six subthemes. Then the Loan Officers and Managers interviews were transcribed in the same way with different subthemes and codes of mission, structure and human resource of MFI (MSH); microfinance and credit plus (MCP); screening and monitoring of clients (SM); and microfinance and women borrowers (MWB).

The accumulation of data under these themes and subthemes helped to understand the 'how' question, that was missing in quantitative research. The questions answered in semi-structured interviews and the questionnaires were triangulated to develop a conceptual model of the study.

3.5 CONCLUSION

This chapter relating to research methodology includes the research philosophy, research approach, research design, sampling techniques and data analysis method. Research methodology is the detailed plan of action of research based on the research philosophy and nature of research questions. The research philosophy of this research is between two extremes of philosophy: positivism and interpretivism. This study takes into account the single objective social world and also understands the significance of humans living in that social world as a subjective reality. The research approach of this study is based on the research objectives. The first two objectives are the development of an exploratory model with the help of literature and then testing that model, which is attached to the deductive approach. However, the third research objective is the development of the conceptual framework with the findings of the research. The development of a framework after analysing the results relates to the inductive approach of research. Therefore, this research has used both the deductive and inductive approach. This study considers quantitative research design because the variables of microfinance are quantifiable. However, the measurement of variables such as empowerment and entrepreneurship in a pure quantitative way is difficult as both are latent variables and cannot be observed directly. Therefore,

qualitative research design is also used. The quantitative and qualitative research designs are triangulated in the form of the survey research method and face to face interviews that improve the validity of results. The questionnaire presented the theoretical base of the concepts under the survey research design and face to face interviews with women borrowers explored the hidden realities associated with these concepts. The interviews were helpful to authenticate the findings in the questionnaire and further investigate the issue backed up by secondary data from microfinance institutions such as policy documents, annual reports and the State Bank regulations.

The process of questionnaire and interview completion with female clients and the staff of three microfinance institutions of the Punjab is discussed in detail in this chapter. Three hundred women respondents completed the questionnaire and fifty women participated in face to face interviews by using the purposive sampling technique. Moreover data is collected from fourteen loan officers and managers of these microfinance institutions. Furthermore, pilot study, validity of research instruments, response rates, field work and difficulties encountered in data collection are discussed in detail in this chapter. The quantitative data analysis with operationalisation of variables and development of hypotheses help to understand the ordinal logistic regression and its model. The qualitative analysis of interviews with the help of thematic analysis is summarized in the last section of this chapter. The next four chapters of data analysis will answer the research questions and hypotheses of this study.

CHAPTER: 4

Descriptive and Bivariate Analysis

The chapter describes and analyses the salient features of data collected from questionnaires by using different statistical techniques with the help of SPSS. This chapter assesses quantitative part of the study and addresses on the research questions. The first part of chapter 4 begins with the descriptive analysis of the data including demographics, income, spending, saving, credit and microfinance of the respondents. The second section presented the results of bivariate analysis.

4.1 DESCRIPTIVE ANALYSIS

4.1.1 Demographics of the respondents

The composition of questionnaires completed from three Microfinance Providers (MFPs) is presented here. The data is collected from the districts of Lahore (27%), Kasur (37%), Vehari (27%) and Gujranwala (8%). Moreover, 35% of the questionnaires are from rural areas and 65% from the urban areas (for more detail see section 3.2.5 and Table 3.2). The demographic profile of 300 respondents includes the age, marital status, number of children, family system, family head, education of women and their family heads. The women respondents are mostly married and between 30-49 years of age. The women under study have the responsibilities of raising children as 33% have 3-4 children and 24% have 5-6 children. Moreover, 55% of them are living as a nuclear family (Table 4.1).

55% have no formal education and no training on financial management and 54% of women's household are controlled by their husbands' as decision maker. Only 10% of respondents completed GCSE- O level as compared to their family heads with 20% O-levels completion, therefore the family heads have more school education (56%) than the women's school education (39%). However, 37% of the respondents' family heads are uneducated. The percentages of demographics are shown below in Table 4.1.

Table 4.1: Descriptive statistics for the demographics of the respondents

Variables	Items	Percentage
Age	18-29	18%
	30-39	43%
	40-49	26%
	50-59	12%
	60 or more	0.3%
Marital Status	Married	81%
	Single	9%
	Divorced/Separated	4%
	Widowed	6%
Number of Children	No children	13%
	1-2	19%
	3-4	33%
	5-6	24%
	More than 6	11%
Family Head	Women	22%
	Husband	54%
	Father/Father in law	13%
	Mother/Mother in Law	3%
	Others	8%
Family system	Nuclear family	55%
	Joint family	45%
Education of women borrowers	No formal education	55%
	Primary (5-7 years education)	17%
	Middle (2 years)	12%
	GCSE-O level (2-3 years)	10%
	GCSE-A level (2-3 years)	4%
	Undergraduate level	1% ⁵
	Postgraduate level (Masters)	0%
Education of family head	No formal education	37%
	Primary (5-7 years education)	16%
	Middle (2 years)	20%
	GCSE-O level (2-3 years)	20%
	GCSE-A level (2-3 years)	4%
	Undergraduate level	2%
	Postgraduate level (Masters)	1% ⁶

⁵ Vocational education/ training statistics are merged in it.

⁶ Vocational education/ training statistics are merged in it.

4.1.2 Income, spending, assets, savings and credit

This section covers the bank account, household income, immovable property and any other asset ownership before and after a microfinance facility (See Appendix II Table 1A, 1B and 1C). Only 16% of the respondents have personal bank accounts before taking microfinance, which increases to 45% after availing a microfinance facility. The microfinance helps 29% of the women in the sample to come under the banking system by opening an account as shown in Table 4.2 below. The Table 4.2 shows that the income, savings and assets of the women borrowers have increased after using the microfinance loan.

Table 4.2: Income, asset and savings before and after microfinance

Women's	Before Microfinance	Increase After Microfinance
Bank Account	16%	45%
Household Income	Less than Rs. 5000 12% Rs. 5001 - Rs. 15,000 66% R. 15000- Rs. 20,000 and more 21%	66%
House ownership	12%	36%
Agricultural land ownership	7%	18%
Other Assets⁷	32%	28%
Savings	No savings	67%

The Table 1A in Appendix II shows that the monthly household income before microfinance, reported by 33% of the respondents, is Rs.⁸5001- Rs.10,000 (£36-£73)⁹ while the other 33% have income of Rs.10,001- Rs.15000 (£73- £109). 21% of the women are in the monthly income category of Rs. 15000- Rs. 20,000 and more (£109 - £145 and more). Table 4.2 shows that after taking microfinance 66% of the respondents reported an increase in household income or sources of income. It is noticeable that out of 66% of respondent's income increase after microfinance, 63% are those who invested microcredit in business (38% of women respondents invested in their business and 25% put money in the business of their family member or friend) as shown in Appendix II Table 1C. In the same way, spending

⁷ gold jewellery, non-agricultural land or vehicle

⁸Rs. is a Pakistani currency.

⁹1 GBP (£) = 137.198 PKR (Rs.) on 14-10-2011, available at:
<http://www.xe.com/ucc/convert/?Amount=1&From=GBP&To=PKR>

on necessity goods, such as food items, increased after microfinance for 60% of the respondents. Out of this 60% of respondents, 54% are those who used credit money in income generating activity either in their own business or their family business, instead of any unproductive use (Appendix II Table 1B and 1C).

The 55% of immoveable property such as houses are owned by women's husbands or family heads as compared to 12% owned by the women. Similarly 28% of the women's husbands or family heads have agricultural land. The majority of the women borrowers (56%) have no agricultural land and 68% have no other assets like non-agricultural land, jewellery or vehicles before availing the microfinance facility (Appendix II Table 1A). This shows that women, before microfinance, have no ownership of assets and thus cannot avail the credit from a commercial bank due to lack of collateral.

The immovable property such as a house has increased for 36% of the respondents, after availing the microfinance facility by them. However, this percentage is very low as compared to 64% of those borrowers whose property has not increased. Similarly household items like computers and sewing machines of 45% of the respondents increased after borrowing from MFP. It is noticeable that the immovable property- houses and household items of those borrowers who are running an enterprise either by themselves or by their husbands have increased more as compared to the borrowers who used loans for consumption purpose (Appendix II Table 1B and 1C). Nevertheless there is no increase in agricultural land, any other assets and poultry and livestock after microfinance of 82%, 72% and 80% of the respondents respectively (Appendix II Table 1B). Most of the women disagreeing with the increase in agricultural land, poultry and livestock and other assets belong to the category of women investing credit money in their own or their husbands' business (Appendix II Table 1C). This shows that even the women are generating income from their enterprise, but they are not in a position to own an asset to use as collateral to access more finance from other financial institutions. The reason may be the small amount of the loan and micro businesses. The growth of micro business into small business can increase the possibility of increase in income and savings and hence assets, which can in turn be used as collateral for accessing finance from commercial banks for further expansion of businesses into medium scale enterprises. The lack of collateral is a big hurdle in accessing the finance from commercial banks as is evident from the results in the section 4.1.4 and Appendix II Table 1A.

Most of the women in the sample (42%) are the clients of only one specialized microfinance institution and 15% availed loans from microfinance banks. Interestingly 24% of women used a combination of two formal sources of credit like commercial banks and microfinance banks, 8% used a combination of one formal and one informal credit source (like friends, family and money lenders) and 11% used credit from three or more sources either formal or informal. 44% of the women respondents using more than one credit source considered loans from microfinance banks as an effective credit source whilst 34% of respondents thought commercial bank loans a most effective credit source (Appendix II Table 1A).

The women in the sample (47%) prefer to save money informally with friends or neighbours in the committee system (for more information on committee system see section 7.2.2.1), some (18%) put money in a jar or envelope and a few (12%) save money in a bank and (10%) used micro saving schemes with microcredit for saving money (Appendix II Table 1A). After taking microfinance, savings of 67% of the respondents has increased (Table 4.2), out of which respondents 62% are those who invested credit money in the their own business or the business of their family or friends (Appendix II Table 1C).

From the above discussion it is concluded that a microfinance loan helps to increase the income of the respondents which in turn increases the savings and spending on necessity goods. Moreover, the increase in income, spending and savings are greater for the respondent investing microfinance money in the enterprise instead of using it for consumption purposes and for urban rather than rural area respondents (Appendix II, Table 1B and 1C). However, the results of increase in assets after a microfinance facility are not very encouraging and this in turn will not support the further access to finance from commercial banks (see section 4.1.4 for more detail).

4.1.3 Microfinance

Most of the clients under study never approached a commercial bank for a financing facility because of the perception that they could not secure loan from them (Appendix II, Table 1A). On the other hand microfinance institutions are good marketers for their organisations by providing information about small loans without collateral. The 35% of the respondents under study heard about microcredit from loan officers of the MFP's and 40% of them had credit information from their neighbours. Interestingly husbands are not a good source of

information about microfinance as only 8% of the women got such information from their husbands (Appendix II Table 2A).

The characteristics of microfinance of the respondents are shown in Table 4.3 and Appendix II Table 2A. The 40% of respondents have been members of MFP's from 2-4 years and 24% for more than 4 years. Most of the respondents' (75%) first microcredit amounts range from Rs.5001- Rs.10,000 (£36-£73) to be paid back in 12 equal instalments with mostly a 20% rate of interest. The 29% of clients have current microcredit amounts of Rs.10,001- Rs.15,000 (£73- £109) while 25% have taken loans for Rs.15,001- Rs.20,000 (£109- £145) as shown in Table 4.3.

The microcredit is basically provided to invest in any income-generating activity by establishing an enterprise or financing an already established business. But amusingly the use of microfinance varies as only 10% of the women take a risk to establish a new enterprise and 41% of them use it in their already established business. It means that 51% of the women put the loan money into their own business. 36% of the respondents put money into the enterprise of their husband, family member or a friend and the remaining 13% use it for consumption purposes. Most of the urban respondents used credit for their own business. With this fact of varying use of microcredit the responsibility of paying back loans falls mostly on the women, as 37% of women alone are responsible. On the other side 29% of the spouse and 21% of women and their spouse jointly responsible for loan repayment as shown in Table 2A of Appendix II .

The microfinance institutions are considered development institutions providing financial and non-financial services. That is why it is expected that they will also provide some entrepreneurial training with microcredit but only half of the respondents receive the training facility (Table 4.3). The above results show that the women can access microfinance loans to invest in their own or family businesses with considerable less number of women receiving training.

Table 4.3: Descriptive statistics for characteristics of microcredit of the respondents

Variables	Items	Percentage	Rural	Urban
Amount of current microcredit	Rs. 5001 – Rs. 10,000	15%	9%	6%
	Rs. 10,001 – Rs. 15,000	29%	11%	18%
	Rs. 15,001 – Rs. 20,000	25%	7%	18%
	Rs. 20,001 – Rs. 25,000	13%	4%	9%
	Rs. 25000 – Rs. 30,000	9%	2%	7%
	Rs. 30,001 – Rs. 35,000	2%	1%	1%
	Rs. 35001 – Rs. 40,000	1%	0.5%	0.5%
	Rs. 45000 – Rs. 50,000	3%	1%	2%
	Rs. 50,001 and more	3%	0%	3%
Use of microcredit	To start my new business	10%	2%	8%
	To invest in my already established business	41%	8%	33%
	To invest in my husband's/family head's business	30%	18%	12%
	To invest in children or relative or friend's business	6%	1%	5%
	To fulfil my family basic needs like food, shelter, clothes	6%	2%	4%
	To pay my / children's educational expenses	2%	0%	2%
	To pay health expenses of children / family	1% ¹⁰	1%	0%
	Any other use	4%	4%	0%
Training for business by MFP	Yes	52%	24%	28%
	No	48%	12%	36%
Years of membership with MFP	Recently joined, less than 6 months	11%	6%	5%
	More than 6 months to 1 year	7%	3%	4%
	More than 1 year to 2 years	18%	7%	11%
	More than 2 year to 3 years	20%	9%	11%
	More than 3 year to 4 years	20%	7%	13%
	More than 4 year to 5 years	11%	3%	8%
	More than 5 years	13%	1%	12%

4.1.4 Women's entrepreneurship and access to finance

As discussed earlier, 51% of the respondents are women entrepreneurs and are using the microcredit in their enterprises (10% use it in new and 41% used in existing enterprise); this

¹⁰ 'To pay back another loan' category is merged in it.

section provides the details about the enterprises of women borrowers. The 80% of the women entrepreneurs under study belong to urban areas and the remaining 20% are from the rural areas. The statistics are shown in Table 4.4. The women entrepreneurs are 80% sole proprietors and 20% are involved in partnership business. Most of them have 76 -100% of ownership and have no employees. 27% have more than ten years and 25% have 6-10 years' experience of running an enterprise, either the same enterprise they have now or a different one.

Table 4.4: Descriptive statistics of enterprise and entrepreneurship of the respondents

Variables	Items	Percentage	Rural	Urban
Type of Ownership	Sole Trader	80%	11%	69%
	Partnership	20%	9%	11%
No of years of business experience	Less than 1 year	10%	4%	6%
	1-2 years	11%	2%	9%
	3-5 years	27%	5%	22%
	6-10 years	25%	3%	22%
	More than 10 years	27%	7%	20%
Percentage of ownership	1 – 25%	1%	0.5%	0.5%
	26 – 50%	12%	5%	7%
	51 – 75%	7%	2%	5%
	76 – 100%	80%	13%	67%
Business Form	Manufacturing	26%	4%	22%
	Services	33%	9%	24%
	Retail	31%	2%	29%
	Livestock	10%	5%	5%
Number of employees	Women herself	79%	15%	64%
	One	7%	2%	5%
	2-3	6%	1%	5%
	4-5	4%	0%	4%
	6-10	2%	1%	1%
	More than 10 and less than 50	2%	1%	1%
Women and unpaid employees	Women employees	20%	4%	16%
	Unpaid employees	31%	7%	24%
Source of start-up capital	Self-funded	45%	10%	35%
	Loans from friends, family or	4%	2%	2%

	neighbours			
	Loans from landlord or moneylenders	4%	0%	4%
	Loans from Microfinance Banks like Khushhali Bank, Kashf Bank.	16%	3%	13%
	Loans from Microfinance institutions like Kashf, Asasahetc	8%	1%	6%
	Combination of two- self funded and any other loan	22%	3%	19%
	Combination of three or more	1%	0%	1%
Where to spend microcredit in business	Purchase of equipment or asset for business	46%	13%	33%
	Purchase of raw material	39%	5%	33%
	Initial operating cost-cash flows	6%	0%	6%
	To clear business debts	1%	0%	1%
	Combination of two	7%	1%	6%
	Combination of three or more	1%	0%	1%

As shown in Table 4.4 most (33%) of the women are involved in the ‘services sector’, running businesses like beauty salons, private schools, maternity clinics, cooking for hotels, sewing and stitching of clothes and embroidery by taking orders from the clients. 31% are associated with retail business such as resale of clothes, cosmetics, handbags, readymade garments, spices and dry fruits after cutting and packing, sugarcane after cutting and washing, old furniture, washing powder, goods for general use, toiletries, blankets, electric goods and dinner sets. The women sold such goods either door to door, in a shop or by their personal contacts like neighbours purchasing the goods. 26% are associated with manufacturing which includes manufacturing of spare parts for motor bikes (on moulding machines), hosiery, jewellery, shoes, curtains (made on Khadi), readymade garments, moulds (used to make finished products), paranda (used to decorate and tie the hair by Asian women), baan (a type of rope to make a bed called charpaie used in rural and semi-urban areas of Pakistan), food, clothes with embroidery, bed sheets and suter (cotton rope). The products manufactured are handmade or with the help of tools or a machine based in the respondent’s house. Urban women are more involved in the services, retail and manufacturing sectors than the rural

women. On the other hand rural and urban respondents are equally involved in livestock (5% each) which includes breeding of animals, sale of milk from the buffalo and chicken farming. The table 3A in Appendix II shows that 79% of the respondents have no employees which include manufacturing 20%, services 25%, retail 28% and livestock 6%. Moreover, 21% of the respondents have employees and out of these 19% have not more than 10 employees. It shows that women are running a micro enterprise as an enterprise with up to 10 employees is a micro size business. Out of the respondents having employees, only 20% are women employees, mostly employed by entrepreneurs in the urban areas. This means that women even running their own businesses are not providing opportunities as an employer for the employment of women. Surprisingly 31% have unpaid employees, usually their family members working without pay (Table 4.4). The respondents in manufacturing and the services sector have more women employees and unpaid employees than retail or livestock businesses (Appendix II, Table 3A).

Most of the women use microcredit in the purchase of equipment or assets for the business (46%) and purchase of raw materials (39%) as shown in Table 4.4. The respondents who are involved in the services sector mostly purchased equipment or assets from microcredit and respondents doing manufacturing and retail are mostly involved in the purchase of raw materials. Furthermore, the respondents used their personal funds (45%), or loans from microfinance banks (16%) or a combination of personal funds and any other loan (22%) for starting their business. The reason may be that the one specialized microfinance institution in the sample does not provide loans for starting the business and another does not provide loans to person having no experience of running a business. The respondents using only their own funds for starting a business are mostly involved in manufacturing (12%), services (17%) and retail (15%) business (Table 4.4 and Appendix II, Table 3A).

The Table 4.5 shows how microfinance helps to develop an enterprise, entrepreneurial abilities and further access to finance for women's borrowers. The first four items in the Table 4.5 are related to enterprise, the fifth item relates to access to finance and the remaining four items are the indicators of entrepreneurial skills.

Table 4.5: Women's entrepreneurship and access to finance

Variables and indicators: After microfinance facility	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
Enterprise: Increase in profits	1%	3%	16%	75%	5%
Enterprise: Increase in sales	1%	5%	17%	73%	4%
Enterprise: Increase in business assets	18%	6%	22%	46%	8%
Enterprise: Increase in labour	32%	16%	26%	23%	3%
Enterprise and access to finance: Increased chances of obtaining business loans from banks	33%	18%	23%	20%	6%
Entrepreneurial skills: Increase in self confidence	13%	11%	13%	52%	11%
Entrepreneurial skills: Increase in communication skills	15%	10%	21%	45%	9%
Entrepreneurial skills: Increase in financial management and computation skills	16%	16%	16%	46%	6%
Entrepreneurial skills: Qualities of foresight and planning	16%	16%	16%	47%	5%

The respondents agreed the increase in profits and sales of the business by 75% and 73% respectively was after availing the microfinance facility. 54% of the women agree or strongly agree that there is an increase in business assets after microfinance (Table 4.5) as almost half of the women borrowers use a microfinance loan amount to purchase business assets (Table 4.4). Almost half of the respondents agreed that microcredit has helped them to increase their entrepreneurial abilities like self-confidence, communication skills, financial management and computation skills, and qualities of foresight and planning by 52%, 45%, 46% and 47% respectively. Moreover, the respondents 'strongly disagree' and 'disagree' the need for an increase in labour after availing the microcredit by 48% (Table 4.5). The reason can be the lesser number of employees in the women's enterprises. The 21% of women entrepreneurs have employees as shown in table 4.4.

The 33% of the respondents strongly disagree and 18% disagree that there is an increase in the chances of obtaining loans from commercial banks after microfinance. This finding is also confirmed by the fact that only 10% of the total respondents approached commercial banks for the credit. Though 61% of them are refused by banks on the grounds that they do

not own assets to offer the bank as collateral, 19% are refused due to the small amount of the loan and 7% due to no credit history (Appendix II Table 1A).

Table 4.6: Descriptive statistics for women’s empowerment in business decisions

Control on business decisions:	no involvement	very limited	partial	Significant	full
The production process	12%	8%	29%	23%	28%
Hiring of labour.	27%	21%	20%	21%	11%
Sales and marketing	18%	14%	26%	18%	24%
Finance and accounting	12%	11%	25%	27%	25%
Purchase and sale of business assets	17%	12%	31%	18%	22%

The Table 4.6 shows that women are not fully empowered in all of the business decisions. 27% of the women have significant control and 25% full control in decision making regarding finance and accounting which is very positive. In decisions about the production process, sales and marketing and purchase and sale of business assets most of them have either partial or full control. 27% of the women have no involvement in business decisions regarding hiring of labour with 21% having very limited and another 21% have significant control. Though most of the women entrepreneurs under study have no employees (see table 4.4 for detail), therefore they never practice making a business decision to hire labour and unaware of their empowerment towards that business decision.

4.1.5 Women’s economic empowerment in the household

The economic empowerment in the household covers eight indicators of empowerment to spend money in the household (Table 4.7). This study shows that the respondents became empowered to make economic decisions after microfinance as almost half of them are agreed that they could be able to participate in decisions relating to spending money on their own health or family’s health, on children’s education, from their savings and the use of earnings as shown in Table 4.7. The interesting finding is that the women who invested the money from the loan in an enterprise, either their own business or the business of their family members or friends, are mostly agreed that they can make such decisions after the microfinance facility (Appendix II Table 4B). On the other hand Table 4.7 shows that the

respondents strongly disagreed by 31% that they are empowered in spending money on their education and another 31% strongly disagreed that they are empowered in decisions relating to the sale and purchase of assets or livestock.

Table 4.7: Descriptive statistics for women’s economic empowerment in the household

I am empowered to make decisions about:-	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
Spending on daily household expenses	17%	15%	25%	37%	6%
Spending from my savings	15%	10%	18%	47%	10%
Where to use the amount of earnings	17%	13%	21%	41%	8%
Sale/purchase of assets or livestock	31%	20%	30%	17%	2%
Spending money on my health	20%	7%	23%	47%	3%
Spending money on my children’s /family health	20%	4%	19%	52%	5%
Spending money on my education	31%	20%	26%	21%	2%
Spending on my children’s education	21%	6%	18%	49%	6%

Table 4A in Appendix II shows that 42% of the respondents (mostly urban) and 29% of the respondents’ husbands (mostly rural) decided to apply for first microfinance loan. Similarly 43% of the women (mostly urban) and 31% of the respondents’ husband (mostly rural) decided where to use the first microfinance loan. This shows that women are more empowered in urban areas to make the economic decision than in rural areas. The women or their husbands or both usually make the decision about the loan application and its use before microfinance.

4.1.6 Well-being of the woman and her family

Almost half of the respondents ‘agreed’ and ‘strongly agreed’ that after microfinance there was an increase in the formal education of children, improvement in their own and their family health and nutrition, increase in formal support from male members of the family, decrease in family conflicts and encouragement from husband or family head to participate in any activity outside the home for women’s benefit (Table 4.8).

Table 4.8: Descriptive statistics for the well-being of the family

Variables and indicators: After microfinance facility	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
Increase in women's formal education (school / college level degree)	38%	21%	26%	12%	3%
Increase in formal education of children / family	18%	8%	23%	46%	5%
Increase in women's nutrition and health	15%	5%	23%	51%	6%
Increase in nutrition and health of children / family	14%	3%	18%	57%	8%
Increase in formal support from male members of the family (moral support, advice, physical help)	13%	6%	23%	50%	8%
Decrease in household /family conflicts	22%	9%	23%	38%	8%
Encouragement from husband/family head to participate in any activity outside the home that was only for the women's benefit etc.	14%	13%	19%	46%	8%

The respondents that agree on well-being of the family mostly used microfinance either in their own business or in the businesses of their family or friends (Appendix II, Table 5A). However, the respondents 'strongly disagree' that there is an increase in the formal education of the respondents. This indicates that the women did not spend money or they are not allowed to spend money on their education. Overall the well-being of the family is increased because of the microfinance facility if used for business purposes rather than consumption purposes; however, the bivariate analysis reveals more information.

4.2 BIVARIATE ANALYSIS

This section covers the cross tabulation, Chi-square Test and Man Whitney Test for women entrepreneurship, economic empowerment and well-being of the family. The first part is the Chi-square Test to see the relationship between these variables and microfinance. The second part is related to the Mann Whitney U Test to see the differences between the group of women running an enterprise of their own or not and between new and existing enterprise of the women.

4.2.1 Chi-square Test

In all the contingency tables (in Appendix II) and Chi-square Tests the ‘amount of loan’ is reduced from nine categories to three, ‘membership year’ categories are reduced from seven to three and similarly the entrepreneurship, empowerment and well-being of the family categories are reduced to three from five, in order to interpret the results in a better way with merging the categories having less responses and it also fulfils the assumption of the Chi-square Test¹¹.

4.2.1.1 Women’s Entrepreneurship

The reliability of all the indicators of enterprise and entrepreneurship development is measured on Cronbach’s alpha. The result shows that enterprise and entrepreneurship scales are reliable on .600 and .890 Cronbach’s alpha respectively. The reliability test is run on scales of business empowerment and it shows that it is reliable having Cronbach’s Alpha .858

Women’s enterprise growth, entrepreneurial abilities and access to finance

To find out the relationship between microfinance and women’s entrepreneurship Chi-square Test was conducted between the amount of the loan and indicators of women’s entrepreneurship and access to finance. The results showed that there was no relationship between financial services of the microfinance institution and women’s enterprise and access to finance except an increase in profits. Similarly there was no relationship between financial services of the microfinance institution and women’s entrepreneurial abilities except an increase in communication skills (Table 4.9).

¹¹In contingency tables larger than 2x2 no more than 20% of expected counts should be less than 5 and all expected counts should be greater than one (Field, 2009).

Table 4.9:Chi-square Test on women’s entrepreneurship and amount of microfinance loan

Variables and indicators: After microfinance facility	Chi-square Test
Enterprise: Increase in profits	$\chi^2 (1, n=144) = 17.9^{**}$ $p=.000$
Enterprise: Increase in sales	$\chi^2 (1, n=144) = 2.2$ $p=.324$
Enterprise: Increase in business assets	$\chi^2 (1, n=144) = 6.9$ $p=.140$
Enterprise: Increase in labour	$\chi^2 (1, n=144) = 2.3$ $p=.685$
Enterprise and access to finance: Increased chances of obtaining business loans from banks	$\chi^2 (1, n=144) = 5.5$ $p=.244$
Entrepreneurial skills: Increase in self confidence	$\chi^2 (1, n=143) = 5.9$ $p=.210$
Entrepreneurial skills: Increase in communication skills	$\chi^2 (1, n=144) = 11.6^*$ $p=.021$
Entrepreneurial skills: Increase in financial management and computation skills	$\chi^2 (1, n=144) = 4.5$ $p=.340$
Entrepreneurial skills: Qualities of foresight and planning	$\chi^2 (1, n=144) = 1.2$ $p=.881$

* $p<.05$, ** $p<.01$

Women’s empowerment in business is further investigated with non-financial services of the microfinance institution (Table 4.10). The Chi-square Test of women’s entrepreneurship and training provided by microfinance providers (MFP) for business depicted that the result of only increase in business assets is significant at 5%. The women’s enterprise, entrepreneurial abilities and access to finance have no relationship to training for business provided by microfinance institutions.

Table 4.10:Chi-square Test on women’s entrepreneurship and training

Variables and indicators: After microfinance facility	Chi-square Test
Enterprise: Increase in profits	$\chi^2 (1, n=150) = 3.5$, $p=.060$
Enterprise: Increase in sales	$\chi^2 (1, n=150) = 1.8$, $p=.404$
Enterprise: Increase in business assets	$\chi^2 (1, n=150) = 7.1^*$, $p=.029$
Enterprise: Increase in labour	$\chi^2 (1, n=150) = 1.1$, $p=.588$
Enterprise and access to finance: Increased chances of obtaining business loans from banks	$\chi^2 (1, n=150) = 1.7$, $p=.417$

Entrepreneurial skills: Increase in self confidence	$\chi^2 (1, n=149) = 6.0, \quad p = .050$
Entrepreneurial skills: Increase in communication skills	$\chi^2 (1, n=150) = 5.5, \quad p = .065$
Entrepreneurial skills: Increase in financial management and computation skills	$\chi^2 (1, n=150) = 4.7, \quad p = .094$
Entrepreneurial skills: Qualities of foresight and planning	$\chi^2 (1, n=150) = 0.2, \quad p = .907$

* $p < .05$

Women's empowerment of business decisions

To find out the relationship between microfinance and empowerment of women entrepreneurs in their enterprise, Chi-square Test was conducted between the amount of loan and indicators of women's empowerment in business. The results showed that there was no relationship between financial services of microfinance institutions and women's empowerment in the business (Table 4.11).

Table 4.11: Chi-square Test on women's empowerment in business decisions and amount of microfinance loan

Control on business decisions:	Chi-square Test
The production process (PP)	$\chi^2 (1, n=137) = 3.7, \quad p = .447$
Hiring of labour. (HL)	$\chi^2 (1, n=111) = 3.4, \quad p = .496$
Sales and marketing (SM)	$\chi^2 (1, n=133) = 8.8, \quad p = .067$
Finance and accounting (FA)	$\chi^2 (1, n=136) = 8.3, \quad p = .081$
Purchase and sale of business assets (PSBA)	$\chi^2 (1, n=130) = 2.2, \quad p = .702$

The women's empowerment in business is further investigated with non-financial services of the microfinance institution (Table 4.12). The Chi-square Test of women's empowerment in business and training provided by microfinance providers (MFP) for business depicted that the results of indicators of the production process and sales and marketing of the products are highly significant at 1% and hiring of labour at 5%. The women who are provided with training for business are associated with empowerment in business decisions relating to the production process, hiring of labour and even sales and marketing of the product.

Table 4.12: Chi-square Test on women's empowerment in business decisions and Training for business by MFP

Control on business decisions:	Chi-square Test
The production process (PP)	$\chi^2 (1, n=143) = 12^{**}$ $p=.002$
Hiring of labour. (HL)	$\chi^2 (1, n=117) = 7.3^*$ $p=.028$
Sales and marketing (SM)	$\chi^2 (1, n=139) = 10.9^{**}$ $p=.004$
Finance and accounting (FA)	$\chi^2 (1, n=142) = 0.575$ $p=.750$
Purchase and sale of business assets (PSBA)	$\chi^2 (1, n=136) = 3.3$ $p=.189$

* $p < .05$, ** $p < .01$

4.2.1.2 Women's economic empowerment in the household

Before any bivariate analysis it is important to find the reliability of the questions. The reliability test is run on scales of economic empowerment and it shows that it is reliable having Cronbach's Alpha .916.

The relationship of microfinance and women's economic empowerment in the household is the main research question which is analysed by cross tabulation and the Chi-square Test to find the association between the amount of microfinance and women's economic empowerment. The Chi-square Test shows the relationship of women's economic empowerment and the amount of the loan in Table 4.13. The results of the Chi-square Test show that the indicators of empowerment HHEX, WH and FH are significant at 1% and AOE and CE significant at 5% mean that these variables have a relationship with the amount of the loan.

The cross tabulation in Appendix II Table 4C-4J shows that 44%, 50%, 58%, 57% and 51%, of the women are agreed that they have been empowered to spend money on daily household expenses, women's health, family health, children's education and to use household earnings respectively. This agreement is high at a loan amount of Rs. 15001-Rs. 25000 (£109-£182¹²) as compared to the loan amount of Rs. 25001-Rs. 35000 and more (£182-£255 and more).

¹²1 GBP (£) = 137.198 PKR (Rs.) on 14-10-2011, available at:
<http://www.xe.com/ucc/convert/?Amount=1&From=GBP&To=PKR>

Table 4.13: Chi-square Test on women's economic empowerment and amount of microfinance loan

Economic empowerment on	Chi-square Test
Spending on daily household expenses (HHEX)	$\chi^2 (1, n=282) = 33^{**}$ $p=.000$
Spending from my savings (SA)	$\chi^2 (1, n=282) = 9.3$ $p=.054$
Where to use the amount of earnings (AOE)	$\chi^2 (1, n=282) = 12.1^*$ $p=.017$
Sale/purchase of assets or livestock (SPAL)	$\chi^2 (1, n=282) = 8.1$ $p=.089$
Spending money on women's health (WH)	$\chi^2 (1, n=282) = 16.1^{**}$ $p=.003$
Spending money on children's /family health (FH)	$\chi^2 (1, n=282) = 15.4^{**}$ $p=.004$
Spending money on women's education (WE)	$\chi^2 (1, n=282) = 8.8$ $p=.065$
Spending on children's education (CE)	$\chi^2 (1, n=266) = 13.2^*$ $p=.010$

* $p<.05$, ** $p<.01$

The results of the Chi-square Test show that the empowerment of decisions relating to spending from SA, WE and SPAL are insignificant. Similarly the empowerment to spend money on the sale or purchase of assets or livestock and on women's own education both are disagreed at 52%. An interesting fact is that this disagreement to have empowerment on sale/purchase and women's education first increases with the increase in a microfinance loan amount up to Rs. 15001-Rs. 25,000 and then decreases at a loan amount of Rs. 25001- Rs. 35000 and more, indicating that women lose empowerment in asset's sale and purchase decisions with large loan. The indicator of control for the decision to use the households' savings is insignificant but the contingency table shows that 59% of the women have agreed that they have empowerment to make such decisions (Table 4C-4J Appendix II).

The empowerment to make decisions relating to sales and purchase of business assets (Table 4.11) or household assets (Table 4.13) are not related to the amount of the loan. The reason may be that the women have less or no ownership of assets or properties and in a male dominated society women always look to their males for any sale or purchase transaction of the assets. Therefore, the microfinance loan would not be able to change the thinking of their clients. Moreover, finance and accounting are the women's weak areas as they have no formal education (55%) (Table 4.1) and there is need to have more training for women in book keeping and recording with financial management. This training would not only help the women to have more understanding of finance but also gain awareness and confidence to deal with sale and purchase transactions.

To investigate more about this indicator a Chi-square Test is run on another similar indicator of microfinance¹³ that is number of years of membership with a microfinance institution. The table 4.14 shows that all the indicators of empowerment are significant except women's education. The control on decisions to spend money from saving and sale and purchase of livestock is even significant showing a relationship between empowerment and the number of years of membership with a microfinance institution.

Table 4.14: Chi-square Test on women's economic empowerment and number of years of membership with a microfinance institution

Economic empowerment on	Chi-square Test
Spending on daily household expenses (HHEX)	$\chi^2 (1, n=298) = 25.2^{**}$ $p=.000$
Spending from my savings (SA)	$\chi^2 (1, n=298) = 10.3^*$ $p=.035$
Where to use the amount of earnings (AOE)	$\chi^2 (1, n=298) = 16.9^{**}$ $p=.002$
Sale/purchase of assets or livestock (SPAL)	$\chi^2 (1, n=298) = 15.2^{**}$ $p=.004$
Spending money on women's health (WH)	$\chi^2 (1, n=298) = 12.5^{**}$ $p=.003$
Spending money on children's /family health (FH)	$\chi^2 (1, n=298) = 13.1^*$ $p=.011$
Spending money on women's education (WE)	$\chi^2 (1, n=298) = 8.8,$ $p=.335$
Spending on children's education (CE)	$\chi^2 (1, n=280) = 16^{**}$ $p=.003$

* $p < .05$, ** $p < .01$

The above results show that out of the eight indicators of economic empowerment the five indicators are significant on both variables of microfinance. In conclusion, microfinance helps to economically empower the women under study and has a positive association between amount of microfinance and economic empowerment relating to household expenses, use of earning, women's and family health and children's education.

4.2.1.3 Well-being of the family

The reliability test is run to check the reliability of the scales of well-being of family and it shows it is reliable having Cronbach's Alpha .844.

The impact of microfinance on the well-being of the family is the main research question which is analysed by cross tabulation and Chi-square Test to find the association between

¹³ The amount of microfinance loan increases with the increase in no. of years of membership with a microfinance institution. The result of the Chi-square Test indicates a highly significant relationship between both variables of microfinance $\chi^2 (1, n=282) = 97.99, p=.000$, significant at 1% with large effect on size.

microfinance and the well-being of the family. Table 4.15 indicates a significant relationship between a microfinance loan amount and the well-being of the family except for the increase in nutrition and health of the family.

Table 4.15: Chi-square Test on the well-being of the family and the amount of the microfinance loan

Economic empowerment on	Chi-square Test
Increase in women's formal education	$\chi^2 (1, n=283) = 13.8^{**}$ $p=.008$
Increase in formal education of children / family	$\chi^2 (1, n=283) = 17.3^{**}$ $p=.002$
Increase in women's nutrition and health	$\chi^2 (1, n=283) = 15^{**}$ $p=.005$
Increase in nutrition and health of children / family	$\chi^2 (1, n=283) = 9.1$ $p=.060$
Increase in formal support from male members of the family	$\chi^2 (1, n=283) = 19.1^{**}$ $p=.001$
Decrease in household /family conflicts	$\chi^2 (1, n=283) = 12.7^*$ $p=.013$
Encouragement from husband/family head to participate in any activity outside the home that was only for the women's benefit etc.	$\chi^2 (1, n=281) = 19.5^{**}$ $p=.001$

* $p<.05$, ** $p<.01$

The Table 5B-5H in the Appendix II provides cross tabulation of the amount of the microfinance loan and the well-being of family indicators. The contingency tables show that almost half of the women are agreed that the well-being of the family is improved after taking a microfinance loan except for an increase in women's formal education. The increase in women's formal education is disagreed at 61% in relation to the amount of the loan. This factor could be related to the empowerment of the decision to spend money on woman's own education. As women disagreed at 51% that they are empowered to make such decisions therefore the increase in women's education is also disagreed at 61%. However, there is a no relationship between of amount of the loan with: control of the decision by the woman to spend money on her education.

The above results are further confirmed by running a Chi-square Test on the number of years of membership of a microfinance institution and the well-being of family indicators (Table 4.16). The results show a significant association at 1% and 5% between number of years of membership and well-being of the family.

Table 4.16: Chi-square Test on the well-being of the family and number of years of membership of a microfinance institution

Economic empowerment on	Chi-square Test
Increase in women's formal education (school / college level degree)	$\chi^2 (1, n=299) = 13.0^* \quad p=.011$
Increase in formal education of children / family	$\chi^2 (1, n=299) = 12.3^* \quad p=.016$
Increase in women's nutrition and health	$\chi^2 (1, n=299) = 18.7^{**} \quad p=.001$
Increase in nutrition and health of children / family	$\chi^2 (1, n=299) = 17.1^{**} \quad p=.002$
Increase in formal support from male members of the family (moral support, advice, physical help)	$\chi^2 (1, n=299) = 14.4^{**} \quad p=.006$
Decrease in household /family conflicts	$\chi^2 (1, n=299) = 13.3^* \quad p=.010$
Encouragement from husband/family head to participate in any activity outside the home that was only for women's benefit etc.	$\chi^2 (1, n=297) = 16.0^{**} \quad p=.003$

* $p < .05$, ** $p < .01$

The above discussion shows that there is an association between microfinance and the well-being of the family. The increase in nutrition and health of the family is significant with the number of years of membership but not significant with the amount of microfinance loan.

4.2.2 Mann Whitney Test

4.2.2.1 Entrepreneurship of women having new or existing businesses

The indicators of enterprise and entrepreneurial skills are tested to find out the difference between the group of women running an already established enterprise or new enterprise with the help of a microfinance loan amount. The Mann-Whitney U Test is run on two groups of women as shown in table 4.17. A Mann-Whitney U Test revealed significant difference in the enterprise development of women with new or existing businesses on the indicators of increase in profit, business assets, labour and chances of obtaining a loan from a bank. On the other hand the increase in sales is not significant in the enterprise variable.

The Mann-Whitney U Test on the indicators of entrepreneurial skills depicts that an increase in the self-confidence has a significant difference in the group of women having new or existing

businesses. However, the other indicators of skills are insignificant. The table 4.17 shows that the significant results have a small or medium effect on the size as r is more than .1 or .2¹⁴.

Table 4.17: Mann Whitney U Test on entrepreneurship of women having new or existing businesses

Entrepreneurship	New Enterprise		Existing Enterprise		Mann-Whitney U test	Z score	Significance	Effect Size
	<i>Md</i> ¹⁵	<i>n</i>	<i>Md</i>	<i>n</i>	<i>U</i>	<i>z</i>	<i>p</i>	<i>R</i>
Enterprise: Increase in profits	4	30	4	123	1382.5	-2.78**	.005	0.22
Enterprise: Increase in sales	4	30	4	123	1612.5	-1.36	.172	0.11
Enterprise: Increase in business assets	4	30	4	123	1378.5	-2.28*	.023	0.18
Enterprise: Increase in labour	3	30	2	123	1305.0	-2.57*	.010	0.21
Enterprise and access to finance: Increased chances of obtaining business loans from banks	3	30	2	123	1160.5	-3.25**	.001	0.26
Entrepreneurial skills: Increase in self confidence	4	30	4	122	1422.5	-2.04*	.041	0.16
Entrepreneurial skills: Increase in communication skills	4	30	4	123	1594.0	-1.22	.223	0.10
Entrepreneurial skills: Increase in financial management and computation skills	3.5	30	4	123	1695.0	-0.73	.464	0.06
Entrepreneurial skills: Qualities of foresight and planning	3.5	30	4	123	1673.0	-0.84	.400	0.07

* $p < .05$, ** $p < .01$

The above discussion indicates that the enterprise variable has significant difference between two groups of women's enterprise with the exception of increased sales. The entrepreneurial skill variable has no significant difference between new or existing business with the exception of an increase in self-confidence.

¹⁴ .1=small effect and .3= medium effect (Pallant, 2007)

¹⁵ *Md*= Median

4.2.2.2 Business empowerment of women having new or existing businesses

Mann-Whitney U Test was run to find out the difference between two independent groups of women undertaking new business with microcredit money and the women investing microcredit money on existing enterprise on business empowerment.

The business empowerment, as a latent variable is measured by the five indicators. Therefore, the group of women having new or expanded businesses are tested on each of the proxies of empowerment in business decisions. A Mann-Whitney U Test revealed no significant difference (Table 4.18) in the empowerment in business decisions of women having new or existing businesses.

Table 4.18: Mann Whitney U Test on business empowerment of women having new or existing businesses

Business Empowerment	New Enterprise		Existing Enterprise		Mann-Whitney U test	Z score	Significance	Effect Size
Control on decisions on	<i>Md</i> ¹⁶	<i>n</i>	<i>Md</i>	<i>n</i>	<i>U</i>	<i>z</i>	<i>p</i>	<i>R</i>
The production process	3	27	2	119	1474.5	-.727	.467	0.06
Hiring of labour.	2	25	1	95	1043.5	-1.009	.313	0.09
Sale and marketing	2	26	2	116	1415.5	-.522	.602	0.04
Finance and accounting	2	26	3	119	1458.5	-.501	.616	0.04
Purchase and sale of business asset	2	26	2	113	1415.5	-.308	.758	0.03

The above table shows that the probability value *p* for each proxy is not less than or equal to .05, so the result is not significant with a small effect on size as *r* is less than .1.

4.2.2.3 Economic empowerment of women doing business or not

A Mann-Whitney U Test was run to find out the difference between two independent groups of women undertaking business with microcredit money and the women not doing business with microcredit money on economic empowerment (EE). The economic empowerment (EE), as a latent variable is measured by the eight indicators. Therefore, the group of women doing business or not is tested on each of the proxies of EE. A Mann-Whitney U Test revealed no significant difference (Table 4.19) in the economic empowerment of women with

¹⁶*Md*= Median

their own businesses and women without businesses. The table below shows that the probability value p for each proxy is not less than or equal to .05, so the result is not significant with a small effect on size as r is less than .1.

Table 4.19: Mann Whitney U Test on the economic empowerment of women with or without business enterprise

Economic Empowerment	Women with own enterprise		Women without own enterprise		Mann-Whitney U Test	Z score	Significance	Effect Size
Control on decisions on	Md^{17}	n	Md	n	U	z	p	R
Spend on daily household expenses	3	152	3	147	11033	-.193	.847	0.01
Spend money from my savings	4	152	4	147	10845	-.465	.642	0.03
Use the amount of earnings	4	152	3	147	10590	-.814	.416	0.05
The sale/purchase of assets or livestock	3	152	2	147	11035.5	-.189	.850	0.01
Spend money on my health	3	152	4	147	10079.5	-1.561	.119	0.09
Spend money on my children's /family health	4	152	4	147	11157	-.022	.983	0.001
Spend money on my education	3	152	2	147	11103.5	-.095	.925	0.005
Spend on my children's education	4	143	4	138	9329.5	-.848	.396	0.05

The results shows that women can became economically empowered in the household by microfinance but working as an entrepreneur had no impact on such empowerment.

4.2.2.4 Well-being of the family of women running a business or not with microfinance

Mann-Whitney U Test was run to find out the difference on the well-being of the family between two independent groups of women running businesses with microcredit money and

¹⁷ Md = Median

the women not running businesses with microcredit money. The well-being of the family as a latent variable is measured by the seven indicators. Therefore, the group of women running businesses or not are tested on each of the proxies of the well-being of the family. A Mann-Whitney U Test revealed no significant difference in the well-being of the women and the family (WBWF) of women with or without their own business (see Table 4.20).

Table 4.20: Mann Whitney U test on well-being of the family of women with or without business enterprise

Well-being of the women and the family	Women with own enterprise		Women without own enterprise		Mann-Whitney U test	Z score	Significance	Effect Size
	<i>Md</i>	<i>n</i>	<i>Md</i>	<i>n</i>	<i>U</i>	<i>z</i>	<i>P</i>	<i>R</i>
Increase in women's formal education	2	153	2	147	10979	-.371	.711	0.021
Increase in formal education of your children / family	4	153	3	147	10829.5	-.588	.556	0.033
Increase in women's nutrition and health	4	153	4	147	10630.5	-.887	.375	0.051
Increase in nutrition and health of your children / family	4	153	4	147	11023	-.329	.742	0.019
Increase in formal support from male members of the family (moral support, advice, physical help)	4	153	4	147	11022	-.320	.749	0.018
Decrease in household/family conflicts	3	153	4	147	9870	-1.908	.056	0.110
Encouragement from husband/family head to participate in any activity outside the home that was only for your benefit etc.	4	151	4	147	10102.5	-1.418	.156	0.082

The table 4.20 shows that the probability value p for each proxy is not less than or equal to .05, so the result is not significant with a small effect on size as r is less than .1.

The results of the well-being of the family indicate that there is a significant relationship between microfinance and the well-being of the family. However, the women's enterprise development has no impact in the association between the well-being of the family and microfinance.

4.3 CONCLUSION

This chapter provides univariate and bivariate analysis of microfinance, women's entrepreneurship, further access to finance from commercial banks, economic empowerment and the well-being of the women and the family. In the sample 81% of the respondents are married, 69% of women aged between 30-49 years, 55% of them were uneducated and having 3-6 children. 54% of the women's households are headed by husbands and live as a nuclear family. The women use the microfinance facility either for enterprise or consumption, approximately one quarter of women come under the banking net and two third of them benefit from the increase in their income and savings after receiving microfinance loan. The microfinance institutions disbursed loan amount of Rs.10,000 (£73) – Rs. 20,000 (£145) to 54% of the sample. Almost 80% and 54% of the women entrepreneurs agree and strongly agree with the increase in profit/sales and assets respectively of their enterprise after microfinance. However, 48% strongly disagree and disagree with the increase in labour. Almost half of the women entrepreneurs in the sample agree and strongly agree with the increase in entrepreneurial abilities of self-confidence, communication skills, financial management and planning. However, the chi-square test shows that increase in profit and communication skills are the only significant variables with the loan amount. On the other hand enterprise and entrepreneurial skills indicators show a significant difference between two groups of women working as a new or existing enterprise.

The microfinance is successful in economically empowering the women in some decisions of the household, however the data results suggested that working as an entrepreneur has no effect on the economic empowerment in the household. The results are similar for the well-being of the family. The 52% of the women in the sample who worked as entrepreneurs are

empowered to make few business decisions, which are mostly associated with the training provided by the microfinance institution. The next two chapters will analyse the data by using ordinal logistic regression.

CHAPTER: 5

Women's Entrepreneurship and Access to Finance

In this chapter all three hypothesis were tested based on two research questions and were quantitatively analysed. The three hypotheses helped to find the answers to the first two research questions. Chapter 5 is divided into two parts. The first part discusses the research questions and hypotheses relating to it; compositing the indicators of dependent variables and correlation between those indicators; categories of independent variables and multicollinearity between independent variables. The second part shows the empirical results of three hypotheses using an ordinal logistic model.

5.1 HYPOTHESES AND VARIABLES

In order to explore and analyse the data we use ordinal logistic regression (see section 3.4.2 for details) to find the probability of relationship of microfinance with enterprise growth, entrepreneurial skills development and access to finance for microenterprise.

5.1.1 Research Questions and Hypothesis

The previous state of knowledge on microfinance showed that there is limited research on the impact of microfinance on entrepreneurship. The philosophy of microfinance is not just providing a loan for consumption purposes, but helping the low income group to access the finance they require to invest in any economic activity generating income. Therefore, to find the impact of microfinance on the poverty reduction of a household we need to focus on the impact of microfinance on entrepreneurship development and more specifically, if a loan is provided to women in a household, on female entrepreneurship development. Therefore, the first research question is:

- a) *Does the participation in the microcredit programmes contribute to the development of women entrepreneurship in Pakistan?*

The economic, psychological and social approaches to entrepreneurship form the definition of entrepreneur. A few consider an entrepreneur as one who brings together the factors of production; for others he/she is creative or imaginative, one who knows the opportunity in advance. An entrepreneur is also defined in the economic literature as being innovative and a risk taker (Deakins and Freel, 2009; Lowe and Marriott, 2006). However, these entrepreneurial abilities are reflected through the initiative taken by women to start their own business. Therefore, this research has not only taken into account female entrepreneurs but also their enterprises. To find the answer to this research question two hypotheses have been developed based on the literature review and pilot study:

H₁= Microfinance financial and nonfinancial services develops women's microenterprise

H₂= Microfinance financial and nonfinancial services develops women's entrepreneurial abilities

The entrepreneurship abilities in this research are based on psychological and social behavioural approaches of entrepreneurship. The abilities of entrepreneurship are adapted from Casson (2003) by keeping in view the female literacy rate and cultural limitations for women that restrict them from gaining awareness about enterprise development and access to finance. The entrepreneurial skills of self-confidence, communication skills, financial management and computation skills and qualities of foresight and planning are used in some empirical studies of microfinance and women's entrepreneurship such as Gobbi, et al. (2005), Afrin, et al. (2010), Kim, et al. (2007) and Roomi (2010) as dichotomous variables as compared to the ordinal scale of measurement used in this research (see Table 3.4). The indicators of women's microenterprise development (increase in profit, sales, business assets and labour) used in this research are also used by various studies in dichotomous or continuous form of data (see Table 3.4). However, the development of entrepreneurial skills and enterprise depend on government's introducing schemes that encourage start-up enterprises and entrepreneurs (Deakins and Freel, 2009). In order to develop entrepreneurship there is a need to lessen the obstacles faced by entrepreneurs. Access to credit is important in the development of enterprise by entrepreneurs; however, women face more constraints in accessing finance (Constantinidis, et al., 2006). Therefore, it is important to find that whether microfinance encourages females to access finance from formal financial institutions or not.

In Pakistan almost half of the population is comprised of females, where women are less active economically and make little contribution to national productivity. Therefore, there is a need to make women economically active to improve the GDP of the country. Microfinance is a development programme that has the potential to improve the condition of women by their active participation in income generating activity by providing microcredit and training facilities. This study evaluates the role of microfinance institutions to access further finance from commercial banks by women clients of microfinance institutions. The second research question is:

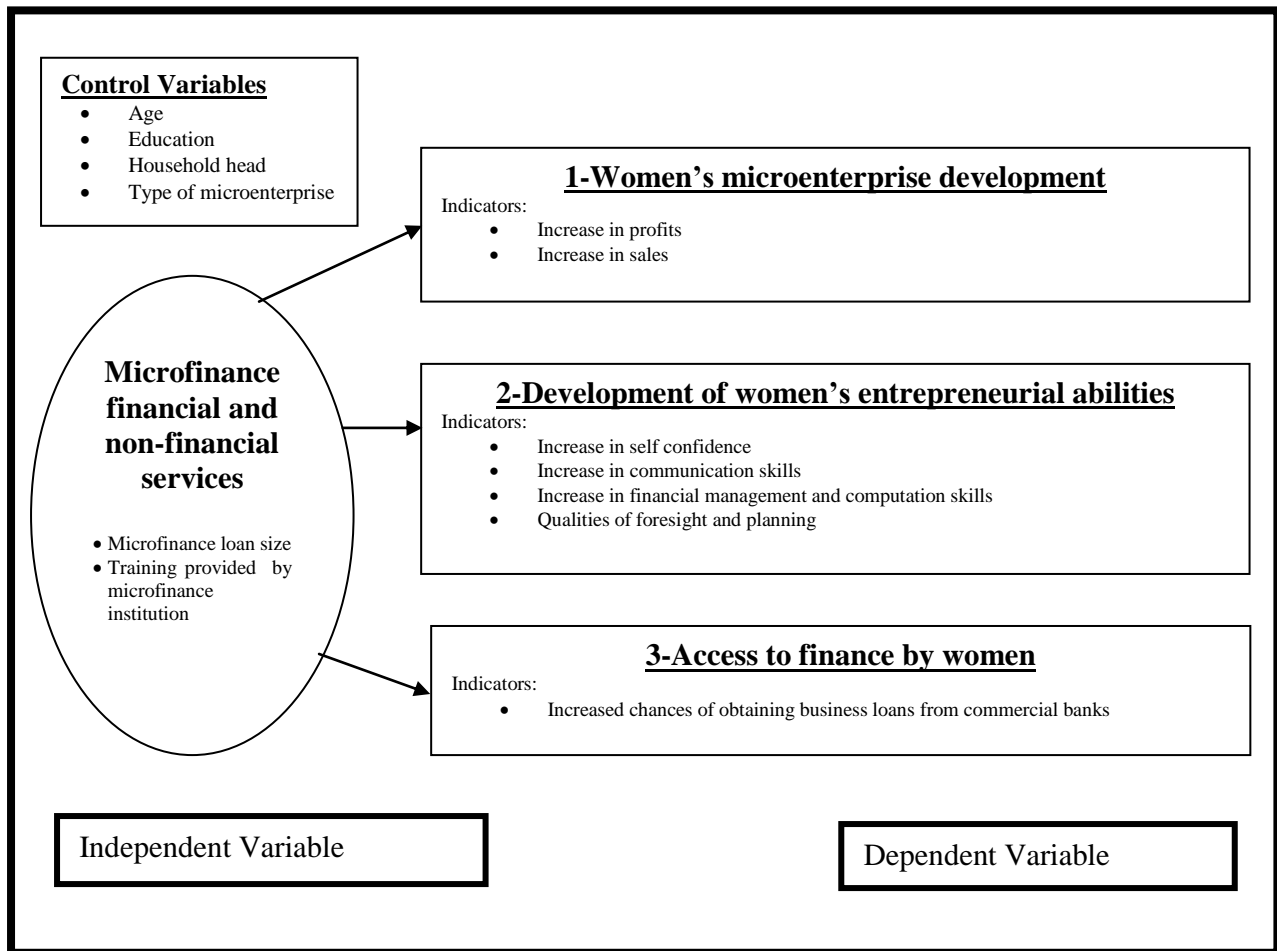
- b) Does the participation in the microfinance programmes provide a positive push towards access to finance by women from commercial banks and other financial institutions?*

To find the answer to this research question a hypothesis is developed based on literature review:

H₃= Microfinance financial and non-financial services increases the access of finance from commercial banks.

Figure 5.1 will elaborate the variables and indicators of this research. Figure 5.1 shows three dependent variables: Women Microenterprise Development, Women Entrepreneurial Abilities Development and Access to Finance by Women, based on three hypotheses H₁, H₂ and H₃. Figure 5.1 depicts four control variables and two independent variables.

Figure 5.1: Dependent and independent variable and indicators



The research question of this study is the impact of financial and non-financial services of microfinance on women's entrepreneurial development and access to finance. The financial services means the amount of loan, savings, insurance and non-financial services including any training and awareness programmes for the clients of microfinance institutions. However, entrepreneurship section of this study used only microcredit as financial services of MFPs and entrepreneurship training programmes as non-financial services. Therefore, the loan size and business training programmes are the main independent variables. The control variable of existing or new business is related to the women's enterprise. The Mann Whitney U test in Table 4.17 shows that type of microenterprise can impact the relationship of microfinance and female entrepreneurship development; therefore it is included as a control variable. The age and education of the women and household head are the other three control variables used in the model (model in section 3.4.2).

5.1.2 Dependent and independent variable, correlation and multicollinearity:

All the independent variables are categorical and their categories are reduced by merging the categories having fewer responses for better interpretation of the results. The loan size has three categories of Rs. 5001 –Rs.15000 (£36- £109), Rs.15001 – Rs.25000 (£109- £182) and Rs. 25001 – Rs. 35000 (£182- £255) and more. The age has two categories of women having ages 18-39 and women aged 40 or more. The education and household head has three categories each of no education, school education, college/university education and woman, husband and any other household head respectively. The independent variables of loan size, business training, enterprise type, age, education and household head are checked for multicollinearity. The values of tolerance of not less than 0.1 and variance inflation factors (VIF) not greater than 10 indicate no problem of collinearity between the predictor variables (Field, 2009).

In order to run logistic regression there is a need of one dependent variable of enterprise, entrepreneurship skills and access to finance. Dependent variable-enterprise has more than one indicator, therefore, compositing its indicators are appropriate for it. Similarly, dependent variable-entrepreneurial skills has more than one indicator, therefore, it is also composite to make one variable of entrepreneurial skills. The composite indicator *'measures multidimensional concepts that cannot be captured by a single indicator'* (OECD, 2008, p. 13). However, to decide which indicator should be composite and what the basis to composite is for the indicator is an important matter. The poorly organized and misunderstood composite variable may result in poor policy decisions (OECD, 2008). The principle component analysis can be run to reach factors. However, in this case the information on the categories of the indicators will be lost which is the main point of analysis in this study. There are many ways to composite the indicators but mean or average is selected as it will help to correctly retain the information on the categories of the indicators. First the categories having less frequency are merged to interpret the results in a better way. The strongly disagree/disagree and strongly agree categories have less responses than disagree/strongly disagree and agree categories respectively. Therefore, strongly disagree and strongly agree are merged into disagree and agree categories respectively. The category of neutral remains the same. Second, the mean (average) of all the indicators is calculated to have one value for each category (agree, neutral and disagree). Third, this one value is recoded to get rid of the

decimal point to reach a round figure. The value of 1 - 1.50 is coded as 1, 1.51 - 2.50 as 2 and 2.51 - 3.00 as 3. As a result the number of indicators (like increase in profit) of a variable (such as enterprise growth) is averaged to reach a single value with three categories of agree (for values 1), neutral (for value 2) and disagree (for value 3).

In case of enterprise, the mean of the two main indicators of enterprise, that is the increase in profit and sales results in dependent variable of enterprise growth. The decision to composite only two indicators of enterprise instead of four is based on the correlation between the indicators, similarity of the responses in the data and use in the literature. The Spearman's rho correlation is measured to find the strength of the indicators. The indicators of increase in profit and sales are correlated with each other at 1% significance level. The correlation between increase in labour and business assets is significant at 1% (Appendix II Table 3B). The correlation results show that increase in profit and sales can be composite. On the other hand the increase in labour and business assets can be composite to reach one value. In order to decide which group of the indicators can be selected, frequency distribution of each variable is checked. The increase in profit and sales is agreed by women at 79.7% and 76.5%. While the increase in labour and assets indicators has different results with 47.7% disagreeing and 54.2% agreeing respectively. Even with the highly significant correlation the latter group of indicators has varying responses which can mislead the results by a composite of the indicators. The former group of indicators seems to be a good choice. This decision is further confirmed by reviewing the literature to find out the mostly used indicator of business performance or enterprise growth. The careful analysis of literature finds out the profit and sales are mostly used as indicators of business performance (see Table 3.4). Moreover, the responses of increase in profit and increase in sales are closer to each other with 79% and 76% agreeing than the increase in business assets with 54.2% agreeing. Furthermore, by using increase in profit and increase in sales as indicators of enterprise growth the Cronbach's Alpha value is improved to .739. Thus the enterprise growth, a dependent variable is formed by taking the mean of two indicators of increase in profit and sales of the enterprise. The increase in chances of obtaining loans from banks other than microfinance banks indicator will be used for another dependent variable 'access to finance' by reducing the categories from 5 to 3 (agree, neutral and disagree).

Another dependent variable of entrepreneurial skills development is developed by a composite (mean) of all the indicators of entrepreneurial skills. The increase in self-confidence, communication skills, financial management skills and qualities of planning and foresight are correlated with one another at a 1% significant level (Appendix II Table 3C) with 62.5%, 54.2%, 52.3% and 51.6% of agreed responses.

5.2 ORDINAL LOGISTIC REGRESSION ANALYSIS

5.2.1 Enterprise Growth (H₁)

The logistic regression model assesses the effect of financial and non-financial services of microfinance on the enterprise growth (see Table 5.1). The model in this study is well fitted as it is highly significant at 1% which means that null hypothesis can be rejected that the model without predictors is as good as the model with the predictors. The goodness-of-fit measures have large observed significance levels showing that the model fits. The parallel line assumption is met as it is insignificant.

The financial service that is the loan size of Rs.5001-15000 is significant at 1% and the positive coefficient shows the probability of a high dependent score. This means the loan size from Rs.5001 to Rs.15000 as compared to Rs15001-25000 or RS.25000-35000 is likely to be associated with disagree of increase in enterprise growth after microfinance as compared to agree or neutral, remaining all the other variables constant. Thus it concludes that women having a loan size from Rs.5001 to Rs.15000 are six (5.933) times as likely as the women receiving a higher amount of loan that are categorized as disagree vs. agree or neutral and 6 times as likely as women with a higher amount of loan to have disagreed or neutral on the increase in enterprise growth after microfinance vs. agreed, given that all the other variables in the model remain constant.

The cross tabulation of the amount of the loan and the enterprise growth in Appendix II Table 3E shows that out of a total 4% of the women disagreeing with enterprise growth, 3% belong to the lowest category of loan amount. Similarly out of a total 28% of the women who were neutral in decision of enterprise growth, 17% belong to the lowest category of loan amount. Therefore 20% (3% + 17%) of the women who disagreed or were neutral as compared to 27% who agreed with enterprise growth falls under the category of Rs.5001-15000 of loan amount. On the other hand 8% and 3% of the women disagreed or neutral as compared to

26% and 15% who agreed with enterprise growth with a loan size of Rs.15000-25000 and Rs. 25000-35000 respectively. However, the results of ordinal logistic regression indicate that the relationship is insignificant in the case of a high loan size. This shows the inverted U shaped relationship between enterprise growth and different levels of loan size.

Table 5.1: Ordinal Logistic regression for enterprise growth-model-I

Variable	Categories	Coef.B	Exp B	Std err	Sig.p	95% Confidence Interval	
						Lower Bound	Upper Bound
Threshold <i>Enterprise Growth</i>	Agree	1.958		.987	.047	.022	3.893
	Neutral	4.724		1.086	.000	2.594	6.853
	Disagree						
Location							
<i>Loan size</i> (in Pakistani currency rupees)	5000 – 15000	1.780**	5.933	.682	.009	.444	3.117
	15001-25000	.725	2.064	.674	.282	-.597	2.046
	25001-35000 and more	-	-	-	-	-	-
<i>Entrepreneurial Training</i>	Yes	-.877*	.416	.410	.032	-1.680	-.074
	No	-	-	-	-	-	-
<i>Age</i>	18-39 years	-.047	.954	.473	.920	-.974	.880
	More than 40	-	-	-	-	-	-
<i>Education</i>	No education	-.534	.587	.752	.478	-2.007	.940
	School education	-.663	.515	.725	.361	-2.085	.759
	College/Uni. education	-	-	-	-	-	-
<i>Enterprise type</i>	New enterprise	1.460**	4.304	.485	.003	.509	2.410
	Existing enterprise	-	-	-	-	-	-
<i>Household head</i>	Woman	1.530*	4.620	.603	.011	.349	2.711
	Husband	.708	2.031	.507	.163	-.286	1.703
	Any other	-	-	-	-	-	-

Notes: - indicates the reference category; number of obs. = 141; $R^2 = .19$ (Cox & Snell), .25 (Nagelkerke); Parallel line assumption is met, Model $\chi^2(6) = 30.107$, $p < .000$; * $p < .05$, ** $p < .01$

The Table 3D in Appendix II shows that from 52% of the women who received a training facility by the microfinance institution 37% are agreed and 13% are neutral about the enterprise growth. The relationship of women who received training as compared to that

women not receiving training is significant with enterprise growth at 5% as shown in Table 5.1. The relationships of women aged up to 39 as compared to 40 or more and with no education or school education vs. school or college education are insignificant with enterprise growth.

The Table 5.1 demonstrates that the new enterprise vs. old enterprise is significant at 1% and a positive coefficient illustrates the probability of relationship with high dependent variable score. The women investing loan money in a new enterprise are 4.3 times as likely as women having an existing enterprise to disagree vs. agree or neutral with the increase in enterprise growth and 4.3 times as likely as women having existing businesses to disagree or neutral on the increase in enterprise growth after microfinance vs. agreed, given that all the other variables in the model remain constant. The Chi-square Test in Table 3G Appendix II shows a significant relationship between the enterprise growth and type of enterprise; and women using a loan for a new enterprise disagree at 10.5% or neutral at 1.3% as compared to agree 8%.

The women as household heads are over four (4.6) times more likely than husbands or any other persons to disagree as compared to agreeing or being neutral on enterprise growth and four times as likely as husbands or any other person to disagree or neutral vs. agree on enterprise growth, remaining all other variables constant. However, this relationship is insignificant in the case of the husband as household head (see Table 5.1).

The model is further assessed by adding an interaction between the two main variables of interest which are training and loan size. The model-II of this hypothesis shows some important findings as shown in Table 5.2. The model in this study is well fitted as it is highly significant at 1% which means that null hypothesis can be rejected that the model without predictors is as good as the model with the predictors. The goodness-of-fit measures have large observed significance levels showing that the model fits. The parallel line assumption is met as it is insignificant.

The results of model-II are the same as model-I, the variables of low loan size category vs. other categories of loan size and new enterprise as compared to existing enterprise are significant at 1%. The results show that the women having a loan size from Rs.5001 to Rs.15000 are over thirty nine (39.24) times as likely as the women receiving a higher amount of loan that are categorized as disagree vs. agree or neutral and 39 times as likely as women

with a higher amount of loan to have disagreed or neutral on the increase in enterprise growth after microfinance vs. agreed, given that all the other variables in the model remain constant.

Table 5.2: Ordinal Logistic regression for enterprise growth-model-II

<i>Variables</i>	<i>Categories</i>	<i>Coef. B</i>	<i>Exp B</i>	<i>Std err</i>	<i>Sig. p</i>	<i>95% Confidence interval</i>	
						<i>Lower</i>	<i>Upper</i>
Threshold <i>Enterprise growth</i>	Agree	3.031		1.323	.022	.439	5.623
	Neutral	5.992		1.413	.000	3.223	8.760
	Disagree	-	-	-	-	-	-
Location							
<i>Loan size</i> (in Pakistani currency rupees)	5001 - 15000	3.670**	39.24	1.167	.002	1.383	5.956
	15001-25000	1.478	4.39	1.160	.202	-.794	3.751
	25001-35000 and more	-	-	-	-	-	-
<i>Entrepreneurial Training</i>	Yes	1.496	4.47	1.289	.246	-1.030	4.023
	No	-	-	-	-	-	-
<i>Enterprise type</i>	New enterprise	1.346**	3.84	0.496	.007	.374	2.319
	Existing enterprise	-	-	-	-	-	-
<i>Age</i>	18-39 years	-0.287	.75	0.499	.566	-1.265	.692
	More than 40	-	-	-	-	-	-
<i>Education</i>	No education	-0.710	.49	0.779	.362	-2.235	.816
	School education	-0.733	.48	0.758	.334	-2.219	.754
	College/Uni. education	-	-	-	-	-	-
<i>Household Head</i>	Woman	1.682**	5.38	.621	.007	.465	2.899
	Husband	0.841	2.32	.526	.110	-.190	1.873
	Any other	-	-	-	-	-	-
<i>Training size</i> ¹⁸ <i>X loan</i>	Yes x 5000-15000	-3.445*	.032	1.402	.014	-6.192	-.697
	Yes x 15001-25000	-1.313	.27	1.482	.376	-4.217	1.592

¹⁸ The categories of yes x 25001-35000, no x 5000-15000, no x 15001-25000 and no x 25001-35000 are the reference categories

*Notes: - indicates the reference category; number of obs. = 141; $R^2 = .25$ (Cox & Snell), $.32$ (Nagelkerke); Parallel line assumption is met, Model $\chi^2(7) = 39.993$, $p < .000$; * $p < .05$, ** $p < .01$*

The household head category of women as compared to others is significant at 1% now. However, the relationship of women who received training as compared to women not receiving training is not significant with enterprise growth as shown in Table 5.2.

To find out the impact of financial and non-financial services of microfinance on enterprise growth the model-II of this hypothesis includes the interaction of two variables of loan size and business training. The table 3F in Appendix II shows 52% of the women received training, 27% in the category of a loan size of Rs.5001- 15000, 17% in Rs. 15001-25000 and 8% in the category of Rs.25000 and a greater loan amount. The Table 5.2 depicts that the enterprise growth with a loan size Rs.5000- 15000 and training received by the women for business is significant at 5%. The results show that women with a loan size of Rs.5000- 15000 and training completed are over three (3.4) times as likely as women with the same loan size with no training or women with a higher loan size with training or no training, to agree as compared to neutral or disagree with the enterprise growth and over 3 times as likely as women with the same loan size with no training or women with a higher loan size with training or no training, to agree or neutral vs. disagree with the enterprise growth, remaining all other variables constant.

The above discussion and results supported the hypothesis that microfinance develops the women's enterprises. The results from ordinal logistic regression in model II showed that the low loan size between Rs. 5000 to Rs. 15000 (£36-£109)¹⁹ with entrepreneurial training programmes helped the women in the growth of their microenterprises. The higher loan size shows no probability of enterprise growth that can be due to the fungibility of loan by women borrowers.

5.2.2 Entrepreneurial skills development (H₂)

The next logistic model assesses the effect of financial and non-financial services of microfinance on entrepreneurial skills development (see Table 5.3). The model in this study is well fitted as it is significant at 5% and goodness-of-fit measures also show that the model fits. The parallel line assumption is met as it is insignificant.

¹⁹ 1 GBP (£) = 137.198 PKR (Rs.) on 14-10-2011, available at:
<http://www.xe.com/ucc/convert/?Amount=1&From=GBP&To=PKR>

Table 5.3 demonstrates that there is no statistically significant effect of any level of loan size, training, enterprise type, age, education and women as the household head on enterprise growth.

Table 5.3: Ordinal Logistic regression for entrepreneurial skills development

<i>Variable</i>	<i>Categories</i>	<i>Coef. B</i>	<i>Exp B</i>	<i>Std err</i>	<i>Sig. p</i>	<i>95% Confidence Interval</i>	
						<i>Lower Bound</i>	<i>Upper Bound</i>
Threshold <i>Entrepreneurial skills development</i>	Agree	-.005		.820	.995 ²⁰	-1.611	1.601
	Neutral	1.083		.824	.189	-.533	2.698
	Disagree	-		-	-	-	-
Location							
<i>Loan size (in Pakistani currency rupees)</i>	5000 - 15000	.393	1.482	.482	.414	-.551	1.338
	15001-25000	-.078	.925	.479	.871	-1.016	.861
	25001-35000 and more	-	-	-	-	-	-
<i>Entrepreneurial Training</i>	Yes	.311	1.365	.335	.353	-.346	.969
	No	-	-	-	-	-	-
<i>Age</i>	18-39 years	.358	1.431	.391	.360	-.408	1.125
	More than 40	-	-	-	-	-	-
<i>Education</i>	No education	.664	1.943	.664	.317	-.637	1.965
	School education	.140	1.150	.639	.827	-1.113	1.393
	College/Uni. education	-	-	-	-	-	-
<i>Enterprise type</i>	New enterprise	-.626	.535	.445	.160	-1.499	.247
	Existing enterprise	-	-	-	-	-	-
<i>Household head</i>	Woman	-.242	.785	.469	.605	-1.161	.676
	Husband	-1.269**	.281	.404	.002	-2.060	-.477
	Any other	-	-	-	-	-	-

Notes: - indicates the reference category; number of obs. = 141; $R^2 = .12$ (Cox & Snell), .14 (Nagelkerke); Parallel line assumption is met, Model $\chi^2(6) = 17.914$, $p < .05$; ** $p < .01$

However, the husband as household head is significant at 1%. Thus the husband as household head is 0.28 times more likely, as compared to any other person as household head, is to be associated with agreement of women on entrepreneurial skills development after

²⁰ The threshold shows that it is insignificant; however, it does not affect the significant model and significant location parameters, as 'Having non-significant thresholds is not inconsistent with having significant location parameters and a significant model'. (Garson, 2012, p. 18)

microfinance as compared to being neutral or disagreeing, given that all the other variables in the model remain constant.

The model is tested by using the interaction between loan size and training but it showed the model fitness problem. The model is further tested by using interaction between training and another variable of interest that is enterprise type but the results remain the same as shown in Table 5.3. Thus, the above discussions and results are not supporting the hypothesis that the microfinance develops the women's entrepreneurial skills.

5.2.3 Access finance from banks (H₃)

The next logistic model assesses the effect of financial and non-financial services of microfinance on further access to finance from commercial banks (see Table 5.4). The model in this study is well fitted as it is significant at 1% and goodness-of-fit measures also show that the model fits. The parallel line assumption is satisfied.

However, the loan size, enterprise training, education of women and household head at any level has an insignificant effect on access to finance. The age is significant at 5% with positive coefficients meaning they are associated with a high dependent score (disagree). The enterprise type is significant at 5% with negative coefficients meaning they are associated with a low dependent score (agree). The Table 5.4 shows that the young women (18-39 age) are over twice (2.3) as likely as old women to disagree vs. neutral or agreed and over twice as likely as old women to disagree or neutral vs. agree to increase in the access to finance from commercial banks. Similarly, the women with new enterprises are 0.3 times as likely as women with existing enterprises to agree vs. neutral or disagree and 0.3 times as likely as women with existing enterprises to agree or neutral vs. disagree to increase in the access to finance from commercial banks.

Table 5.4: Ordinal Logistic regression for access to finance-model-I

Variable	Categories	Coef.B	Exp B	Std err	Sig.p	95% Confidence Interval	
						Lower Bound	Upper Bound
Threshold <i>Access to Finance</i>	Agree	-.109		.827	.895	-1.729	1.511
	Neutral	1.030		.831	.215	-.597	2.658
	Disagree	-		-	-	-	-
Location							
<i>Loan size (in Pakistani currency rupees)</i>	5000 - 15000	-.277	.758	.497	.578	-1.251	.698
	15001-25000	.190	1.209	.497	.702	-.784	1.164
	25001-35000 and more	-	-	-	-	-	-
<i>Entrepreneurial Training</i>	Yes	.449	1.566	.346	.195	-.230	1.127
	No	-	-	-	-	-	-
<i>Age</i>	18-39 years	.825*	2.281	.401	.040	.038	1.611
	More than 40	-	-	-	-	-	-
<i>Education</i>	No education	1.223	3.396	.670	.068	-.090	2.536
	School education	.704	2.022	.638	.270	-.547	1.956
	College/Uni. education	-	-	-	-	-	-
<i>Enterprise type</i>	New enterprise	-1.078*	.340	.434	.013	-1.928	-.227
	Existing enterprise	-	-	-	-	-	-
<i>Household head</i>	Woman	-.003	.997	.512	.996	-1.006	1.001
	Husband	-.421	.656	.414	.309	-1.232	.390
	Any other	-	-	-	-	-	-

Notes: - indicates the reference category; number of obs. = 141; $R^2 = .128$ (Cox & Snell), .148 (Nagelkerke); Parallel line assumption is met, Model $\chi^2(6) = 19.383$, $p < .05$; * $p < .0.5$

The logistic model is run again including a variable of interaction between the enterprise type and training to find the effect of the type of enterprise (new or existing) with training on access to finance. The second model shows the same results except the training variable and the interaction used are significant. The model in this study is well fitted as it is significant at 1% and goodness-of-fit measures also show that the model fits. The age and training are two variables that are significant at 5% with positive coefficients meaning they are associated with a high dependent score (disagree). The Table 5.5 shows that the women with training are over twice (2.6) as likely as women with no training to disagree vs. neutral or agree and over twice as likely as women with no training to disagree or neutral vs. agree to increase in the access to finance from commercial banks.

An interaction of two variables is used in the model that is training and enterprise type. Table 3H in Appendix II gives information on these two variables showing that more than half (52%) of the women received training and 39% of them belong to an existing enterprise and out of the 48% of the women who have not been provided training, 41% belong to existing enterprises. Out of 20% of the women having new enterprises 13% received training from a microfinance institution.

Table 5.5: Ordinal Logistic regression for access to finance-model II

<i>Variables</i>	<i>Categories</i>	<i>Coef. B</i>	<i>Exp B</i>	<i>Std err</i>	<i>Sig. p</i>	<i>95% Confidence interval</i>	
						<i>Lower</i>	<i>Upper</i>
Threshold <i>Access to finance from Commercial banks</i>	Agree	0.068		0.840	.935	-1.578	1.714
	Neutral	1.257		0.846	.137	-0.401	2.915
	Disagree	-		-	-	-	-
Location <i>Loan size</i>	5000 - 15000	-0.434	0.648	0.508	.392	-1.429	0.561
	15001-25000	0.172	1.188	0.504	.733	-0.815	1.159
	25001-35000 and more	-	-	-	-	-	-
<i>Entrepreneurial Training</i>	Yes	0.961*	2.614	0.402	.017	.174	1.748
	No	-	-	-	-	-	-
<i>Enterprise type</i>	New enterprise	0.147	1.159	0.653	.821	-1.132	1.426
	Existing enterprise	-	-	-	-	-	-
<i>Age</i>	18-39 years	0.818*	2.266	0.406	.044	.021	1.615
	More than 40	-	-	-	-	-	-
<i>Education</i>	No education	1.180	3.255	0.680	.082	-0.152	2.512
	School education	0.743	2.103	0.651	.254	-0.533	2.019
	College/Uni. education	-	-	-	-	-	-
<i>Household Head</i>	Woman	0.058	1.060	0.523	.911	-0.966	1.082
	Husband	-0.347	0.707	0.420	.410	-1.171	0.478
	Any other	-	-	-	-	-	-
<i>Training Enterprise type</i>	X Yes x New enterprise	-2.194*	0.111	0.854	.010	-3.867	-0.521

Notes: - indicates the reference category; number of obs. = 141; $R^2 = .171$ (Cox & Snell), .197 (Nagelkerke); Parallel line assumption is met, Model $\chi^2 (7) = 26.468$, $p < .01$; * $p < .05$

Model II in Table 5.5 relating to access to finance shows that women who have received training and belong to a new enterprise as compared to women with training and an existing enterprise, or no training and an existing enterprise or no training and a new enterprise, are likely to be associated with agree on the access of finance from commercial banks as compared to neutral or disagree, remaining all other variables constant.

The above discussion shows that there is not enough evidence that microfinance increases the chances of obtaining finance from commercial banks. However, if entrepreneurial training is provided to the women having new enterprises then there is the probability to increase access to finance from commercial banks. Nonetheless, these results need to be confirmed through interviews.

5.2.4 Robustness of Results

In order to check the robustness of results, the linear regression is run with the same variables of enterprise growth and microfinance. The variables of loan size, training, enterprise type and household head remain statistically significant, thus confirming our earlier results. Similarly, the linear regression is run with the same variables of entrepreneurial skills and microfinance. None of the variables are significant, thus confirming earlier results that there is no probability that microfinance develop entrepreneurial skills in females. The linear regression is also run to check the robustness of results with the same variables of access to finance and microfinance. The variables of age did not show a significant result, however, enterprise types remain statistically significant, thus confirming our earlier results. This shows that our main results remain robust by choosing a linear regression model.

5.3 CONCLUSION

The results of this chapter show that H_1 is supported by ordinal logistic model and microfinance helps to grow the enterprise of women borrowers. Furthermore, it is found that the woman's enterprises grow if training is provided with a loan size up to Rs. 15000 (£109)²¹. That may be because the women entrepreneurs usually avoid taking large loans which can make their financial situation in the household worse than before (Agier and

²¹1 GBP (£) = 137.198 PKR (Rs.) on 14-10-2011, available at:
<http://www.xe.com/ucc/convert/?Amount=1&From=GBP&To=PKR>

Szafarz, 2013). This result of growth of women's enterprises with entrepreneurial training is also approved by previous research by Karlan and Valdivia (2006) where there is an improvement in the business knowledge, practices and revenues of microfinance clients after the training programme. A research by Chowdhury (2008) in Bangladesh found a different result that there is no women's entrepreneurship development through microfinance. However, he defined women's entrepreneurial development in a different way than this study, as the ability of a woman to start a business.

H₂ is not supported by an ordinal logistic model and hence microfinance services are not improving the skills of the women entrepreneurs. This result is the same as the findings by Afrin, et al. (2010) and they also found that the financial management skill has a direct and significant relationship with the development of rural women's entrepreneurship through microcredit programmes in Bangladesh. Therefore, less education of the women and fewer training programmes by microfinance institutions are not helpful in the development of entrepreneurial abilities such as financial management of the women entrepreneurs in this study. In this research, out of three MFIs under study, only two are providing entrepreneurial training. This suggests the need for change in the system of providing entrepreneurial education by educational institutions so that they focus more on polishing the skills and abilities of female entrepreneurs (Kirby, 2004). According to a study by Matlay (2008) the impact of education is positive on the entrepreneurship. A recent study also highlighted the importance of entrepreneurship education and training for small entrepreneurs to acquire entrepreneurial skills in a developing country (Sandhu, et al., 2012b).

H₃ is also not supported by ordinal logistic regression and therefore the microfinance is not helpful for the women entrepreneurs in accessing further finance from commercial banks. Morrison et al., 2007 argued the same that women have restricted access to finance because they are generally not qualified for loans. Although there are chances of further access to finance from commercial banks for women newly established enterprises with training provided by microfinance institution to run the business. Moreover, women in the young age group up to 39 have less chances of obtaining loans from banks. This result is the same as the finding by Khandker, et al. (2008) that there is more demand for credit from young women than from older women. This may be due to women in the younger age group from 18-39 having more responsibilities, taking care of children and home and therefore can be less

involved in the enterprise development or make an effort to access finance. This is also in line with the results of Kevane and Wydick (2001).

All the above results of the hypothesis are confirmed through a robustness check by a linear regression model.

CHAPTER: 6

Economic Empowerment and Well-being of the Family

The aim of this chapter is to test two hypotheses allied with a research question using logistic regression. The two hypotheses assisted to find the answers of the third research question. The chapter is divided into two parts. The first part elaborated the research questions and hypotheses; dependent and independent variables; compositing dependent variables' indicators and correlation between those indicators; and categories of independent variables and multicollinearity between them. The second part presented the empirical results of two hypotheses using an ordinal logistic model.

6.1 HYPOTHESES AND VARIABLES

In order to explore and analyse the data we use ordinal logistic regression (see section 3.4.2 for details) to find the probability of relationship of microfinance with economic empowerment of women in the household and well-being of the family.

6.1.1 Research Questions and Hypothesis

The research on women's empowerment and well-being of the family through microfinance is vast. With the success of microfinance for women of developing countries, the attention of researchers is on women's empowerment and household welfare through access to microfinance. In the study of microfinance and female entrepreneurship, we cannot ignore female empowerment and household development factors. Women empowerment and entrepreneurship balance each other because if a woman is empowered to make decisions then she can initiate an enterprise or entrepreneurship development process which can lead to empowerment of women (Vijayalakshmi and Prajeetha, 2008). In this research, women's economic empowerment is taken into consideration due to its association with enterprise development. Moreover, women in developing nations cannot be separated from their families. Therefore researchers always look for the benefits to the household by providing loans to women. Therefore the third research question is:

c) *Does a microfinance loan economically empower women and increase the well-being of their families?*

To find the answer to this research question two hypotheses are developed based on the literature review and pilot study:

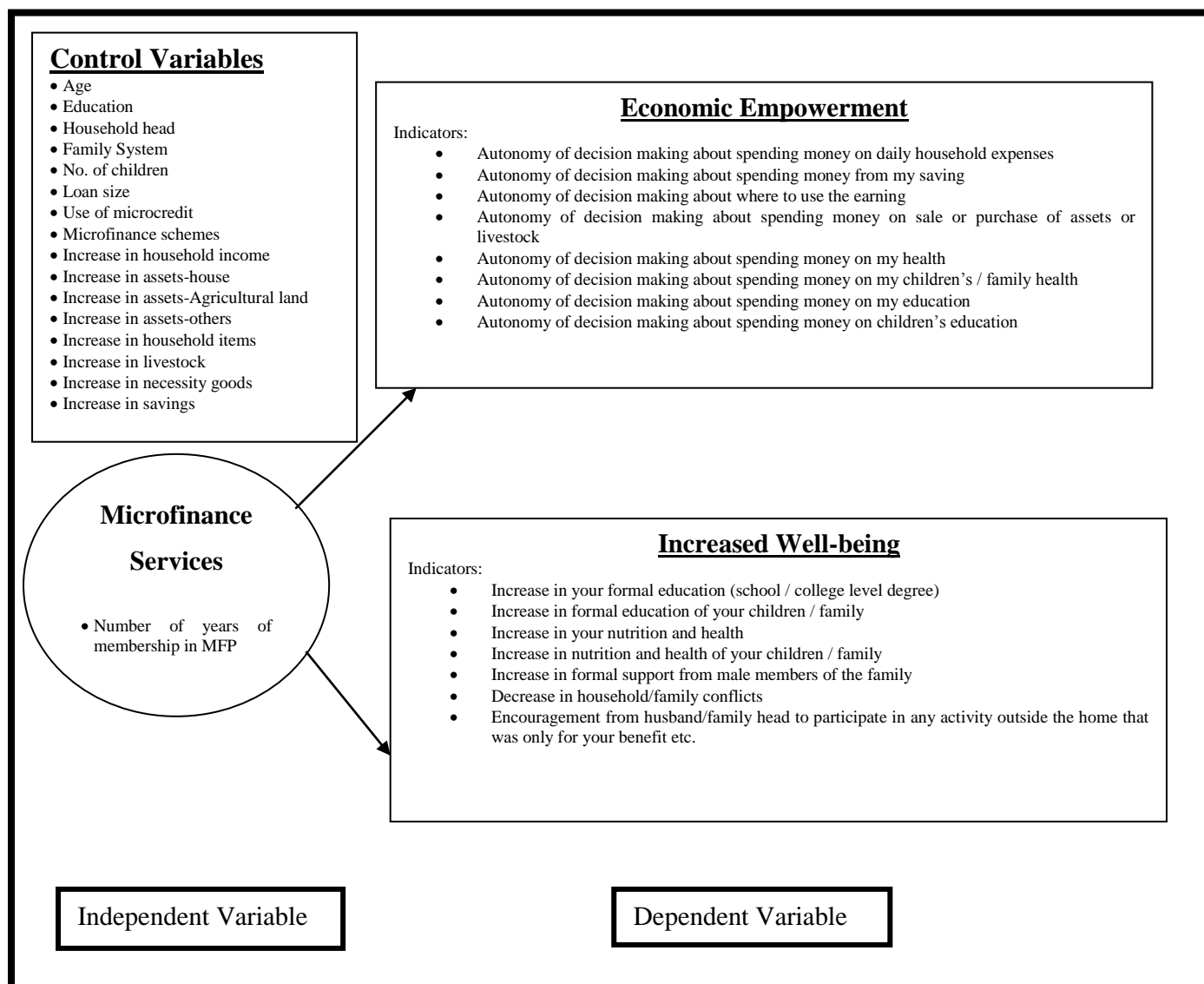
H₄=Microfinance services develop women's economic empowerment

H₅=Microfinance services develop well-being of women and their families.

The indicators of economic empowerment are related to the decision making about household money matters such as household expenses, savings, use of earnings and purchase or sale of assets or livestock. The indicators of autonomy of decision making to spend money on women and family health and education are also included to understand the power of women in the household after microfinance. The well-being of women includes increase in education, health, formal support from male members of the family and encouragement from the husband to participate in any activity outside the home for the benefit of a woman. The indicators of the well-being of the family are an increase in children's education, family health and a decrease in household conflict. The non-monetary well-being indicators of health and education are added keeping in view the human poverty factor as explained by Cagatay (1998). All these indicators are included after a careful evaluation of microfinance, poverty and empowerment studies as shown in Table 3.4.

Figure 6.1 depicted the variables and indicators of this research. Figure 6.1 shows two dependent variables: Economic Empowerment and Increased Well-being based on two hypotheses H₄ and H₅. Figure 6.1 depicts sixteen control variables and one independent variable.

Figure 6.1: Dependent and independent variable and indicators



The third research question of the impact of microfinance on women economic empowerment and well-being of the family is investigated here. Microfinance includes not only credit but also savings, insurance and any other financial services provided to the clients. The economic empowerment and well-being of the family are the variables that are not only affected by the microcredit but also from the variety of the services provided by microfinance institutions. The three microfinance providers gives a variety of services to their clients other than loans such as savings, life insurance for the client and her husband, health insurance for the client, training programmes for the clients, awareness programmes for the client's spouse and other

social benefits such as scholarship/loans for children's education (see more detail in section 7.1). Therefore, three microfinance schemes are used as a variable of interest here. The following table 6.1 represents the composition of three schemes provided by three MFIs.

Table 6.1: Microfinance Schemes

	Savings	Life insurance	Health insurance	Training Programmes	Awareness Programmes	Other benefits
Scheme 1 (Asasah)	√*	√	√	√	√	√
Scheme 2 (Kashf F.)	√*	√		√		
Scheme 3 (Khushhali B.)	√	√				

* limited saving facilities or saving products are provided through the microfinance bank

The membership in terms of number of years with microfinance institutions is an independent variable. The loan size is also in the model but 'years of membership' is a variable of interest in case of empowerment and well-being, included also by some studies of empowerment and microfinance (see Table 3.4). The loan size and use of microfinance are the control variables relating to microfinance, which are believed to affect the relationship. The age, education of the women, household head and family system are four demographic control variables used in the model for empowerment and the number of children is the additional variable used in case of well-being (see model in section 3.4.2). The increase in household income, assets and savings after microfinance are some other control variables used in both models. These control variables are increase in household income livestock, necessity goods, savings; increase in household items such as a washing machine, computer; increase in immovable property including house, agricultural land; and increase in other assets like non-agricultural land, jewellery and car after microfinance.

6.1.2 Dependent and independent variables, correlation and multicollinearity:

All the independent variables are categorical and in some variables the categories are reduced by merging the categories having fewer responses for better interpretation of the results. Such as years of membership which is reduced to three categories up to 1 year, 1 to 3 years and 3 to 5 years. The loan size has three categories of Rs. 5001 –Rs.15000 (£36- £109), Rs.15001 – Rs.25000 (£109- £182) and Rs. 25001 – Rs. 35000 (£182- £255) and more. The age has two categories of women having ages between 18-39 and women having ages of 40 or more. The education of women has three categories: no education, school education, and

college/university education. Household head has women, husband and any other household head categories and family system with two categories, nuclear and joint family systems. The use of microfinance is divided as microcredit amount used by women in her business and any other use of microfinance. The number of children in the case of well-being of the family has two categories, no child to 4 children; and more than 4 children. The increase in income, assets and saving all are dichotomous variables with responses in yes or no form. The microfinance schemes as shown in table 6.1 have three categories of Scheme 1- Asasah, Scheme 2- Kashf Foundation and Scheme 3- Kushhali bank. The independent and control variables are checked for multicollinearity in both models. The values of tolerance are not less than 0.1 and VIF not greater than 10 indicate no problem of collinearity between the predictor variables.

In order to run logistic regression there is a need for one variable of economic empowerment and well-being of the family. The composite of indicators of empowerment and well-being are appropriate for it. There are many ways of compositing the indicators but mean or average is selected, as it has an advantage of correctly retaining the information on the categories of the indicators, in same way the indicators of enterprise and entrepreneurial skills are composite (see detail from chapter 5 on women's entrepreneurship and access to finance). As a result the number of indicators (like increase in your nutrition and health) of a variable (well-being of the family) is averaged to reach a single value with three categories of agree, neutral and disagree. The dependent variable of economic empowerment is developed by composite (mean) all the indicators such as autonomy of decision making regarding: daily household expenses, spending from savings, use of earnings, sale or purchase of assets/livestock, spend money on women's education and health and family/children's education and health. These indicators are correlated with one another at 1% significant level (Appendix II Table 4K). The well-being of the family variable is the composite of seven indicators of increase in women's formal education, formal education of children / family, women's nutrition and health, nutrition and health of children / family, formal support from male members of the family, decrease in household/family conflicts and encouragement from husband/family head to participate in any activity outside the home that was only for the women's benefit. These seven variables are correlated with one another at 1% as shown in Appendix II Table 5I.

6.2 ORDINAL LOGISTIC REGRESSION ANALYSIS

6.2.1 Economic Empowerment (H₄)

The logistic regression model assesses the effect of microfinance on the economic empowerment (see Table 6.2). The model in this study is well fitted as it is highly significant at 1% which means that null hypothesis can be rejected that the model without predictors is as good as the model with the predictors. The parallel line is insignificant, hence meeting the assumption. The goodness-of-fit measure in Deviance is insignificant but the Pearson is significant. Because of the difference in significance results of Deviance and Pearson, the assumption of over-dispersion is checked by dividing the value of Chi-square of Pearson by its degree of freedom. As the resultant figure is not near to 2, therefore there is no problem of over-dispersion.

The year of membership up to 1 year is significant at 5% and the positive coefficient shows the probability of a high dependent score. This means that number of years of membership up to one year as compared to 1-3 years or 3-5 years is likely to be associated with disagree of increase in economic empowerment after microfinance as compared to agree or neutral, remaining all other variables constant. Thus concludes that new members are twice (2.801) as likely as the old members that are categorized as disagree vs. agree or neutral and twice as likely as old members to be disagree or neutral on the increase in economic empowerment after microfinance vs. agree, given that all the other variables in the model remain constant. The results of ordinal logistic regression, however, indicate that the relationship is insignificant in case of membership of more than 1 year.

Table 6.2: Ordinal Logistic regression for economic empowerment

Variable	Categories	Coef.B	Exp B	Std err	Sig.p	95% Interval Lower Bound	Confidence Upper Bound
Threshold Economic empowerment	Agree	.136		.888	.879	-1.605	1.876
	Neutral	3.460		.914	.000	1.667	5.252
	Disagree	-	-	-	-	-	-
Location Years of membership with MFI	0-1 years	1.030*	2.801	.475	.030	.099	1.961
	1-3 years	.304	1.355	.328	.354	-.339	.947
	3-5 years	-	-	-	-	-	-

Microfinance Schemes	Scheme 1	-1.176**	.308	.420	.005	-2.000	-.353
	Scheme 2	.617	1.854	.407	.129	-.181	1.415
	Scheme 3	-	-	-	-	-	-
Age	18-39 years	.039	1.039	.293	.895	-.536	.613
	More than 40	-	-	-	-	-	-
Household head	Woman	-.153	.858	.408	.707	-.953	.646
	Husband	-.565	.569	.344	.101	-1.239	.110
	Any other	-	-	-	-	-	-
Education	No education	2.679**	14.566	.678	.000	1.350	4.008
	School education	2.462**	11.730	.660	.000	1.168	3.756
	College/Uni. education	-	-	-	-	-	-
Family System	Nuclear Family	-.060	.941	.287	.833	-.622	.501
	Joint family	-	-	-	-	-	-
Use of microcredit	Use in women's business	-.104	.902	.274	.705	-.640	.433
	Any other use	-	-	-	-	-	-
Loan size	5000 - 15000	.392	1.481	.482	.416	-.553	1.337
	15001-25000	.600	1.822	.394	.128	-.173	1.373
	25001-35000 and more	-	-	-	-	-	-
Increase in income	Yes	-.475	.622	.338	.160	-1.138	.188
	No	-	-	-	-	-	-
Increase in assets-house	Yes	-.234	.791	.325	.472	-.871	.403
	No	-	-	-	-	-	-
Increase in assets- Agricultural land	Yes	-.811	.444	.417	.052	-1.628	.007
	No	-	-	-	-	-	-
Increase in assets-others	Yes	-.487	.614	.334	.145	-1.142	.167
	No	-	-	-	-	-	-
Increase in household items	Yes	-.317	.729	.304	.298	-.913	.280
	No	-	-	-	-	-	-
Increase in livestock	Yes	-.281	.755	.374	.452	-1.015	.452
	No	-	-	-	-	-	-
Increase in necessity goods	Yes	-.540	.583	.311	.083	-1.150	.070
	No	-	-	-	-	-	-
Increase in savings	Yes	.271	1.312	.333	.415	-.380	.923
	No	-	-	-	-	-	-

Notes: - indicates the reference category; number of obs. = 275; $R^2 = .32$ (Cox & Snell), .37(Nagelkerke); Parallel line assumption is met, Model $\chi^2(16) = 105.659$, $p < .000$; * $p < .05$, ** $p < .01$

The microfinance scheme-1 is significant at 1% and a negative coefficient shows the probability of a low dependent score. The microfinance scheme-1 as compared to scheme-2 or 3 is likely to be associated with agree in increase of economic empowerment after microfinance as compared to neutral or disagree, remaining all other variables constant. Thus

it concludes that members availing scheme-1 are 0.3 times as likely as the borrowers availing scheme 2 or 3 that are categorized as agree vs. neutral or disagree and 0.3 times as likely as the borrowers availing scheme 2 or 3 to have agreed or are neutral on the increase in economic empowerment after microfinance vs. disagree, given that all the other variables in the model remain constant. The results of ordinal logistic regression, however, indicate that the relationship is insignificant in the case of microfinance scheme-2.

The Table 6.2 shows that there is only one more significant variable and that is education. The categories of 'no education' and 'school education' both are significant at 1% with positive coefficients. This shows that women borrowers with no education as compared to school or college/university education are likely to be associated with disagree of economic empowerment after microfinance as compared to neutral or agree, remaining all other variables constant.

Thus it concludes that borrowers with no education are 14 times as likely as the borrowers with school or College/University education that are categorized as disagree vs. neutral or agree and 14 times as likely as the borrowers with School or College /University education to have disagreed or are neutral on the increase in economic empowerment after microfinance vs. agreed, given that all the other variables in the model remain constant. Similarly the results of ordinal logistic regression indicate that the borrowers with school education are 11 times as likely as the borrowers with College /University education that are categorized as disagree vs. neutral or agree and 11 times as likely as the borrowers with College /University education to have disagreed or are neutral on the increase in economic empowerment after microfinance vs. agreed, given that all the other variables in the model remain constant.

The Table 6.2 demonstrates that there is no other significant variable except the number of years of membership with MFI, microfinance scheme and education. A closer examination of the results suggest that the number of years membership is significant with positive coefficient but this relationship does not hold when number of years membership is more than one year. Moreover, microfinance scheme 1 is significant with negative coefficient but there is no probability of increase in economic empowerment through scheme 2.

Thus the relationship between economic empowerment and microfinance is significant at a specific number of year's membership and with only one scheme providing all types of insurance, saving and training programmes with social benefits to their clients. Therefore, the

result of H₄ is only partially supported; however the results of economic empowerment at a lesser number of years of membership and with a full package of microfinance needs further investigation through interviews for the purpose of implications for microfinance providers, donors and policy makers.

6.2.2 The well-being of the family (H₅)

The logistic regression model assesses the relationship of microfinance and the well-being of the family (see Table 6.3). The model in this study is well fitted as it is highly significant at 1%, which means that null hypothesis can be rejected that the model without predictors is as good as the model with the predictors. The goodness-of-fit measures have large observed significance levels showing that the model fits. The parallel line assumption is met as it is insignificant.

The year of membership up to 1 year is significant at 5% and 1-3 years is significant at 1% and a positive coefficient shows the probability of a high dependent score. This means that membership up to one year as compared to 1-3 years or 3-5 years is likely to be associated with disagree of increase in well-being of the family after microfinance as compared to agree or neutral, remaining all other variables constant. Thus it concludes that new members are three (3.331) times as likely as the old members that are categorized as disagree vs. agree or neutral and 3 times as likely as old members to have disagreed or are neutral on the increase in the well-being after microfinance vs. agreed, given that all the other variables in the model remain constant. Similarly, members from 1-3 years are twice (2.644) as likely as the members from 3-5 years that are categorized as disagree vs. agree or neutral and twice as likely as members from 3-5 years to have disagreed or are neutral on the increase in well-being after microfinance vs. agreed, given that all the other variables in the model remain constant.

Table 6.3: Ordinal Logistic regression for the well-being of the family

Variable	Categories	Coef.B	Exp B	Std err	Sig.p	95% Confidence Interval	
						Lower Bound	Upper Bound
Threshold Well-being of the family	Agree	.234	-	1.233	.849	-2.183	2.651
	Neutral	4.295	-	1.265	.001	1.816	6.774
	Disagree	-	-	-	-	-	-
Location	0-1 years	1.203*	3.331	.517	.020	.191	2.216
Years of membership with MFI	1-3 years	.972**	2.644	.369	.008	.248	1.696
	3-5 years	-	-	-	-	-	-
Microfinance Schemes	Scheme 1	.157	1.170	.459	.733	-.744	1.057
	Scheme 2	1.056*	2.876	.467	.024	.142	1.971
	Scheme 3	-	-	-	-	-	-
Age	18-39 years	.649	1.913	.333	.051	-.004	1.301
	More than 40	-	-	-	-	-	-
Household head	Woman	.687	1.988	.476	.149	-.246	1.621
	Husband	-.246	.782	.407	.545	-1.043	.551
	Any other	-	-	-	-	-	-
Education	No education	2.826**	16.881	.970	.004	.925	4.728
	School education	2.526**	12.498	.969	.009	.627	4.424
	College/Uni. education	-	-	-	-	-	-
Family System	Nuclear Family	.602	1.826	.328	.066	-.041	1.245
	Joint family	-	-	-	-	-	-
No. of Children	No Child - 4	-.464	.629	.329	.159	-1.108	.181
	more than 4	-	-	-	-	-	-
Use of microcredit	Use in woman's business	.079	1.082	.302	.794	-.513	.672
	Any other use	-	-	-	-	-	-
Loan size	5000 - 15000	.367	1.444	.540	.496	-.690	1.425
	15001-25000	.531	1.701	.445	.233	-.342	1.404
	25001-35000 and more	-	-	-	-	-	-
Increase in income	Yes	-.727	.483	.385	.059	-1.482	.028
	No	-	-	-	-	-	-
Increase in assets-house	Yes	-.594	.552	.367	.106	-1.314	.126
	No	-	-	-	-	-	-
Increase in assets-Agricultural land	Yes	-.481	.618	.471	.307	-1.403	.441
	No	-	-	-	-	-	-
Increase in assets-others	Yes	-.583	.558	.373	.118	-1.314	.148
	No	-	-	-	-	-	-
Increase in household items	Yes	-.558	.572	.350	.111	-1.245	.129
	No	-	-	-	-	-	-

Increase in livestock	Yes	-.197	.821	.426	.644	-1.032	.638
	No	-	-	-	-	-	-
Increase in necessity goods	Yes	-1.885**	.152	.393	.000	-2.655	-1.114
	No	-	-	-	-	-	-
Increase in savings	Yes	-.956*	.384	.374	.011	-1.688	-.223
	No	-	-	-	-	-	-

Notes: - indicates the reference category; number of obs. = 252; $R^2 = .45$ (Cox & Snell), $.53$ (Nagelkerke); Parallel line assumption is met, Model $\chi^2(17) = 152.409$, $p < .000$; * $p < .05$, ** $p < .01$

The microfinance scheme 2 is significant at 5% and a positive coefficient shows the probability of a high dependent score. The microfinance scheme 2 as compared to scheme 3 is likely to be associated with disagree of increase in well-being after microfinance as compared to neutral or agree, remaining all other variables constant. Thus it concludes that members availing scheme 2 are twice (2.876) as likely as the borrowers availing scheme 3 that are categorized as disagree vs. neutral or agree and twice as likely as the borrowers availing scheme 3 to have disagreed or are neutral on the increase in well-being after microfinance vs. agreed, given that all the other variables in the model remain constant. The results of ordinal logistic regression, however, indicate that the relationship is insignificant in the case of microfinance scheme 1.

The Table 6.3 shows that education is another significant variable. The categories of 'no education' and 'school education' both are significant at 1% with positive coefficients. This shows that women borrowers with no education as compared to school or college/university education are likely to be associated with disagree of well-being of family after microfinance as compared to neutral or disagree, remaining all other variables constant. Thus it concludes that borrowers with no education are 16 times as likely as the borrowers with school or college/university education that are categorized as disagree vs. neutral or agree and 16 times as likely as the borrowers with school or college /university education to have disagreed or are neutral on the increase in well-being after microfinance vs. agreed, given that all the other variables in the model remain constant. Similarly the results of ordinal logistic regression indicate that the borrowers with school education are 12 times as likely as the borrowers with college /university education that are categorized as disagree vs. neutral or agree and 12 times as likely as the borrowers with college /university education to have disagreed or are neutral on the increase in well-being of the family after microfinance vs. agreed, given that all the other variables in the model remain constant.

The two more variables of increase in necessity goods and savings are significant at 1% and 5% respectively and a negative coefficient shows the probability of a low dependent score. The Table 6.3 shows that in the women's households with increase in necessity goods is 0.1 times as likely as women's households with no increase in necessity goods to be agreed vs. neutral or disagreed and 0.1 times as likely as with increase in necessity goods to be agreed or neutral vs. disagreed to increase in the well-being of the family. Similarly the increase in savings by women is 0.38 times as likely as women with no increase in savings to be agreed vs. neutral or disagreed and 0.38 times as likely as with increase in savings to be agreed or neutral vs. disagreed to increase in the well-being of the family.

The Table 6.3 demonstrates that the number of years of membership with an MFI, microfinance scheme, education, increase in necessity goods and savings are significant variables. The results suggest that there is a probability of increase in well-being of the family with the number of years of membership and microfinance Scheme 2 but there is no such probability in case of Scheme 1. Thus there is less chances of well-being of the family through microfinance with up to three years of membership of MFIs and with Scheme 2 as compared to more than 3 years membership and Scheme 3. Therefore, the H_5 is supported; however the results of well-being need further exploration by interview to enable us to understand the overall impact of microfinance on the well-being of the family.

6.2.3 Robustness of Results

In order to check the robustness of results the linear regression is run with the same variables of economic empowerment and microfinance. The variables of number of years of membership, microfinance schemes and education remain statistically significant, thus confirming our earlier results. One variable of 'increase in agricultural land' is significant at 5% in the case of linear regression that is not significant in ordinal regression.

Similarly, the linear regression is run with the same variables of well-being of the family and microfinance. A variable of 'microfinance schemes' did not show significant results, however, the variables of education, number of years of membership, increase in necessity goods and increase in savings, remain statistically significant, thus confirming our earlier results. One variable of 'increase in assets-house' is significant at 5% in the case of linear regression that is not significant in ordinal regression. Overall this shows that our main results almost remain robust to choosing a linear regression model.

6.3 CONCLUSION

The results of this chapter show that H_4 is only partially supported by ordinal logistic model and hence the result of increase in economic empowerment of women through microfinance remains inconclusive, since there is the probability of increase in economic empowerment through microfinance at a specific number of membership years. Moreover, economic empowerment increases with only Scheme 1 that is providing more insurance, savings and training programmes with social benefits to their clients than the other two schemes. The outcome of this study, that microfinance schemes are also a significant variable in empowering the women, is an important addition in the presence of diverse findings such as positive (Pitt, et al., 2006; Sanyang and Huang, 2008; Lucy, et al., 2008) and negative (Goetz and Gupta, 1996), in the literature of women's empowerment by microfinance. However, the emphasis of this research is on the economic empowerment rather than overall empowerment of women studied in previous studies.

H_5 is supported by ordinal logistic model that microfinance helps to increase the well-being of the family of the women borrowers. This result is in line with the results of Pitt & Khandker (1998) and Chemin (2008) that reported the positive impact of microfinance on the household expenditures and children's education and Khandker, et al. (2008) that microfinance helps to increase household per capita expenditure. However, Khandker, et al. (2008) found no impact of microfinance on children's schooling. Similarly, the Coleman (1999) study showed no impact of microfinance on health and education of the client in North East Thailand. Moreover, the results of logistic regression showed that there is less probability of well-being of the family through microfinance with up to three years of membership with MFIs as compared to more than 3 years membership. Furthermore, there is less likelihood of well-being of the family with Scheme 2 as compared to Scheme 3. It is noteworthy here that Schemes 2 and 3 provide fewer facilities of insurance and training than Scheme 1.

Education is a significant factor in both economic empowerment and well-being variables. It shows that women with no formal education have less probability of increase in economic empowerment and well-being of the family. The education can be improved by providing awareness programmes for the women; therefore MFIs should revise their training programmes to meet the educational needs of the women.

All the above results of the hypothesis are confirmed through robustness check by linear regression model. The table 6.4 provides the summary of research questions, respective hypotheses, variables, statistical analysis and the results. The significant results of the five hypotheses are presented in Table 6A in Appendix II.

Table 6.4: Quantitative Analysis-hypotheses, variables and statistical tests

Research Questions	Hypothesis	Dependent Variables	Descriptive Statistics	Bivariate Analysis	Hypothesis Testing	Result
RQ1- Does participation in the microcredit programmes contribute to the development of women entrepreneurship in Pakistan?	H₁: Microfinance financial and non-financial services develops women microenterprise	Enterprise Growth	-Frequency distribution -Cross tabulation	-Chi-square Test -Mann Whitney U Test -Spearman Correlation	Ordinal Logistic regression (Cronbach's Alpha and Multicollinearity)	H ₁ =Supported
	H₂: Microfinance financial and non-financial services develops women entrepreneurial abilities	Entrepreneurial skills development	-Frequency distribution -Cross tabulation	-Chi-square Test -Mann Whitney U Test -Spearman Correlation	Ordinal Logistic regression (Cronbach's Alpha and Multicollinearity)	H ₂ = Not supported
RQ2- Does participation in the microfinance programmes provide a positive push towards access to finance by women from commercial banks and financial institutions?	H₃: Microfinance increases the access of finance from commercial banks	Access to finance from Commercial Banks	-Frequency distribution -Cross tabulation	-Chi-square Test -Mann Whitney U Test	Ordinal Logistic regression (Cronbach's Alpha and Multicollinearity)	H ₃ = Not supported
RQ3- Does a microfinance loan economically empower women and increase the well-being of their families?	H₄: Microfinance services develops women's economic empowerment	Economic Empowerment	-Frequency distribution -Cross tabulation	-Chi-square Test -Mann Whitney U Test -Spearman Correlation	Ordinal Logistic regression (Cronbach's Alpha and Multicollinearity)	H ₄ =partially supported
	H₅: Microfinance services develops the well-being of the women and their families	Well-Being of the family	-Frequency distribution -Cross tabulation	-Chi-square Test -Mann Whitney U Test -Spearman Correlation Test	Ordinal Logistic regression (Cronbach's Alpha and Multicollinearity)	H ₅ = Supported

CHAPTER: 7

Structure, processes and experiences of women borrowers and microfinance providers

The triangulation approach has the flexibility to blend the qualitative and quantitative research methods in any order. This chapter on qualitative analysis will focus on most of the areas that were addressed in quantitative analysis, thus helping to confirm or refute the quantitative results of the study. The purpose of this method is to have an in depth analysis of the themes to capture the soft areas of the concepts which may not be covered in sophisticated statistical techniques. This chapter takes into account the interviews with the women clients and the loan officers/head of the MFIs'. The chapter is divided into two sections: the first section comprises of information about the MFIs collected through institution' website, annual report, documents and interviews. The interviews with 3-4 loan officers and one head/officer from each of the MFIs, consists of 45-60 minute interviews. The second section covers the analysis of structured interviews with 50 women clients of three microfinance institutions lasting for 30-35 minutes each.

7.1 MICROFINANCE PROVIDERS

Main focus of this study is to examine the impact of microfinance on women in a developing country. However, to understand the impact of microfinance on women there is need to consider the structure and operations of microfinance institutions in that country. Section one of this chapter consists of four parts. This section covers the information on the working of three microfinance institutions and its impact on women borrowers. This section includes the primary data from interviews of the staff and heads of three MFIs and the secondary data from the websites and published reports of three MFIs. The first part is the mission statement of the microfinance institutions with information on the funding, the structure and the hierarchy of MFIs, and composition and training of the staff. The second part is linked to

purpose, type and amount of microcredit products with complete information on microfinance loans, saving and insurance facilities. It also includes the processes of group or individual lending and the capacity building approach of the microfinance providers. The third part covers the screening and monitoring process of MFIs which includes information on loans to potential clients, criteria for client selection, guarantees provided by clients, proper usage of loans and default management policy of the MFIs. The fourth and last part of this section is more related to the objectives of this research. The last part of the section is about the impact of microfinance on women enterprises, entrepreneurship, economic empowerment and the well-being of the family that is achieved or perceived by these loan providers.

7.1.1 Mission, structure and human resource of MFIs

The Khushhali Bank Limited (KB), founded in the year 2000, is following the microfinance concept of Grameen Bank. It is a semi-government microfinance bank operating under the supervision of State Bank of Pakistan, in order to achieve poverty reduction and the microfinance sector development plans of the Government of Pakistan (Kushhali Bank Limited, 2010). With the development of the microfinance sector in Pakistan the mission of KB is confined to accessibility and outreach of finance to the underprivileged and poor people of Pakistan (Kushhali Bank Limited, 2010). Kashf Foundation (KF) started operations in 1996 while Asasah was founded in 2003. However, both are NGO based specialized microfinance institutions inspired by the Grameen bank model. The mission of both SMFIs are poverty alleviation with KF focusing on the economic role and decision making capacity of women only (Kashf Foundation, 2007) and Asasah focusing on enhancing the micro productivity of the household by providing loan to a household through a woman (Asasah, n.d.). However, the Khushhali Bank and the Kashf Foundation are the first and third largest microcredit providers in terms of active borrowers in Pakistan (Ali, 2012).

The KB has the largest network of branches with more than 100 branches all over the country with one branch in the main city of a district. KB operates in various rural and urban areas of Pakistan with specific focus on those areas where the residents have less or no access to financial institutions. On the other hand Asasah is confined to the rural, urban and semi-urban areas with 26 branches in 10 districts of Punjab province (Asasah, n.d.). Conversely, KF has 151 branches in the urban and semi urban areas of Punjab and Sindh provinces with a number

of branches in each city and district (Kashf Foundation, 2010). However, Kashf Foundation has plans to go to the rural market, as explained by interviewee no. KF5:

“We focus on developing the urban market because in rural areas government support programmes and [Microfinance] banks are working. We have plans to go into the rural market. Therefore, we are piloting some rural areas with our satellite branches to test our model. We have done some research in the rural areas ...we want to do research ourselves and then move into this unlike the other MFIs. Our urban rural ratio is 95:5 now and in 2015 we planned it to 70:30”.

KB is owned by the many commercial banks of Pakistan and now financed mostly from the market rather than the Government's Poverty Reduction Fund and Asian Development Bank. Asasah has commercial investors (Asasah, 2009) and KF has multiple sources of funds such as borrowing from financial institutions, grants and loan recoveries (Sosense, 2012).

Kashf Foundation provides microfinance services including microcredit and insurance with a capacity building approach, while Asasah provides financial services like microcredit, insurance and savings and social performance management programmes like education scholarships. On the other hand KB only provides the financial services of microcredit and commercial banking. It provides a bridge between microfinance and commercial banking as the micro loans are under the microfinance department. And savings and remittances with loans of large amounts are provided in the commercial banking services.

KB hired young staff both males and females with a minimum graduate qualification. The areas where agricultural micro loans are higher in demand, the graduate from the Agriculture University are preferred as loan officers. A strict merit based selection of staff by screening through test and interviews ensures the quality of their human resource. The staff is trained with various customer dealing tools and equipped with a conveyance facility of a motor bike for male staff and a car and driver facility for female staff. According to interviewee no KB4:

“We invest much in human resources, proper recruitment on merit and training and more facilities to staff help in reducing the default rate”.

Members of KB staff are appointed as trainee officers in the first place to work with experienced Business Development Officers (BDO). The team of BDOs work under the supervision of the Relationship manager (RM). RM reports to the Branch Manager (BM). BM is responsible for microfinance and the commercial banking services of a branch. The set of branches in different union councils come under the jurisdiction of Area Manager (AM). The network of branches all over the country is divided into three regions that are southern, northern, and central regions, supervised by the Regional Managers. In the Head office five heads of operations, human resources, risk management, information technology, internal audit and compliance, and finance and accounts work under the President of Khushhali Bank. The hierarchy of NGO based MFIs are the same starting from the Business/Community Development Officers (BDOs/CDOs) headed by the Branch Manager. In MFP's the Branch Manager and BDOs/CDOs are responsible for completing the targets of loan disbursement and payment of loan instalments. The tight and tough targets given to the employees can lead to more repeat clients which strengthen the vicious circle of lending. The Branch Accountant compiles the data of loan disbursement, repayment and the collection of instalments and report to the head office. The Branch Manager and Branch Accountant are headed by the Area Manager and the Area Managers of various areas are under the Regional Manager. Both MFIs' staff is trained to behave professionally within the social and cultural limits of society. Asasah has a complete set of training programmes for the employees to prepare them for the capacity building of the clients. Moreover, Asasah also has a reward system based on the performance of employees.

7.1.2 Microfinance and credit plus

The Khushhali Bank provides loans for agricultural products, livestock and enterprise. The enterprise loan includes a loan for running a business or for purchasing any business asset. The KB initially disbursed loans individually, but has now moved to group lending to take full advantage of peer pressure and trust relationship among the group members which help in improving the recovery rate of the bank. Asasah is in group lending since its inception. A group consists of 5-25 members of the same locality. The group lending in these two MFIs are technically different. As in Asasah the group member's personal guarantee make them morally responsible for one another with the group leader giving crossed cheques of the loan amount of the whole group as an additional guarantee. While in KB the group member's

personal guarantee make them morally and financially responsible for one another as it is the only guarantee required. Asasah also provides individual lending to its existing good clients that require a large loan to meet the expanding needs of the enterprise.

On the other hand Kashf Foundation (KF) is moving from group lending to individual lending because of the decrease in recovery rate. The reason for this decrease was a rumour about writing off outstanding client loans due to the death of the Chief Executive Officer (CEO) of KF in late 2008. Kashf Foundation refutes the news about the death of CEO and writes off loans, but it spreads in all the branches of KF. In that event they lost the payment of a group rather than an individual. Moreover, they lost the loan instalments due to fraudulent group leaders who took money from the members and never paid it back. Most of clients did not pay the loan because other members of group are not paying it. The moral as well as financial obligation shared by each member of a group can be the cause of this eruption of this problem. A study on that event suggests that flaws in lending practices of microfinance sector are responsible for this problem: multi-borrowing by clients from various microfinance providers at one time, use of multi-borrowed loans for consumption that lead to over-indebtedness and weak monitoring and control by the microfinance providers (Burki, 2009).

To improve their recovery of existing loans and the image of the organisation KF have introduced a new product aligned with the needs of the new as well as the existing clients. The products currently offered by KF are Kashf Business Loans and Kashf Trust Loans. The Kashf Business Loans are for new clients and those existing clients who completed their previous loan payments and Kashf Trust Loans are for those existing and returning clients who have an outstanding balance of a previous loan due to that event in 2008. In latter type of loan the liability of loan payment each month is more than the amount actually dispersed to the clients. In this way the clients are able to pay their existing as well as the previous unpaid loan instalments. They ease the procedure by providing individual lending with no compulsion to attend the meetings. These new settings in KF help to improve its loan recoveries in the existing areas of operation. According to the Kashf Foundation's interviewee no. KF5:

“We are more confident in individual borrowing in the current environment. The reason for changing the methodology is to understand, to focus more on the individual rather than the original concept of social collateral, where you trust each other’s judgement, where we have to trust the judgment of our clients about other clients. That is very good methodology and is still being used in the world. However, in the current environment it is very difficult to govern others while running one’s own business. In the past relationships were different, but now binding in society, social structure and strata have been eroded, people’s values have changed; now you have to understand one to one and pick the best from a much bigger pool of not very trust-worthy people. Those crises [delinquency problem in Punjab in 2008-09] are because of these reasons...Today people are rethinking delivering microfinance and changing methodology”.

On the other hand Asasah, who is in favour of the group lending methodology added by interviewee no. A5:

“Everyone is saying group lending is not successful but the fact is that the Grameen group lending methodology was not originally implemented here. The criteria that people need for forming a lending group is that they be acquainted with one another and they are socially bounded and responsible for one another. But what happens here is that if one member did not pay the instalment other members have to pay for her by force. The Grameen group lending methodology makes group members socially responsible. However, here the group members are socially and financially responsible. This wrong methodology also comes into our organisation, but we reengineer it to put it on the right track. We make group members only socially responsible and in the group meetings they not only pay, but also have training, health service facilities, meetings with the client’s male family member and awareness programmes for the clients”.

In KF first time the loan is disbursed to a woman for her own business, though she can invest the loan in her husband’s/son’s/daughters’/family business in case of existing client. Asasah provides a loan to a woman in a household to invest in any income generating activity by her or any member of her family like husband, or son. Asasah’s viewpoint is that a woman

cannot become part of a microfinance institution without the support of male members of her family. According to Asasah microfinance will never be successful if the client's male family member is not given awareness and made responsible for the payment of a loan. Therefore, if credit is in her name and used by the husband then her worth in the family is increased, not only because of her access to credit, but also due to knowledge gained by the male members through the awareness programmes. If a woman does not use the loan for her own business even then she is involved from loan approval to loan disbursement and Asasah ensures the proper involvement of the woman. The concept of development of the household is supported in Asasah where credit to a woman is for the welfare of the household by empowering the woman as well as ensuring support from her husband. This will make the household members work as a unit for the development of their family. The involvement of the males of the family, their awareness programmes and making them responsible with clients in Asasah are prominent features differentiating it from Kashf Foundation. In KF the consent of client's male family member is also required but there is no awareness programmes for the spouses. In KB the males or females taking the loan are responsible themselves for the loan payment, but the consent of the family members (husband/son) of the borrower (female client) is attained in KB as in Pakistan the family work in a unit for business and the household. According to Interviewee No. KB4:

“Social mobilization requires awareness to the males”.

In KB the microfinance services are provided to men and women as opposed to the other two MFIs which provide services to women only. Khushhali Bank provides direct lending to the person for his/her own use only. This guarantees the right use of a loan by female entrepreneurs and also reduces the possibility of misuse of a loan. The KB target market includes entrepreneurs with experience of running an enterprise. Lahore and Kasur district clients mainly use enterprise loans in KB. However, Kasur has a majority of female clients.

Table 7.1: The Enterprise Gross loan Portfolio and female active client of Khushhali Bank in 2010

Khushhali Bank Branch	Enterprise Gross loan Portfolio in 2010 %	Female Active Client %
Vehari	0.2%	44.2%
Lahore	99.6%	66.5%
Kasur	87.5%	89.6%

Source: Branch Manager, Khushhali Bank Limited Lahore -email communication on 12 April 2011

The Kashf Foundation provides loans for running businesses and the Khushhali Bank provides loans to experienced entrepreneurs for starting or running businesses. Interestingly the methodology of Asasah is different. It can provide loans to inexperienced entrepreneurs who want to start a new business. They provide awareness programme to the prospective female clients on which type of business is profitable with regard to the specific locality and economic and social conditions of the country. Another awareness meeting is arranged for husbands of the prospective female clients as discussed above. After the women become the clients the CDOs help the clients to develop the market networks to purchase low priced supplies and sell goods at a reasonable rate. According to A5 :

“As people do not trust women entrepreneurs and also due to immobility problems the female require market links. Therefore we [Asasah] provide guarantees for market that the female entrepreneur is genuinely engaged in business. And we have organised women into groups to solve the problem of female mobility”.

The entrepreneurial training by Asasah is arranged for the female clients on a quarterly basis in each branch, which includes two levels that is *Business Orientation* covering how to do market assessment, dealing with customers and *Cash flow Development* relating to accounts and finance. The clients are also given the opportunity to develop as an entrepreneur by sending them in international exhibitions for selling their goods and earning good money. According to Interviewee A5:

“The enterprise development, market linkages and microcredit are all given as a package, as only credit is not sustainable. In 2006, we gave business orientation to 500 female clients, only 32 of them are successful entrepreneurs as all women cannot be the entrepreneurs”.

Kashf Foundation has also a capacity building approach and they provide the training at the time of disbursement of the loan named as Basic Financial Literacy Training and after its disbursement named as Systemized Financial Education Training. Basic Financial Literacy training is given to the client on a one to one basis for at least 2 hours regarding budgeting, saving, opening of a new bank account, how to manage funds and microcredit. KF is planning a comprehensive programme of Systemized Financial Education Training regarding supply chain management, networks and linkages development, strengthening the abilities of their existing clients. This training will be held by Gender Empowerment and Social Advocacy Department of KF. On the other hand, there are no training programmes in KB for their clients the absence of which is not helpful in developing the entrepreneurial abilities of their clients.

The savings and remittances services are available in the commercial banking section of the KB. The clients of KF also enjoy the ‘Kamal Committee’ a saving product by opening an account in Kashf Microfinance Bank. The clients of Asasah can save a small amount of money with their household members in a savings product of Asasah named Group Saving, but if a female client wants to maintain secrecy in saving the amount, a separate saving product named Individual Saving serves her purpose. Asasah encourages graduation of the clients by saving money for the whole year and due to their savings and profit from their business, they may not need a loan for the next year.

The KF provides life insurance for the client and her spouse at a minimal premium which covers the cost of any outstanding loan in the event of the death of the head of the household and a small amount to cover the burial cost (Kashf Foundation, 2007). Moreover, the instalment can be accepted on a weekly basis for the ease of the client and she can obtain help and advice from BDOs any time on the phone. Additionally, KF has launched a Flood Rehabilitation and Reconstruction Project for the people affected by flood. In the first phase they build houses with the contribution from financial institutions and private donors and in

the next phase they will provide microfinance services to those people (Kashf Foundation, 2007). On the other hand, clients of KB have a privilege of free of cost insurance in which the family members of a client are not liable to pay the loan in case of death or the permanent disability of the client.

Asasah provides health insurance for the female client and life insurance for the client and her household head at a minimum premium. The family of the client can obtain advice from the doctor on the free helpline. Moreover, an Education Loan is provided for the children of the client at 5% less interest than the microcredit. Additionally, educational scholarships are provided for the children of the client above elementary grades and rewards to the clients for the successful entrepreneurs (Asasah, n.d.). The other services include a free of cost lawyer in case of any court legislation for the client or her family members and a special allowance for mentally disabled family members of the client. A new package of loan was launched in January 2011 by Asasah for the destitute clients that include microcredit, insurance without premium and educational scholarship for the children of the clients. The table 7.1 is presenting a comparative analysis of microfinance loan requirements and policies and procedures of three microfinance providers.

Table 7.2: The Comparative analysis of microfinance loan requirements and policies & procedures of three microfinance providers

	Khushhali Bank	Asasah Foundation	Kashf Foundation
Purpose of loan	Outreach of finance to unbanked	To increase the micro productivity	Sustained financial services for women
Type of loan	Agricultural, livestock, enterprise	My Business Loan, Grow the Business Loan, Business Borrowing, Livestock	Kashf Business Loan, Kashf Trust Loan
Type of lending	Group lending	Individual and Group lending	Individual lending (in a group of 3)
Criteria of lending	Income of the household less than taxable income ²²	Women in actual need and willing to invest it in any income generating activity	Business of a woman or her male member of household running for at least 6 months ²³
Other requirements	Permanent resident of the area for 2 years, 2 years' business experience, National Identity card (NIC) of client, no blood relation in a group	NIC of a woman or her male member of household, Post-dated cheques from group leader of the total amount of loan payment in a group ²⁴	NIC of a woman and her male member of household, Four post-dated cheques of the amount of loan from each client, bill of the client's house
Maximum no. days of loan disbursement	8-10 days ²⁵	-----	One week ²⁶
Minimum loan amount	Rs. 3000-Rs.5000	No limit	Rs. 10,000
Maximum loan amount	Rs.30,000-Rs. 40,000	No limit	Rs. 50,000 and more
Maximum loan amount for new client	Rs.10,000-Rs.15,000	No limit	Rs. 25,000
Rate of interest	29% Annualized Percentage Rate	20% simple interest rate per annum	20% simple interest rate per annum
Frequency of Instalment	Monthly ²⁷	Bimonthly	Monthly
Penalty for late instalment	Interest is charged on per day basis	No	No
Total period of loan repayment	12 months	12 months	12 months

²² Limit is Rs. 300,000 p.a. in 2010.

²³ In the 1st loan cycle the business must be of the woman.

²⁴ Postdated cheques are also taken from a client whose loan amount exceeds Rs. 25000.

²⁵ Depends on how quickly the group completes the requirements.

²⁶ Depends on how quickly clients complete the requirements.

²⁷ Can also be quarterly/semi-annually/annually depending upon the requirement of the group of clients.

	Khushhali Bank	Asasah Foundation	Kashf Foundation
Frequency of meetings	Monthly	Bimonthly	No meetings
Social benefits to clients	No	Education scholarship and loans for client's children	No
No. of members in a group	5-20	5-25	3-5 (but individually responsible to pay)
Guarantee required from the client	Personal guarantee	Personal guarantee cross cheque of group leader	Four cross cheque of the client's bank account
Responsibility of all members for each other in a group	Financial and moral	Moral	no
Recovery rate	90-100% ²⁸	95-97%	100% ²⁹
Saving products	Saving accounts, term deposit and remittances under commercial banking	Group savings and individual savings	Kashf Kamal Committee under Kashf microfinance bank
Insurance products	Disability and life insurance of the client -free of cost	Disability/Life insurance of client and her husband, health insurance of client	Life insurance of the client
Types of trainings	No training programmes only advice to clients by BDOs in meetings	Awareness training and entrepreneurial training	Basic Financial Literacy Training and Systematized Financial Education Training
Microfinance services to clients	Male and Female	Household through woman	Woman
Increase in amount for repeat client	20% more than previous loan amount	Depends on the enterprise development	Rs 5000 increase in loan amount each year
Multiple borrowers policy	Can be third loan provider	Not provided to the clients of other MFIs	Not provided to the clients of other MFIs
Default management policy	Follow up	Follow up and involvement of reputable person of the community	Follow up by BDOs, branch manager and then regional manager
Referred to commercial banks for loan of large amount	Individual lending of Rs.25,000- Rs.150,000 is available in commercial banking section of KB	No, but clients leave the MFI in case of no need to have credit.	Referred the clients, in need of loan of large amount, to Kashf Microfinance Bank Limited

²⁸ Varies branch to branch

²⁹2006-2009

7.1.3 Screening and monitoring of clients

Khushhali Bank staff start their working by researching the potential of an area to generate income and then devise the marketing strategy. At the beginning of the bank or in the case of opening of a new branch, BDOs have to follow an expanded marketing plan. The BDOs provide information about microfinance loans and the banks to the residents of a locality by visiting them door to door, giving them pamphlets and welcoming any queries. The information also flows from the existing clients to the potential clients. The market examination for male/female composition, industries working and prevailing economic factors are analysed before selecting any area. Asasah and KF also market their products in the new area by visiting the local people door to door. In Asasah CDO's visit the potential market to find out which type of product or income generating activity will be suitable for such an area. The information about it is given to the potential clients and their husbands' in the awareness meeting.

In KB the clients with a household annual income less than a taxable amount and a national identity card, who have been resident in that locality for 2 years and have experience of running a business for 2 years are eligible for the loan in a group. No blood relations between the group members are allowed in one group. The officers of KB believe that the lower default rate is the reason for strict selection and screening procedures of their clients. When a woman applies for a loan, the BDOs confirm her details by visiting her house and business place. Further screening is completed by a Relationship Manager (RM) by visiting the women borrowers. The loan in KB is always provided in a group comprised of 5- 20 members and the group members choose a leader. The time between the loan application and loan disbursement depends on the fulfilment of the requirements by the group members. All the group members sign a guarantee form. By signing that the group members become morally as well as financially responsible for one another. It means that if a member cannot pay the instalment all other members are responsible to pay on her behalf. Therefore, the trust relationship among the group members makes group lending successful. The monthly meetings are organised to address the matters such as proper usage of loan, payment of instalment at the right time, business network and peer mentoring. The borrowers cannot be absent in more than 2 consecutive meetings. The BDOs attend the monthly meeting to resolve the matter of non-payment of the instalment or absence of a member. The BDOs also

make quarterly monitoring of their clients to confirm the proper investment of finance in business and the enterprise development.

In Asasah the needs of potential client for a loan amount and her skills are identified. Asasah requires a NIC from a woman or her husband and accepts a maximum of 5 members living in a rented house in the locality out of a maximum 25 members, only if 3-4 residents and the house owner provide a guarantee for the members of the rented house. The group of 25 members consist of 5 subgroups of 5 members including one leader of each subgroup and one unit manager of the whole group. All the group members provide the personal guarantee. However, the Unit Manager is required to provide post-dated crossed cheques of the total amount of loan disbursed to a group of her own bank account or bank account of her husband. A post-dated cheque is also mandatory from the client requiring a loan for more than Rs. 20,000. Finally the forms are filled in for each member and the CDOs verify their details and documents with the original, visit their houses and business place and also meet with males of the members for awareness meetings. The loan is disbursed in the branch office in the presence of the group members and their husbands'. Every 15 days there is a meeting and the group members deposit their instalments in the bank before attending the meeting. The accountants of each branch collect receipts from the bank to find out whether the payments are made or not. In the bimonthly meeting members also show the receipts to the BDOs who write in their passbooks that the payment is received. During the meetings not only the issues relating to credit are resolved but advice on any household problem, health awareness programmes and on the spot training are also provided. The clients are monitored regularly in the meetings and their businesses are monitored by visiting the business place after 6 months. Moreover, increase in the savings of a person is a way of monitoring that assures the smooth running of income generating activities and profit from it.

In Kashf Foundation the loan is available for a business that has been running for at least 6 months. The character and paying behaviour of the potential client are assessed by confirming the details of the client from the locality and the loan officers judge the requirement of the loan and capacity of the client to pay back the loan by visiting her house and business place. The documents required for accessing the loan are NICs of the woman and her nominee (any male member of the household), utility bills of the household and four post-dated crossed cheques of the total amount of loan. KF takes the crossed cheques from

every client as a guarantee and cheques can be for the woman's account or any other person who owns a house such as a husband or a son of the client or landlord in the case of a rented house by the client. If the guarantee, in the form of post-dated cheques, is provided by a male other than the husband then the husband should be made the nominee of the loan. It means that in case of non-payment the woman as well as her husband is responsible to pay back the loan. The loan is provided to groups of three to five women. However, the members are not financially and morally responsible for one another. Every client is responsible for her own loan instalments. The instalments are to be paid monthly but there are no monthly meetings. The clients can contact BDOs anytime for any help. BDOs monitor the clients on a regular basis by visiting them monthly.

The personal guarantee taken by KB makes clients liable for one another and this guarantee is strong enough to recover the loan in a community having strong social bounding. However, the chances of default arise if a group leader has the intention of fraud by collecting the instalment from the members and not submitting it to the MFI. To reduce the risk of default the clients are informed by BDOs to enquire for the receipt from the group leader after one day of submitting the instalment by her, which shows that she has paid the instalment to KB. However, in Asasah another guarantee in the form of post-dated cheques from Unit manager minimizes the risk of fraud by the group leader. Similarly the post-dated cheques from each client in KF also provide a shield to lessen the default rate. Nevertheless in KB's merit based system for the selection of the staff, systematic procedures and market analysis for selecting a target area and strict screening and monitoring of the clients are able to reduce the risk of default.

In KB the loan is also provided to the existing clients with a 20% increase in the amount of the previous loan. However, further checking and monitoring of business development is compulsory in the case of repeat clients. The 5-6% of the microfinance clients of KB that reach their maximum level of loan amount is shifted into the commercial banking loans in case of client's needing a loan of a large amount. Asasah also allows lending to existing clients but after proper monitoring. Their enterprise is assessed by checking if the business is running and improving. The social performance management assessment is performed to assess the increase in mobility, education of the children, savings and credit amount of the clients to ensure the improved institutional performance. They also monitor how many

clients' families have come out of poverty and of those families that are out of poverty, how many graduate in terms of increase in savings and credit. Asasah focuses more on savings to meet the expanding needs of a business of the client than referring her to a commercial bank, because according to Asasah, microfinance is a new concept still growing and it takes much more time for the clients to graduate from micro and small business to medium business in order to access the commercial bank funding. KF encourage the disbursement of loans to their previous clients as in the old branches of KF most of the clients are the repeat clients. However, the preference of the KF after 6-7 loan cycles is that the clients should be graduated to the microfinance banks or commercial banks. But most of the women are the clients of KF for 10 years and every year there will be a raise of Rs. 5000 in loan amount for existing clients. Single, married or divorced every woman could take out a loan from Kashf Foundation. If a client requires a loan of a large amount not covered under KF then she is referred to Kashf Microfinance Bank.

In case of non-payment of the loan in all of three MFPs, the staff follows the default management policy to follow-up the client until the payment is received. The follow ups of the client are done by the BDOs/CDOs, Branch/Relationship Manager and even if required by Area Manager. Asasah takes the help of a reputable person of the locality to put pressure on the client to make the payment. KF gives them awareness that they will present the cross cheques of the client or client's guarantor in the bank in case of non-payment which can destroy their reputation in the locality. Recovery rate is good in rural areas as compared to the urban areas in Asasah where people are more socially bounded. KB reports the same that the default rate is more in the urban area of the Lahore district because Lahore is a big city and due to employment opportunities people from different areas migrate into this city. The norms, culture, understanding and behaviour of the people from different localities affect the strong commitment of members in a group, and therefore, one clash in ideas, thinking, and understanding makes the group inoperative and increases the chances of default. It is also difficult to handle such clients by the staff. All the MFP's are of the view that if a client misuses the credit such as consumption use or giving the credit to any relative or lending the money to any other borrower on interest, then there are high chances of default. The loan will not be disbursed to such a client for the next loan cycle if the BDOs /CDOs find the misuse of loan by her. The MFPs also stress the importance of savings by the clients that can be used

for payment of the instalment. In KF until 2009 the recovery rate is almost 100% but after the crisis they have to face the delinquency problems. This MFI worked hard to regain its position in the market by changing the methodology and support from funding institutions. In a question of how KF is sustained in the crisis interview KF5 explained:

“To sustain is the first objective of Kashf, we want to continue. We have been the most sustainable institution so we have enough reserves to get through this entire period. PPAF and ... [funding body name] gives lots of support as we are the biggest players of MFI in the country. The committed Board of Directors and the entire management think we can do it again but in a different way ... we rebuild the institution, we have capabilities and expertise and are conscious that we learn from mistakes; we change things; we cannot be rigid; we sat and from January 2009 to April 2009 suspended all operations except the recovery operation from clients and relationship development. Then the new methodology was ready”.

The clients of Asasah and KF cannot take out loan from any other MFIs, but even then the multiple lending exists in the districts where there are large number of MFIs. KB can be the third loan provider to a client which highlights the problem of multiple lending and borrowing in the region. However, the defaulter of KB microfinance loan is not able to borrow money from any other MFI or commercial bank as the defaulters of KB are included in the list of Electronic Credit Information Bureau of the commercial banks accessible to the MFIs and the commercial banks. However, the name of defaulters of other MFIs and their full details are not yet included in it which seems to be an area where there is a need to pay attention to avoid too much lending and borrowing to the same set of clients.

7.1.4 Microfinance and women borrowers

Microfinance is a young concept as is entrepreneurship. Therefore, the most important aspect of microfinance is the awareness to the women and also to their families. There is need of training programmes that progress with the progress of the clients. These programmes should be designed in a way that after attaining a level in the business and household the next level of training should be provided to the borrowers to achieve improved business and personal skills. Asasah has very clear plans to develop women as entrepreneurs and to make them

aware them of their rights in the household. The targeted households' males and females are given awareness of the microfinance programme and the purpose of it. After obtaining the consent of both, loans are disbursed to the woman that has the support from her husband. If a woman wants to start a business then financial (credit) with non-financial support (market links) is provided by the institution and their entrepreneurship skills are polished through trainings. According to Asasah there are three types of woman client: one who has some entrepreneurial skills and willingness to take initiative to support the household, such clients will become entrepreneurs after taking a full package of microfinance; second, one who lacks entrepreneurial skills, or does not have a supportive husband needs 3-7 years to take full advantage of the package; and third the on and off client that takes out a loan in need and then disappear until she needs it, such a client will never get full advantage of the microfinance package provided by Asasah. This full package of credit, awareness to household members, market links, proposing new business ideas, business orientation, cash flow trainings and opportunities to sell products in national markets and to display products in international exhibitions open the eyes of the borrower to a new world with the consent of her spouse. The woman will take advantage of it if she is partially participating or even not participating in the family or husband's business financed through microfinance. The support from the institution gives them courage; health and life insurance give them security; and regular meetings give them awareness about their rights and increase the personal skills and mobility of the women. She feels much more empowered in making decisions in the household due to the improved economic conditions of the family. Asasah's aim to increase productivity of the household is achieved by enterprise development by the female client or her husband, more children enrolled in the school and a woman more empowered, aware of her rights and secure in the household. The development of entrepreneurship abilities and expansion of enterprise into small and medium sized businesses is a long term objective that requires many years of effort.

KB highlighted that first the client has less experience of best utilization of loan and savings, but by the time they learn the skill to use the loan efficiently, to make a budget and to foresee the future expenditure and save for it. Moreover, self-confidence, communication skills, market awareness and decision making in the business and household are much improved with uninterrupted borrowing and running the enterprise. The repeat clients have much more

advantage of microfinance than the new clients. The female borrowers are preferred in KB due to high recovery rate, accessibility and more personal guarantees offered by women clients. The staff of KB describes women households as being much improved with this loan as one of them reported the appreciation of MFI in the words of her client as “*when I came here I had no shoes on my feet but now I also have a ring on my hand*”. The daily food intake quantity and quality and children’s education are the factors that have much improved compared with before taking the microfinance loan. The KB is targeting to increase the number of people in the banking network by providing a loan of a very small amount and they are successfully completing their aims by extending the microfinance services to the rural areas of Pakistan.

Kashf Foundation’ existing clients become more aware of the workings and benefits of microfinance. The rural market is much educated and already accepts the culture of small loans to women due to this old institution. The advantage of this MFI is that loans of large amount can be obtained to do business. This has increased the financial abilities of the clients with increase in the personal skills such as self-confidence and better communication skills. However, more information of microfinance market by clients, preference and confidence on the existing clients by KF and no check on the multiple-borrowers are some of the factors that went against it during the crisis of delinquency in 2008-2009.

KF stresses more on the well-being of the family and empowerment of the woman. KF achieved its objective as explained by Interviewee no. KF5:

“It starts with social empowerment to get them more accepted, recognized, respected within their household, locality and within the society, that she has become a major contributor / source of funding for the household. Social empowerment links with economic empowerment- then their decision making becomes very important in the household in terms of how much of a loan they take out and what is the best usage of the loan. Because we say in front of their husbands, fathers, sons, brothers that you [female client] are the decision makers of this loan, we are giving loan to you. You will be master of this loan. She feels pride. This also sometimes leads to political empowerment, lots of our clients have participated in grass root politics and have become local councillors. Becoming important enough to be part of certain political activities in their communities,

but those clients have graduated to larger businesses and we want to give attention to more vulnerable people”.

The type of the business run by the women client of MFIs depends on the type of the area. The women in rural areas usually take out loans for sewing, embroidery, shoe making and cutting of sugarcane or the women hand over their loans to their husbands or family heads to do business. The women in semi urban areas are involved in nursing, sewing, embroidery, retail shop, the livestock business and selling of clothes and washing powder, cutting and packing of dry fruits and spices and producing of blankets. The women in urban areas are associated with jewellery making, beauty salons, sale of cosmetics, boutiques, sale of handbags etc. Women clients in the Lahore district either rural or urban areas are very much aware of the microfinance institutions. This is because of the concentration of microfinance institutions in Lahore city and district, as Lahore is the capital city of Punjab Province. The KB staff reported that the women of the Kasur district are more empowered than the other districts even before taking out microfinance loan. Moreover, the women of Kasur are involved in all of the stages of their business without the help of male members of their household. This makes Kasur district a good market for all microfinance institutions. This may be the reason for the high percentage of females taking out enterprise loans in Kasur branch of Khushhali Bank (Table 7.1).

It shows that it may be good for women entrepreneurs to remain in the cycle of the borrowing and utilizing of the loan for income generation for a specific period until they learn business and financial management skills. On the other hand multiple borrowing by the clients where there is no proper system of monitoring in all the microfinance institution becomes a way of exploiting the loan money on purpose. The multi-borrowing is common in the urban clients because the need of finance in their business is not fulfilled from one microfinance loan and the amount of loan is also less than commercial banking credit facility. Access to finance from a commercial bank by microfinance clients is the objective of Khushhali Bank and the State Bank of Pakistan. The vicious circle of borrowing and multiple-borrowing are hurdles in this objective. Nevertheless the multiple borrowing gives them a big opportunity to put money to wrong use unless the microfinance sector of Pakistan joins hands to take corrective actions especially in the district of Lahore (for more detail see section 7.2.2.1).

7.2 WOMEN BORROWERS

Section two of this chapter is further divided into four parts. This section covers the main areas focused in quantitative analysis. The first part deals with the social demographics of the respondents which include the age, the marital status of the women, the family structure of the women's household, the education and training of the women and their household heads and information on use of loan by women borrowers. The second part is linked to microfinance loans, savings and types of businesses running from microfinance and further access to finance from commercial banks. The third and fourth parts of this section are related to the first and third research questions regarding women entrepreneurship and women empowerment. The third part covers the analysis of interviews relating to the development of female micro-enterprise, entrepreneurial skills and empowerment in business decisions. The last part of the section is about women economic empowerment and the well-being of the family after microfinance.

7.2.1 Social demographics and categories of women borrowers

The motivation for introducing micro credit is to alleviate the poverty and lessen the burden of economically deprived through providing them with some basic training in income generation. This enhances political and economic awareness of women and enables them to be part of the main stream economic activity. However, there is danger that borrowing from microfinance can give rise to vicious cycle of borrowing and hence create dependency. Brett (2006) points out if women's businesses are not attaining the required fruits they need to take more loans to continue their business. Therefore, it is important for MFI to monitor microfinance loan usage by clients and whether it is achieving the required objectives. Results show that microfinance institutions are providing women with perpetual loans without considering whether the objectives of improving the enterprise are achieved or not. Fungibility of funds amongst women borrowers is becoming an obstacle, preventing the more productive use of resources by other clients. The following statement of an old client (Interviewee No. 18) indicates the ease of access to repeat loans:

“I don’t need to take loan from any other source as I can borrow the required amount [from microfinance institutions] and every year the loan size increases as compared to last year amount”.

The loan amount from each MFI under investigation is to be repaid in 12 equal instalments. Clients can reapply for a loan every year. It is noted that the large number of loan disbursements by some specialized microfinance providers are creating a bubble that is becoming bigger and bigger and if burst might affect not only the MFIs but also the genuine clients. Although it appears that the number of women clients could have an advantage of repeat loans as there is no other source of finance for such clients. Women and their families spend loans on micro businesses and earn small amount of money out of it that is not enough for reinvestment in business but is used for household daily expenses and children’s education. This may push them time and again to apply for microloans and ultimately they may never come out of this vicious circle of borrowing particularly if it is beneficial for household improvement. Therefore, Brett (2006) proposes that there is a need for a consumption loan for microfinance clients and a separate enterprise loan. This situation may also create an imbalance in the dispersion of loans with more returning clients than new clients.

Most of the women borrowers in the interview sample are between 30-55 years of age, married and have 3-6 children. Most of them are uneducated or have primary education and their husbands have school education. More than half of the women’s families are nuclear families with an average of seven family members. Half of the women are heads of a family alone or with another family member mostly the husband. Therefore, the responsibility of earning in a family is either on the woman or on both she and her husband. The men and women work together to run their household and work hard for the education and health of their children. The microfinance loan appears to be a way to involve women in income generating activities to share the burden of earning with their husbands. The majority of women access finance from microfinance institutions for running their microenterprise or self-employment. The women frequently run a business as a sole proprietorship and relatively few manage their family enterprise. The training for proper usage of a loan in a business is sometimes provided by MFIs at the time of the disbursement of the loan and few women are

trained by their husbands on how to run an enterprise. However, they never attend any formal financial management training. The thorough examination of interviews discloses three different categories of women clients of microfinance institutions, divided according to their usage and intention of employing the microfinance loan as shown in Table 7.3.

The Type-I women entrepreneurs as defined in Table 7.3 are those women who used loan in their enterprise. These 37 respondents include those 10 clients that have the intention of expanding the business and accessing finance from commercial banks. Out of the type-I entrepreneurs the businesses of 35 respondents grow due to the increase in profit and sales. Additionally, in spite of the fact that their microenterprise is growing they cannot expand it due to a shortage of funds. Only 10 women applied for loans from commercial banks for meeting the expanding needs of their enterprise.

There are 13 Type-II clients that use loans either for consumption purposes or investing in their husband's or in family businesses. Four of the respondents acquired loans from MFI for their husband's businesses and eight women borrowers used the loan for their family businesses in which they have limited role to areas such as production. Out of this, a majority are not able to increase the income and sales of their family enterprise due to many factors including being a newly developed enterprise. The remaining one client actually took out a loan for repaying another loan from a relative regardless of the fact that loan is provided by MFI for investing in the business. Most of the Type-II clients are not able to gain the benefits of microfinance such as improvement in entrepreneurial skills, political and social awareness and economic empowerment in the household. However, a majority of the women's families are benefited by a microfinance loan.

There are also 14 interesting cases within the Type-I and Type-II clients that borrowed money from various microfinance institutions at one time. Therefore, women borrowers are multi-borrowing. One of them was interviewed twice by the researcher; in the first microfinance institution the interviewee was wearing a veil; and in the second microfinance institution the researcher recorded her interview again as she could not be recognized without a veil. Then the woman informed the researcher about her identity. Type III women borrowers used loans from various MFIs for business as well as for consumption use. Some of the microfinance institutions allowed multi-borrowing and others do not allow. However, it is necessary for MFI to assess the ability of women to pay back loan especially those

involved in multi-borrowing as there is a possibility that they take out a loan from one MFI and pay instalment to other.

Table 7.3: Categories of microfinance institution's women borrowers

Type-I Women Entrepreneurs		Type II Loan used for other purposes by women		Type III Multiple borrowing by women
Total case. 37 Type-I clients use the loan in income generating activities and derive their earnings from it. They accomplish the actual purpose of microfinance loan. They usually build long term relations with the microfinance institutions. These types of clients are further divided into two groups		Total cases 13 Type-II clients may invest loans in the business of their families and friends or use loan for consumption purpose or misuse loans for financing needs of other persons.		Total cases 14 Type-III clients include type -I or type-II clients. They borrow money from a number of microfinance institutions; either business or consumption. They may take out loans from one MFI and pay instalment to another and in this way they keep the circle of income in the household. These customers do not want to default.
Total cases 27 Type-1 clients never go beyond the circle of borrowing and paying to MFIs. They are not willing to access the finance from commercial banks either due to some limitation, hesitation, misconception or no information about bank loans.	Total cases 10 This group of type-1 clients want to expand their business and have the intention of shifting from the MFI net to the commercial bank net by accessing large amount of money.	Total cases 8 Type-II women clients use the loan in the business enterprise of their husband, relatives and children where the women have an active or limited role in the enterprise. But such clients are able to pay back the loan from the income of the husband's enterprise. However, if they use the loan for any other temporary need, they have other sources of income to pay back the loan.	Total cases 5 These clients may use the loan for their own consumption purposes or may borrow money to give it to someone else like family and friends for any purpose.	

7.2.2 Microfinance and Access to Finance

7.2.2.1 Microfinance, multiple sources and saving:

Acquiring information about microfinance is the first part of the women's journey to the development of an enterprise. The information exchange from neighbours and friends encourages women to become involved in any income generating activity. The bond of neighbours, friends and family is very strong in Pakistani culture. It allows the information flow from one household to another. The group meeting of clients organised by microfinance institutions in any area and the social interaction between loan officers and the residents in the meeting or household visits, give women deeper insights into the workings and benefits of MFI loan usage. As a result women start thinking about establishing an enterprise at a micro level like sewing and stitching or taking part in the businesses of their husbands' or their families. The Interviewee No. 22 stated:

“Microfinance is a facility; a loan officer visits our home for meeting. It is better than going outside and taking a loan from banks”.

The microfinance institutions are helping the women in their journey of enterprise development and pulling them out of the depths of poverty. The women identify a number of reasons why they prefer borrowing from MFI: lending officers are females, good and friendly behaviour of staff, easy access to MFI and quick disbursal of loan, easy to pay small instalments and confidence and trust on MFI. According to Interviewee No. 27

“It is difficult to pay a loan as a whole but this loan (microfinance) is easy to pay due to small instalment”.

However, some women felt there are some limitations such as wastage of time due to regular meeting and interest rate on loan is high. In this study women normally used one source of microfinance loan. The women believe that they cannot manage number of loans and their regular meetings. Moreover, few are afraid to use more than one loan as interviewee no. 1 shares her fears:

“If I took a loan from too many places I am afraid how I will face the society in case of loss in business and non-payment of loan; as I am living with my mother and brothers after divorce”.

Conversely almost two fifth of the respondents are using microfinance loan from more than one MFI and out of them two third of the respondents are borrowing from multiple MFIs at one point of time. However, almost all of the multiple loan users employed loans for business purposes; half of them plan to expand their business by purchasing main asset used for production or bulk purchasing of raw material for the business. The small amount of microfinance loan can be the reason of number of loans from different MFIs. One interviewee (No. 41), running a small business of ready-made garments reported that loan amount is not enough for her needs:

“I can only manage to purchase raw material (cloth) from this loan as the amount of loan is a small percentage of the amount required to complete the order. The remaining requirement of finance is fulfilled by advance money from customers and savings”.

Normally the clients involved in multi-borrowing used two sources of microfinance to accomplish their need in the business but in one case a woman respondent was a client of five MFIs at a time. Currently in Pakistan there is problem of multiple loans from different MFIs that is very popular in areas where microfinance industry is very active. Interestingly people of other areas are totally deprived from access to microfinance for self-employment. It is observed by the researcher that where the MFIs intend to expand their areas of operations by attracting new clients, they are also encouraging multiple-borrowing by lending money to more than one family member of a family. As interviewee no. 5 highlighted that three members of their family (woman, husband and son) received loans from one MFI. Multi-borrowing increased as a result of fierce competition among MFIs and more supply of loans as explained by Armendariz de Aghion and Morduch (2005) and Hermes and Lensink (2007). This high acceptance of clients in MFIs in Punjab and loopholes in the system might be the results of high loan disbursement and loan recovery targets set by MFIs for each of their branches and too ambitious loan officers. In order to achieve the challenging targets the loan

officers make every effort to retain old clients with new client's approval. Moreover, the refusal of loans from formal financial institutions, such as commercial banks, is a major cause for returning customers to MFIs. For such returning clients the only option left to cover the deficit of finance is the multiple-borrowing from various MFIs. The individual lending and large amount of loans to existing good clients are good steps by Asasah in reducing the problem of multi-borrowing; however Asasah's outreach is less in all the areas of Punjab as compared to other two microfinance providers in the sample. Many clients after decline of finance from commercial banks, access loans from informal sources like friends, family and relatives. However, there are a few clients who feel comfortable taking loan from MFI than loan from informal sources of finance and therefore want to return the loan in time and continue their good relationship with MFI.

Apart from the above observation it is also noted that the women continue to pay the loan instalments due to fear of non-acceptance of loan application next year in case of default and peer pressure in group lending. Therefore, Brett (2006) is right that the lower default rate among female clients should not be considered as the success of microfinance. In response to the question whether MFIs help in case of business crisis and accept the delays in the payment of instalment, most of the women have no idea about it as they never delayed their payment even in time of crisis in business. Some women leaders of group lending believe that if a woman invests a loan in the income generating activity then she will be able to pay in time. As Interviewee No. 14 added:

“As a group leader I received the instalment of a loan in time from each group member because they are doing business by taking the loan. In case any member might not able to pay in time then I pay on her behalf but she repays me as soon as she can”.

Most of the women clients reported that they are better able to save the money after microfinance loan. There are two ways the microfinance clients adopt for saving the money. One, if two members of the family are earning then one invest the loan in business and use the profit from it partly in their household expenses and remaining in the payment of a loan instalment. The second person's earnings are saved and used for future education and marriages of their children. Secondly instead of using a loan in their business they use the

lump sum amount to buy an expensive item for their own use or the dowry for their daughters such as washing machine, television and furniture and pay the instalments of a loan with the help of income earning from the business. In this way they fulfil their needs in time instead of waiting long time by saving small amount of money every month. This shows how the fungibility of loan can benefit the poor people as identified by Mosley and Rock (2004).

The women respondents highlighted that there is a similarity in the working of group lending technique of microfinance and a traditional method of pooling resources which is called a *committee* system. The only difference is that in microfinance the amount is received by a member in advance as a lump sum and she has to return monthly the amount of loan with interest in 12 months' time. Whereas in committee system every member has to contribute a specific amount of money every month for the specific period of time and each month one member receive the full amount committee. Few consider that microfinance loan is a good source of finance as compared to the committee system, according to Interviewee No.11:

“Once we (woman and her husband) participated in a committee and the group did not give us the money on our turn. The group leader told us that committee broke and I took money from you every month without any committee. We then thought never to put money in committee and started taking loan where we receive the amount of money before we participate in payment of loan. Now we have no tension of non-payment”.

This committee system is similar to Rotating Saving and Credit Association named *stovels* in South Africa to fulfil the emergency needs of consumption (Mosley and Rock, 2004).

7.2.2.2 Access to Finance from banks:

Where findings of the data reveal that a few women are involved in multiple-borrowing, on the other hand they do not want to access finance from the formal financial institutions. This finding is in line with the results of a study by Hussain and Matlay (2007) on ethnic minority owners in the UK. In that study the bank loan as source of finance is not considered important in the first five years of start-up of their business.

The reasons for not accessing bank finance in this research are the difficulty to repay big instalments of a loan of large amount and not much information available to common person on bank loans. Brett (2006) in his microfinance study on Bolivian women found that

microcredit is an only source of finance for women. The majority of the women in the sample did not want to apply for bank loan due to the formal documentation, the lack of collateral, the unknown risk and no growth in business and no formal training to improve their entrepreneurial skills. As Interviewee No. 4 explained:

“I want to apply for a bank loan but the bank requires any property, asset or jewellery as collateral. If I have some assets (in future) then I will go for a bank loan”.

Due to many formal requirements and documentations, borrowers prefer to apply for microfinance loans as they can obtain large amount of finance through multiple borrowing from the MFIs. Only one fifth of the respondents apply a loan from commercial banks; however they remain unsuccessful due to the lack of collateral. The reason may be that the women clients in the sample are usually illiterate as indicated by Gobbi, et al. (2005) that women face difficulty to fill the application form due to illiteracy. Moreover, some women in the sample never have an interaction with institutions and organisations outside their home because the men are usually responsible for the activities outside the home. Fatima (2009) indicated that women in Pakistan have to face socio-cultural constraints that negatively impact on the access of finance. Therefore, women do not have much information on bank procedures and processes for a loan. Even a common person has the view that bank loans are for rich industrialists and big company owners. On the other hand the information about microfinance loan is easily available to the people they trust like neighbours and friends and provided by people they know like MFI staff comprised of local persons. Most importantly the MFI staff members come to their doors to provide loans instead of white collar officers of banks sitting in their offices. As described by Interviewee No. 14

“There is no benefit of taking loan from banks; we have to visit a bank again and again for loan. In case of MFI there is no need of it. They [MF] have confidence on us and we have on them and they [MFI staff] are very well behaved”.

The women clients might not need loan of large amount from the banks because their fund requirements could be satisfied by the microfinance loan, the savings and the personal funds.

As one respondent's business that is expanding due to increase in workers to complete the customer's orders, claimed that the microfinance loan is the small percentage of money she invested in the business and all other requirements of finance are fulfilled by savings. Consequently they may not be willing to apply for bank loans. However, some are not able to expand their business therefore there is no question of bank loan, as indicated by Interviewee No. 32

"I want to expand the business but I have not much space in my house to expand it".

Nevertheless others not only want to expand their business but also think of starting a new business, as Interviewee No. 3 who is cooking ready-made food for a hotel added:

"I think of ideas, not only of expanding the business but also of starting new business such as putting stickers on the bottles and selling it".

Therefore, there is a requirement for bank loan as the microfinance institutions cannot absorb the needs of the finance for all the entrepreneurs. The qualitative findings from the interview provide the reasons for women's having no access to commercial banks and thus confirm the result of non-acceptance of H₃ hypothesis (see section 5.2.3 for detail).

7.2.3 Women Entrepreneurship

7.2.3.1 Enterprise development and growth:

The quantitative analysis provides positive results regarding the growth of female enterprise through participation in microfinance programmes. The qualitative analysis now digs deep to explore the issue of enterprise development through microfinance.

The women respondents are running micro enterprises in services, retail and manufacturing sectors. In retail sector buying and selling of clothes and in services sector the sewing and stitching of clothes; hand and machine embroidery on customers' orders are the popular businesses among the women clients of MFIs. Most of the women running businesses in the services sector are actively involved in all the stages of a business than the women running businesses in manufacturing and retail. The reason is that the businesses in the service sector

are mostly home-based like beauty salons, sewing and stitching and embroidery. Women can easily set up service enterprise and sell services at home without the involvement of the male members of their family. The same results are reported by Roomi (2005) that women entrepreneurs in Pakistan prefer to engage in businesses that require contact with women only. The clients in the manufacturing business are involved in making carpets, jewellery, door accessories, spare parts and garments. These enterprises are setup by both women and their husbands', where the women are mostly involved in the production of goods only. Most of the manufacturing businesses are more profitable and more risky as compared to the retail and services. Women are less interested in manufacturing businesses due to the nature of the work, which includes more physical work, connection with the outside world and less expertise in the areas of production due to fewer opportunities for women to develop their skills. In short women enterprises are mostly in the services sector as compared to other sectors and the majority of women are involved in the production or the sales. These evidences confirm the argument by Constantinidis, et al. (2006) that women face constraints to access finance due to their firm's characteristics such as business in less profitable sector and small size enterprise that are less attractive to the lenders.

The high percentage of women enterprises financed by MFIs is the existing businesses and few clients set up new businesses with microfinance loans. The reason is that one of the MFI offers loan to women businesses that are at least 6 months old. However, the existing clients of the MFIs can borrow for their new business as interviewee no 36 confirms this:

“Before this loan I borrowed two times for my husband's business but it remained unsuccessful. Therefore, I decided to take loan to start a new business of jewellery making after getting an idea from someone”.

Moreover, the results show that the repeat clients are preferred by loan officers due to their track record and experience in enterprise. More than half of the women respondents are running their businesses alone with mostly participating in all the business stages; however, they seek help from family members in selling and marketing of the goods/services and purchasing of the raw material. Other women are running family enterprise with their husband, children, sister, mother or any relative and few are involved in partnership. The

women are less involved in all the stages of business in a family enterprise as compared to the business running by the women alone. The cultural and social factors restrict women from working inside the four walls of their house with access to those local markets where they need to deal with only women. If a woman is involved in garment manufacturing where the suppliers of clothes are usually men and retailers are of mix gender then there is high probability that the woman will actively participate in production only or in sales of goods while the purchasing of raw material may be done by the male member of the family. Therefore, most of the women select an income generating activity that could be performed within the house due to cultural and social constraints. However, Interviewee No. 12 who is in the business of the production of wooden decoration pieces, has to go outside to take orders and deliver completed orders, discloses how many constraints she has to face from society:

“People say that you are doing male type business”.

That is one of the reasons why they are not able to expand the business. Moreover, even if the male members of the family become flexible and allow women to make decisions and earn a living outside women still face a constant social pressure from a male dominated society to respect the preferences of males in their families and not to become involved in all business stages of their enterprise without the help of males. Roomi and Parrot (2008) identify such social constraints faced by women entrepreneurs in Pakistan.

The field work reveals that the degree of involvement in business stages is dependent on many factors such as the woman's *marital status*: widowed/divorced women have to be involved in all stages of business as compared to single/married women due to there being more responsibility on women as single mothers/women; *Area*: the women in Kasur district are more empowered in business decisions as compared to women in other districts; *religious families*: where women are not allowed to have social interaction even with other women and they are either not at all involved in business or only engaged in the preparation of the finished product; *uneducated women*: as educated women have more knowledge of their rights and this will help them in getting rid of unnecessary social and cultural boundaries; *women from middle class families*: as women in middle class families are more culturally

constrained as compared to those in low income groups; and *women having more children and nuclear families*: as women spend more time in raising children without or with less support from family members.

Table 7.4: Microenterprise of the women's respondent

Sector	Type	Total No.	Form
Livestock	<ul style="list-style-type: none"> • Purchase buffalo and sell milk 	1	1- Family enterprise
Manufacturing	<ul style="list-style-type: none"> • Carpet making • Cutting /engraving of rexin sheet used in making mudguards • Jewellery making • Making door hinges • Making baan (a rope) from cardigans • Selling flour chappaties • Shoe making • Boutiques and embroidery • Wooden decoration pieces 	10	3- Sole proprietorship 7-Family enterprise
Retail	<ul style="list-style-type: none"> • Clothes trading • Cutting and packing of dry fruits/spices • Purchasing old furniture, polish and sale • Sale of washing powder • Selling electronic goods and household items • Shop of handbags • Cutting sugarcane and sell it 	12	9- Sole proprietorship 3- Family enterprise
Services	<ul style="list-style-type: none"> • Beauty parlour • Dupatta stitching- to order • Embroidery- to order • Machinery embroidery-to order • Maternity clinic • Readymade garments -to order • School and tuition centre • Sewing and stitching -to order • Selling cosmetics -to order 	22	16- Sole proprietorship 2- Partnership 4- Family enterprise

Table 7.4 provides the type of enterprise and its details. On the basis of the degree of participation in business stages by women the family enterprise (FE) is divided into FE-women active participation (WAP) and FE-women limited role (WLR). The women involved in only one stage of business, such as the production of goods, the sale of products or the purchase of raw materials, are included in FE-WLR. Whereas, women participated in more than one of the major stages of business are in the category of FE-WAP. There are almost an

equal number of women falling into the category of FE-WAP and FE-WLR. This classification is presented in the conceptual framework (Conceptual Framework 7.1). If a woman properly uses the resources provided by MFI, then she makes every effort to develop the enterprise. Everyone has a different and interesting story about enterprise development. Interviewee No. 39 narrates her story as follows:

“I am an illiterate woman and was so worried that I could not contribute to household expenses with my husband. My friend advised me to work as door to door sales lady for a cosmetics company. Then I thought of an idea to sell my own cosmetics along with the company cosmetics. And I took out a loan to buy the cosmetics. Now I am earning money from my job and my business at the same time”.

Some women used a microfinance loan to complete the production process, some required a loan to make up the shortfall in money to purchase the raw material or supplies and a few required a loan for the purchasing of the main asset in the business. This is highlighted in the response of Interviewee No. 40:

“I need money to purchase stock [handbags] for business. I had half of the amount required therefore I took out a loan from ... [MFI name]. The good thing is that I do not have to ask others for money. If I took loan from others [informal source] I would have to return full amount in a short period of time that I would not be able to respect. But this loan is easy as small instalments are paid every month for twelve months”.

However, the responses of women on whether an enterprise grows or not is different depending on the point of view of every woman, according to their own knowledge of keeping records and understanding the finances of their enterprise. Mostly they believe that their profit increases and few reports the increase in sales and assets as Interviewee No. 3 describes:

“Before microfinance we could only purchase flour in small quantities and make chappaties (bread) from taking orders from hotels. But with a loan we [woman, mother

and sister] purchased five bags of flour of 10 kg each for chappaties and now we have more sales than before. The money left from the loan is saved for an emergency or if we have no money we use it for the payment of instalments on the due date”.

This area was further explored by asking different questions such as what difference does loan money make to your enterprise. The women perceive the starting of a new enterprise, growth in their business assets-number of workers and customers- and the bulk purchase of raw materials to ensure bulk production and sales as a measure of success. This perception is reflected in the comments of Interviewee No. 41:

“...when I started the business there were only three women workers now, with the help of loans and savings, they have grown to 52”.

Below are some excerpts from the comments of Interviewee No. 12

“I buy wood in bulk from the suppliers and each piece of wooden decoration costs Rs. 4 and is sold in the retail market for Rs. 12 and I prepare 50 wooden decoration pieces each day. With a loan I have money to buy the wood and my business grows as orders increase”.

These results are similar to the findings by Morris and Barnes (2005) that microfinance results in the increase of sales volume of the business. The above results show that women run service enterprise in which they can participate in all the operational activities of the business as sole proprietor. Business in the service sectors have greater margins to earn due to the running of business within their house and lower selling and marketing costs due to providing services in their local areas. Most of the services businesses required specific skills and training to learn these skills. However, most of these skills such as embroidery, sewing and stitching are learnt by females in the home from their mothers. The other service businesses required training outside the home such as beauty courses and selling and marketing tactics. Due to lower operational costs, almost no costs to learn specific skills and more sales due to customers in the nearby area, the profits are more. Therefore, with the help

of microcredit female enterprise develops thus confirming the results of H₁ (see section 5.2.1 for details of H₁ hypothesis).

7.2.3.2 Development of entrepreneurial skills and empowerment to make business decisions

Business empowerment is an important factor in the development of women as entrepreneurs. It also ensures the proper use of loans by clients in their businesses and satisfies the actual purpose of development loans. Half of the women have been successfully empowered to make business decisions. The business matters are mostly decided by a woman and her husband and the enterprise is managed by both. Results indicated that even a business is run by a woman her husband is involved in various business decisions.

One of the goals of this research is to explore the development of women's entrepreneurial skills through access to finance from microfinance institutions. The microfinance loan not only helps the enterprise to develop and grow but also provides an opportunity for the women to develop as entrepreneurs and improve their skills. The microfinance group lending methodology is an excellent way to develop leadership qualities in women clients heading the group. In MFIs a woman works as group leader of 3, 5, 20 or 25 women and usually leaders are selected by group members themselves on the basis of trustworthiness and leadership qualities. The women group leaders report that their self-confidence, communication skills, planning, budgeting and financing abilities seems to have undergone a significant improvement as explained by Interviewee No. 34

“...before this (microfinance loan) I was unaware of these things (budgeting and financing) now I have learnt with the help of MFI...”

However, the improvement in leadership qualities are confined to limited number of women entrepreneurs. More than half of the respondents think that MFIs do not help them to develop as an entrepreneur. Only one third of the women have gained self-confidence and better communication skills as a consequence of joining microfinance institutions as commented by Interviewee No. 13:

“I was not confident to talk with others but after attending a few group meetings I realized that there was no need to be afraid of talking to people”.

The skills gained by women from microfinance are as important as the development of the enterprise. These skills will become their assets in the life ahead and they can use them in their household and business. However, many of the women are not able to get formal training from microfinance institutions to develop or polish these skills. The results of the interviews indicate that those MFIs that provide financing facilities with capacity building approach have a more positive impact on entrepreneurial and personal skills of women clients than the MFIs only providing microcredit. The microfinance schemes of Asasah and Kashf Foundation provide entrepreneurial training for their clients; however, Khushhali Bank does not provide such services. Moreover, one of the training programmes provided by Kashf Foundation is in its initial stages. The findings identified that Asasah Foundation provides extensive entrepreneurial training with credit. It helps their clients propose new business ideas after market research, locating the customer market and providing marketing services for their female enterprises by arranging a display of their work in international exhibitions. Moreover, the awareness programme by Asasah Foundation, for the spouses of women clients, is helpful in develop understanding among the household members that these trainings are necessary for the female clients in order to gain the full benefit of microfinance. Therefore, more than half of the female clients of Asasah reported positive results on their personal and entrepreneurial skills through participation in microfinance programme. The rigorous training programmes are very important as most of the clients are illiterate and awareness programmes are also necessary to educate the husbands as women could not be separated from their household. Dumas (2001) and Karlan and Valdivia (2006) found that the entrepreneurial training and education programmes for low income women entrepreneurs help to build their business management skills. On the other side the more savings options and facilities by Khushhali Bank Limited as compared to NGO based MFIs provide an additional source of finance for women entrepreneurs that can be helpful in the development of their enterprise. The State Bank of Pakistan currently allows only commercial and microfinance banks to take deposits from the public; such regulations limit the power of many NGO based MFIs to take deposits from their clients.

The H₂ hypothesis of entrepreneurship skills development is not supported whereas the H₁ hypothesis of enterprise growth is supported in the quantitative analysis. The individual investigation of each microfinance scheme (as described in detail in section 7.1 and Table 7.2) can provide an overarching view of this difference in the results of the two hypotheses. The H₂ hypothesis not accepted in the quantitative result is attributed to less entrepreneurial training programmes for women entrepreneurs. On the other side the loan amount and savings invested in the enterprise mostly in service sectors is helpful to increase profits and sales of the business, and thus lead to the acceptance of the H₁ hypothesis. A research by Chowdhury (2008) also found that microfinance do not promote women's entrepreneurship, however it increases the capital of the business. The triangulation of quantitative and qualitative analysis results in the resolving of the issue of different results of two hypotheses H₁ and H₂ related to the women's entrepreneurship. The result is that differences in microfinance schemes lead to differences in results of entrepreneurship hypotheses. This finding suggests a strong need to develop microfinance products, covering a full range of services, according to the necessity and demographics of their targeted clients. A study by Ghalib, et al. (2012) stressed the need of innovative products for the microfinance client in Pakistan according to the objective of such programme.

7.2.4 Women's economic empowerment and a household's well-being

7.2.4.1 Economic empowerment and Political and Social Awareness

Microfinance has been extensively researched to find out its impact on poverty alleviation and the empowerment of women. Women's empowerment is also interlinked with entrepreneurship (Vijayalakshmi and Prajeetha, 2008). Therefore, there is need to investigate the empowerment factor with entrepreneurship. Empowerment can be economic, social, and political and every type of empowerment is important in building up personal and ultimately entrepreneurial skills in women. Therefore, the capacity building approach cannot be separated from the microfinance concept as it is helping to empower women and eventually leads to personal and entrepreneurial skills development. The aim of this study is to specifically focus on the development of economic empowerment in women after microfinance. The economic involvement of women in the household and economic independence in the enterprise leads to social and political empowerment. This research has

captured women's social and political awareness only in order to have a glimpse of such empowerment.

The analysis of the interviews shows that microfinance does not necessarily contribute to the empowerment of women. One third of the women respondents are not economically empowered after microfinance and the remaining two third seems to be economically empower. However, more than half of the women respondents out of these two third reported that they were empowered before using a microfinance loan. Women who are already economically empowered are 30 to 55 years of age; few of them are widowed or educated and most of them are heads of their families. The results of the interviews also provide a clue to the benefit obtained by already empowered women by a microfinance programme as woman interviewee No. 18 states:

“I was economically empowered already but after microfinance I became more empowered (than before) because women become cleverer talking to other women in the group”.

Therefore, interviews show that only one fifth of the women gain economic empowerment. There are few women who became confident to make economic decisions themselves in their household. The reason for it is the lack of education that is evident from the demographics of the respondents. Moreover, social and cultural factors and norms are also responsible for such perception that a woman cannot make sensible economic decisions. A claim by Sinha, (2005) that family support and social environment with education is necessary for a woman entrepreneur seems to be right. Women in the sample usually avoid taking charge of household budgeting and finances which involve money because in the case of a woman's making a wrong decision they would not be able to bear the pressure from their family and household members. That is why they rely on their husband's decisions which are much appreciated and welcomed by families and society. Interviewee No. 4 stated:

“I am not economically empowered. My husband is bearing all the household expenses himself as he was bearing them before”.

After analysing the demographics of the economically empowered women in the interviews it is found that in a household headed by a woman herself or a woman and other members of the family jointly, the women had more chances of being empowered after microfinance. If a woman is not the household head then there are fewer chances of women being empowered after microfinance. However, the woman as household head is not a significant variable in the quantitative analysis.

The quantitative results also indicate that the scheme of microfinance provided by Asasah Foundation is significant in empowering females economically (discussed in section 6.2.1 and 6.3). It shows that microfinance schemes focusing not only on the client, but also on the household with different training programmes and social benefits positively impact women's economic empowerment. The qualitative result of empowerment in case of different microfinance schemes is unclear due to many women claiming that they are already empowered.

The results of the interviews are helpful to explain the inconclusive result of H_4 in the quantitative analysis; however, there is need of more investigation into the issue. Half of the women already empowered showed that many empowered women choose to take a loan, resulting in only one fifth of the women gaining economic empowerment through microfinance. Therefore, the benefit of the increase in economic empowerment through microfinance is not visible by having already empowered women in the sample. The result on the empowerment of women with the help of microfinance in literature is also inconclusive with optimistic results by Pitt, et al. (2006), Sanyang and Huang (2008) and Lucy, et al. (2008) and negative results by Goetz and Gupta (1996). Kabeer (2001) claims that there is a clash between the qualitative and the quantitative evidence in the studies on empowerment impact of microfinance which is also evident in this study.

The results of social and political awareness show that one quarter of the women respondents gained such awareness. The women are more aware of elections and now able to take part in elections. In most of the microfinance institutions a woman is required to possess a National Identity Card (NIC) in order to borrow money. This Identity Card is also required during elections to cast votes. Therefore, the actions of MFIs to use NICs of women borrowers and the awareness by loan officers in monthly meeting are helpful in the political awareness of the women as the possession of NICs prompt them to use their right to vote. Hence all the

MFIs should accept NICs of the women instead of NICs of their male family members. This shows that microfinance can be more effective in political awareness among women in many ways such as different literacy and awareness programmes.

The social gathering is an integral part of microfinance group lending programme. The women in a group meet with one another every month to discuss the issues and problems, collect the loan instalment and monitor the progress of the women's microenterprises. These meetings give the women the freedom to go outside and meet with other women of the area. Moreover, during such meetings women learn business skills from their peers. Social awareness is not the only factor that is beneficial but the peer mentoring and business networks will pave their way to gaining social empowerment. With these positive factors there is a possibility of improving the social and political awareness among women, but detailed investigation is required in this regard.

7.2.4.2 Well-being of the family

The microfinance loan may not help the women to grow an enterprise or entrepreneurial skills or business and household empowerment, but it improved the well-being of the family of a woman client. The welfare of the respondents' families is the benefit enjoyed by almost all the clients of MFI, whether they are running a business or repaying another loan from microfinance. The women mostly used loans for the benefit of all family members instead of just spending it for their own use. The food, health and education of children are the major part of household expenses. The microfinance loan amount, if used in any income generating activity, will yield income that is mostly used by women on food, nutrition and health expenditures of the family, children's education and saving for future expenses of children's marriages. The saving for their daughter's marriage gives women satisfaction and security for payment of marriage party expenses and dowry in the future. According to Interviewee No. 26

"After microfinance my situation seems to have improved and it gives me peace of mind".

The word microfinance not only includes the loan disbursement but also takes account of other services such as saving, insurance and transfer of money. The different MFIs have different saving products, but Microfinance banks (MFB) can have more saving products

than specialized microfinance institutions (SMFI). The two MFIs included in this study are SMFIs and one is MFB. Therefore, the clients of MFB took advantage of savings products to save money monthly while completing the loan cycle. On the other hand one of the SMFI provides saving through its sister organisation that is a MFB and the second SMFI provides restricted saving services for their clients. It is not compulsory for clients to save money; however, MFIs encourage them to have a little savings every month from their income in order to accomplish the future needs.

The microfinance institutions also provide the insurance facility that comprises of health insurance and life insurance of the client with some MFIs providing emergency loans in case of crisis to their existing clients (for more detail see section 7.1). All these services not only improve the well-being of the women's families, but it also helps to change the view of male members of the family about women's working and earning. Therefore, more than four fifth of the women reported increase in welfare of their families: increase in expenditures on children's education, and health and nutrition of the whole family. The result of the interviews thus confirms the quantitative result of increase in well-being through microfinance (see quantitative results in section 6.2.2). This result is also in line with the previous quantitative survey research by Ghalib, et al. (2012) on the welfare of households in various districts of the Punjab participating in a microfinance programme and other studies such as Copestake, et al. (2001), Mamun, et al. (2011b) and Montgomery (2006).

The microfinance also helps to reduce husband and wife conflicts which mostly arise from money problems. When woman start to earn and is able to take out a loan from microfinance institutions, she helps her husband by sharing the household expenses. This reduces the strain between the family members as Interviewee No. 38 reports:

“Without this loan there will be tension in the home as my husband is not able to earn much...but now I am earning...”

The content analytical table 7.5 shows that well-being of the family is more in women clients as compared to other factors such as economic empowerment and social and political awareness. However, the access to finance from commercial banks is the factor missing in every aspect of women empowerment and household. Most of the women entrepreneurs

enjoyed enterprise growth along with the welfare of their household. It means that a productive use of a loan is a prerequisite to acquire the full benefit of microfinance.

Table 7.5: Content Analytical Table of women entrepreneurship and household

	<i>Women's empowerment and household</i>				
		<i>Well-being of the family</i>	<i>Social Awareness</i>	<i>Political Awareness</i>	<i>Economic Empowerment</i>
<i>Women's enterprise and finance</i>	<i>Enterprise growth</i>	xxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxx xxxx	xxxxxxxxxxxxxx	Xxxxxxxxxxx	xxxxxxxxxx
	<i>Plan of enterprise expansion</i>	xxxxxxxxxxxxxx	xx	Xxxxxx	x xxx
	<i>Entrepreneurship abilities development</i>	Xxxxxxxxxxxxxxxxxx xxx	xxxxxxxxxxxx	x xxxxx	xxxxxxxxxx
	<i>Further access to finance</i>	-	-	-	-

7.3 MICROFINANCE ECHO SYSTEM

The analysis of the interviews and questionnaire from the women borrowers provides indicators which help to connect the linkages between different factors of women entrepreneurship and household welfare. The semi-structured interviews provide an in-depth understanding of the issues that is not readily available in closed ended questionnaires. The microfinance echo system is a part of microfinance operations, structures and experiences of women borrowers in Pakistan, derived from fifty interviews triangulated with quantitative results that may not be generalized, but provides a picture of microfinance in four districts of the Punjab. The results of the five hypotheses are robust with linear regression (detail in section 5.2.4 and 6.2.3) and are also in line with the results of face to face semi-structured

interviews. The entrepreneurial training provided by MFIs with an optimal loan size, increases the probability of female enterprise growth. There are fewer chances of enterprise growth in the case of a new enterprise or/and if women are the head of their household. The result of women enterprise development is supported by interviews with most of the women involved in the services sector and running sole proprietorship.

The results of the development of female entrepreneurial abilities are insignificant with only a positive impact on it if husband is a household head. The entrepreneurial abilities are not improved due to fewer training facilities for the woman entrepreneur. Moreover, a variety of microfinance schemes is practiced in Pakistan and lead to different results regarding female entrepreneurship. The scheme with more training able to polish the personal and entrepreneurial skills of women and schemes with more saving facilities are successful in facilitating up the growth of female enterprise.

The ordinal logistic regression indicated that access to finance from commercial banks can be improved with the training of those women entrepreneurs who start new enterprises. However, women up to the age of 39 have fewer chances of obtaining a loan from banks. The lack of access to further finance due to many social and cultural constraints compounded by no support and guidance by MFIs to access bank loan is confirmed by interviews.

The economic empowerment and well-being of women and their family can be improved for the older members of microfinance institutions. Most notably education plays an important role in these developments as women with no formal education or only school education can gain less benefit from microfinance. The microfinance schemes providing credit along with a number of social benefits and awareness programmes have the likelihood of economically empowering women. The increase in basic necessities and savings can also improve the welfare of the family. The positive outcome of microfinance on the well-being of the family is confirmed by qualitative results.

The Conceptual framework 7.1 shows a complex operation of the MFIs running in the Punjab region struggling and competing for their clients in the four district of Lahore, Vehari, Kasur and Gujranwala where there are a number of MFIs working as NGOs, Microfinance Banks and Rural Support Programmes. These clients grasped the advantage of this competition and one person or members of the same family applied for loans from many MFIs. The multiple-borrowing with no central record of MFI clients makes this system cumbersome for MFIs. It

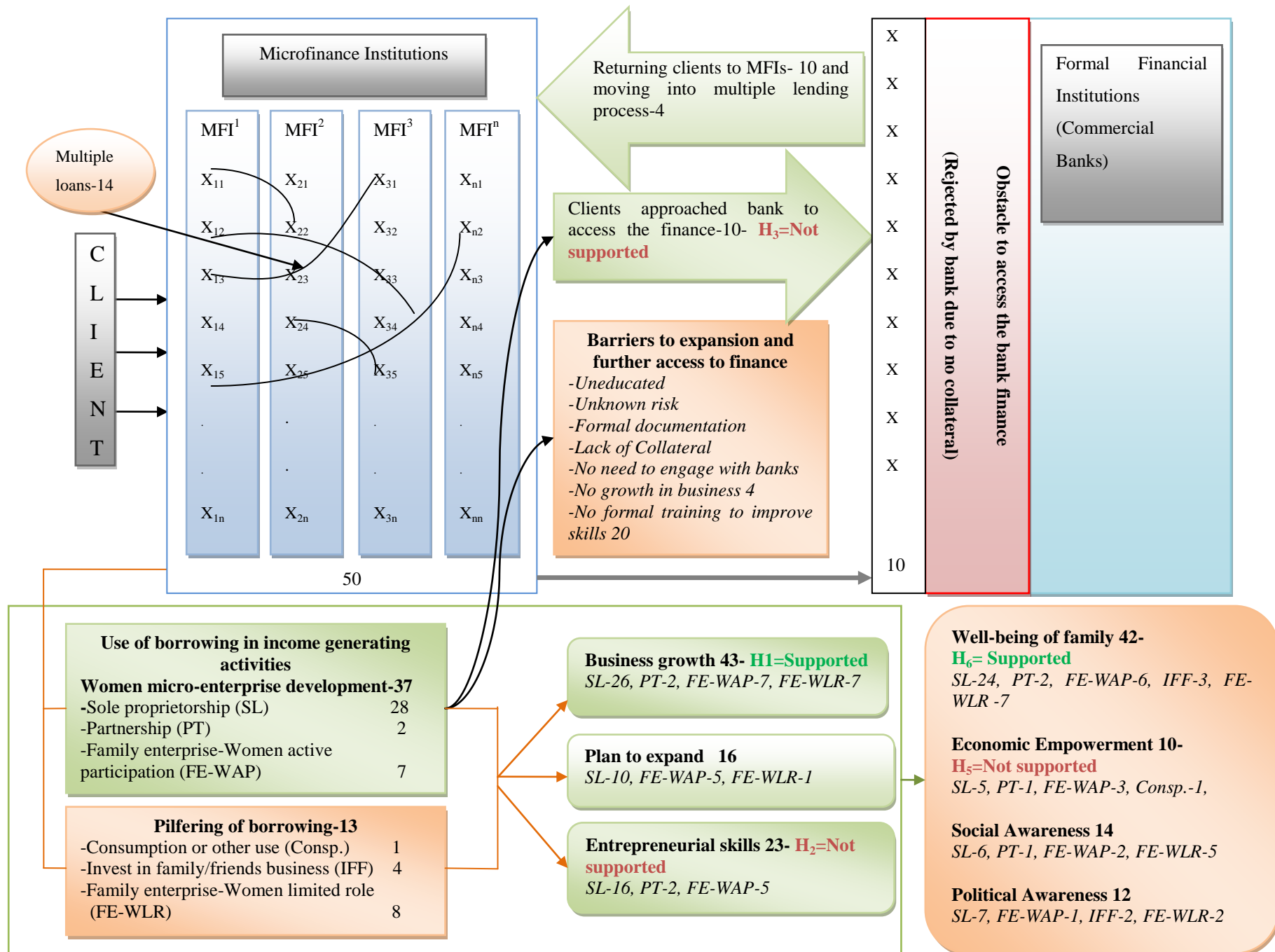
is noted, however, the MFIs deliberately allow multiple borrowing to increase their clients and areas of operations. Moreover, the imbalance of the working of MFIs in the areas of the Punjab makes this facility less beneficial than it should be. The multiple borrowing is promoted with no access to finance from commercial banks, because a client requires a loan for a large amount which is not welcomed by these formal financial institutions. Thus returning clients find their way by borrowing from various microfinance institutions.

The microfinance loan that is disbursed to the woman client for enterprise development is mainly used for two purposes. Firstly, most of the clients used loans appropriately for enterprise; and secondly, a few are involved in pilfering of loans by spending money on their consumption or businesses/consumption of their relatives, husbands, children or other family members. The clients involved in the pilfering of loans are the risky clients; however the clients used loans for consumption are the most risky and have more chances of default. The proper use of loans in enterprise development increases the probability of the regular payment of monthly loan instalments with income generation from business activity. On the other hand, the low default rate does not indicate the full advantage of microfinance to women borrowers. The regular payment of the instalment is sometimes difficult with new businesses or no profits, but actually women do not want to lose their only access to finance for their enterprise.

The interesting fact is that whether microfinance is used for enterprise or not, the impact of microfinance is positive in household welfare and empowerment of women. This shows that the loan itself or income earned from the enterprise developed through microfinance is invested in the development of children's education and the welfare of the family.

This pilfering of loans is in actuality the fungibility of loan for children's education, health and nutrition of the family and future savings. These different uses of loan other than those expected by MFIs are improving the well-being of the women and their families. The system of access to finance for women can be improved by controlling the echo in the microfinance through the centralizing of clients' records and welcoming commercial bank credit policies for entrepreneurs of micro enterprises.

Conceptual Framework 7.1: Microfinance Echo System



7.4 CONCLUSION:

The results of the interviews show that microfinance helps women entrepreneurs to grow their enterprise which is evidenced through the increase in profit and sales. Whilst microfinance improved enterprise, it is not very successful in developing the skills of women. The communication and self-confidence skills of women are enhanced along with leadership qualities and some other skills such as budgeting and finance and planning, required to run an enterprise. Only a few respondents in the sample applied to access finance from commercial banks, but they were rejected. The results indicate that the no access to finance from formal financial institutions whether because of rejection or fear of rejection or no growth in the enterprise leads to the problem of borrowing from various microfinance institutions at the same time. The problem of multi-borrowing arises not only because of the above mentioned reasons, but also because of MFIs' tough targets of more clients, the working of MFIs in microfinance concentrated areas and fewer training programmes for women entrepreneurs. Moreover, the outcomes demonstrate that only a few women are economically empowered. And the results suggested an increase in the family well-being due to a microfinance loan. The results of quantitative and qualitative analysis help to devise a framework for understanding the impact of microfinance on women entrepreneurs and the barriers to access the finance from commercial bank. The conceptual framework helps to identify the areas where there is need of improvement. The framework devised identifies that entrepreneurial skills development in female entrepreneurs, the economic empowerment of women and access to finance from commercial banks for female enterprises are the areas of concern. The results of this research show positive results of enterprise growth and well-being of the household that can be enhanced further by the improvement of the entrepreneurial abilities of women and economically empowering them. The access to finance from commercial banks for micro-entrepreneurs who want to expand business to small and medium scale requires more effort by government and policy makers. With the initial plans to expand microfinance services to rural areas and develop the microfinance sector of Pakistan, it will require some time to link microfinance institutions and other financial institutions to reach the objective of female entrepreneurship development and economic empowerment.

CHAPTER: 8

Conclusion and Recommendations

Female enterprise development and issues of access to finance from formal sources are important areas of research in microfinance. This study has explored the question of whether microfinance resources can increase women's entrepreneurship development and hence contribute to their economic empowerment with welfare to the family. Though we cannot say that microfinance has brought dramatic improvements in women's lives in Pakistan, some of conclusions drawn and recommendations made from this research can be helpful for the financial and microfinance sector in Pakistan. This chapter provides the summary of the results of the research, contribution to the knowledge and makes recommendations for policy makers and further research in the area. The first part summarizes the research results that bring about the second part, that of contribution to the knowledge. The third part provides recommendations to policy makers and those in government responsible for the microfinance sectors. The fourth part of the chapter provides suggestions for further research that may be explored in future and the final part considers the limitations of the study

8.1 SUMMARY OF THE SIGNIFICANT FINDINGS

The research results have enabled the researcher to develop and describe the functioning of microfinance structures, processes and the experience of women borrowers. The results help to understand the existing practices and identify how to improve the access to finance for female micro entrepreneurs in Pakistan. Furthermore, the results assist researcher in making the key recommendations for the policy makers.

8.1.1 Microfinance and women's entrepreneurship:

Broadly the main goal of this research is to carry out empirical investigation of female entrepreneurship development in Pakistan through participation in microfinance programmes and further access to finance for female. The female entrepreneurship in this research is analysed through female enterprise and entrepreneurship abilities that are developed in the form of two hypotheses. The first hypothesis is related to the development of women's

enterprise; and second hypothesis is the development of female entrepreneurship abilities through financial and non-financial services of microfinance (See section 5.2.1 and 5.2.2).

The result of the ordinal logistic model shows that microfinance enables the female entrepreneurs to grow the female enterprise. The quantitative analysis also reveals that women's borrowing a loan of not more than Rs. 15000 (£102)³⁰ with the help of entrepreneurial training provided by the MFI are able to grow their enterprise, as compared to women's borrowing a larger amount of money with or without entrepreneurial training. The microfinance institutions are either reluctant to offer large sized loans to women entrepreneurs for bigger projects (Agier and Szafarz, 2013) or the female borrowers with large sized loans are involved in fungibility. In spite of the limitations of this research (in section 8.5), this finding has made an important contribution due to limited empirical research on female entrepreneurship and microfinance. The interviews provide insight into the detail of the issue (see section 7.2.3.1). For example most of the women in the interview sample reported the growth of their enterprise due to increase in profit and few report the increase in sales and assets. The survey and interviews not only complement each other but also confirm the findings of previous literature such as those discussed by Morris and Barnes (2005).

Moreover, qualitative analysis indicates that the number of women entrepreneurs who either increased or decreased profit and sales differed depending upon the use of loan in the enterprise: some of them used loans in order to complete the production process; others use it to cover the shortfall in money to purchase the raw material or supplies; and few others use it for the purchase of the main asset in the business. However, it is noted that fewer women are involved in high growth manufacturing enterprises, as also indicated by Goheer (2003). The careful analysis shows that the women running manufacturing businesses are in family enterprises in which they are less involved in all the stages of the business. The analysis indicated that the cultural and social factors restrict women to access the markets and deal with every matter in the business. These cultural and social constraints are also reported by Roomi and Parrot (2008). Therefore, more women are involved in service enterprises where there is a need to have less contact with the outside world due to the fact that they are dealing

³⁰1 GBP = 147.108 PKR, mid-market rates at 08-03-2013
<http://www.xe.com/currencyconverter/convert/?Amount=15000&From=PKR&To=GBP>

with female clients. More than half of the women respondents are sole proprietors mostly participating in all the business stages; however, they look for support from family members in the selling and marketing of goods or the purchasing of raw material. Thus the qualitative result of this study provides the insights into the issue.

The study by Gobbi, et al. (2005) found that microfinance has increased the self-confidence, communication and financial management skills of women entrepreneurs to a small extent. This descriptive analysis of this study presents the similar outcome. On the other hand empirical analysis did not find any evidence of improvement in female entrepreneurial skills. The interviews of the women clients show the same result, as more than half of them disagreed that microfinance develops their entrepreneurial skills (See section 7.2.3.2). The reason is that many clients of MFIs are not able to get formal training from microfinance institutions. On the other hand the group lending methodology gives some women the opportunity to work as leaders that enhances their leadership qualities. As a result, in the interview sample one third of the women have improved their communication skills and gained self-confidence. The triangulation of qualitative and quantitative analysis provides a clue to the difference of result in the two hypotheses that the different microfinance schemes, provided by the MFIs under study, can be the reason for it. The microfinance schemes with more rigorous and regular training for their female clients, awareness programmes for their spouse and social benefits for their children are more helpful in developing entrepreneurial skills in women entrepreneurs as indicated by Karlan and Valdivia (2006) in their research. However, microfinance schemes with more facilities for savings with credit money is helpful to grow microenterprises, especially in those business sectors where there is need of less training and lower operational costs to run the enterprise.

8.1.2 Microfinance and further access to finance:

This study has focused on the access to finance by female microfinance clients from banks and other financial institutions. The third hypothesis of increase in access to finance from other financial institutions through microfinance financial and non-financial services is developed to seek knowledge of the link between microfinance and other financial institutions (See section 5.2.3).

Another important finding is that microfinance does not enable women entrepreneurs to access further finance from commercial banks, although there is a likelihood of further finance from commercial banks for a woman's newly established enterprise with training. However, accessing finance from formal sources is always a hurdle for women in developing countries as argued by Kabeer (2001). The interviews reveal that microfinance institutions do not play an active role in graduating their clients from micro to small and medium enterprises (See section 7.2.2.2). That means most clients remain in the cycle of borrowing from microcredit, investing in their business and paying back loans and are satisfied with their subsistence existence. In theory the bridge between the microfinance institution and the formal financial banking system can help the clients to progress and thus can make them eligible for bank loans; however, the evidence is limited in support of this assertion. There is a view that commercial banks are for rich industrialists and a MFI is not able to educate their clients to change their views. On the other side, the commercial banking system does not attract micro entrepreneurs that have the potential to progress to become small or medium entrepreneurs. They can attract micro entrepreneurs by offering them a separate scheme. Many conventional hurdles are also in their way due to illiteracy and there being less information and such as a lack of formal documentation, collateral and unknown risk of loss. Moreover, female enterprise in low growth industries is another reason for it which is in line with the result of Constantinidis, et al. (2006). From the interview sample of 50 women only ten women applied for commercial bank loans, and all remain unsuccessful. There is no training by the MFI to educate female entrepreneurs on how to access bank loans and prepare their application for further access to finance.

Another important finding of this research is that the microfinance sector of Pakistan does not have a centralised database for the clients. The clients, therefore, benefit from this loophole and take out loans from a number of microfinance institutions (See section 7.2.2.1). Armendariz de Aghion and Morduch, (2005) also established that no centralised database and competition among microfinance results in multi borrowing. This multi borrowing is very much higher in areas where there are a number of MFIs such as in the semi-urban areas of the Lahore and Kasur districts. On the other side, there are some rural areas of Punjab that are deprived of microfinance facilities. Microfinance services in Pakistan are unevenly scattered and patchy throughout the region, where some areas are well served and others are not. This

creates the problem of multi-borrowing by the clients in well served areas that is worsened by the fact that MFI loan officers approve more loans due to the pressure of completing the target of loan approval and disbursement. The lack of access to finance from other financial institutions is depicted in the microfinance echo figure (Conceptual Framework 7.1).

8.1.3 Microfinance and women economic empowerment and the well-being of the family:

This study is based on the hypothesis that microfinance helps women become economically empowered in the household which also increases the well-being of women and their families. The impact of microfinance on women's economic empowerment and on the well-being of their family are analysed in fourth and fifth hypotheses (see section 6.2.1 and 6.2.2).

As the impact of microfinance on women development is the overarching theme, this research found a partial connection between microfinance and women economic empowerment by the ordinal logistic model. The ordinal logistic model shows that the probability of disagreement of gaining economic empowerment through microfinance is up to one year of membership, as compared to more than one year where the relationship is also insignificant. In addition, the quantitative analysis reveals an important result that economic empowerment increases with only scheme 1: Asasah which provides more insurance, saving and training programmes with social benefits to their clients and their spouses than the other two schemes examined.

The interviews disclose that one third of the women respondents are not economically empowered after microfinance. However, out of the remaining two thirds, a majority of the women respondents are empowered before using a microfinance loan. This suggests that only 16% (approximately) of the women respondents gain economic empowerment after microfinance (see section 7.2.4.1). This lower percentage of women gaining empowerment may explain the probability of disagreement with an increase in economic empowerment up to one year of membership and the insignificant result in case of membership of more than a year in the logistic model. This relationship did not sustain either because of there being no training and awareness programmes to educate women and their families and no social benefits from the MFI such as financial support for their children. Moreover, the absence of family support for women borrowers can be another reason, such as when women are not considered sensible enough by the household members to make financial decisions they, then

deliberately discharge themselves from taking responsibility for money matters. The importance of family support for women entrepreneurs is also indicated in a study by Sinha (2005). Therefore, training to educate the male members of the household is as important as educating women clients in order to change society's views about the inclusion of women's views regarding money matters. On the other side, few women that are already empowered in the interview sample also explain the insignificant results of increase in economic empowerment through microfinance. The economic empowerment of a few women in the interviews is similar to the results of Pitt, et al. (2006); Sanyang and Huang (2008) and Lucy, et al. (2008) and the insignificant results of economic empowerment in the ordinal logistic regression is in line with the research results of Goetz and Gupta (1996). The qualitative and quantitative results of this research indicate a mixed conclusion that is evidenced in a study by Kabeer (2001).

The empirical evidence from this study confirms the result of earlier studies such as Khandker (1998), Chemin (2008) and Khandker, et al. (2008) that microfinance helps to increase the well-being of the women and their families. The results of this research reported that there is less probability of an increase in well-being of the family with less than 3 years membership. It supports the idea that older members of MFIs enjoyed the benefit of welfare of their families as compared with the new members. Besides, there is less chance of an increase in the well-being of the family with those schemes that provide fewer facilities for insurance and training. In the interviews 80% of the clients agreed that the well-being of their family improved after receiving microfinance (see section 7.2.4.2). Most of the women respondents reported an increase in expenditures on food and nutrition, the health and education of the family once they were in receipt of a microfinance loan which partly demonstrated pilfering. These results are also in line with the findings of previous and current literature such as Copestake, et al. (2001), Montgomery (2006), Mamun, et al. (2011b) and Ghalib, et al. (2012). Additionally, the women respondents pointed out that they are now able to save money for the future especially for the marriage party expenses and dowry for their daughters. The meeting of basic needs and the solving of monetary problems can help women to think actively as regards the growth of their enterprise. The microfinance loan invested by women in the microenterprise is more beneficial for their family's well-being than if it is for a non-productive use, though the quantitative data reveals that there is

no significant difference in the outcome of the well-being of the family through microfinance whether the use of the loan is productive or not. The interesting finding is that women's priority is their family; therefore, they mostly used loans for the benefit of all family members instead of just spending on their own business projects or personal use.

In summary the conclusion of this research is that microfinance helps to develop the well-being of the household and development of women enterprise that can be enhanced with further access to finance from commercial banks by taking into account the social and cultural obstacles faced by Pakistani women. This research highlighted the importance of education and training programmes and comprehensive package of services in a microfinance scheme that can be critical to the success of women entrepreneurs in Pakistan.

Chapter 1 provides information about the background and rationale of this study with information on the microfinance sector of Pakistan. The objective of the study, to develop an exploratory model, is achieved in chapter 2 of the thesis by reviewing microfinance literature and that of access to finance and entrepreneurship. The methodological issues and designing of instruments with a pilot study and field work are addressed in chapter 3 of the thesis. The resulting model in chapter 2 was tested in the Punjab region of Pakistan to investigate the relationship of microfinance with five variables: women enterprise, entrepreneurship abilities, economic empowerment, well-being of the family and access to finance. These variables in the form of five hypotheses are tested and analysed in chapter 4, 5 and 6, thus achieving the second objective. Chapter 7 analysed the three research questions that result in the formation of conceptual framework of the study, thus completing the aim and third objective of this study. Finally, the objective to provide policy recommendations is achieved in this chapter.

8.2 CONTRIBUTION TO THE KNOWLEDGE:

- i. This study has made a theoretical contribution to the literature, with the development of a conceptual framework (Conceptual Framework 7.1) that identifies the factors that affect the access to finance and barriers for women entrepreneurs. It is an important addition to the body of literature relating to the well-being of the family and the economic empowerment of women using microfinance for enterprise or any other use.

- ii. Secondly, this research has made a contribution to the empirical findings which are generally limited in the study of microfinance. The results demonstrate the significant association between the growth of an enterprise and a microfinance loan of specific amount along with entrepreneurial training. Moreover, the research on microfinance and women entrepreneurship is a good addition to gender studies.
- iii. Thirdly, this study has made a methodological contribution as it triangulates the quantitative and qualitative methods. Previous studies have used either quantitative or qualitative research. Ordinal logistic regression is used in this research to find the association between microfinance and women entrepreneurship, economic empowerment, the well-being of the family and further access to finance. The interview questions are constructed from information extracted from the pilot study; and the empirical findings of the quantitative data are confirmed through face to face interviews with women clients. This combination of the quantitative and qualitative research is a significant methodological contribution.
- iv. Fourthly, there is less research on microfinance and its impact on the growth of entrepreneurship. Microfinance studies often focus on issues relating to poverty, women's empowerment and household welfare; therefore this study is a contribution to the literature of microfinance and entrepreneurship.
- v. Finally, the historical research on microfinance is mostly conducted in Bangladesh due to the availability of data and general worldwide recognition of the scheme. Therefore, this research considers another country where microfinance and entrepreneurship has not received the same level of rigorous focus and makes an important contribution to the literature of microfinance in developing countries.

8.3 RECOMMENDATIONS

The following recommendations are derived from this research for the microfinance institutions, the policy makers in the microfinance sector and the government.

- i. The finding of this research suggests that microfinance institutions should provide training programmes in conjunction with loans and also need to change the

process of educating women so that they can use their entrepreneurial capabilities and skills. The research results of this study as well previous literature on microfinance found that microfinance institutions that provide credit with a capacity building approach have a positive impact on the women entrepreneurship abilities. It is feasible for MFI in Pakistan to provide these training facilities to their women clients as most of the MFI staff are women. Moreover, if credit is provided in groups then there are more chances of women collectively attending a training programme.

- ii. The microfinance institutions' core values and vision need to be more concentrated on the family rather than just women as the results shows that a MFI in the sample that provides microfinance services to the household through disbursement of loan to women are able to better improve the well-being of women and their household as compared to the other two MFIs. The microfinance rules and regulations should be tailored to conform to the cultural and social climate of the country which does not allow women to be independent in making decisions. Women alone are not able to gain empowerment in the household or entrepreneurial success in the enterprise; the family support, understanding and awareness are perquisites of empowering female entrepreneurs in the household as well as in the enterprise. The involvement of male members of the family in the microfinance process can enhance the welfare results of the household.
- iii. The results recommended that there is also need of training and awareness programmes for the spouse of female clients that will be helpful in understanding the operations and systems of MFIs, and also to change the view of the people of that area about women's role and participation in the household and their rights. These programmes may not empower women in the short term, but can provide them moral support and understanding from the household and also align with the cultural and social need of the country.
- iv. There is need of a central database of microfinance clients that can be accessed not only by microfinance providers (MFPs), but also by the commercial banks. This research indicated that the problem of multi borrowing is because of the

absence of information regarding the credit history of a client who requires microcredit. Complete information about the client's payment and/or default history will be helpful to address the issue of multi borrowing. This will build lenders confidence in the borrowers and increase the chances of accessing finance by women entrepreneurs from commercial banks due to reducing the risk of default.

- v. The fewer microfinance services in rural areas of Punjab and multi borrowing require that the microfinance sector needs to focus less on the number of active clients and the amount of loans disbursed and more on the increase in microfinance services to deprived areas within Pakistan. The problem of multi borrowing can also be controlled if MFPs target less the rich areas of microfinance services and more the underprivileged areas.
- vi. As compared to other financial institutions, microfinance institutions are flexible and, therefore, able to deliver non-financial services such as training to educate their female clients at a functional level on how to access finance from banks. This will be helpful in increasing the access to finance for women in Pakistan.
- vii. With the growing number of existing clients in microfinance institutions under study it is required to annually review the actual need of further loans and achievements of repeat clients by microfinance institutions. The purpose of microfinance is to improve the well-being of the poor through the support of enterprise. Therefore loan benefits deserving new clients rather than repeat unproductive clients can help to improve the financial condition of all the poor clients of the area.
- viii. With the increase in the financing requirements of growing female enterprises, it is useful to streamline the process and procedures of the microfinance sector by introducing their female clients to the formal banking system to access further finance. It will be helpful to develop links between the microfinance sector and commercial banks. The government of Pakistan has taken a number of steps to uplift the small enterprises and help them to develop into medium sized enterprises. The Small and Medium Enterprises Development Authority of Pakistan is one of them that serve the small and medium enterprises (SMEDA,

n.d.)³¹ while the micro sector often served by microfinance, is neglected. However, SMEDA can help to bridge the gap between the microfinance sector and financial institutions by serving small entrepreneurs.

8.4 IMPLICATION FOR FUTURE RESEARCH

This research can be extended to explore more issues related to microfinance and entrepreneurship. Following are some of the future research areas that can expand this study.

- i. The research can be stretched to other microfinance institutions such as rapidly growing private sector microfinance banks in Pakistan. And the research on other provinces and districts of Pakistan will provide more insight into this issue.
- ii. The emphasis on entrepreneurship can be extended to specific business sectors especially manufacturing in which there is much more of an opportunity to expand the size of the business from the micro enterprise to small and medium scale enterprise.
- iii. A similar study can be replicated in other developing countries in different regions that are under researched in this area.
- iv. The microfinance study can be conducted on men versus women to make a comparison of the benefits attained by both genders and/or which gender gets the best out of microfinance.
- v. Another interesting comparative study can be the impact of microfinance on female entrepreneurship development in a developing and a developed country.
- vi. In this research the attention is given to the impact of microfinance on women. An in-depth study on the impact of microfinance on the household can provide fruitful results that can be beneficial for the microfinance sector of Pakistan.

8.5 LIMITATION OF THIS STUDY

There are number of limitations that need to be considered in this research while generalising the emergent results of this study. Firstly, the data has been gathered in four districts of Punjab in Pakistan through a purposive sampling technique; however, the access to every eligible woman (discussed in section 3.2.4) is not possible as clients of microfinance

³¹<http://www.smeda.org/>

institutions are scattered in various rural and urban areas of these districts. Therefore, the population of eligible clients are sampled through a convenient sampling technique. Moreover, due to the confidentiality of client's data, the microfinance institution complete clients list is not available³². Thus prevent the researcher to use the probability sampling technique in the quantitative analysis.

Secondly, the data collected from interviews and questionnaires in the four districts and three microfinance institutions is uneven as it depends upon the accessibility of researcher to the areas, the time availability to the researcher and the cooperation by microfinance institutions.

Thirdly, this is arguably a static study that captures definite characteristic of reality at a particular time of the survey (Johnson and Loveman, 1995) which may contaminate the experiences of the respondents. Moreover, it is possible that some women respondents did not give their true opinion when responding to questions in the interviews; similarly some respondents can over or under state the responses in the questionnaire; this could have been due to the issue of trust or their reluctance to disclose their true experiences with an outsider.

Fourthly, the microfinance services' impact in some cases is more noticeable on the household than the women. Moreover, one of the microfinance institutions used in this study provides loans to the family in which the woman has a prominent role. Therefore, in some cases it is difficult to separate the impact of microfinance on women only from the impact on the household. Moreover, the findings of this research are limited to the highly concentrated areas of microfinance in Punjab, Pakistan; therefore caution is required while comparing these results with less concentrated areas of microfinance.

³² Only the contact addresses of those women are provided by the branch officers that are living near to the branches.

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Appendices

- *Appendix I- Questionnaire and Interview*
- *Appendix II- Descriptive Analysis by Cross tabulation, Frequency distribution and Percentage of the variables and items*
- *Appendix III- Published article*

Annexure-I: Questionnaire and Interview

1.1: Questionnaire

I am a PhD student at Birmingham City University, UK. This questionnaire is a part of my PhD degree. The data obtained and your responses to this questionnaire will only be used for the purpose of academic research.

My questionnaire broadly covers the area of impact of microfinance on the development of women entrepreneurship and economic empowerment and on the well-being of women families. I want to explore whether microfinance is helping the women in establishing their own business, development of entrepreneurial abilities and microenterprise growth or not? In addition, I am also interested in determining the ability of microfinance in helping women to increase their economic empowerment and well-being of their families. Moreover, this study is concerned with the role of microcredit to facilitate the women in further access to finance from commercial banks and other financial institutions.

There are five sections of this questionnaire: A: Demographic profile, B: Personal finance income and asset, C: Access to finance and microfinance, D: Women entrepreneurship, E: Women economic empowerment and well-being of the family.

I would appreciate if you complete all parts of this questionnaire.

I am very grateful for your time and cooperation in this regard.

Samia Mahmood

PhD Scholar

Birmingham City Business School

Birmingham City University, UK

Date: _____

Name of the woman borrower (optional) _____

Area (City/Village and Town/District):

A-Demographic Profile:

Kindly tick (✓) the appropriate answer to questions.

A1- Which of the following age brackets do you fall in?

- ☐ 18-29
- ☐ 30-39
- ☐ 40-49
- ☐ 50-59
- ☐ 60 or More than 60

A2- Which of these options best describes your current marital position?

- ☐ Married
- ☐ Single
- ☐ Divorced/Separated
- ☐ Widowed

A3-How many children do you have?

- ☐ No Children
- ☐ 1-2
- ☐ 3-4
- ☐ 5-6
- ☐ More than 6
- ☐ Not Applicable

A4- What is your family system?

- ☐ Nuclear Family
- ☐ Joint Family

A5- Who is the head/main decision maker of the family? (You can also tick “others” when your family head is not available in the list below or decisions are made by more than one person and give detail that makes them).

- ☐ Yourself
- ☐ Husband
- ☐ Father/Father in Law
- ☐ Mother/ Mother in Law
- ☐ Others (please specify) _____

A6 and A7-What educational qualifications do you and your Husband/ Family head have?

		A6-You	A7-Husband/ Family head
A	No qualifications		
B	Primary		
C	Middle		
D	Matriculation (GCSE-O-Level)		
E	F.A/FSc./I.Com/D.Com (GCSE-A-Level)		
F	Bachelors Degree- B.A/BSc./B.Com/B.A (Hons.) (Undergraduate)		
G	Masters Degree-M.A/MSc./MBA/Others (Postgraduate)		
H	Vocational qualifications- (B.Ed, M.Ed, Diploma from Poly technique institution)		
I	Other qualifications -Certifications/ Diplomas <i>Please mention if you have practical training in business and financial management before taking microfinance loan</i>		

B-PERSONAL FINANCE, ASSETS AND INCOME:

Kindly tick (✓) the appropriate answer to questions.

B1-Do you have a current or saving account in a bank on your name?

- ☐ Yes
☐ No

B2- Did you have bank account before you apply microfinance loan?

- ☐ Yes
☐ No

B3- How much was the monthly income coming into your household before you apply microfinance loan?

- ☐ Less than Rs. 5000
☐ Rs. 5001 – Rs.10000
☐ Rs. 10001 – Rs. 15000
☐ Rs. 15001 – Rs. 20,000
☐ More than 20,000
☐ I do not know

B4-Which of the following descriptions best describes your house ownership before you apply microfinance loan?

- ☐ Owned by me
☐ Owed by my husband/family head
☐ Owned by other members of house hold
☐ Jointly owned by some/all the members of the household
☐ Rented
☐ Living with a relative

B5- Who owned the agricultural land before you apply microfinance loan?

- ☐ Owned by me
☐ Owed by my husband/family head
☐ Owned by other members of house hold
☐ Jointly owned by some/all the members of the household
☐ No agricultural land or not applicable

B6- Did you own any other assets like non-agricultural land, building, vehicles, and gold jewellery before you apply microfinance loan?

- ☐ Yes
☐ No

C-ACCESS TO FINANCE AND MICROFINANCE LOAN:

Kindly tick (✓) the appropriate answers of C1 and C3 in the following table and tick (✓) the appropriate answer to questions C4 to C16.

C1- Can you please tell whether or not you have any of the following types of credit or borrowing at the moment. (You can tick more than one option).

C2- What is the interest rate on the loans?

C3-What is the purpose of the loan?

		C1	C2						C3		
			0.1-9.9%	10-24%	25-49%	50-99%	100%+	Not sure/ I do not know/ No interest	Business Use	Personal Use	Both
A	Loans from family or friends										
B	Loans from landlords										
C	Loans from moneylenders										
D	Loans from NGO's or any private company										
E	Loans from Commercial Bank or Financial Institutions e.g.. National Bank, Punjab Bank etc										
F	Loans from Specialized Microfinance Banks e.g. Khushhali Bank										

G	Loans from Specialized Microfinance Institutions. e.g Kashf, Asasah, Akhuwat etc.										
H	Loans from Rural Support Programmes										

C4-If you are using more than one source of credit, which source of credit is more effective in terms of your requirement? (Tick only one)

- ☐ Loans from family or friends
☐ Loans from landlord
☐ Loans from moneylenders
☐ Loans from NGOs
☐ Loans from Commercial Bank or Financial Institutions
☐ Loans from Specialized Microfinance Banks
☐ Loans from Specialized Microfinance Institutions
☐ Loans from Rural Support Programmes
☐ Not applicable

C5-What is your most preferred option of saving money?

- ☐ Saving money in bank or in saving certificates
☐ Informally with work colleagues, friends or neighbours in the committee system
☐ Putting money in a jar or envelope
☐ Asking a relative or friends to save or look after money for you
☐ Lending money to friends or family as a way of saving
☐ In conjunction with something you already pay, e.g microfinance saving account with loan
☐ Other ways (Please specify) _____
☐ Not applicable

C6-Have you ever tried to apply loan from formal source of credit like commercial banks and development financial institution?

- ☐ Yes
☐ No

C7-Were you successful in securing loan from commercial bank?

- ☐ Yes (Go to question C9)
☐ No (Go to question C8)

C8- What was the reason for refusal:

- ☐ I am a woman
☐ I did not own asset to offer bank as collateral
☐ The loan applied was of small amount
☐ I have no credit history
☐ Any other reason (*Please Give detail*) _____
☐ I do not know

C9 –From which microfinance provider you obtained microfinance loan?

- ☐ Asasah
☐ Kashf Foundation
☐ Khushhali Bank
☐ Other Specialized Microfinance Institution (Akhuwat, CSC, DAMEN, OPP, SAFWCO)
☐ Other Microfinance Banks (Rozgar microfinance bank etc)
☐ Rural Support Programmes
☐ Others

C10-How many years/months of membership do you have with microfinance institution?

- ☐ Recently joined, less than 6 months
- ☐ More than 6 months to 1 year
- ☐ More than 1 year to 2 years
- ☐ More than 2 year to 3 years
- ☐ More than 3 year to 4 years
- ☐ More than 4 year to 5 years
- ☐ More than 5 years

C11-What was the amount of the first microfinance loan?

- ☐ Up to Rs. 5,000
- ☐ Rs. 5001 – Rs. 10,000
- ☐ Rs. 10,001 – Rs. 15,000
- ☐ Rs. 15,001 – Rs. 20,000
- ☐ Rs. 20,001 – Rs. 25,000
- ☐ Rs. 25,001 – Rs. 30,000
- ☐ Rs. 30,001 and more

C12- What is the amount of current microfinance loan?

- ☐ Up to Rs. 5,000
- ☐ Rs. 5001 – Rs. 10,000
- ☐ Rs. 10,001 – Rs. 15,000
- ☐ Rs. 15,001 – Rs. 20,000
- ☐ Rs. 20,001 – Rs. 25,000
- ☐ Rs. 25,001 – Rs. 30,000
- ☐ Rs. 30,001 – Rs. 35,000
- ☐ Rs. 35,001 – Rs. 40,000
- ☐ Rs. 40,001 – Rs. 45,000
- ☐ Rs. 45,001 – Rs. 50,000
- ☐ Rs. 50,001 – and more

C13- Where did you get information about the microfinance institution (MFI) and its credit facilities?

- ☐ From husband / family head
- ☐ From relative
- ☐ From friends/neighbours
- ☐ From loan officers
- ☐ Others (Please Give detail) _____

C14-What use did you make of the microfinance loan?

- ☐ To start my new business
- ☐ To invest in my already established business
- ☐ To invest in my husband's/family head's business
- ☐ To invest in children or relative or friend's business
- ☐ To fulfil my family basic needs like food, shelter, clothes
- ☐ To pay my / children's educational expenses
- ☐ To pay health expenses of children / family
- ☐ To pay back another loan
- ☐ Any other use (please give detail) _____.

C15-Who is responsible for the payment of the microfinance loan taken in your name?

- ☐ I am responsible
- ☐ My Husband
- ☐ Family Head
- ☐ Me and my husband

- ☐ Me and Family head
- ☐ My husband and family head.
- ☐ Me, my husband and family head
- ☐ Any other (please tell who) _____

C16- Do you receive any training from microfinance institution for setting up micro or small enterprise/new business?

- ☐ Yes
- ☐ No

D-Women Entrepreneurship

Kindly tick (✓) the appropriate answer. If you are not running business financed through microfinance loan kindly tick "not applicable" to all the questions of the part D.

D1-What is the ownership structure of the business?

- ☐ Sole Trader
- ☐ Partnership
- ☐ Not applicable

D2- How long have you been trading in this business?

- ☐ Less than 1 year
- ☐ 1-2 years
- ☐ 3-5 years
- ☐ 6-10 years
- ☐ More than 10 years
- ☐ Not applicable

D3- What is your percentage of ownership in business?

- ☐ 1-25%
- ☐ 26-50%
- ☐ 51-75%
- ☐ 76- 100%
- ☐ Not applicable

D4- Which form of business do you have and also give detail the business type like poultry, rice husking, boutiques, beauty parlours etc?

- ☐ Manufacturing_____
- ☐ Services_____
- ☐ Trading_____
- ☐ Other_____
- ☐ Not applicable

D5- How many people do you employ?

- ☐ Only myself
- ☐ One
- ☐ 2-3
- ☐ 4-5
- ☐ 6-10
- ☐ More than 10 and less than 50
- ☐ More than 50 and less than 100
- ☐ Not applicable

D6-Do you employee women in your business?

- ☐ Yes
☐ No
☐ Not applicable

D7- Do you use unpaid services of your family, friends or relatives in your business?

- ☐ Yes
☐ No
☐ Not applicable

D8- What are the sources of start up capital of your business? (You can tick more than one option)

- ☐ Self funded
☐ Loans from friends, family or neighbours
☐ Loans from landlord or moneylenders
☐ Loans from Commercial Banks or Financial Institutions
☐ Loans from Microfinance Banks like Khushhali Bank, Kashf Bank.
☐ Loans from Specialised Microfinance Institutions like Kashf, Asasah etc
☐ Loans from other microfinance providers--- NGO, Rural Support Programme
☐ Not applicable

D9-On what areas do you spend most of the microfinance loan in business? (You can tick more than one option)

- ☐ Purchase of equipments or asset for business
☐ Purchase of raw material
☐ Initial operating cost-cash flows
☐ Hiring of labour
☐ To clear business debts
☐ Others
☐ Not applicable

D10- Please rate the following questions on a scale of 1-5, 1 being strongly disagree, 2 disagree, 3 neither agree nor disagree, 4 agree and 5 strongly agree and encircle the appropriate number.

Do you agree that you and your business obtained following benefits after participation in microfinance programs?

		Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
i.	Increase in profits	1	2	3	4	5
ii.	Increase in sales	1	2	3	4	5
iii.	Increase in business assets	1	2	3	4	5
iv.	Increase in labour	1	2	3	4	5
v.	Increased chances of obtaining business loans from commercial banks	1	2	3	4	5
vi.	Increase in self confidence	1	2	3	4	5
vii.	Increase in communication skills	1	2	3	4	5
viii.	Increase in financial management and computation skills	1	2	3	4	5
ix.	Qualities of foresight and planning	1	2	3	4	5

☐ **D10** Not applicable

D11-Please rate the following questions on a scale of 1-5, 1 no involvement, 2 very limited control, 3 partial control, 4 significant control and 5 full control.

Do you have control over the following decisions relating to the business (financed by microfinance institution) after participation in microfinance program?

	Control on decisions relating to:-	No involvement	Very Limited	Partial	Significant	Full
i)	The production process like purchase of raw material, production of goods or rendering of services.	1	2	3	4	5
ii)	Hiring of labour.	1	2	3	4	5
iii)	Sale and marketing of the products or services	1	2	3	4	5
iv)	Finance and accounting like pricing of goods or services, calculating expenses and managing finances.	1	2	3	4	5
v)	Purchase and sale of business asset	1	2	3	4	5

☐ **D11** Not applicable

E- Women Economic Empowerment and Well-being of family

E1-Who made the decision to apply for microfinance loan for the first time?

- ☐ I decided to apply for loan
- ☐ My Husband
- ☐ Family Head
- ☐ Me and my husband
- ☐ Me and Family head
- ☐ My husband and family head.
- ☐ Me , my husband and family head

E2- Who made the decision to use microfinance loan when you first received it?

- ☐ I decided where to use the loan
- ☐ My Husband
- ☐ Family Head
- ☐ Me and my husband
- ☐ Me and Family head
- ☐ My husband and family head.
- ☐ Me , my husband and family head

Please rate the following questions E3 and E4 on a scale of 1-5, 1 being strongly disagree, 2 disagree, 3 neither agree nor disagree, 4 agree and 5 strongly agree

E3-Do you agree that you are empowered or have freedom to make decisions or participate in making decision after obtaining microfinance loan?

	I am empowered OR participated to make decision about:-	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
i)	Spending on daily household expenses	1	2	3	4	5
ii)	Spending from my savings	1	2	3	4	5
iii)	Where to use the amount of earning	1	2	3	4	5
iv)	Sale/purchase of assets or livestock	1	2	3	4	5
v)	Spending money on my health	1	2	3	4	5
vi)	Spending money on my children's /family health	1	2	3	4	5
vii)	Spending money on my education	1	2	3	4	5
viii)	Spending on my children's education	1	2	3	4	5

E4 -Do you agree that microfinance help in your well-being and the welfare of your family?

		Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
i.	Increase in your formal education (school / college level degree)	1	2	3	4	5
ii.	Increase in formal education of your children / family	1	2	3	4	5
iii.	Increase in your nutrition and health	1	2	3	4	5
iv.	Increase in nutrition and health of your children / family	1	2	3	4	5
v.	Increase in formal support from male members of the family (moral support, advice, physical help)	1	2	3	4	5
vi.	Decrease in household/family conflicts	1	2	3	4	5
vii.	Encouragement from husband/family head to participate in any activity outside the home that was only for your benefit etc.	1	2	3	4	5

E5 -Do you receive the following benefits of increase in income and assets after taking services from microfinance institution?

		NO	Yes
i)	Increase in income or sources of income	1	2
ii)	Increase in assets –House (purchase or construct house or improvement and renovation of house)	1	2
iii)	Increase in assets –Agricultural land	1	2
iv)	Increase in assets –non-agricultural land, gold jewellery, building or vehicle	1	2
v)	Increase in household items (computer, sewing machine etc)	1	2
vi)	Increase in poultry and livestock	1	2
vii)	Increase in spending on necessity goods (like Food)	1	2
viii)	Increase in savings	1	2

Thank you for completing this questionnaire.

1.2: Interview schedule -women borrowers of microfinance institution

Length of interview 30-35 min

Name of the microfinance institution_____

Name of the respondent (optional) _____

Name of City/ Village and District_____

I am a PhD student at Birmingham City University, UK. This interview is a part of my PhD degree. The data obtained and your responses to this questionnaire will only be used for the purpose of academic research.

My questions broadly cover the impact of microfinance on the development of women entrepreneurship and economic empowerment and on the well-being of women families. I want to explore whether microfinance is helping the women in establishing their own business, development of entrepreneurial abilities and microenterprise? In addition, I am also interested in determining the ability of microfinance in helping women to increase their economic empowerment and well-being of their families. Moreover, this study also considers access to finance for female entrepreneurs. For this purpose I wish to record the interview with your permission. However if you feel uncomfortable with the recording then I will make notes of your interview. I am very grateful for your time and cooperation in it.

<u>General Questions</u>	
1. Family Structure and hierarchy	What are your family structure and the family hierarchy? How many adults and children are in the family, prompt by asking who is responsible for earning the money for the family, how many people earn money and share in household expenses in the family, who make main decisions in the family?
2. Working women or self employed	Are you a working woman or self-employed? Are you doing any job or earns money by working at home or have any business enterprise at micro or small scale running solely by you or jointly with any household member?
3. Education and Training	Are you educated and if yes is education is helping to deal with day to day matters inside and outside of your house? Please explain. Have you received practical training in any subjects including business since the beginning of the microfinance loan? If yes, please give details of that training. In particular, did it include any training in financial management/budgeting /assessment of income and expenditure/record keeping/debt management/savings/ understanding of bank charges?

<u>Access to finance and microfinance loan</u>	
1. Microfinance and savings	<ul style="list-style-type: none"> • How did you hear of microfinance loan? • Why microfinance loan? Have you looked at other alternatives? If no then why? • Are you using credit from more than one microfinance institution or loans from informal (family, friends, landlord) or formal (commercial banks) sources of finance? If yes then what is the reason for using multiple sources of finance? • Are you making repayments of microfinance loan in time? If No, what is the reason behind it and what will be the consequences for non-payment? • Do you feel that your ability to save has changed over the last couple of years after taking microfinance loan? Please describe
2. Microfinance loan and Business	<ul style="list-style-type: none"> • Is credit money used for starting a new or investing in an already established business? If 'No' then what is the use of the credit money? • Are you running the business that is financed by micro finance? If No then who is running the business financed by microfinance and are you participating in that business in any stage (in purchase, production, selling, marketing, accounting and recording or making decisions relating to business, helping in sale of products etc.)
3. Access to Finance and expansion of business	<ul style="list-style-type: none"> • Do you applied or intend to apply for loan from commercial banks and other financial institutions (other than microfinance institutions and banks) after the expansion of your business and do you feel yourself confident in applying and collecting information about such loan after becoming part of microfinance institution? • How MFI will help to expand the business and educate them to apply for further finance from the commercial banks in case of expansion from micro to small and medium scale business?

<u>Women Entrepreneurship</u>	
1. Development of microenterprise from microfinance	<ul style="list-style-type: none"> • How much this credit is helpful in developing your business? (increase in profits and sales) • How microfinance is helping the women to deal with specific social and cultural barriers in the way of developing an enterprise? • Whether MFI is helping in time of crisis in business or left you alone to deal with the

	situation and becoming defaulter?
2. Development of entrepreneurial skills from microfinance	<ul style="list-style-type: none"> • How this credit is helping the women to develop as entrepreneur? • Looking back since you received microfinance loan, what difference do you feel the loan has made in your personal and entrepreneurial abilities like self-confidence, communication skills and ability to take risk in business, ability to manage money independently etc.? Is any training is provided by microfinance institution in this regard? • Do you think that participation in microfinance programme contribute to the development of women entrepreneurship?
3. Empowered to make business decisions	<ul style="list-style-type: none"> • Who is responsible to make decisions in business after the financial and non-financial support from microfinance institution?

<u>Women economic empowerment and well being of the family</u>	
1. Economic Empowerment (social and political awareness)	<ul style="list-style-type: none"> • Do you think that your ability to make decisions increased due to microfinance loans? (Decisions relating to income and household expenses) • Do you think that after joining microfinance programme you are more aware of your political and social rights?
2. Well-being of the family	<ul style="list-style-type: none"> • Do you think that, if you are economically empowered after taking participation in microfinance facility then, you will be able to increase the well-being of family? (Decisions relating to health and education of you and your family) • Looking back since you received microfinance loan, what difference do you feel the loan has made in household communication like asking your advice about difficult issue or decision, encouraging you to participate in something outside the home that was only for your benefit etc.

Kindly share any other comments relating to your experience of microfinance loan and its impact on women entrepreneurship, economic empowerment, and well-being of family and further access to credit from banks other than microfinance banks or any recommendations in this regard.

1.3: Interview schedule –Head/officers of microfinance institution

Length of interview 45-60 min

Name of the microfinance institution_____

Name of the respondent (optional)_____

Designation and branch (city/village) _____

I am a PhD student at Birmingham City University, UK. This interview is a part of my PhD degree. The data obtained and your responses to this questionnaire will only be used for the purpose of academic research.

My questions broadly cover the impact of microfinance on the development of women entrepreneurship and economic empowerment and on the well-being of women families. I want to explore whether microfinance is helping the women in establishing their own business, development of entrepreneurial abilities and microenterprise? In addition, I am also interested in determining the ability of microfinance in helping women to increase their economic empowerment and well-being of their families. Moreover, this study also considers access to finance for female entrepreneurs. For this purpose I wish to record the interview with your permission. However if you feel uncomfortable with the recording then I will make notes of your interview. I am very grateful for your time and cooperation in it.

<u>Access to finance and microfinance loan</u>	
1. Microfinance and savings	<ul style="list-style-type: none">• What is the mission and vision of your microfinance institution?• How do you attract or convince the women to take loan from microfinance institution and what do you think that why women need to prefer microfinance than other informal sources of finance?• What is your criterion for selection of the women client and how you assess that such women will use microfinance for any economic activity like establishing a business and pay back the loan?• If women do not repay microfinance loan in time then what will be the consequences for non-payment?• Do you feel that your women clients' ability to save has changed over the last couple of years after taking microfinance loan? And how helpful is your microfinance institution in this regard

2. Microfinance loan and Business	<ul style="list-style-type: none"> • Do you provide loan to women only for doing business (old or nascent entrepreneurs)? • If women take loan for investing money in her husband/children/relative's business, then how will you ensure that women is participating in the business and benefiting out of it? Like women is taking part in decision making or helping in purchasing, marketing or selling of the products or any financial or non-financial benefit. • If a woman take microfinance for doing business and use it for any other purpose (pay back another loan etc.) then how you ensure or implement the proper use of microcredit? • What are the other financial and non-financial services provided to the female clients with the microfinance loan?
3. Access to Finance and expansion of business	<ul style="list-style-type: none"> • Do you think that participation in your microfinance programme will lead the women borrowers to further access to finance from other financial institution? • How MFI will help to expand the business and educate them to apply for further finance from the commercial banks in case of expansion from micro to small and medium scale business?

<u>Women Entrepreneurship</u>	
1. Development of microenterprise from microfinance	<ul style="list-style-type: none"> • Do you provide any training to help the women to establish her business or expand the already established business? • How microfinance is helping the women to deal with specific social and cultural barriers in the way of developing an enterprise? • Whether the MFI is helping in time of crisis in business of the women client or left them alone to deal with the situation and becoming defaulters?
2. Development of entrepreneurial skills from microfinance	<ul style="list-style-type: none"> • Do you focus on development of women personal and entrepreneurial abilities like self-confidence, communication skills and ability to take risk in business, ability to manage money independently etc.? Is any training is provided by microfinance institution in this regard? • Do you think that participation in microfinance programme contribute to the development of women entrepreneurship?
3. Empowered to make business decisions	<ul style="list-style-type: none"> • Do you support and encourage the women clients to make decisions relating to their business?

<u>Women economic empowerment and well being of the family</u>	
1. Economic Empowerment (Social and political awareness)	<ul style="list-style-type: none"> • How this microfinance institution is helping the women to increase their ability to make decisions? (decisions relating to income and household expenses) • Do you think that your microfinance programme contributes to the development of women economic empowerment and social and political awareness? • Do you think that development of women entrepreneurship through this microfinance loan is a way to achieve economic empowerment of women?
2. Well-being of the family	<ul style="list-style-type: none"> • How this microfinance institution is helping the women to increase their ability to make decisions relating to the well-being of the family? • What type of services do you provide to the women clients that help them in the well-being of their families?

Kindly share any other comments relating to microfinance loan and its impact on women entrepreneurship, economic empowerment, and well-being of family and further access to credit from banks other than microfinance Banks.

1.4: Interview Sheet

Interview No. _____

Date: _____

Name of the microfinance institution _____

Name of the respondent (not compulsory) _____ (Women borrower/Staff/Head)

Name of City/ Village and District _____

<u>General Questions</u>		
	Responses	Observations
1. Family Structure and hierarchy		
2. Working women or self employed		

3. Education and Training		
<u>Access to finance and microfinance loan</u>		
	Responses	Observations
1. Microfinance and savings		
2. Microfinance loan and Business		

3. Access to Finance and expansion of business		
<u>Women Entrepreneurship</u>		
	Responses	Observations
1. Development of microenterprise from microfinance		
2. Development of entrepreneurial skills from microfinance		

3. Empowered to make business decisions		

<u>Women economic empowerment and well being of the family</u>		
	Responses	Observations
1. Economic Empowerment		
2. Well-being of the family		

Kindly share any other comments relating to your experience of microfinance loan and its impact on women entrepreneurship, economic empowerment, and well-being of family and further access to credit from banks other than microfinance banks or any recommendations in this regard.

1.5: Interview Record Sheet

Date and Time	Name of MFI <i>K-Kashf</i> <i>KB-Kushhali</i> <i>Bank</i> <i>A-Assash</i>	Name of respondent (if provided)	Designation <i>W-Women</i> <i>S-Staff</i> <i>H- Head</i>	Area	Duration of Interview	Mode of recording <i>M-Manual</i> <i>R-Recorded</i>	Backup on computer <i>Y-Yes</i> <i>N-No</i>

Annexure-II: Descriptive Analysis by
Cross tabulation, Frequency distribution
and Percentage of the variables and items

1- Income, spending, assets, savings and credit

Table 1A: Descriptive Statistics of income, assets, credit and savings

Variables	Items	Percentage	Rural	Urban
Bank account before microfinance	Yes	16%	6%	10%
	No	84%	30%	54%
Bank account after microfinance	Yes	45%	15%	30%
	No	55%	20%	35%
Income before microfinance	Less than Rs. 5000	12%	8%	4%
	Rs. 5001 - Rs. 10,000	33%	11%	22%
	Rs. 10,001 - Rs. 15,000	33%	8%	25%
	Rs. 15001 - Rs. 20,000	15% ³³	3%	12%
	More than 20,000	6%	5%	1%
House ownership before microfinance	Women	12%	4%	8%
	Husband/Family head	55%	22%	33%
	Other members of household	14%	4%	10%
	Jointly owned by some /all members of household	8%	2%	6%
	Rented	8%	2%	6%
	Living with a relative	3% ³⁴	1%	2%
Agricultural land ownership before microfinance	Women	7%	4%	3%
	Husband/family head	28%	14%	14%
	Other members of household	7%	3%	4%
	Jointly owned by some /all members of household	2%	1%	1%
	No agricultural land	56%	14%	42%
Other assets ownership before microfinance	Yes	32%	13%	19%
	No	68%	23%	45%
Formal and informal sources of credit	Formal-Loans from Specialized Microfinance Banks e.g. Khushali Bank	15%	6%	9%
	Formal- Loans from Specialized Microfinance Institutions. e.g Kashf Foundation, Asasah	42%	18%	24%
	Combination of two formal sources of finance	24%	7%	17%
	Combination of one formal and one informal	8%	2%	6%

³³ I do not know category is merged in it

³⁴ House due to government job is merged in it.

	sources of finance			
	Combination of three or more formal or/and informal sources of finance	11%	4%	7%
Most effective credit source (in case of combination of sources of credit)	Informal-Loans from family or friends	18%	9%	9%
	Informal- Loans from moneylenders	0.8%	0%	0.8%
	Formal- Loans from NGO's or any private company	2.5%	0.8%	1.7%
	Formal- Loans from Commercial Bank or financial institutions e.g National Bank, Punjab Bank etc	34%	11%	23%
	Formal- Loans from Specialized Microfinance Banks e.g. Khushali Bank	44%	7%	37%
	Formal- Loans from Specialized Microfinance Institutions. e.g. Kashf Foundation, Asasah	0.8%	0%	0.8%
Apply loan from commercial banks	Yes	10%	4%	6%
	No	90%	31%	59%
Reason of refusal (in case of 'Yes' for refusal of credit)	I am a woman	7%	0%	7%
	I did not own asset to offer bank as collateral	61%	26%	35%
	The loan applied was of small amount	19%	6%	13%
	I have no credit history	7%	7%	0%
	Any other reason	3%	3%	0%
	I do not know	3%	0%	3%
Preferred way of savings	Saving money in bank or in saving certificates	12%	5%	7%
	Informally with work colleagues, friends or neighbours in the committee system	47%	12%	35%
	Putting money in a jar or envelope	18%	6%	12%
	Asking a relative or friends to save or look after money for you	3%	1%	2%
	Lending money to friends or family as a way of saving	1%	1%	0%
	In conjunction with something you already pay, e.g microfinance saving account with loan	10%	6%	4%
	No savings	9%	5%	4%

Table 1B: Descriptive Statistics of income, asset, and saving after microfinance

Variables and indicators: After microfinance facility	Yes	No	Rural urban category of increase (yes)	
			Rural	Urban
Income: Increase in income or sources of income	66%	33%	22%	44%
Asset: Increase in assets –House (purchase or construct house or improvement and renovation of house)	36%	64%	9%	27%
Asset: Increase in assets –Agricultural land	18%	82%	3%	15%
Asset: Increase in assets –non-agricultural land, gold jewellery, building or vehicle	28%	72%	9%	19%
Asset: Increase in household items (computer, sewing machine etc.)	45%	55%	14%	31%
Asset: Increase in poultry and livestock	20%	80%	5%	15%
Expenditure: Increase in spending on necessity goods (like Food)	60%	40%	18%	42%
Savings: Increase in savings	67%	33%	22%	45%

Table 1C: Descriptive Statistics of income, asset, and saving after microfinance

Variables	Indicators	items	Use of microcredit by the borrowers			Total
			Business by women borrower	Business by any family member or friend	Used for consumption or health, educational needs	
Increase in income, asset, expenditure and savings	Increase in income or sources of income	Yes	114 (38%)	76 (25%)	9 (3%)	199 (66%)
	Increase in assets – House	Yes	61 (20%)	33 (11%)	15 (5%)	109 (36%)
	Increase in assets – Agricultural land	No	126 (42%)	95 (32%)	26 (9%)	247 (82%)
	Increase in other assets	No	118 (39%)	73 (24%)	26 (9%)	217 (72%)
	Increase in household items	Yes	72 (24%)	46 (15%)	18 (6%)	136 (45%)
	Increase in poultry and livestock	No	119 (40%)	95 (32%)	27 (9%)	241 (80%)
	Increase in savings	Yes	106 (35%)	82 (27%)	14 (5%)	202 (67%)
	Increase in spending on necessity goods	Yes	87 (29 %)	76 (25%)	16 (5%)	179 (60%)

2- Microfinance

Table 2A: Descriptive Statistics for characteristics of microcredit of the respondents

Variables	Items	Percentage	Rural	Urban
Rate of interest on micro loans	10- 24%	69%	23%	46%
	25 – 49%	31%	7%	24%
Amount of first microcredit	Rs. 1- Rs. 5000	4%	1%	3%
	Rs. 5001 – Rs. 10,000	75%	23%	52%
	Rs. 10,001 – Rs. 15,000	15%	6%	9%
	Rs. 15,001 – Rs. 20,000	5%	2.5%	2.5%
	Rs. 20,001 – Rs. 25,000	1%	1%	0%
Source of information for microcredit	From husband / family head	8%	4%	4%
	From relatives	17%	6%	11%
	From friends/neighbours	40%	8%	32%
	From loan officers	35%	17%	18%
Responsibility to pay back	Women	37%	10%	27%
	Husband	29%	17%	12%
	Family Head	5%	2%	3%
	Women and her husband	21%	6%	15%
	Women and Family head	3%	1%	2%
	Any others' responsibility	5%	1%	4%

3- Women Entrepreneurship

Table 3A: Cross tabulation of women entrepreneurship vs. business forms

Variables	Indicators	Business Forms				Total
		Manufacturing	Services	Retail	Livestock	
Type of Ownership	Sole Trader	23%	25%	25%	7%	80%
	Partnership	3%	7%	7%	3%	20%
No of years of business experience	Less than 1 year	2%	4%	2%	3%	11%
	1-2 years	1%	3%	6%	1%	11%
	3-5 years	10%	8%	6%	3%	27%
	6-10 years	6%	8%	9%	2%	25%
	More than 10 years	6%	11%	8%	1%	26%
Percentage of ownership	1 – 25%	0%	1%	0%	0%	1%
	26 – 50%	2%	3%	5%	2%	12%
	51 – 75%	1%	1%	3%	2%	7%
	76 – 100%	23%	26%	24%	7%	80%
Number of employees	Women herself	20%	25%	28%	6%	79%
	One	0%	3%	1%	2%	6%
	2-3	3%	2%	1%	0%	6%
	4-5	1%	1%	1%	1%	4%
	6-10	1%	1%	0%	0%	2%
	More than 10 and less than 50 ³⁵	1%	1%	1%	0%	3%
Women and	Women employees	7%	7%	4%	2%	20%

³⁵ More than 50 and less than 100 category is merged in it

unpaid employees	(yes)					
	Unpaid employees (yes)	10%	12%	5%	4%	31%
Source of start-up capital	Self-funded	12%	17%	15%	1%	45%
	Loans from friends, family or neighbours	0%	3%	1%	0%	4%
	Loans from landlord or moneylenders	0%	1%	2%	1%	4%
	Loans from Microfinance Banks like Khushhali Bank, Kashf Bank.	4%	5%	3%	4%	16%
	Loans from Microfinance institutions like Kashf, Asasah etc	3%	1%	4%	0%	8%
	Combination of two-self funded and any other loan	8%	7%	4%	3%	22%
	Combination of three or more	0%	0%	1%	0%	1%
Where to spend microcredit in business	Purchase of equipment or asset for business	9%	19%	13%	5%	46%
	Purchase of raw material	14%	9%	14%	2%	39%
	Initial operating cost-cash flows	0%	3%	3%	0%	6%
	To clear business debts	0%	0.5%	0.5%	0%	1%
	Combination of two	3%	2%	1%	1%	7%
	Combination of three or more	0%	1%	1%	0%	1%

Table 3B: Spearman's rho correlation – Indicators of enterprise

		Increase in profit	Increase in sales	Increase in Labour	Increase in business assets
Increase profit	in				
	Correlation Coefficient	1.000	.451**	.016	.091
	Sig. (2-tailed)	.	.000	.846	.262
	N	153	153	153	153
Increase sales	in				
	Correlation Coefficient	.451**	1.000	.080	.060
	Sig. (2-tailed)	.000	.	.323	.461
	N	153	153	153	153
Increase Labour	in				
	Correlation Coefficient	.016	.080	1.000	.429**
	Sig. (2-tailed)	.846	.323	.	.000
	N	153	153	153	153
Increase business assets	in				
	Correlation Coefficient	.091	.060	.429**	1.000
	Sig. (2-tailed)	.262	.461	.000	.
	N	153	153	153	153

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

Table 3C: Spearman's rho correlation – Indicators of entrepreneurship skills

		Increase in Confidence	Increase in Communication Skills	Increase in financial management and computation skills	Qualities of foresight and planning
Increase in Confidence	Correlation Coefficient	1.000	.741**	.526**	.554**
	Sig. (2-tailed)	.	.000	.000	.000
	N	152	152	152	152
Increase in Communication Skills	Correlation Coefficient	.741**	1.000	.580**	.594**
	Sig. (2-tailed)	.000	.	.000	.000
	N	152	153	153	153
Increase in financial management and computation skills	Correlation Coefficient	.526**	.580**	1.000	.732**
	Sig. (2-tailed)	.000	.000	.	.000
	N	152	153	153	153
Qualities of foresight and planning	Correlation Coefficient	.554**	.594**	.732**	1.000
	Sig. (2-tailed)	.000	.000	.000	.
	N	152	153	153	153

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

Table 3D: Cross tabulation: Enterprise Growth and Business Training

			Business training		Total
			yes	No	
Enterprise growth	Agree	Count	56	44	100
		% of Total	37.3%	29.3%	66.7%
	Neutral	Count	19	23	42
		% of Total	12.7%	15.3%	28.0%
	Disagree	Count	3	5	8
		% of Total	2.0%	3.3%	5.3%
Total		Count	78	72	150
		% of Total	52.0%	48.0%	100.0%

Table 3E: Cross tabulation: Enterprise Growth and Amount of Microcredit

			Amount of microcredit			Total
			Rs.5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Enterprise growth	Agree	Count	39	37	22	98
		% of Total	27.1%	25.7%	15.3%	68.1%
	Neutral	Count	25	11	4	40
		% of Total	17.4%	7.6%	2.8%	27.8%
	Disagree	Count	5	1	0	6
		% of Total	3.5%	.7%	.0%	4.2%
Total		Count	69	49	26	144
		% of Total	47.9%	34.0%	18.1%	100.0%

Table 3F: Cross tabulation: Training and Amount of Microcredit

			Amount of microcredit			Total
			Rs.5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Training for business by MFP	yes	Count	39	24	11	74
		% of Total	27.5%	16.9%	7.7%	52.1%
	No	Count	28	25	15	68
		% of Total	19.7%	17.6%	10.6%	47.9%
Total		Count	67	49	26	142
		% of Total	47.2%	34.5%	18.3%	100.0%

Table 3G: Cross tabulation of Enterprise Growth and Enterprise Type

			Enterprise type		Total
			New Enterprise	Existing Enterprise	
Enterprise growth	Agree	Count	12	90	102
		% of Total	7.8%	58.8%	66.7%
	Neutral	Count	16	27	43
		% of Total	10.5%	17.6%	28.1%
	Disagree	Count	2	6	8
		% of Total	1.3%	3.9%	5.2%
Total		Count	30	123	153
		% of Total	19.7%	80.3%	100.0%

$\chi^2 (1, n=153) = 12.58, p=.002^{**}$

*****p<.01***

Table 3H: Cross tabulation of Training and Enterprise Type

			Enterprise type		Total
			New Enterprise	Existing Enterprise	
Training for business by MFP	yes	Count	19	59	78
		% of Total	12.7%	39.3%	52.0%
	No	Count	11	61	72
		% of Total	7.3%	40.7%	48.0%
Total		Count	30	120	150
		% of Total	20.0%	80.0%	100.0%

4- Women economic empowerment in household

Table 4A: Descriptive Statistics for women economic empowerment

Variables	Items	Percentage	Rural	Urban
Decision to apply for first microfinance loan	Women	42%	8%	34%
	Husband	29%	18%	11%
	Family Head	4%	3%	1%
	Women and husband	21%	6%	15%
	Women, husband and family head ³⁶	4%	2%	2%
Decision of the use of first microfinance loan	Women	43%	8%	35%
	Husband	31%	19%	12%
	Family Head	5%	4%	1%
	Women and husband	19%	5%	14%
	Women, husband and family head ³⁷	2%	0.7%	1.3%

Table 4B: Cross tabulation of increase in women economic empowerment after microfinance vs. use of microcredit

Variables	Indicators	items	Use of microcredit by the borrowers			Total
			Business by women borrower	Business by any family member or friend	Used for consumption or health, educational needs	
Economic Empowerment	Spending on daily household expenses	Agree	61 (20%)	47 (16%)	3 (1%)	111 (37%)
	Spending from my savings	Agree	78 (26%)	47 (16%)	16 (5%)	141 (47%)
	Where to use the amount of earning	Agree	71 (24%)	39 (13%)	12 (4%)	122 (41%)
	Sale/purchase of assets or livestock	Strongly disagree	55 (19%)	33 (11%)	4 (1%)	92 (31%)

³⁶ Three categories of 'Women and family head', 'women, husband and family head' and 'any other' are merged in it

³⁷ Three categories of 'Women and family head', 'women, husband and family head' and 'any other' are merged in it

Spending money on my health	Agree	63 (21%)	65 (22%)	12 (4%)	140 (47%)
Spending money on my children's /family health	Agree	73 (24%)	66 (22%)	17 (6%)	156 (52%)
Spending money on my education	Strongly disagree	52 (17%)	35 (12%)	5 (2%)	92 (31%)
Spending on my children's education	Agree	66 (24%)	60 (21%)	12 (4%)	138 (49%)

Table 4C: Cross tabulation: Amount of loan and Control on decisions to spend on daily household expenses

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs.15001 – Rs. 25000	Rs. 25001 – Rs. 35000 and more	
Control on decisions to spend on daily household expenses	Disagree	Count	50	25	11	86
		% of Total	17.7%	8.9%	3.9%	30.5%
	Neutral	Count	41	25	5	71
		% of Total	14.5%	8.9%	1.8%	25.2%
	Agree	Count	32	60	33	125
		% of Total	11.3%	21.3%	11.7%	44.3%
Total		Count	123	110	49	282
		% of Total	43.6%	39.0%	17.4%	100.0%

Table 4D: Cross tabulation: Amount of loan and Control on decisions to spend money from your saving

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs.15001 – Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Control on decisions to spend money from your savings	Disagree	Count	36	20	10	66
		% of Total	12.8%	7.1%	3.5%	23.4%
	Neutral	Count	26	18	5	49
		% of Total	9.2%	6.4%	1.8%	17.4%
	Agree	Count	61	72	34	167
		% of Total	21.6%	25.5%	12.1%	59.2%
Total		Count	123	110	49	282
		% of Total	43.6%	39.0%	17.4%	100.0%

Table 4E: Cross tabulation: Amount of loan and Control on decisions to use household earning

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 – Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Control on decisions to use the household earning	Disagree	Count	43	28	11	82
		% of Total	15.2%	9.9%	3.9%	29.1%
	Neutral	Count	28	25	4	57
		% of Total	9.9%	8.9%	1.4%	20.2%
	Agree	Count	52	57	34	143
		% of Total	18.4%	20.2%	12.1%	50.7%
Total		Count	123	110	49	282
		% of Total	43.6%	39.0%	17.4%	100.0%

Table 4F: Cross tabulation: Amount of loan and Control on sale or purchase of assets or livestock

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Control on the decisions on the sale/purchase of assets or livestock	Disagree	Count	62	67	19	148
		% of Total	22.0%	23.8%	6.7%	52.5%
	Neutral	Count	36	29	17	82
		% of Total	12.8%	10.3%	6.0%	29.1%
	Agree	Count	25	14	13	52
		% of Total	8.9%	5.0%	4.6%	18.4%
Total		Count	123	110	49	282
		% of Total	43.6%	39.0%	17.4%	100.0%

Table 4G: Cross tabulation: Amount of loan and Control on spending money on women's health

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs. 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Control on decisions to spend money on women's health	Disagree	Count	36	27	11	74
		% of Total	12.8%	9.6%	3.9%	26.2%
	Neutral	Count	37	26	3	66
		% of Total	13.1%	9.2%	1.1%	23.4%
	Agree	Count	50	57	35	142
		% of Total	17.7%	20.2%	12.4%	50.4%
Total		Count	123	110	49	282
		% of Total	43.6%	39.0%	17.4%	100.0%

Table 4H: Cross tabulation: Amount of loan and Control to spend money on children's and family health

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs.15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Control on decisions to spend money on children's /family health	Disagree	Count	37	22	10	69
		% of Total	13.1%	7.8%	3.5%	24.5%
	Neutral	Count	25	22	1	48
		% of Total	8.9%	7.8%	.4%	17.0%
	Agree	Count	61	66	38	165
		% of Total	21.6%	23.4%	13.5%	58.5%
Total		Count	123	110	49	282
		% of Total	43.6%	39.0%	17.4%	100.0%

Table 4I: Cross tabulation: Amount of loan and Control to spend money on women's education

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs.15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Control on decisions to spend money on women's education	Disagree	Count	54	65	28	147
		% of Total	19.1%	23.0%	9.9%	52.1%
	Neutral	Count	41	24	8	73
		% of Total	14.5%	8.5%	2.8%	25.9%
	Agree	Count	28	21	13	62
		% of Total	9.9%	7.4%	4.6%	22.0%
Total		Count	123	110	49	282
		% of Total	43.6%	39.0%	17.4%	100.0%

Table 4J: Cross tabulation: Amount of loan and Control to spend money on children's education

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs.15001 - Rs. 25000	Rs.25001 - Rs. 35000 and more	
Control on decisions to spend on children’s education	Disagree	Count	33	28	10	71
		% of Total	12.4%	10.5%	3.8%	26.7%
	Neutral	Count	26	16	2	44
		% of Total	9.8%	6.0%	.8%	16.5%
	Agree	Count	52	64	35	151
		% of Total	19.5%	24.1%	13.2%	56.8%
Total		Count	111	108	47	266
		% of Total	41.7%	40.6%	17.7%	100.0%

Table 4K: Spearman's rho correlation – Indicators of economic empowerment

Control on decisions relating to :		Spend on daily household expenses	Spend from my savings	Use the amount of earning	Sale/purchase of assets or livestock	Spend money on my health	Spend money on my children's /family health	Spend money on my education	Spend on my children's education
Spend on daily household expenses	Correlation Coefficient	1.000	.701**	.730**	.281**	.508**	.560**	.259**	.509**
	Sig. (2-tailed)	.	.000	.000	.000	.000	.000	.000	.000
	N	299	299	299	299	299	299	299	281
Spend from my savings	Correlation Coefficient	.701**	1.000	.682**	.344**	.472**	.426**	.318**	.426**
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000	.000	.000
	N	299	299	299	299	299	299	299	281
Use the amount of earning	Correlation Coefficient	.730**	.682**	1.000	.515**	.557**	.584**	.421**	.543**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000	.000	.000
	N	299	299	299	299	299	299	299	281
Sale/purchase of assets or livestock	Correlation Coefficient	.281**	.344**	.515**	1.000	.478**	.457**	.633**	.350**
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000	.000	.000
	N	299	299	299	299	299	299	299	281
Spend money on my health	Correlation Coefficient	.508**	.472**	.557**	.478**	1.000	.672**	.522**	.568**
	Sig. (2-tailed)	.000	.000	.000	.000	.	.000	.000	.000
	N	299	299	299	299	299	299	299	281
Spend money on my children's /family health	Correlation Coefficient	.560**	.426**	.584**	.457**	.672**	1.000	.466**	.665**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.	.000	.000

	N	299	299	299	299	299	299	299	281
Spend money on my education	Correlation Coefficient	.259**	.318**	.421**	.633**	.522**	.466**	1.000	.494**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.	.000
	N	299	299	299	299	299	299	299	281
Spend on my children's education	Correlation Coefficient	.509**	.426**	.543**	.350**	.568**	.665**	.494**	1.000
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.
	N	281	281	281	281	281	281	281	281

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

5- Well-being of the woman and her family

Table 5A: Cross tabulation of Increase in well-being of the family after microfinance vs. use of microcredit

Variables	Indicators	items	Use of microcredit by the borrowers			Total
			Business by women borrower	Business by any family member or friend	Used for consumption or health, educational needs	
Well-being of the family	Increase in your formal education (school / college level degree)	Strongly disagree	64 (21%)	45 (15%)	5 (2%)	114 (38%)
	Increase in formal education of your children / family	Agree	76 (25%)	47 (16%)	14 (5%)	137 (46%)
	Increase in your nutrition and health	Agree	75 (25%)	64 (21%)	14 (5%)	153 (51%)
	Increase in nutrition and health of your children / family	Agree	88 (29%)	67 (23%)	15 (5%)	170 (57%)
	Increase in formal support from male members of the family (moral support, advice, physical help)	Agree	79 (26%)	59 (20%)	11 (4%)	149 (50%)
	Decrease in household/family conflicts	Agree	56 (19%)	48 (16%)	10 (3%)	114 (38%)
	Encouragement from husband/family head to participate in any activity outside the home that was only for women's benefit etc.	Agree	67 (23%)	62 (21%)	7 (2%)	136 (46%)

Table 5B: Cross tabulation: Amount of loan and Increase in women's formal education

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Increase in women's formal education	Disagree	Count	63	78	31	172
		% of Total	22.3%	27.6%	11.0%	60.8%
	Neutral	Count	35	20	16	71
		% of Total	12.4%	7.1%	5.7%	25.1%
	Agree	Count	25	12	3	40
		% of Total	8.8%	4.2%	1.1%	14.1%
Total		Count	123	110	50	283
		% of Total	43.5%	38.9%	17.7%	100.0%

Table 5C: Cross tabulation: Amount of loan and Increase in formal education of children and family

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Increase in formal education of children / family	Disagree	Count	40	25	10	75
		% of Total	14.1%	8.8%	3.5%	26.5%
	Neutral	Count	36	23	5	64
		% of Total	12.7%	8.1%	1.8%	22.6%
	Agree	Count	47	62	35	144
		% of Total	16.6%	21.9%	12.4%	50.9%
Total		Count	123	110	50	283
		% of Total	43.5%	38.9%	17.7%	100.0%

Table 5D: Cross tabulation: Amount of loan and Increase in women's nutrition and health

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Increase in women's nutrition and health	Disagree	Count	30	21	7	58
		% of Total	10.6%	7.4%	2.5%	20.5%
	Neutral	Count	35	23	4	62
		% of Total	12.4%	8.1%	1.4%	21.9%
	Agree	Count	58	66	39	163
		% of Total	20.5%	23.3%	13.8%	57.6%
Total		Count	123	110	50	283
		% of Total	43.5%	38.9%	17.7%	100.0%

Table 5E: Cross tabulation: Amount of loan and Increase in nutrition and health of children and family

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Increase in nutrition and health of children / family	Disagree	Count	24	15	8	47
		% of Total	8.5%	5.3%	2.8%	16.6%
	Neutral	Count	28	22	3	53
		% of Total	9.9%	7.8%	1.1%	18.7%
	Agree	Count	71	73	39	183
		% of Total	25.1%	25.8%	13.8%	64.7%
Total		Count	123	110	50	283
		% of Total	43.5%	38.9%	17.7%	100.0%

Table 5F: Cross tabulation: Amount of loan and Increase in formal support from male members of the family

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Increase in formal support from male members of the family (moral support, advice, physical help)	Disagree	Count	32	17	7	56
		% of Total	11.3%	6.0%	2.5%	19.8%
	Neutral	Count	34	27	3	64
		% of Total	12.0%	9.5%	1.1%	22.6%
	Agree	Count	57	66	40	163
		% of Total	20.1%	23.3%	14.1%	57.6%
Total		Count	123	110	50	283
		% of Total	43.5%	38.9%	17.7%	100.0%

Table 5G: Cross tabulation: Amount of loan and Decrease in household or family conflicts

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Decrease in household/family conflicts	Disagree	Count	44	32	12	88
		% of Total	15.5%	11.3%	4.2%	31.1%
	Neutral	Count	35	24	6	65
		% of Total	12.4%	8.5%	2.1%	23.0%
	Agree	Count	44	54	32	130
		% of Total	15.5%	19.1%	11.3%	45.9%
Total		Count	123	110	50	283
		% of Total	43.5%	38.9%	17.7%	100.0%

Table 5H: Cross tabulation: Amount of loan and Encouragement from husband/family head to participate in any activity outside the home that was only for woman's benefit

			Amount of microcredit			Total
			Rs. 5001- Rs.15000	Rs- 15001 - Rs. 25000	Rs- 25001 - Rs. 35000 and more	
Encouragement from husband/family head to participate in any activity outside the home that was only for woman's benefit	Disagree	Count	42	28	5	75
		% of Total	14.9%	10.0%	1.8%	26.7%
	Neutral	Count	27	20	5	52
		% of Total	9.6%	7.1%	1.8%	18.5%
	Agree	Count	53	61	40	154
		% of Total	18.9%	21.7%	14.2%	54.8%
Total		Count	122	109	50	281
		% of Total	43.4%	38.8%	17.8%	100.0%

Table 5I: Spearman's rho correlation – Indicators of well-being of the woman and the family

		Increase in your formal education	Increase in formal education of your children / family	Increase in your nutrition and health	Increase in nutrition and health of your children / family	Increase in formal support from male members of the family (moral support, advice, physical help)	Decrease in household/family conflicts	Encouragement from husband/family head to participate in any activity outside the home
Increase in your formal education	Correlation Coefficient	1.000	.334**	.237**	.342**	.178**	.299**	.172**
	Sig. (2-tailed)	.	.000	.000	.000	.002	.000	.003
	N	300	300	300	300	300	300	298
Increase in formal education of your children / family	Correlation Coefficient	.334**	1.000	.383**	.479**	.339**	.293**	.365**
	Sig. (2-tailed)	.000	.	.000	.000	.000	.000	.000
	N	300	300	300	300	300	300	298
Increase in your nutrition and health	Correlation Coefficient	.237**	.383**	1.000	.618**	.535**	.372**	.330**
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000	.000
	N	300	300	300	300	300	300	298
Increase in nutrition and health of your children / family	Correlation Coefficient	.342**	.479**	.618**	1.000	.529**	.443**	.464**
	Sig. (2-tailed)	.000	.000	.000	.	.000	.000	.000
	N	300	300	300	300	300	300	298
Increase in formal support from male members of the family	Correlation Coefficient	.178**	.339**	.535**	.529**	1.000	.439**	.516**
	Sig. (2-tailed)	.002	.000	.000	.000	.	.000	.000
	N	300	300	300	300	300	300	298
Decrease in household/family conflicts	Correlation Coefficient	.299**	.293**	.372**	.443**	.439**	1.000	.476**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.	.000
	N	300	300	300	300	300	300	298
Encouragement	Correlation	.172**	.365**	.330**	.464**	.516**	.476**	1.000

from husband/family head to participate in any activity outside the home	Coefficient							
	Sig. (2-tailed)	.003	.000	.000	.000	.000	.000	.
	N	298	298	298	298	298	298	298

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

6- Ordinal logistic regression results

Table 6A: Summary findings of significant variables based on ordinal logistic model

Dependent Variables	Microfinance Variables	Control Variables
Women enterprise development	+Loan size- Rs. 5001-15000 -Training * Loan size- Yes x 5000-15000	+Enterprise Type –New enterprise +Household head- Women
Women entrepreneurship abilities		-Household head- Husband
Access to finance	+Training-Yes -Training * Enterprise type-Yes x New enterprise	+Age -18-39 years
Economic empowerment	+Years of membership with MFI-0-1 years	-Microfinance Scheme- Scheme 1 +Education-No education +Education-School education
Well-being of the family	+Years of membership with MFI-0-1 years +Years of membership with MFI-1-3 years	+Microfinance Scheme-Scheme 2 +Education-No education +Education-School education -Increase in necessity goods -Increase in savings

+ Positive Coefficients shows the probability of high dependent score (disagree) as compared with the categories of independent variables, controlling for all other variables constant.

-Negative coefficient shows the probability of low dependent score (agree) as compared with the categories of independent variables, controlling for all other variables constant.

Annexure-III: Publication

<http://www.emeraldinsight.com/journals.htm?articleid=1954024&ini=aob>