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Chapter 5

Micro-Finance: A Driver for Entrepreneurship

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Additional information is available at the end of the chapter

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Abstract

Micro-finance lending has long been the answer to many rural developments around the world. It has successfully led to women empowerment and helped in enhancing the socio-economic status of women globally. Development policies and programs have often ignored women as the integral source in alleviating the growth process. The study thus examines the impact of handicrafts on the socio-economic status of women in Pakistan. It also focuses on the role played by micro-finance institutions in enabling women's micro-entrepreneurship. Women are successfully achieving a high social and economic status in countries like Pakistan through earnings from handicrafts' industry. The data is analyzed quantitatively, using inferential statistics to support the descriptive analysis. Results of the findings showed that handicrafts prove to be improving the socio-economic status of women in Pakistan and micro-finance has been at its backbone.

Keywords: micro-finance, women beneficiaries, chi-square, entrepreneurship

1. Introduction

Pakistan has started embracing women in all walks of life—business women, entrepreneurs, working women, and owners. Micro-finance institutions, women beneficiaries, and natural environment have been identified as few of the indicators of this study. The key informants were samples from a leading micro-finance institution—kashf Foundation customers, who were compared with non-Kashf Foundation customers in Pakistan. Two variables have been analyzed where handicrafts are taken as the independent variable while the socio-economic status of women is taken as the dependent variable. As women have become a source of income in a country like Pakistan, they have been given the power of decision making and their status in society has also increased. Schuler and Hashmi [1], in their study of the impact of micro-credit programs initiated by Grameen Bank and Bangladesh Rural Advancement

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Committee (BRAC) to empower women through various economic opportunities, measure the effectiveness of these programs by the increase in contraceptive use among poor rural women in Bangladesh. They define women empowerment in a specific socio-economic way as the increasing capacity of women to be physically mobile, have increased economic security, and reduce their vulnerability to household violence among others.

2. Literature review

Younus [2] re-invented the concept of social business models and entrepreneurialism. The Grameen Bank model went on to become a benchmark for many studies conducted for poverty alleviation, social cause, and micro-finance service providers.

Dubreuil and Mirada [3] advocated the relationship between micro-finance and women's micro-entrepreneurship in developed countries. Micro-finance institutions have played an obvious role in empowering women by providing them the social credit to start up their own business. With a greater rate of loan repayment, women are found to be more involved in starting up their businesses with less capital resources. Lack of financial resources deprives females of a chance to earn their income and contribute to a country's economy but in recent years, micro-loans have enabled women to become active members of the society socio-economically. Sirika [4] debates on the socio-economic status of artisan women in West Wallaga. She compares, in her research, the socio-economic status of artisans in the past and the current situation. Women in this region are producers of utensils and other products which people use in their day-to-day chores. Their role in sustainable development is of special concern. The economic status of handicrafts women is ranked high as compared to non-artisan women. There are many challenges for these women and once again their work needs promotion and guidance. Their skills need to be enhanced and they need proper training in marketing techniques, negotiating prices, etc. They should be provided a place in the market to display their work. Hence, non-government organizations (NGOs) and other organizations should focus on the empowerment of these women along with other matters of interest.

Sinha [5] conducted her research to study the impact of motivation and social support on enterprise creation and women entrepreneurship. For the purpose, a sample of 400 men and women entrepreneurs of the northeast India was taken. The sample was selected using stratified random sampling. In her study, the author reports that industrialization is an important factor for developing human resources in any region. Women constituted half of the population of the country according to the 1991 census. Northeast India women were more involved in income-generating activities. They were running different trades in the area and they were dominant in many trading bazaars of Northeast India. According to her, one of the motivating factors for women to start an enterprise was independent economic status. More educated women took enterprise as a challenge, while women who were not highly qualified and educated started micro-enterprises to earn an income. For most of the women, home was the first preference, so it was also needed to make the family members understanding and accommodating. These women lacked proper financing for these micro-businesses and

they bore high interest rates on loans they took for their work. They preferred to enter the handloom and handicrafts industry. Briefly, Sinha states that these women needed guidance and appreciation because they lacked many skills such as training, technology up-gradation, designing and new product development, packaging, and marketing. Different organizations working for entrepreneurship development should lead women in a defined direction using their spirits to excel in the industry. Despite all the aforementioned problems, women of this region have a very high potential to develop socio-economically.

Park and Changqing [6] established the Grameen Bank model in China to measure the effectiveness of reaching far-off clients in poverty-stricken areas. The model was created to gauge the performance of NGOs compared to formal financial institutions, but concluded that further innovations in methodology was required. Ahmed et al. [7] observed that reforms in foreign trade begin at the micro-level. By enhancing economic growth, the former can be achieved. Omoregie [8] describes each entrepreneurial activity as a challenge with abundant opportunities. He uses the buyer experience cycle and utility matrix, and the entrepreneurial process renewal, regeneration, and entrepreneuring model to close the gaps, enhance the opportunities, and build for a sustainable entrepreneurial environment. Rahman and Luo [9] critically evaluated the overall performance of three NGO-type micro-finance services in the Shaanxi province of China and compared them with the existing Grameen bank model. They concluded that more focus on outreach, credit performance, financial sustainability, and regulatory situation is required and awareness is to be generated for the selected micro-finance service providers to successfully govern the micro-finance lending. Samia [10] conducted an exploratory study to understand the entrepreneurial behavior among the women in the Pakistan and concluded that micro-finance lending helped more than half of the women with rural backgrounds to start a new business activity.

Barr [11] argued that micro-finance can help foster market innovations, noting that a sound credit history can play a vital role in channelizing these innovations. Jegatheesan et al. [12] embraced the idea of entrepreneurialism with micro-finance in Africa. They concluded that government strategies and acceptance of such activities is required for successful outcomes of such initiatives.

3. Handicrafts and women empowerment

Krishnaraj [13] analyses rural women handicraft as a type of subsistence production. She argues that women's work in bamboo craft production at household levels is affected by three factors: socio-economic contexts (caste and class), larger development and growth policies at state level and the way the household of these subsistence workers respond to these two larger contexts. Handicrafts are a source of women empowerment. In Pakistan, the handicrafts work is not as much appreciated due to which the women from underdeveloped areas remain in poverty and misery. It is one of the reasons why the arts and crafts in Pakistan are not well marketed. Lack of creative market strategies and negligence of government toward this sector also led to the negligence of this craft. When we look at the trend of handicrafts

in far flung and under developed areas of Pakistan, we see that there are very hard-working women who make beautiful handicrafts but when the time comes to sale these products, there are no potential customers. They ultimately must sell those beautiful products to ignorant people who do not have any idea about the products' actual cost, so they demand a very low price; handicrafts women must sell these products at the price offered to earn their living. However, the trend is different in the large cities of Pakistan where there are various foundations and organizations that not only support the females to start up their businesses, but also provide financial support to the minorities. Hence, a woman who has a little money to start up her business will take a certain loan amount from such micro-finance institutions or organizations and operate their work. In this way, they earn a considerable amount of income and are able to repay the amount of loan. They easily support their families. They send their children to schools and get the necessities of lives. This is how their presence is acknowledged in society and this is how their decision making power is also increased.

Maskiell [14] analyzes the impact of colonial policies and the intermixing of economic and cultural aspects of "Phulkari" among Punjabi women during the British Raj and how this has continued to make work feminine or masculine in the cultural imagination. She uses the term "gendered work" to explain her point.

4. Micro-loans and challenges

The introduction of products of modern technologies such as ceramics, plastic, and metallic utensils that are steadily replacing the utility of indigenous craft products in both urban and rural areas, is affecting the economic status of the artisans. Under these circumstances, artisans have lost and are still losing their traditional rural markets and their position within the community. This is chiefly true about artisan women. In the area, it is not the manufacturing industries that have been introduced but their products. If there manufacturing industries, they would have at least absorbed some of artisans. The consequences are many; first, the product is affecting progress of indigenous technology. Second, it is leading to widespread unemployment by destroying the labor-intensive crafts and reducing livelihood options; it is directly or indirectly intensifying environmental degradation. Besides, by affecting the progress of indigenous technology, this affects the positive interdependence between agriculture and craft sectors. Furthermore, enhanced machinery is hardly ever introduced in rural areas. Even when introduced, women are usually excluded from access to jobs in the new institutions by the associated criteria set for recruiting for employment. Another major challenge to the handicrafts women is that they cannot access the loans while living in far flung areas and they do not have any helping member who can help them to access the micro-finance institutions in large cities. They also cannot come to the big cities. Large NGOs and other micro-finance institutions should focus on such small groups of women from backward areas; they should guide and direct women in the proper right direction so that their work is brought to the commercial level and also displayed in large artisan exhibitions. In an article, attention was drawn toward the tendency among governmental agencies and most non-governmental organizations (NGOs) over the past two decades to apply a welfare model to women poverty alleviation projects [15]. Since the 1970s, various developing countries and donor agencies as

well as NGOs have looked upon women as indirect participants of development of a nation and region. Thus, most projects for women have concentrated on their reproductive role rather than their productive role. Women work need assistance and guidance. The government should take some steps to improve the handicrafts sector in Punjab and in other far and backwards areas too. The potential of the female workers should be creatively utilized and used in the development of handicrafts.

Women are disproportionately represented among the poor, and the number of women in poverty in the rural areas of developing countries is growing faster than the number of men. In 1988, an estimated 564 million rural women lived below the poverty line, representing an increase of 47% since 1965–1970. In comparison, the number of men living below the poverty line increased 30% over the same period. Factors contributing to the increase in rural poverty are economic recession, civil strife, and natural disasters. In addition, the rise in the number of households supported solely by women is an important variable explaining the increase in poverty among women. These households tend to be overrepresented among the poor. In both the urban and rural areas of developing countries, women are important contributors to the economic support of their households. In Africa, for example, it is estimated that 96 percent of rural women engage in farm work and 40% of small farms are managed by women. Because of this work, women contribute both cash and subsistence income to household support. Data from many countries show that the poorer the household, the more women work for income, and the larger the proportion of household income derived from women's earnings. In some landless households in India, for instance, women are often the main or even the sole income earners in their households.

5. Research methodology

The whole study revolves around the impact of handicrafts on the socio-economic status of women. A proposition has been developed since female entrepreneurs have a high status in society. Different elements have been considered keeping in view Punjab as the area of study.

5.1. Research design

The research is intended to study the impact of one independent variable, which is handicrafts, over the other dependent variable, which is status of women. Both variables have their own dimensions.

5.2. Sampling

- To conduct the research, 20 respondents were selected.
- 59 of the respondents were customers of the Kashf Foundation; the other 50 were handicraft working women from a backward area of Punjab near Mianwali.
- An adopted questionnaire consisting of 11 questions formulated by the Kashf foundation was used to study the impact of handicrafts on the status of women. Therefore, purposeful sampling technique was used.

5.3. Hypothesis development

The null hypothesis was the following:

H0: handicrafts have significant impact on the socio-economic status of women in Punjab.

H_1: handicrafts do not have significant impact on the socio-economic status of women in Punjab.

5.4. Data analysis

A total of 109 questionnaires were circulated among the respondents. The data received from the respondents was analyzed. To test the hypothesis, Chi-square test was used to know whether the chi-square was accepted or rejected.

5.5. Methodology

The data obtained was analyzed using chi-square. The observed and expected values were calculated. Each question had two options, which were Yes and No. Hence, these options were assigned the values 2 and 1 (Yes = 2, No = 1). In this way, it was observed how many respondents opted Yes and how many opted No. Degree of freedom was calculated using the appropriate formula and .05 level of significance.

The calculations for chi-square are as follows.

Observed values

Response	Kashf Foundation customers	Non-Kashf Foundation customers	Total
Yes	152	196	348
No	34	12	46
Total	186	208	394

Expected values

Response	Kashf Foundation customers	Non-Kashf Foundation customers	Total
Yes	164.284264	183.715736	348
No	21.71573604	24.28426396	46
Total	186	208	394

Chi-square

Response	Kashf Foundation customers	Non-Kashf Foundation customers	Total
Yes	0.918548967	0.82139475	1.73994372
No	6.949022623	6.214029846	13.1630525
Total	7.867571591	7.0354246	14.903

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The following formula has been used

$$X2 = \sum(O–E)^2/E$$

where

O = observed value.

E = expected value.

Degree of freedom was calculated by

$$Df = (r–1) \times (c–1)$$

where r = no. of rows, c = no. of columns.

6. Results

Decision rule states that we need to reject H0 if:

$$X^2 \text{ calculated value} > X^2 \text{ critical value}$$

At 5% level of significance, we have 90 degrees of freedom and chi-square is 114.27.

The calculated value of chi-square is less than the critical value of chi-square, that is,

$$14.903 < 114.27$$

Hence, we accept H0.

7. Conclusion

The analysis at hand endorses the impact of handicrafts on the socio-economic status of women in Punjab. The results were calculated by applying chi-square on the data. The reason for opting for chi-square was because we have

- quantitative data
- two variables
- adequate sample size
- data in frequency form

From the supported material and findings of the results, it is therefore concluded that handicrafts women are producers of indoor and outdoor implements that rural communities are depending on. In addition, their works in the sector are sources of livelihood diversification

that reduce pressure on land and hence, alleviate environmental degradation. These women need assistance to set up saving and credit cooperatives, making capital available for further investment. Groups' saving, and credit cooperatives are helpful to link the local cooperative unit to mainstream financial institutions in the country. There is a need to teach people the fact that existence of their technology is wholly based on the available surrounding natural resources and devastation of the resource cycle lead to interruption of the craft works. Micro-finance institutions that give loans with minimum interest rate should be set up in rural areas. Even if there are many lacking facilities, the handicrafts women can still empower their socio-economic status via earnings from their work. It was also concluded that Kashf Foundation customers have a better socio-economic status than those of non-Kashf Foundation customers.

Annexure

Questionnaire

Age: Income Level:

1. Do you think handicrafts are a leading factor in poverty alleviation?

- Yes
- No

2. What according to your perception are the sources of your empowerment in your society?

- Yes
- No

3. Do you think micro-loans/credit can be a driver in expanding your business?

- Yes
- No

4. Who is the principal decision maker in your house hold?

- Yes
- No

5. Since you have been involved in handicrafts, are you involved in decision making?

- Yes
- No

6. Has the attitude of your household members changed since you started contributing to the income-generating activities?

- Yes
- No

7. Have you been benefitting out of your micro-enterprise activity?

- Yes
- No

8. Are you facing any kind of financial independence after you have been a part of micro-enterprise activity?

- Yes
- No

9. Has your ability in doing purchases without seeking approval increased?

- Yes
- No

10. Has your role in your reference community increased greatly?

- Yes
- No

11. Since you have been working, do you think your quality of your life has improved?

- Yes
- No

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