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Empowering women entrepreneurs through Micro finance in Jaffna District, Sri Lanka: Challenges and Scenarios

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Abstract:

Micro finance serves as a vital role for women entrepreneurship development in the developing countries as well as in Sri Lanka. As a result of 30 years conflict situation, women lost their male relatives in struggle, and forced to take a responsibility of their family in order to look after their children, aged parents and their male relatives. Micro finance institutions help the poor people particularly women in effective ways in order to create income generating activities. This study focuses the challenges and Scenarios associated with the adoption of microfinance as an instrument for empowering women entrepreneurs in Jaffna District in Sri Lanka. The prime objective of this study is to identify the challenges and scenarios in empowering women entrepreneurs through micro finance in Jaffna District. In this study the rural areas of Jaffna, Nallur, Kopay Divisional Secretariat Divisions, were selected as the sample size of population of women entrepreneurs who were involving in numerous self employable activities around 76 women. Both primary and secondary data were used for gathering information and quantitative and qualitative analysis was carried out to find out the results. To find out the results and check the validity and reliability of quantitative analysis the case study method also used in this study. In the quantitative analysis the correlation and regression method was used to find out the association between the variables of entrepreneurship challenges and needs and micro finance objectives by using SPSS. Three case study method also was included in this study that the women entrepreneurs were improved their activity by the support of micro finance institutions facing many challenges. The result of this study concluded that there is no significant relationship between the objectives of micro finance institutions and the needs of the respondents. In addition to this, using micro finance facilities create more job opportunities and variety of economic activities and improve household education, family welfare and empowering women themselves. Further this study shows that even though micro finance scheme is a strategy for increasing women entrepreneurs those who express their feelings on challenges and issues on marketing activities due to transport problem and financial difficulties. It is suggested that if much awareness will be created to enlighten the women entrepreneurs on record keeping, building assets, managing risk and increasing savings, it would be identified as the best strategy for helping poor women entrepreneurs' access on financial and non-financial services in MFIs.

Key words:

Challenges, Financial services, Micro finance, Scenarios and women entrepreneurs.

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Background of the study:

Micro Finance has evolved as a key instrument to afford financial and non-financial facilities to the poor people in developing countries. It focuses on micro credit, savings and insurance and other financial and non financial services to the low-income people of a country. More than thirteen (13) million micro entrepreneurs worldwide have benefited through microcredit, by using the loan facilities in order to improve their wealth and their families out of poverty. But there remain 200 million families who work hard, but cannot access affordable credit (Swider Paul, (2000). It is often argued that the formal financial sector and informal financial sector in developing countries have failed to serve the poorer section of the community (Chowdhury et al, 2004). Collateral, credit rationing, preference for high income clients and large loans, and bureaucratic and lengthy procedures of providing loan in the formal sector keep poor people outside the boundary of the formal sector financial institutions in developing countries.

Credit delivery has been the main driver for the creation of MFIs in developing countries (Haq, Hoque and Pathan, 2008). It is important to mobilize, savings also in order to achieve self sufficiency. Saving will help them to increase their credit activities and allow them for growth. This may permit higher profit margins and general competitive strength (Nagiah, 2004, cited by Haq, Hoque and Pathan). The importance of microfinance in the field of development was reinforced with the launch of the Microcredit Summit in 1997. The aim of Summit to reach 175 million of the world's poorest families, especially the women, with credit facilities and other financial and business services for the self-employed women, by the end of 2015, (Microcredit Summit, 2005).

Women in entrepreneurship have been growing up in developed economies to survive themselves and to help support their families (Gordon, 2000). Therefore it can be seen that women entrepreneurship is a growing phenomena and has had a significant economic impact in all economies. However, women-owned enterprises have challenges and constraints that need to be addressed and specific needs that have to be identified to help them. More of the households in Sri Lanka are now headed exclusively by women. They still face numerous challenges in accessing education and health services, as well as economic development. Microfinance is described as a powerful tool to improve economic development in a post-conflict context and to support post-conflict rehabilitation assistance.

Self-Employment Learning Project (1997) describes micro credit provided for self-employment programmes, which generate income-allowing borrowers to better care for themselves and their families. Such successful self-employment mitigates the stains on public benefit programmes, can introduce investment in low income communities, and even generate employment opportunities for others. Micro Credit emphasizes the provision of credit services to low income clients, usually in the form of small loans for micro enterprise and income generating activities (Sadegh Bakhtiari, 2006).

Hailselassie, (2007) studied that the micro finance plays a significant role in the economic empowerment through the provision of loans to poor women who are uneducated and unable to fulfill the collateral requirements required by other financial institutions. Microfinance enables them to become self-employed. Further, some of the women have managed their incomes in small amounts and increase their savings also. Dubreuil and Mirada (2010) study on 'Microcredit and women empowerment: an empirical case-study based in Catalonia' considered the effects of microfinance in developed countries, and specifically the start up of micro business by women

entrepreneurs with limited access to credit, having benefit from a microcredit program to develop their self employment projects.

Okafor, Oluwakemi, & Samuel, (2011) found from their study that there was no significant relationship between the objectives of microfinance institutions and the financial needs of the respondents. This shows that although micro finance scheme is a good strategy for reduction of the poverty level of Nigerian women entrepreneurs, more awareness need to be created among Nigerian women entrepreneurs especially those in the rural areas. Helping women entrepreneurs with facilities to save and to have better access to credit will enable them manage risk, build assets, increase income, enjoy a better life and also help to reduce gender inequality among Nigerian entrepreneurs.

Ayadurai, (2004) concluded that the women entrepreneurs of the North East of Sri Lanka must be recognized as an important unit contributing to the economic growth of the country. They must be supported by the international organizations involved in the growth and development of entrepreneurship, especially women entrepreneurship, to help them “function” effectively as women entrepreneurs.

Jaffna is considered one of the more prosperous districts in comparison with other districts in the North. However, poverty raised by inequalities in income, employment, infrastructure, health and educational facilities is trickled within the post-war situation. Prior to the explosion of the civil conflict, Jaffna enjoyed a healthy economy. The foreign aids are used to develop the local economy in Sri Lanka most probably in the war affected areas specifically in Jaffna because most of the displaced people who are female other than male staying here. This study deals with the empowerment of rural women entrepreneur through the micro finance activities and the challenges and scenarios under the post war development in selected rural areas in Jaffna District.

Research Problem:

It is accepted from the researches that the microfinance is an important tool to enhance the entrepreneurship development in the developing countries as well as in Sri Lanka. In the post war context it has been realized from the past experiences in Sri Lanka. However there are some challenges and difficulties facing by women as entrepreneurs for their sustainable development.

According to Premaratne and Senanayake (2011) the microfinance has an impact on women. It leads to develop confidence, participation, skill development and empowerment. But they found out from their study that there is no impact on sustainability and rural development, particularly poverty reduction, creation of employment opportunity and savings of assets in the rural areas.

Remenyi (1991) has categorized five levels of poor into a poverty pyramid those are the ultra poor, the labouring poor, the self-employed poor, the entrepreneurial poor and the nearpoor. At the bottom layer of the pyramid are the ultra poor that depend on others' earnings. Above the ultra poor are the labouring poor who are employed in lower paid and unskilled positions. The top three levels consist of the self-employed poor who work for themselves and may employ up to five others, the entrepreneurial poor whose enterprises employ more than five people and the near poor who have stable, albeit low wage employment.

Pushpuakumara (2011) concluded that the micro financing is an important factor in reducing poverty, since it has positive relationship between microfinance credit usage and performance. After engaging with microfinance credit schemes there is positive effect on the monthly income, gain for the capital investment and savings. But in gender wise,

women are more effective than men in using micro credit facilities. Therefore they recommended that more credit facilities to be granted for female oriented business activities in order to achieve the objectives of the micro credit programmes at country level large.

The Microfinance Institutions (MFIs), become a major tool for development of Women entrepreneurs in Sri Lanka. These Institutions as part of their core business provide credit facilities to the entrepreneurs. In addition to the financial services, it provides Social intermediations, Enterprise development and social services like business and skill training, financial and business management and capacity building to improve their capacity on managing the resources granted them to facilitate the self employment activities. Further, the numbers of MFI institutions in Jaffna District growing rapidly. However, their wide existence does not match with the extent of reduction in the major challenges that affect the growth of self employable activities in Jaffna.

However, a little research has been undertaken to look beyond microfinance's economic benefits, at social mobilization, empowerment, stabilization, peace building and harmony, through social capital enhancement. Most of the authors investigated the developments and situation of the regions in their Reports and articles which were conducted by the aid of the NGOs and Other World Nations. However most of the researches have been done regarding the women empowerment, entrepreneurship development and micro Credit programmes in worldwide it is very little bit in Sri Lanka especially in Jaffna District. This study attempt to fill this research gap and raising the following research question as a research problem:

“Whether the Micro finance services assist in empowering women entrepreneurs in the rural areas in Jaffna District?”

Objectives:

This study has the following objectives:

The prime objective of this study is to identify the challenges and scenarios in empowering women entrepreneurs through micro finance in Jaffna District. And the following objectives also have been identified as sub objectives.

- To establish the linkage between Micro finance activities and empowerment of Women Entrepreneurs.
- To identify the impact of Micro finance on empowerment of Women Entrepreneurs
- To assess the challenges women entrepreneurs facing in accessing credit facilities.
- To suggest some possible solutions for improving the women entrepreneurship development.

Methodology

3.1 Sample:

Four-stage random sampling technique has been applied in selecting households. In the first stage, three Divisional Secretariat (DS) Divisions had been randomly selected in Jaffna District. In the second stage of random sampling, three MFIs which are Community Based Organizations (CBOs), Thirft Credit Cooperative Societies and Samurthi Bank had been selected randomly for data collection purpose. In the third stage, the women households who lived in the rural areas of Kopay, Kondavil, Ariyalai west and Vannarponnai Grama Sevaka Divisions were selected. In the fourth and final stage, the study randomly selected 20 members from each of the areas. In total, the study has collected information from 76 respondents out of 80 households.

3.2 Data Collection:

Besides information on microfinance, entrepreneurship and empowerment, the survey collected detailed information on a variety of factors. For example, demographic information (age, sex, marital status, etc.) and socio-economic information (education, employment, food consumption, expenditure on health, etc.) were collected for all household members. Information relating to microfinance services provided to the clients and the size of loan received, recovery of loan, date of joining and other membership characteristics also collected from them.

Primary and secondary data were used for the study. Primary data were collected from the questionnaire developed by the researcher and direct personal interview with the Staff Officers of Rural Development Officers, presidents of TCCSs and WRDSs and secondary data were collected from the books, journal and other reports and documents. And three case studies have been selected out of 10 with personal interviews of women entrepreneurs who are living in the study area in order to support the results from quantitative analysis.

3.3 Conceptual Model

Independent Variable represents by the micro finance services and the dependent variable is empowerment of women entrepreneurs. From these independent and dependent variables, the following relationship is constructed by the conceptual model in figure 1 (See appendix i). In this study Micro finance services is the independent variable and women empowerment is the dependent variable. From these independent and dependent variables, the following relationship has been constructed.

3.4 Hypothesis:

Based on the conceptual model the following hypotheses have been developed in order to conclude the results.

- H₁: “Higher the level of micro finance activities positively correlated with empowerment of women entrepreneurs”.
- H₂: “The micro finance activity has strong impact on women empowerment through entrepreneurship development in the rural areas in Sri Lanka”.

3.5 Definition of the Concepts:

3.5.1 Financial Intermediation

This is the most primary objective of Micro Finance Institutions (MFIs) because without loan or money social intermediations cannot work. MFIs access financial services and in result to poverty alleviation, health care and education (Ledgerwood, 2000). MFIs are providing many financial services such as credit, savings, insurance, credit cards and payment services etc., In this study small and short term loans and savings are considered as financial intermediation services and the respondents were asked questions on this regards by using 5 point Likert scale from 5 to 1 Completely satisfaction to completely dissatisfaction respectively.

3.5.2 Social intermediations

Social intermediations cover the group formation issues, leadership and supportive learning, is secondary role of microfinance for borrowers of MFIs. Social capital development is a basic ingredient of sustainable development of Poor's life and society. Ledgerwood, (2000, pp.64) defines that the social intermediation is “the process of building the human and social capital required by sustainable financial intermediation for poor people”. With increase of business activities among members, and financial dealing between lenders and borrowers, the ratio of social capital will be increased. In this study

respondents were asked questions regarding group formation and leadership and cooperative training using 5 point Likert scale .

3.5.3 Enterprise development services

MFIs support to borrowers either in group or individual in different enterprise development services like marketing, business and training for accounting etc. These services could be divided into two parts which are enterprise formation and transformation. MFIs provide technical support for groups or individuals for beginning their businesses in the enterprise formation while, in transformation of enterprise, MFIs arrange trainings and workshops for their borrowers for developing new technology and skills in their business area (Legerwood, 2000). In this study this activity is important and entrepreneurs were asked questions Business and production training and marketing promotions etc.,

3.5.4 Social Services

Poverty can be focused by financing poor for productive activities which in result move towards their access to living requirements. Financial lending is a one tool for poverty alleviation. Poor needs microfinance for poverty alleviation and other life requirements like food, healthiness, education and social support network and so on. MFI's role is productive in the life of poor by offering financial services with supportive services. The respondents were asked whether they are satisfied the activities regarding the social services such as education, health and nutrition providing MFIs. See Appendix 1.

Women empowerment has been measured using 5 point Likert Scale from strongly agree to strongly disagree from 5 to 1 respectively. Respondents were asked questions how they perceived on their economic, social and political conditions and self confidence etc., through micro finance activities providing MFIs.

3.6 Data Analysis tools:

The Pearson Correlation and Regression analysis statistical tools have been used to find out the linkage between Micro finance activities and empowerment of women Entrepreneurs and its impact on Women empowerment by using SPSS.

Further, to find out the results and check the validity and content reliability of quantitative analysis the case study method also was used in the study. Suppose three case studies comprise that the women entrepreneurs' experience in relation with micro finance activities has been included.

Regression analysis was carried out to test the impact of micro finance on women entrepreneurs' empowerment. Women entrepreneurs' Empowerment (W) is dependent upon the Micro finances services illustrated above Financial Intermediation (FI), Social Intermediation (SI), Enterprise Development (ED) and Social Service (SS). It is represented as follows:

$$WE = f(M)$$

To test the impact of micro credit and entrepreneurship development on Women empowerment, the following equations can be formulated.

$$W = \beta_0 + \beta_1 (FI) + \beta_2 (SI) + \beta_3 (ED) + \beta_4 (SS) + \epsilon$$

Where β_0 and β_1 are the regression coefficient

W= Women empowerment

FI= Financial Intermediation Services

SI= Social Intermediation Services

ED= Entrepreneurship Development

SS= Social Services

ϵ = error term.

Discussions and findings:

The respondents were asked their satisfactory level with microfinance services and their responses have been explained by using pie chart and satisfactory level has been measured on percentages of completely satisfaction, satisfaction, some how satisfaction, dissatisfaction and completely dissatisfaction. The following pie charts illustrate the satisfaction level of four activities of MFIs explained above.

4.1 Financial Intermediation Services

Financial Intermediation services focus the savings and loans. 9.21% of respondents were completely satisfied, 46.05% were satisfied and 38.1% were somehow satisfied with the saving activity of MFIs. 6.58% were dissatisfied with the Financial Intermediation Services of MFIs. Altogether, 7% were dissatisfied and 93% were satisfied with the saving activity. Samurthi beneficiaries must save some percentage to obtain loan facilities from the Samurthi Bank which focus the satisfactory level of Financial Intermediation Services.

4.2 Social intermediation Services

41% were dissatisfied and 59% were satisfied with the social intermediation services of MFIs. The group formation and collateral are important for getting loan facilities so, the respondents were satisfied with this but they disappointed with the leadership training and cooperative learning which leads to the dissatisfaction level.

4.3 Enterprise development services

88% were dissatisfied with the Enterprise development services of the MFIs. Only 12% were satisfied with these activities. This is the reason to the failure of the enterprise development of women in the rural areas. They expressed their feelings on infrastructure facilities and marketing promotions are not enough which providing by the MFIs.

4.4 Social services

60% of the respondents were satisfied with the social services other than 40%. See Appendix i.

4.5 Correlations

From the data collected and analyzed with the help of Statistical Package for Social Sciences (SPSS) and it revealed the relationship between the micro finance activities and women Entrepreneurs' empowerment in the Jaffna region is as follows:

Correlation test was made to examine the relationship between variables and results are tabulated. Table 1 shows that there is a positive relationship (.741) between Micro finance activities and women empowerment at 0.01 significant levels. From this result the hypothesis (H₁) has been proved clearly and there is positive relationship between micro finance activities and empowerment of women entrepreneurs. Further, there is a strong relationship (0.656) between Social intermediation services and empowerment at 0.01 significant levels other than financial intermediation, enterprise development and social services which providing MFIs.

The table 2 gives the simple linear regression results. It shows that the R Square = .633 that only 63.3 % of the variation in women empowerment is explained by Microfinance activities (Social services, Financial Intermediation Services, Social intermediation services and enterprise development services) and remaining 36.7% are determined by other factors such as self confidence, attitude changes, advising and monitoring, activities etc., In Table 3, ANOVA shows that the P value is .000 at 0.01 significant level (P<0.05). Further the F value also is statistically significant (30.608). From these findings the hypothesis 2 has been proved as there is impact of micro finance activities on women empowerment. The table 4 shows that the microfinance activities are

significant predictor of the women empowerment ($P < .05$) except financial intermediation services.

5Case Studies:

1A Single mother of three children Vasanthi is an entrepreneur who is making food items for whole sale and retail sales in one of the above study area in Jaffna District. Now 4 – 5 women are working under her supervision. Ten years ago, when she start the business only Rs 20,000 was employed as a capital. In 1995, Vasanthy displaced from Jaffna to Chavakachchery with her husband and three kids.

When she returned back to Jaffna she lost her husband due to the conflict situation. The youngest kid was 3years and she had no way to look after her children except involving with her mother's work. She had an idea to do the food making on her own and NGO helped to start the business. When she started the business she faced challenges and difficulties and she managed everything with in a short period. She adopted marketing strategy ie quality food items with reducing price.. And she kept records and developed skill through training facilities provided by MFIs. Only one time she was provided loan facilities then she get advance money from whole sellers for their orders and enlarged the business activities giving profit. She was provided the entrepreneurship development services and social services than financial intermediation and social intermediation services which leads to become a labelled entrepreneur and to empower herself.

2.Mala got depressed by her husband when she realised that life is tough and all the more difficult for a woman without the help of men who was unable to do because of his disability. However she was samurdhi beneficiary burdened with the responsibility of fending for her two kids she worked with anyone who would give her food / money, often 2 or 3 times a week, and aspired to start some business and become economically self – sufficient. However, she was not confident becoming self-employed because of paucity of knowledge regarding what to do and how to conduct a business. It was during the post war situation she joined with Women Rural Development Society (WRDS) by knowing her neighbours. She was involving with WRDS activities and participating self employment training and awareness programmes regarding women empowerment. Through the training on self-employment, she got an understanding of her own strengths/weaknesses and the business. It was with the help of this training that she could organise her thoughts of setting up a small scale business on making short eats items specifically (rolls).

To fulfil her business plans, she needed to make investment for which she was granted Rs. 5,000 as a loan by WRDS. With this money she started her business then her loan facilities have been increased gradually later she was provided Rs. 50,000. Her motivation kept her going, and after a period of 6 months, she became a confident business – woman with the help of her husband. Now she earns Rs. 1,000 per month. She was fortunate that there was no competition to her, and she could capture the market because of her quality items and pricing strategy was excellent which she offered credit to those who did not have ready money and low pricing than others. A depressed woman who once upon a time was looking for help, is now empowered, full of courage and feeling of independence. Her success has inspired other women to go for income generating activities and she has regained her lost status. Now She is targeting to earn Rs. 2000 per month.

3.Saratha, 45, is the owner of “Annai Pickles”. Saratha was born in a poor family, and married to a drunkard. Poverty,poverty and only poverty surrounded her which made it difficult for her to meet the daily needs. But she had a strong desire to overcome this situation by any means.

She wanted to take up some small business and earn money to raise the living standard, when her friends told her that some organisation is conducting a short-term training for women, on "Pickles making". Saratha attended the training.

Once the course was completed, she was positively determined to do a business in pickles. She prepared 5 bottles of pickles with the small amount of money she had managed to save. No machinery was required at this point. Her pickles were well accepted due to delicious taste. The 5 bottles were sold, and with the money she got, she could manage to make 11 bottles now. These were also sold in quick time, and the taste and quality of her popular and popularity brought demand. The gradually increasing demand of her product now needed investment, which she was lacking. For arrangements of funds, she knocked the doors of the WRDS and she was provided loan of Rs. 10,000.

Saratha invested the loan amount of Rs. 10,000 and her own savings of Rs. 5,000, which she could save from her pickles' sale in the initial period. Now she could produce 350 bottles of pickles every month. Today, with a well-organised business, Sundari has 2 employees and enjoys a net monthly income of Rs. 3,000.

Today her husband has also joined with her, induced by the profitability of the business. She is happy to see her husband taking interest in the business, as it has made him busy, has taken him away from his drinking companions, and is proving to be a helping hand.

Today Saratha is seasoned business woman. She feels that the pickles making training came as a boon to her and says with a bright smile on her face.

Training and timely finance can make dramatic change in one's life.

Conclusions:

From the above discussion researcher can conclude that there is a positive relationship between micro finance activities and empowerment of women entrepreneurs. However, other factors such as self confidence, attitude change of clients, monitoring and guiding activities also have impact on women empowerment. It has been proved with the help of the above case studies. The micro finance activities for self-employment, is not enough in empowering poor women in rural areas because the other factors have strong impact on that.

Finally, it is concluded that there is need to complement credit-delivery with social awareness raising, building confidence and skill training among women. Women need advice about how to utilize public, private, natural and other resources and services. Microcredit, thus, is not sufficient in empowering the women, but it is of the very important ingredients with the noncredit aspects in that process. The result of this study concluded that there is no significant relationship between the objectives of micro finance institutions and the needs of the respondents. In addition to this, using micro finance facilities create more job opportunities and variety of economic activities and improve household education, family welfare and empowering women themselves. Further this study shows that even though micro finance scheme is a strategy for increasing women entrepreneurs those who express their feelings on challenges and issues on marketing activities due to transport problem and financial difficulties. It is suggested that if much awareness will be created to enlighten the women entrepreneurs on record keeping, building assets, managing risk and increasing savings, it would be identified as the best strategy for helping poor women entrepreneurs' access on financial and non-financial services in MFIs.

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Appendix I

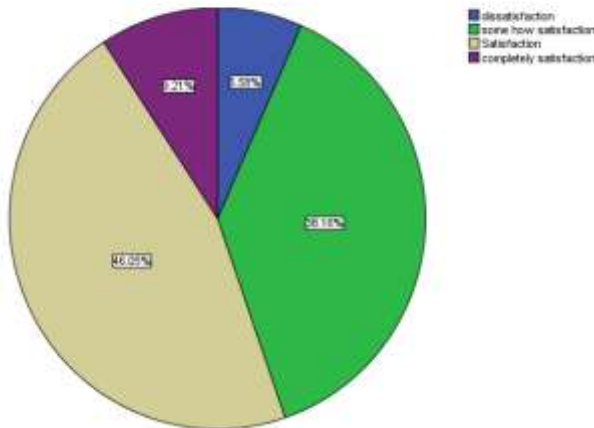
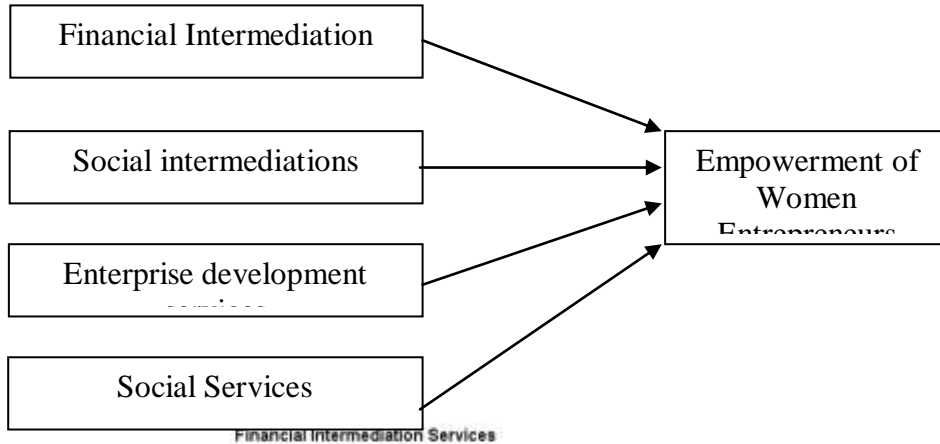


Figure 2: Financial Intermediation Services
Figure 3: Social Intermediation Services

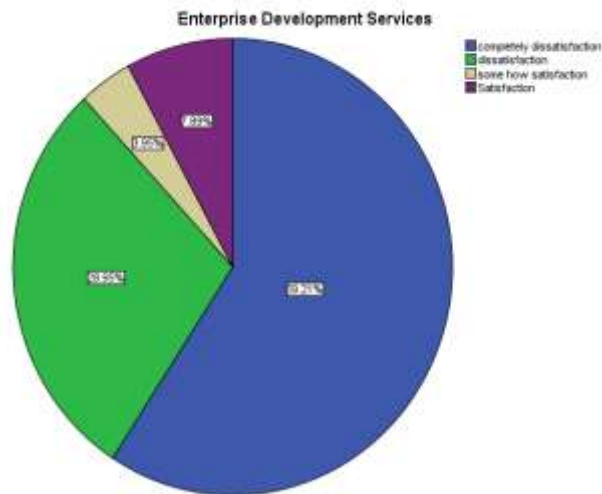
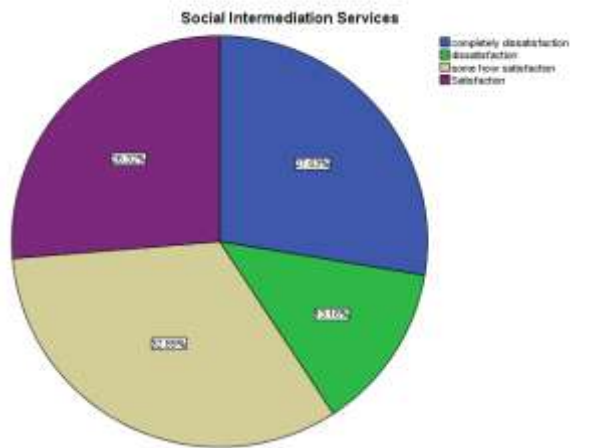


Figure 4: Enterprise Development Services Figure 5: Social Services

Empowering women entrepreneurs.....

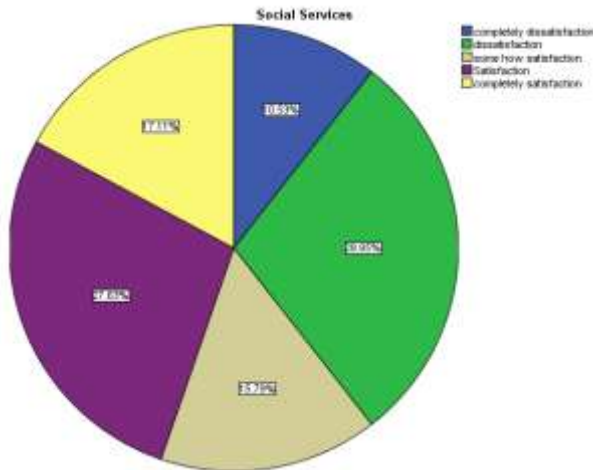


Table 1
Correlation between micro finance activities and Empowerment of Women Entrepreneurs

	Financial Intermediation Services	Social Intermediation Services	Enterprise Development Services	Social Services	Microfinance Activities	Women Empowerment
Financial Intermediation Services	1	.375**	-.171	.038	.512**	.370**
Social Intermediation Services		1	-.317	.069	.589**	.656**
Enterprise Development Services			1	.018	.200	.085
Social Services				1	.671**	.351**
Micro finance activities					1	.741**
Women Empowerment						1

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

Table 2 Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
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1	.741 ^a	.633	.612	.28523
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a. Predictors: (Constant), Social Services, Enterprise Development Services, Financial Intermediation Services and Social Intermediation Services .

Table 3 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.961	1	2.490	30.608	.000 ^a
Residual	5.776	74	.081		
Total	15.737	75			

a. Predictors: (Constant),

b. Dependent Variable: Women Empowerment

Table 4 Coefficients^a

Model	Unstandardized Coefficients		standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	1.112	.199		5.590	.000
Financial Intermediation Services	.097	.047	.160	2.058	.043
Social Intermediation Services	.268	.032	.677	8.370	.000
Enterprise Development Service	.164	.039	.321	4.227	.000
Social Services	.103	.026	.292	4.049	.000

a. Dependent Variable : Women Empowerment

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