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# Entrepreneurial Activities and Women Empowerment in Rural India between Microfinance and Social Capital

Luca Andriani

School of Business, Economics and Informatics, Birkbeck University of London

Sarika Lal

Sam Higginbottom University of Agriculture, Technology and Sciences (SHUATS), Uttar  
Pradesh, India

Asif Aftab Kalam

School of Business, Economics and Informatics, Birkbeck University of London

## **Abstract**

Human development cannot occur without women's empowerment. Particularly in marginalised contexts lacking equal treatment between women and men, women's empowerment is conditioned upon their control on financial resources and on activities outside their households' tasks such as entrepreneurial activities. Such contexts have been experiencing the escalation of microfinance schemes of which women have been the main target group. While scholars generally agree on the opportunities that microcredit represents for microentrepreneurial activities, its effective impact on women entrepreneurship and, hence, their empowerment show contrasting results. We aim to contribute to this debate by conducting in-depth semi-structured interviews to female members of the group lending model of microfinance institute in the western rural area of Uttar Pradesh, northern India. The thematic questions of the interviews address, particularly, the social resources (social capital) and economic conditions underpinning the process of empowerment among women's members of peer-group lending schemes. We find that social capital plays a crucial role for a peer-group lending to be successful both in terms of access to financial resources and loan's repayment. However, we detect the presence of empowerment only where the outcome of this social capital resources is used by a woman to pursue her own entrepreneurial activities and self-determined goals. Our findings contribute to the social capital literature as well as on the current debate regarding the revision of the goals of microcredit schemes for minority groups in entrepreneurship.

## 1. INTRODUCTION

Economic and human development cannot exist without women's empowerment (Duflo 2012; Sen 1993). Emblematic in this respect is Amartya Sen's expression of "missing women" within the gender inequality discourse. This argues that if women and men received equal treatment, there should be over 100 million more females in the world than are currently alive (Sen 1989). Woman empowerment is conditioned upon getting access to the material, human, and social resources by women to make strategic choices in their life (Cheston, 2002). Hence, women empowerment requires not only access to economic resources, but also the opportunity and capability of controlling these resources and take strategic decisions. The entrepreneurial finance literature has been devoting increasing attention towards the role of entrepreneurship advanced by minority groups, for instance women in deprived and marginalised areas (Lock and Lawton Smith 2016). In such contexts, women empowerment is conditioned upon their control on financial resources and in leading activities outside their households' tasks such as entrepreneurial activities (Kahn 2020). The financial autonomy gained from entrepreneurial activities increases women's self-esteem and their decision-making power, essential cognitive aspects of their empowerment (Gram et al. 2019; Keeber 2001). In these areas the entrepreneurial activities are conducted at a microentrepreneurial scale and are most likely family-led structured subject to considerable financial constraints. Since the last two decades, these contexts have been experiencing an escalation of microfinance schemes based on peer-group lending model of which women have been the main target group (Sanyal 2009). This has represented an important platform supporting the poor and marginal women both economically and socially (Banerjee and Duflo 2015; Milana and Ashta 2012). The social capital mechanisms embedded in the peer-group lending has been advocated as main catalyst for microcredit success (Sanyal 2009). In this respect, elements of social capital including values of trust and cooperative behaviour help overcome problems of credible commitment in repaying the loan. Nevertheless, several scholars have also raised important concerns about the effective impact of microcredit models on women entrepreneurship and, hence, on their effective empowerment as empirical evidence worldwide provides mix results (Banerjee 2013). Some empirical studies show that additional access to credit increases women involvement in intra-house activities without guaranteeing additional control on the core household's financial decisions (Mahmud 2003).

The “social capital and poverty transition mechanism”, a theoretical perspective linked with this evidence, argues that access to additional economic (credit) and social resources (social capital) is not enough if then women do not engage in outside households’ activities and do not expand their network outside their core kin-group (Narayan and Woolcock 2000). However, explorative investigations in this respect have been remained unfolded. This work aims to contribute to this research perspective by looking at women’s empowerment among the participants to the group-lending scheme of microfinance in some districts of the rural India. Particular interest is devoted to the social and economic conditions underpinning women’s members of peer-group lending within their process of empowerment. This work considers two important aspects of empowerment including self-esteem and decision-making power (Keeber 2001; Gram et al. 2019). To this purpose, in-depth semi structured interviews are conducted to female members of the group lending model of microfinance institute in the western rural area of Uttar Pradesh, northern India. The data was collected from four villages; Sauraon, Hanumanganj, Jaitpur, and Naini, which comes under Allahabad district.

Our findings suggest that social capital plays a crucial role for a peer-group lending to be successful both in terms of access to financial resources and loan’s repayment. However, the analysis also suggests that this does not directly translate into women empowerment. The presence of empowerment is detected only where the outcome of this social capital resources is used by a woman to pursue her own entrepreneurial activities and self-determined goals.

These findings lead to two important contributions and considerations.

Unlike previous works (Saynal 2009) that focus solely on the impact of microfinance on women’s entrepreneurs, our data considers women entrepreneurs engaging in peer-group lending programmes as well as women participants of peer-lending programmes who use the financial resources for simply domestic needs without enhancing any entrepreneurial activities. This distinctive set up is very important as it allows our analysis to explore more in details and partly explain the unfolded dynamics advocated in the social capital and poverty transition mechanism. These findings seem to suggest that the enhancement of entrepreneurship and the related cognitive aspects are crucial steps for women empowerment and for escaping from the social capital poverty trap mechanism. These conclusions inevitably enrich the current debate on the limitations that social capital might encounter (Andriani and Christoforou 2016).

Linked to the previous consideration, this work also contributes to the current debate regarding the rethinking of the institutional design of the microfinance programmes. While microfinance success has been analysed mainly under the aspect of the low insolvency rate, little attention has been devoting towards the accomplishment of the original mission of this mechanism such

as women empowerment (Milana and Ashta 2020). The outcome of this exploratory investigation provides interesting insights towards this latter perspective.

## 2. WOMEN'S EMPOWERMENT

The link between women's empowerment and women's entrepreneurship has been overlooking until very recent years. Understanding women's attitude towards entrepreneurial activities cannot neglect the analysis of women's cognitive traits and of their role within their family and within the broader socio-economic context where they live (Santos et al. 2017; 2018).

Empowering women entrepreneurs in socio-economically deprived areas has been advocated as priority for human and societal development (Gram et al. 2019). In these marginalised realities, women entrepreneurs are still considered a minority group (Khan 2020; Lock and Lawton Smith 2016) with consistent impediments in accessing financial resources, essential for their financial independence. In economically marginalised and backward contexts like the rural India, entrepreneurial activities are strongly male dominated, and the role of women is generally confined to the domestic responsibilities with little, if not absent, negotiation power on decision regarding the financial sphere (Sanyal 2009). In such contexts, women empowerment regards different achievements with respect to literacy and schooling, health and nutrition, labour force participation, contraceptive use, freedom of mobility, and ownership of clothes and assets (Ali and Hatta 2012). Given their conditions of social isolation, access to material, human and social resources are conditions upon which women can pursue important strategic changes in their lives (Cheston, 2002).

Studies on women's empowerment share the view that this is a process through which women increase control over different aspects of their life, body and environment (Kishor and Gupta 2004). Keeber's conceptualisation of women's empowerment relies upon resources, achievements and agency (Keeber 2001). The latter understood as the ability to identify goals, make decisions and act upon them (Richardson 2018). This complex concept considers different multifaceted interlinked aspects. Women's empowerment involves the removal of different psychological barriers and the acquisition of a certain degree of independence on a variety of socio-cognitive aspects of women's life (Gram et al. 2019).

Following the above literature, two key interlinked socio-cognitive dimensions of women entrepreneur's empowerment are considered including *self-esteem* and *decision-making power*.

*Self-esteem* is a socio-cognitive aspect of empowerment that a woman earns through her own competent actions and that refers most generally to an individual's positive evaluation of the self (Rosenberg et al. 1995). It is composed of two distinct dimensions; competence (refers to the degree to which people see themselves as capable and efficacious) and worth (refers to the degree to which individuals feel they are persons of value).

A woman acquires self-esteem when she realises to have the ability to control her one's environment, being competent and successful (Crocker and Major 1989). In this regard, empowerment reflects a process through which women increase self-confidence and a sense of self-efficacy revealing an inner transformation of their consciousness that enable them to overcome external barriers (Sen and Batliwala 2000) as well as mental and psychological impediments (Bandura 1989). Self-esteem, hence, reflects what in England's view is the ability of women to develop a sense of self-efficacy through which they gain empowerment and ability to take strategic decisions (England 2000). The lack of self-efficacy might constrain women's actions and movements. For instance, a widow might avoid going to the market alone fearing other women's judgement even if none of the other women would consider her action socially unconventional.

*Decision-making* is one of the main dimensions of women's empowerment and it indicates the ability for a woman to make choice that can influence her life as well as the life of other people (Richardson 2018, Keeber 2001). More specifically, it reveals the power of a woman to gain control over strategic choices and important family and community decisions and to influence the social exchange she has within any other members of her community (Holvoet 2005; Schuler and Rottach 2010). Decision-making power does not necessarily depict only a condition in which decisions are made independently, but also situations where a woman participates in jointly decisions with others as long as she is able to influence the final outcome (Kishor and Gupta 2004).

### 3. SOCIAL CAPITAL

Social capital relies upon the general idea that relationships matter. Social capital theory advocates that norms of cooperation, reciprocity and trust occurring between the members of a community network facilitate collective actions, reduce opportunistic behaviour and lower transaction costs for the achievement of mutual benefits (Christoforou, 2013; Andriani and Christoforou, 2016). The distinctiveness and heuristic power of social capital comes, therefore,

from two aspects: the positive consequences of sociability (Portes 1998); and the existence of certain shared values and norms that allows the members of this social network to cooperate in view of a common interest (Christoforou 2013).

Bourdieu (1986) relates this concept to actual or potential resources linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition. He stresses on the social identity and resources acquired from a membership in a group “which provides each of its members with the backing of the collectivity-owned capital, a “credential” which entitles them to credit, in the various senses of the word”. (Bourdieu, 1986, pp. 248-249). Individuals build or get associated in social networks intentionally in order to get benefits in future. In Bourdieu’s view social capital can be seen as relational capital in terms of power and advantage which are the consequences of social network and personal relations (Moi 1991). It is a resource that may be used to achieve a variety of ends. The resource is generated by individuals or groups through purposeful processes of gathering and involving interaction with other people. The profit accrue through these social networks are the result of a synergy between solidarity and identity among the group members (Christoforou 2013). In this perspective, the possession of social capital should lead an individual and or small groups to acquire and develop other capital which would in turn facilitate their authority or legitimacy in a given field (Christoforou 2013). Hence, social capital contributes to human development. However, social capital does not always secure this process of human empowerment. Even when individuals can rely on some initial social capital endowments, if access to material and non-material resources existing outside their core kin-group is impeded, their condition of empowerment is not improved (Nayana and Woolcock 2000). In the case of women in poor areas, this very often might cause a persistent condition of their disempowerment (Sanyal 2009). Particularly in societies where women are subject to severe restrictions prohibiting certain interactions and movements. Here, women’s networks have very little, if not neglected, impact on improving their position relative to the men ones within their households. Social capital might contribute to the improvement of a woman’s empowerment only if the resources embedded in this social asset are used by a woman to pursue her own entrepreneurial activities and self-determined goals. In this case, the woman’s financial independence might be recognised by the family and within the community as an entitlement of self-esteem and decision-making power. Where social capital resources are not used to pursue personal entrepreneurial achievements and goals, the initial condition of disempowerment might likely persist.

## 4. THE CONTEXT OF ANALYSIS

### *4.1 Microfinance: The Importance of Self-Selection and Group-Meetings*

Women's empowerment process cannot preclude financial autonomy (Kishor 2000). Financial resources are fundamental for women entrepreneurs to gain decision-making power and self-esteem (Kishor 2000). Women with their own financial resources are more able to comply with economic commitments and to be involved in family's strategic decisions as they are more likely to be recognised by the males of their household as key contributors of the family's welfare (Kishor and Gupta 2004).

Microfinance group-base lending represents an alternative financial source of credit, generally collateral-free, for women entrepreneurs that are not able to access the traditional bank loans due to collateralised requirements (Milana and Ashta 2012).

There are different delivery models of microfinance in India most of them clustering in the so-called group-based models. Group self-selection and the setting of regular meetings are two key features of this model.

Firstly, the mechanism of self-selection allows potential members to reduce adverse selection problems and use their knowledge and information of the local community to select who they perceive to be the best group partner<sup>1</sup>. Members tend to group with others they know and that they feel they trust they will cooperate (Cassar et al., 2007, Attanasio et al. 2015). The main shortcoming of this mechanism is, however, the risk of "Assortative Matching". This refers to the fact that the group responsibility enshrined in the peer group lending technique allows safer borrowers to be grouped together while riskier borrowers left with no alternatives but to form their own groups (Gutman 2008).

Secondly, group meetings occur with a certain degree of frequency and they are used to repay the initial loan as well as for discussing difficulties encountering and problem-solving in managing the loans. Regular attendance should reduce moral hazard problems<sup>2</sup> as regular peer-monitoring and values of trustworthiness and cooperation regulating the within-group relations discourage borrowers from cheating (Fernando et al. 2020). Where values of cooperation and responsibilities dominate members' relationships, the group becomes very cohesive (Hauge,

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<sup>1</sup> In entrepreneurial finance this is driven by asymmetric information between the parties involved in a financial contract about the respective ability to be able to satisfy the terms of the contract (Gangopadhyay *et al.* 2005)

<sup>2</sup> The tendency of a person who is imperfectly monitored to engage in dishonest or otherwise undesirable behaviour.



2010). This allows its members to approach a more flexible repayment scheme and, at the same time, to develop a more supportive community network among the borrowers (Shankar 2007). Of course, default in repayment from a member might be sanctioned. The collectivistic-nature of the group-lending scheme replaces the physical collateral typical of a mainstream financial contract with social collateral. The non-repayment of loans might not result in the appropriation of physical assets by the lender, but rather in the social penalization of the defaulter by others working in the group and the wider community.

#### *4.2 Microfinance and entrepreneurship*

One of the main goals of microcredit schemes is to provide the poor and the more disadvantages of a society with the opportunity to initiate an entrepreneurial route and empower them in gaining more control of their socio-economic development (Banerjee 2013). Undoubtedly microfinance has improved access to additional financial resources in more economically backward contexts. However, evidence on whether this has led to more entrepreneurial activities and business creation are controversial and clearly context specific. Empirical works reports a positive impact of microfinance schemes on self-employed working hours and business creation in the Indian city of Hyderabad (Banerjee et al. 2015), and business creation among women in Mongolia (Attanasio et al. 2015). Other evidence, on the contrary, shows a negligible impact of microfinance on business creation and entrepreneurial activities in Thailand (Kaboski and Townsend 2011) and in Marocco (Crepon et al. 2011).

Scholars advance several potential explanations regarding this lack of entrepreneurial effect. Many microfinance borrowers address this additional financial resource more towards consumption than towards microentrepreneur works (Banerjee 2013). Others consider the short-term repayment mechanism, weekly or monthly, an impediment for the borrower to engage in more entrepreneurial and risk-taking projects (Field et al. 2012). Looking at the entrepreneurial activities from a gender gap perspective, an impact evaluation study conducted in Sri-Lanka reports that the entrepreneurial impact of microfinance is lower among women than among men (de Mel et al. 2009). This gender gap has been partly attributed to the role that a woman generally assumes in poor societies which is more family-care oriented and that focuses more on within rather than outside households' activities.

This evidence is mostly based on quasi-experiment and randomised impact evaluation studies. Marginal and very limited qualitative analysis has been conducted so far to explore the contextual conditions of women that are part of microfinance schemes.

## 5. DATA AND METHOD

In 2018 data has been collected by conducting in-depth semi structure interviews to women entrepreneurs, participants of microfinance programmes in four villages of the rural part of Allahabad in Uttar Pradesh including Sauraon, Naini, Jaitpur and Hanumaanganj. The rural part of Allahabad in Uttar Pradesh is one of the largest among 29 states in India (Figure 1).

The Uttar Pradesh presents a population density higher than the national average and it has been constantly increasing since 1951. According to data in 2011 almost 78% of the population is rural. Officially, the labour force participation rate has been recorded to be around 35.67% suggesting the presence of a widespread informal economy, particularly in the rural area where most of the population and the activities concentrate. The literacy rate is about 66.5% and the gender gap literacy rate is of 20.1%. According to the statistics of the 2011, 29.4% of the population lives below the poverty line.

Purposive sampling approach was adopted for the research to pursue a better understanding of the phenomena by selecting informative rich cases able to provide important insights related to the research investigation (Dever., et al 2002). The purposive sampling approach has been widely used to study the social and cultural phenomena with well informant experts (Tongco, 2007). With respect to our specific context, the key respondents were selected according to their willingness to participate, their ability to provide insightful information according to their experience and knowledge and their capacity to communicate their experience and opinion in an expressive and reflective manner. The selection has allowed the researcher to utilise the available resources efficiently (Bernard, 2017; Patton 2014; Spradley, 2016).

The potential respondents were identified according to two key inclusion criteria (Patino and Ferreira, 2018): being a current member of a peer-group microfinance lending at the time of the interview; and being a member of the peer-group lending for at least two consecutive years. The rationale behind the inclusion criteria and the exclusion of participants with a relatively short membership was that the longer duration of the membership allows the respondent to develop a more reflective perspective of her cognitive and behavioural aspects in relation to the key research question. While this approach might result in a smaller sample size, the main benefit is the access to a richer and better-quality data collection more consistent with the research focus and that facilitate a more efficient use of the resources (Patton 2014).

Regarding the data collection, the potential respondents were contacted through a research assistant who is a local resident of the area. Using a member of the local community considered trustworthy was important to gain the consent of the participants and their willingness to participate. For transparency reasons, the respondents were provided with key information about the purpose of this study<sup>3</sup>.

[Figure 1]

Number of research participants for interview was 14 and the duration of each interview was approximately 30-55 minutes. To facilitate as much as possible unrestricted communication, the interviews were conducted at the women village home, an environment where the participants could feel comfortable and familiar. The interviews were conducted during daytime when most men were away at work. In order to make the research participants more comfortable, a research assistant, with whom the respondents were familiar with, was present at the time of interview, but at a considerable distance to still keep the conversation between the interviewer and the participant private and confidential. The interviews were audio recorded under previous permission of the respondents. Table 1 summarises the demographic profile of the participants. Within the sample of interviewees, 70% live in a nuclear family structure and the remaining in joint family which, in a patriarchal society, include also members from the husband's family side. About 40% of the interviewees are without education and only one reports a higher education. The age range is between 24 and 55, all women are married and all have children except for one participant.

The interviews were conducted in the local language which is both Hindi and Bhojpuri mixed<sup>4</sup>, audio recorded, transcribed in local language and, subsequently, transcribed in English.

The interviews were based on semi-structure questions approach focused around the key aspects of social capital and women empowerments, starting with general questions about how the participant joined the microfinance group. More targeted questions then were addressed on the different aspects of empowerment and on social capital. Consistently, were asked questions about the reliability and the mutual support among members of the village and the group of friends, including the members of the Microfinance group. With the purpose to explore

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<sup>3</sup> Details about the interviews and the purpose of this study were also provided orally as some participants were not able to read fluently.

<sup>4</sup> The interviews were conducted by one of the co-author as she is Hindi and Bhojpuri native speaker

cognitive element of social capital respondents were encouraged to share their responses and views on their participation in the microfinance group, their association with other group members and how they have been engaged in various social activities. A series of subset of questions were asked in relationship to each aspect of women empowerment and regarding their perception on their confidence and on their control on different aspects of their life. More specifically, the semi-structured interviews employ open-ended questions that encourage the participants to relate to their specific microfinance experience. The interview guide is composed of four main group of questions: i) the description of the microfinance scheme and the importance that this scheme represents for the participant (e.g. how the participant join the MF; how the scheme provide economic support to the household); ii) the role that element of social capital aspect such trust and cooperation assume within the group-lending (e.g. how elements of trust and cooperation work within the group-lending in which the participant is involved; and to what extend other people are reliable in the case of need); iii) the empowerment dimension of decision making that a participant can gain from her involvement in the group-lending scheme both at individual and group level (e.g. how the participant describe her role within her household in terms of responsibility and decision-making; and how does usually the MF group makes decision); iv) the empowerment dimension of self-esteem of the participant particularly after joining the group-lending scheme (e.g. what have been the implications of joining the MF scheme in the participant's life in terms of confidence, independence, mobility and social activities). The questions encourage the participants to reflect on values of cooperation and trust and on their condition of empowerment within their household as well as within their group-lending (Richardson 2018). the "how" and "what" questions adopted in the interview allow the analysis of exploring the nature and the complexity of the empowerment dimensions within the group-lending dynamics and network (Yin 2014).

[Table 1]

The interviews were transcribed and translated into English. The interview transcripts have been analysed through first and second phase of coding. In the first phase, the analysis of the transcripts aimed to generate some initial codes based on respondent's experiences and activities. In the second phase, similar codes were grouped under relevant thematic categories via a hybrid thematic approach (Fereday, J., & Muir-Cochrane, E. 2006). This allows to integrate inductive coding based on the responses of the research participants with the deductive coding from the theoretical perspective (Uphoff 2000, Bourdieu 1990). The aim of

this methodological approach is to critically analyse the relationship between different categories on the basis of a solid theoretical ground (Fereday, J., & Muir-Cochrane, E. 2006) The coding was done manually, and the software Nvivo has been used for the analysis of the transcripts to identify systematic relational mechanisms among different categories.

## 6. ANALYSIS AND FINDINGS

### 6.1 Social Capital and Access to Group-Lending

Most of the interviewees agree that they group with whom they feel they can trust since they belong to the same socio-cultural cluster, neighbourhood, and cast.

*The group performs well as we all belong to the same cast... so we all know each other very well... and always ready to help each other” (W4)*

Participants’ decision to be part of a group-lending scheme is influenced by the involvement of other trustworthy members of their family or close-knit network. The contextual characteristics of the group composition, geographical proximity community belonging, provide a sort of insurance against potential moral hazard-driven actions and prevent rent-seeking behaviours (Fernando et al. 2020).

*All group members are from nearby.... they are all neighbours...we all know each other for long....and anyways we only include those members who are known to us ....it is risky to include strangers in the group or those members we don’t know for long time...people can’t be trusted nowadays...what if they ran away after taking money? (W5<sup>5</sup>)*

These findings are aligned with the social capital literature advocating the tendency of individuals to group with whom they perceive they share similar values and social norms (Cassar et al. 2007). Beyond the microfinance context, empirical works seem to confirm this perspective suggesting that socio-economic diversity within a well restricted spatial proximity,

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<sup>5</sup> This is a recurrent observation across interviewees including W12, W13 that have not been quoted here in order to keep the narrative concise.

might, to some extent, hamper prosociality as fragmented groups are less prone to collective actions (Alesina and La Ferrara 2005; Filippetti 2020).

Trust and reputation are important elements also for group formation. Group leaders tend to relay on long-term relationship with the other group members outside the microcredit context.

*I form a new group by contacting first family, friends and some people from the neighbourhood, mostly people that I know well (W7)*

*People know me and trust me... Few of them also told me “sister, it’s just because we trust you we are taking this loan, otherwise we wouldn’t” (W2)*

Inarguably, group participation fosters social capital as the regular social interaction enhances a sense of mutual cooperation and legitimate solidarity (Christoforou 2013). Additionally, in-group trust and cooperation can also be influenced by utilitarian common interest (Sanyal 2009). Within a group-lending scheme, an insolvent member might cause, in some extreme cases, the termination of the loan agreement for the rest of the group. Where in-group trust is in place, group support occurs to help a member in the instalment repayment.

*...it’s all mutual. If sometimes I am in shortage of money to pay my instalment, everyone in the group will help me out and contribute to pay my instalment on my behalf. I then return the money back afterwards. I do the same in case another member is in need (W3)*

This dynamic clearly recalls what Hardin in his “theory of encapsulated interests”<sup>6</sup> defines as intention of cooperation (Hardin 2002). Accordingly, within a social and economic exchange between two or more parties, when the interest of one party is encapsulated in those of the others, all parties tend to assume a cooperative behavioural approach aiming to maximise their respective outcomes. This intention of cooperation relies upon values of trust and solidarity, essential to overcome problems of credible commitments even though this might imply incurring in additional personal costs for other group members. However, the lack of group participation of a member might prevent the intention of cooperation from the rest of the group. The possession of this durable network requires a continuous inter-relational dynamic of

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<sup>6</sup> Hardin refers to “encapsulated interest” a mechanism through which agent A trusts agent B as long as agent B’s interests encapsulate agent A’s interests with regard to a specific matter C

mutual recognition and, ultimately, legitimate identity (Bourdieu 1986). Participation and in-group social exchanges are, hence, key milestones in this respect. Unlike in Sanyal (2009) insightful research, our analysis suggests that collective sanctioning is common knowledge among members and that this might likely occur as the group becomes less lenient with members that are not regular attendants in case of delays in the repayment.

*Sometimes if a member does not attend the meeting, the group leader will go to their house to remind the instalment she has to pay (W4)*

Sanctions might vary from verbal harassment outside the member's house to confiscation of her households' goods.

*Paying instalment on time is important... does not matter how... it could be by selling household goods... if you fail all the ladies eventually will come and insult you (W11)*

*If someone is not able to pay sometimes the group leader or other group members come to your house and humiliate you in front of the rest of the neighbourhood (W10).*

These dynamics between in-group cooperation and sanctioning resemble the so called “normative influence”, as individuals might comply with social norms and behaviour they perceive to be in place to avoid possible collective sanctioning and social ostracism (Berigan and Irwin 2011)

## *6.2 Woman's Empowerment between success and failure of Microcredit*

In the previous subsection our findings confirm that social capital aspects help overcome problems of credible commitments, promote intentions of cooperation and hence, increase the success of the peer-group based lending scheme in terms of loan repayment. Nevertheless, this condition does not directly translate into increasing empowerment. Table 2 groups some of the key findings providing an informative initial road map of our results

[Table 2]

The process of empowerment is not experienced at the same degree among all the interviewees. Our findings, interestingly suggest that self-esteem and decision-making are empowerment

dimensions enhancing when a woman uses microcredit to generate income through her own business and to gain more direct responsibility and control on their entrepreneurial activities. In other words, enhancing entrepreneurial activity is key. This complement with important experimental works on the positive impact of microfinance on women's entrepreneurship conducted in other parts of India (Banerjee et al. 2015), and in other developing contexts (Attanasio et al. 2015). Nevertheless, these works never studied further consequences of this positive relationship in terms of women's empowerment. This paper addresses this gap

Our findings indicate that women generating income and expand their entrepreneurial activities through microcredit, gain control over their financial resources, and become entirely responsible regarding business decisions.

*I have opened a small shop on my own, it is my personal business... a stitching centre, I take every decision regarding my shop, this is my personal business, hence under my complete responsibilities and control (W14)*

This condition recalls the concept of women's agency discussed in Richardson (2018). Accordingly, women's empowerment occurs via the acquisition of a certain degree of independence against external barriers and in view of pursuing her subjective interests (Gram et al. 2019). The achievement of independence and control positively reflects on the woman's self-esteem as well as self-entitlement and self-confidence boosting her ability to influence the social exchange with other family or community members (Schuler and Rottach 2010). This inevitably condition a woman's decision-making power (Richardson 2018)

*when my husband needs some money, I give it to him from my business. He will eventually return it back to the shop... Everyone (family members) know I run my own business, now they rely on me, so I take household decisions as well and they respect it (W14)*

Some scholars argue that empowerment can also be gain through legal ownership, particularly in socio-economic contexts where law and rights are not gender neutral (Gram et al. 2019).

*I am the legal owner of this house... I take all the decisions in my house, my sons are working and they are out the whole day... so I take the decisions (W8)*



The linkage between legal opportunity and agency, though, is extremely controversial and complex and does not necessarily lead to the opportunity freedom pursuing within an empowerment process (Sen 1993). Freedom is not an achievement *per se*, it consists of a habit (behavioural and attitudinal) that requires to be exercised through continuous decision-making practices (Gerber et al. 2003). Empowerment is hampered if, regardless this legal opportunity, the practice in participation in decision-making process is neglected. Relative to our analysis, owning a personal bank account and having personal access to credit source is one of the legal opportunities of joining a peer-lending group. A personal bank account allows a woman, to some extent, to access a small amount of the microcredit loan for households' daily expenses including those for their children needs (clothes, education etc.). While it is highly disputable that this might be an expression of empowerment, it still provides a very limited, even though not negligible, autonomy that the microfinance loan facilitates.

*"I have to open a bank account when I join the group. My daughter in law takes care of households' decision, but I contribute to the households' expenses, and I also spend some money for my own needs" (W13)*

Our analysis, however, also suggests that when participants do not use microcredit to engage in business activities or, when they are just a main used by their family to access additional liquidity, the gain in empowerment is very limited if not in some cases completely absent. In this case the decision of joining a microcredit scheme is driven and motivated by husband's business needs rather than by the woman's entrepreneurial activities.

*"My husband said that he wants to buy horse to have some earnings....so that we can have a small business of ours... (W6)*

In this respect, unlike in Banerjee et al. (2015) and similar to Kaboski and Townsend (2011) and Crepon et al. (2011), our analysis encounters several cases of microcredit failures in enhancing women's entrepreneurial activities. Some of the interviewees' responses suggest consistent restrictions in terms of responsibilities and involvement in key households' decisions.

*Household responsibilities like kids, education.... daily household's expenditures like groceries are my responsibilities (W3)*

*small expenses and daily household's expenditures are under my decision. He (the husband) won't say anything. But big households' purchases (air conditioner for example) are done by him... I would ask him before engaging in bigger expenditures (W1)*

These cases do not show improvement in women empowerment. The failure is reflected on several impediments experienced by the participants. One among all is the lack of exposure to the reality outside households' activities. This only partial mobility creates consistent mental and psychological impediments (Bandura 1989) at the cost of both lack of decision-making power and respondent's self-esteem.

*They (husband) know much better what to do as they go out and know what is good and what is bad for the business ... I do not get involved in these decisions (W6)*

*Since I do not go out and I do not know much about such things, my husband decides about household investments... I do not take any decision in these matters without his permission... even the loan I took was with his permission (W9).*

## 7. DISCUSSION AND CONCLUSIONS

Women empowerment has been widely recognised as global policy objectives (UN General Assembly 2015) and a key strategic element to pursue in order to fight poverty and to promote health worldwide (World Bank 2012). For these reasons, analysing women empowerment through different aspects becomes of paramount importance and a research priority (Carlson et al. 2015). In such contexts, where women rights are hardly supported institutionally and rarely recognised from a social context perspective, women empowerment cannot be viewed in isolation from entrepreneurial activities and financial autonomy. Our qualitative analysis suggests that social capital aspects play a crucial role for a group-lending scheme to be created and subsequently to be successful in terms of members' commitments and compliance with loan's repayment. However, the findings suggests that this does not directly translate into women empowerment, particularly in the cases where women access microfinance with the ultimate goal of injecting liquidity in the households' activities run by the males of the family.

Even if these women can rely on an effective in-group social capital endowment. Interestingly, however, our findings report presence of empowerment only where social capital resources embedded within a peer-group based lending scheme are used by a woman to pursue her own entrepreneurial activities and self-determined goals.

In this work, limitations in the sample size are recognised, as it prevents from providing consistent causal mechanisms. Nevertheless, the access of such a quality participants in these socio-economic marginalised context, allows this investigation to produce a interesting exploratory analysis with at least three important considerations, also in view of further research directions.

Firstly, the findings enrich the important debate around the role of social capital for women's empowerment. In contexts like the rural India, where these activities are male dominated, and where associational activities are precluded to most women, social capital resources embedded in women community networks are essential for the enhancement of their economic and entrepreneurial activities (Santos et al. 2019; Khan 2020). Most of the concerns, however, and our analysis seems to reinforce this angle, rely upon the fact that women's social network are mostly comprises of kins, relatives and neighbourhoods. This is in contrast to men's social capital which can count on a more diversified networks that include co-workers, advisors and friends (Khan 2020). If social capital is limited to a very closed network, women might not be able to escape both poverty trap and persistent disempowerment (Narayan and Woolcock 2000).

Secondly, our findings contribute to the reflection regarding the efficacy of microfinance mechanisms in advancing the economic and social development of their participants. Undoubtedly, group-based lending schemes have opened an important source of credit alternative to the mainstream banking system. Nevertheless, their successful rate has been often recorded in term of loan repayment and low insolvency rate. Little attention has been so far devoted to the challenges in the improvement of the institutional aspects of the microfinance model in order to address important issues such as women empowerment (see Milana and Ashta 2020 for an update critical debate). Within the microfinance literature, an entire current of thought advocates the importance of rethinking of the institutional design of the group-lending scheme so far too much focused on its financial self-sufficiency and too little on social returns and human development of their clients including their empowerment (Morduch, 2000; Sheremenko, et al 2017). This work confirms that more in-depth further investigation is required to help address the UN global policy objectives too.

Finally, in view of further research, the data collected suggests that women empowerment occurs predominantly among participants who live in a nuclear (W8, W13, W14) rather than a joint family structure as well as among participants with a relatively higher level of education (W8, W14). Given the exploratory nature of this investigation, causal mechanisms in this respect cannot be inferred as it requires a more quantitative research analysis on a larger scale. Nevertheless, beyond the microfinance framework, this observation suggests the importance of further and more detailed research on the possible impact that the interaction between educational level and family structure might have on women empowerment in such socio-economic contexts. This type of investigation would help shape more effective public policies, at a macro level, directed towards women empowerment, essential for advancements in gender equality and, more in general, human capabilities.

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