Effects of Microfinance Cooperatives on Women Capabilities through Microentrepreneurship: Application of Amatya Sen's Capabilities Approach

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Abstract
In the context of the approach by Sen, microfinance when adopted as a tool to reduce and defeminise poverty, can expand women's capabilities and increase the freedoms or opportunities and choices to acquire the desired things. The feminisation of poverty is occurring in Tsholotsho District despite a plethora of microfinance cooperatives which are supposed to reduce and defeminise poverty. The objective of the study was to analyse the impact of microfinance on capability enhancement among women through microenterprise development in Tsholotsho District. The target population for the study was 2,233 women under ORAP's Amalima programme out of whom a sample of 100 was selected and matched by a similar number of non-participants. The study assessed microfinance in terms of microenterprises formation. Results show that microfinance increases the probability of forming a microenterprise. The findings confirm that microfinance increases individuals' capacity to meet their basic capabilities. The study proposes replication of Tsholotsho's microfinance models within and outside Tsholotsho; ensuring community participation in microfinance by considering factors that determine participation and tailor-make microfinance packages to cater to the target population's needs; and developing and strengthening Cooperative- Bank Linkages.

Keywords: Microfinance Cooperatives, Women Capabilities, Microentrepreneurship, Capabilities Approach

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INTRODUCTION

World poverty has decreased remarkably in recent decades. The world achieved its Millennium Development Goal number 1 of decreasing by 50% the 1990 poverty rate by 2015, attaining the target a lustrum ahead of plan (World Bank, 2015). However, UNIFEM (2012) revealed that 7 out of 10 of the world's poor are females. The situation whereby the burden of poverty falls more on women than men is termed 'feminisation of poverty.' The feminisation of poverty is being caused by women's constrained access to socio-economic resources resulting from inequalities and limited capabilities. Put simply, this means that a woman is deprived of a chance to attain an acceptable level of functioning due to deficiency in capabilities. To reduce and defeminise poverty in the world, microfinance is pointed out in literature as one of the effective tools.

Zimbabwe is not spared also from the feminisation of poverty. To detect the feminisation of poverty in Zimbabwe, the wealth index can be used. The wealth index is one of the components of the Multiple

Indicator Cluster Survey (MICS) and Demographic and Health Survey (DHS). It is employed as a proxy for indicating long-term living standards within a household. It is calculated from data for ownership of household consumer goods, accommodation characteristics, drinking water sources, latrine facilities, among other indicators of socio-economic standing of households. The commonly used scale of wealth index ranges between 1 which is the poorest quintile to 5, the richest quintile. The wealth index can be used to compare poverty levels across provinces in Zimbabwe and gender lines. UNICEF Zimbabwe (2016) shows the bottom 2 quintiles for the wealth index across provinces. Bottom quintiles were adopted to show a more robust depiction. Generally, there has been a drop in the household population proportion in the lower 40% among all provinces except Masvingo. UNICEF Zimbabwe (2016) shows that all Zimbabwean provinces are deprived except Harare and Bulawayo. The two are the centre of Zimbabwe's economic activities and that may be giving residents economic opportunities resulting in the relative limitation of deprivation. Two provinces are very deprived in Zimbabwe of which Matabeleland North is the worst.

Having analysed deprivation across provinces of Zimbabwe, it is imperative to reveal deprivation across gender lines. This can assist in identifying the feminisation of poverty in Zimbabwe if there is any. One of the ways is to observe the households' percentage distribution concerning wealth index according to the gender of the household head. UNICEF Zimbabwe (2016) revealed that there is a strong association linking women-headed households to deprivations. It indicates that households headed by females are associated with lower wealth (WQ1 and WQ2) whereas those headed by males dominated indices for higher wealth (WQ3 and above). Therefore, there is evidence of the feminisation of poverty in Zimbabwe.

Microfinance is viewed as an important strategy for capability enhancement (Cabraal *et al.*, 2006). The primary goal of microfinance programmes is the provision of wider financial options to poor people who are excluded. In order to advance our appreciation of how initiatives in microfinance address this issue, it is deemed necessary to assess microfinance from a perspective of capability framework.

The capability enhancement strategies should concentrate not only on the monetary means but also on the ends of individuals and on the freedom required to fulfil these ends (Becchetti and Conzo, 2011). In this context, Sen (1999b) identified five influential freedoms: economically viable opportunity, transparency guarantee, safety, social facilities as well as political freedom. Notably, microfinance is under instrumental freedom category (economic opportunities) which involves freedom of reaching credit facilities for poor borrowers (Cabraal et al., 2006). As a result, microfinance is a powerful technique for reducing poverty which can be appreciated better by adopting the Capability Approach. According to Prathap, Mahesh and Karthik (2018), microfinance means the supply of short term financial services in very small amounts to poor individuals so as to improve their welfare.

Despite the mixed results related to the nexus between microfinance and capability enhancement it is well accepted as a distinctive programme for reducing poverty and for uplifting the poor and needy people. More interestingly, the adoption of the Capability Approach in the assessment of the influence of microfinance on capability enhancement is timely and improves our appreciation of the role as well as possible benefits derived from microfinance initiatives in eliminating poverty worldwide (Cabraal et al., 2006). In the perspective of Capability Approach, it is more interesting to examine the scope of microfinance for capability enhancement among women through the extension of the agency and capability of the poor and needy women around the world, especially on microenterprise development. Moreover, Sen managed to mention the Grameen Bank as

one of the first successful entities to target the poor and needy people and he underscored that microcredit organisations have had great success in increasing women's agency through various programmes for economic empowerment (Sen, 1999b). In this context, Sen recognised the significance of microfinance in enhancing capabilities as he managed to link microfinance and the Capability Approach.

The notion of microfinance has been widely accepted as a powerful tool in the struggle against poverty (Cabraal et al., 2006). However, it has been noted that previous studies have yielded conflicting results on the association linking microfinance programmes to microenterprises among women. Notably, most studies show the positive impact of microfinance programmes on microenterprises among women (Chowdhury et al., 2016; Eusebio et al., 2016; Mahmood et al., 2016; Ngegba et al.., 2016; Rathiranee and Semasinghe, 2016; Attanasio et al., 2015; Naeem et al., 2015) while other studies (Atmadja et al., 2018; Bernard et al., 2017; Atmadje et al., 2016) show that microfinance harms microenterprises among women. Given the conflicting empirical evidence, more research is needed to advance the understanding of the relationship between microfinance and capability enhancement through microenterprises.

The feminisation of poverty is occurring in Tsholotsho District despite a plethora of microfinance cooperatives which are supposed to reduce and defeminise poverty. Microfinance is viewed as an important strategy for capability enhancement (Cabraal, Russell and Singh, 2006). In the context of the approach by Sen, microfinance when adopted as a tool to reduce and defeminise poverty, can expand women's capabilities and increase the freedoms or opportunities and choices to acquire the desired things (Sen, 1999b). As a woman is granted opportunities to access resources to form microenterprises and to be considered in household economic decisions, the feminisation of poverty goes down. The existence of the feminisation of poverty in an area where there are many microfinance cooperatives raises questions regarding the capability enhancement effects of microfinance. As a result, more research is needed to advance knowledge of the link connecting microfinance cooperatives to capability enhancement among women. Tsholotsho provides a fertile ground for the investigation due to its high levels of feminisation and active microfinance cooperatives. The objective of the study was to analyse the impact of microfinance on capability enhancement among women through microenterprise development in Tsholotsho District.

METHODOLOGY

Study Area: The study focused on Tsholotsho district in Matabeleland Province of Zimbabwe.

Data collection and data sources: The study used a questionnaire to collect primary data from participants and non-participants of microfinance in Tsholotsho district.

Population, sample size and sampling Technique: The target population for the study was 2 233 women under ORAP's Amalima programme. As indicated by ORAP, Tsholotsho had 246 Microfinance cooperatives composed of 227 men as well as 2 233 women at the period of investigation. By employing Yamane's (1967) approach the sample size was 100 individuals. The researcher looked for the same number of non-participants.

Data analysis method: Using the SPSS software package, the study adopted the Binomial Logistic Regression, (popularly known as Binary logistic regression or simply logit regression). Binary logistic regression estimates the likelihood of observation to fall into any of the two groups of a categorical endogenous variable based on a set of exogenous variables which may be continuous or categorical. In this study, Binomial logistic regression will be adopted to identify factors that influence the decision to adopt microfinance as a tool for capability enhancement among women. In addition,

Binomial Logistics regression was used to assess whether micro-entrepreneurship can be estimated based on a set of independent variables that include participation in microfinance activities

The binary logistic model predict the likelihood of Y happening based on given values of X_i.

$$P(Y) \quad \frac{1}{1 \quad e^{(\quad _0 \quad _1 X_{1i} \quad _2 X_{2i})}} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 2$$

Where P(Y) is the probability of Y occurring e is the base of the natural log

The bracketed part is the form of simple linear regression

Model Specification:

$$Y \quad _0 \quad _1 MF \quad _2 TES \quad _3 FBNS \quad _4 PSTN \quad _5 SPOUY \quad _6 HSES \quad _7 AGE \quad _8 CATNO \quad _9 MEM \quad _{10} LANSIZ \ldots\ldots\ldots\ldots\ldots 3$$

Where Y is Microentrepreneurship (ME). The other variables are described in Table 1.

Table 1: Description of Variables in the Model Specification

Variable	Description	Type of variable
Microentrepreneurship (ME)	The variable is binary and nominal. If the individual is a micro-entrepreneur, the variable assumes the value of 1, otherwise, it is 0.	Dependent Variable
Microfinance membership (MF)	The variable is binary and nominal. If the individual is a member of a microfinance cooperative, the variable assumes the value of 1, otherwise, it is 0.	Independent Variable
Age	Age is a continuous exogenous and scale variable representing the age of the respondent.	Independent Variable
Technical skill (TES)	Possession of technical skills like Capentry, Basketry and Pottery skills	Independent Variable
Land size (LANSIZ)	Land Size is a continuous and scale variable showing the size of land owned by the household.	Independent Variable
Marital Status (MSTAT)	Marital status is a categorical and nominal variable showing the marital status of the respondent.	Independent Variable
Membership in other social groups (MEM)	It is a categorical and nominal variable showing whether or not the respondent is a member of other social groupings. The variable takes the value of 1 if the respondent holds membership of other social groupings and 0 otherwise.	Independent Variable
Family business background (FBNS)	It is a categorical and nominal variable showing whether or not the respondent comes from a family with business history. The variable takes the value of 1 if the respondent has a family business background and 0 otherwise.	Independent Variable
Position in the family of business (PSTN)	It is a categorical and nominal variable showing whether or not the respondent is a firstborn in the family of birth. The variable takes the value of 1 if the respondent is a firstborn in the family of birth and 0 otherwise.	Independent Variable
Spouse income (SPOUY)	Spouse Income is a continuous, exogenous and scale variable representing the income of the respondent's spouse.	Independent Variable
House size (HSES)	Household size is a continuous, exogenous and scale variable representing the number of within the respondent's household.	Independent Variable
Cattle number (CATNO)	Cattle number is a continuous, exogenous and scale variable representing the cattle herd size owned by the respondent's household.	Independent Variable
Education (Edu)	The study treated Education as a categorical and ordinal variable assuming the value of 1 for the respondents with secondary education and above while it takes the value of 0 for respondents with primary education and below.	Independent Variable

FINDINGS

The microenterprise development model was built hierarchically (adding one independent variable at a time) and the deviance was used in comparing models. The study settled for a model with microfinance participation, membership in other social groups, family business background, and position in family birth, spouse income, household size, age, cattle, technical skill and land size as variables.

The fitted model takes the following form:

In (Odds)=-.856 + 1.428MF + 1.419TES + 3.728FBNS + 2.647PSTN +0.003SPOUY + 0.112HSES + 0.004AGE +0.060CATNO -1.442MEM – 0.778LANSIZ

Where ME = Microfinance Enterprises Development, MF = Microfinance Participation, MEM = Membership in other social groups, FFBNS = Family business background, PSTN = Position in a family of business, SPOUY = Spouse income, HSES = House size, AGE = Age, CATNO = Cattle number, TES = Technical skill, LANSIZ = land size.

Effects of microfinance participation (MF) on microenterprise development (ME): The coefficient of microfinance participation (MF), a predictor in the model, was found to be positive as well as significant implying that, the increase in the predictor variable increases the probability of microenterprise development (ME). The odds ratio of 4.172 was bigger than 1, implying that the odds are increasing. The model predicted that 81% of the microfinance participants are likely to be microenterprise owners.

Effects of technical skill (TES) on microenterprise development (ME): Coefficient of Technical skill is positive as well as significant implying that those with technical skills are likely to own a microenterprise and having a technical skill increases the probability of Microenterprise development. The odds ratio of 3.242 was bigger than 1, implying that the odds are increasing. For every unit increase in an exogenous variable, odds of Microenterprise development increase by factor 3.242. The model predicted that 76% of the ones with technical skills are likely to own a microenterprise.

Effects of family business background (FBNS) on microenterprise development (ME): The coefficient of the family business background was positive as well as significant implying that the increase in exogenous variable improves the probability of microentreprise development. The odds ratio of 41.606 was bigger than 1, implying that the odds are increasing. For every unit increase in an exogenous variable, odds of Microenterprise development increase by factor 41.606. The model predicted that 97.7% of those who come from families that were in business are likely to be microenterprise owners.

Effects of position in the family of birth (PSTN) on microenterprise development (ME): The coefficient of position in the family of birth was positive as well as a significant implying increase in exogenous variable improves the probability of microenterprise development.

The odds ratio of 14.118 was bigger than 1, implying that the odds are increasing. For every unit increase in an exogenous variable, odds of microenterprise development increase by factor 14.118. The model predicted that 93.4 % of the first borns are likely to be microenterprise owners.

Effects of land size (LANSIZ) on microenterprise development (ME): Coefficient of land size was negative implying that the larger the piece of land owned by an individual the less likely he/she was to own a microenterprise. The odds ratio of 0.459 was smaller than 1, implying that the odds are decreasing. For every unit increase in land size, the odds of microenterprise development decrease by factor 0.459. The model predicted that increasing the land size by an acre reduces the likelihood of forming a microenterprise by 31.5%. However, some variables were insignificant. Spouse income, household size, age, cattle herd size and membership in other social groupings were found to be insignificant in determining microentreprise development.

DISCUSSION

The current study shows that microfinance increases the probability of forming a microenterprise. The findings confirm that microfinance increases individuals' capacity to meet their basic capabilities. These capabilities, according to Sen (1983, 1999b), encompass a plethora of *"beings and doings"* such as escaping avoidable disease, meeting nutritional requirements, to be sheltered, to be clothed, to be educated, to be able to travel, to enjoy self-respect, and to be active in community activities. Consequently, poverty refers to a lack of basic capabilities for a person to function (Sen, 2009). The functionings of interest to this investigation include physical ones such as having adequate food, enough clothing, sufficient shelter and freedom from preventable diseases, as well as complex achievements like participation in community activities (Sen, 1995). In other words, a poor individual lacks an opportunity to attain some minimum functionings. Microfinance in Tsholotsho District is diminishing the poverty, promoting individuals' self-fulfilment and freedom, necessary to lift the capability of the needy and poor (Daojiu, 2014). Knecht (2012) also argues that the condition of deprived people can be more accurately analysed using their ability to convert resources into consumption and income. Microenterprise development represents the ability to convert resources into consumption, income and capacity to meet basic functioning.

CONCLUSION

The current study assessed microfinance in terms of microenterprises formation. The findings of this study show that microfinance increases the probability of forming a microenterprise. The findings confirm that microfinance increases a woman's capacity to meet the basic capabilities. Microfinance in Tsholotsho District is diminishing the poverty, promoting individuals' self-fulfilment and freedom, necessary to lift the capability of the needy and poor women. Microenterprise development represents the ability to transform resources into income and capacity to meet basic functionings of women.

In order to improve the effectiveness of microfinance in enhancing the capabilities of women and improve the current livelihood status of the studied community based on the findings of the current study, comprehensive steps should be followed by the non-governmental organisations, government, women organisations, and also rural community. Stated below are some of the strategies that can be adapted to respond to the current livelihood situation of the rural folk: replication of Tsholotsho's microfinance models within and outside Tsholotsho; ensuring community participation in microfinance by considering factors that determine participation and tailor-make microfinance packages to cater to the target population's needs; and developing and strengthening Cooperative Bank Linkages.

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