

Role of microfinance institutions for empowerment of women entrepreneurs; a case in Mogadishu

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ABSTRACT: The purpose of this paper is the important of micro finance for empowering women and the challenges faced women entrepreneurs in Mogadishu. It's clear that Micro Finance Institutions have gained a lot of attention as a means of empowering women economically. Descriptive research was used in this study; its goal is to provide a precise profile of the people, events, or situations being studied. A quantitative technique was also applied in this study. In quantitative research, variables are analyzed and quantified in order to draw conclusions.

The result of this study was gathered through administering questionnaires to Mogadishu-based microfinance organizations. Purposive sampling is a sort of sampling where the researcher chooses members of the population who, in his or her opinion, are most likely to produce accurate data.

KEYWORDS: Microfinance institution, Empowerment, Entrepreneurs

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1. Introduction

The only avenue of support for low-income individuals and failing companies is through microfinance institutions (MFIs). Women also fit into this group because the majority of them have poor earnings and must start a business in order to provide for themselves and their family. Given the stringent requirements of commercial banks, MFIs are frequently the only source of financial lending for women business owners. The study done with 200 women entrepreneurs in Kosovo will help determine the extent to which MFIs have influenced the growth of women-owned enterprises in Kosovo (Jehona Shkodra, 2021). Also In many developing nations, women are disproportionately affected by poverty. Sri Lanka has been impacted by the internal strife for more than 30 years while being a developing nation. The country's northern and eastern provinces are currently undergoing post-conflict development, but the access to school, health care, nutrition, and employment opportunities for female children, war widows, and people with disabilities is still a problem. These people are given access to microfinance facilities through NGOs, banking institutions, and other governmental organizations in order to give them more influence (Yogendrarajah, 2012).

Microfinance Institutions (MFIs) are businesses that provide low-income people with access to both financial and non-financial goods and services that they might not otherwise have access to from more established businesses. Nearly 350 registered financial institutions, of which 118 are micro-financial institutions, exist in Kenya. One of the microfinance organizations functioning in Nakuru town is the Umoja Women Entrepreneur Program. It offers financial services and goods to the underprivileged, particularly women (Njogu, 2016). As in other developing nations, Somalia's low standard of living is a major issue because there are few microfinance institution services, which makes it difficult for real standards of living to be implemented effectively. Since the majority of microfinance institution services aim to raise the living standards of the poor, the percentage of poor people living below the poverty line has been rising every year. As a result, Somalia's standard of living and microfinance institution services of empowering women have not gotten enough academic attention. This indicates that there is a significant study deficit in the pertinent literature on developing nations, including Somalia (MOHAMED, 2017). Therefore, this study examines the Role of Microfinance Institutions for Empowering Women Entrepreneurs in Mogadishu as well as the Investigates Challenges and Obstacles Facing Empowering of Women.

2. Literature Review

Microfinance is the term for a variety of financial services, such as loans, savings accounts, and insurance, that are provided to underprivileged business owners and entrepreneurs who lack collateral and would not otherwise be eligible for a traditional bank loan. Financial services for those with low incomes or without access to standard banking services are referred to as "microfinance" in the broadest sense. Microfinance is the concept that those with modest incomes can escape poverty if given access to financial services. According to the Canadian International Development Agency (CIDA), microfinance is the provision of a wide variety of financial services to impoverished families and poor microbusinesses that often lack access to established financial institutions (Rana Muhammad Sohail Jafar, 2016). Additionally, Microfinance is the provision that gives low-income clients, including consumers and the self-employed, who generally lack access to banking and related services, access to various financial services, such as credit, savings, micro insurance, remittances, and leasing. With the help of microfinance, the poor can escape poverty. Microfinance is a tool for economic development. Its primary goal is to guarantee ongoing access to suitable financial services, such as fund transfers, insurance, and savings. For the purpose of ending poverty, it is actually a fairly crucial weapon. The less fortunate can cover both emergency costs and large investing expenses. The supply of services to the underprivileged may rise as microfinance gains acceptance and enters the mainstream, increasing their availability and enhancing their reach (BADUGU, 2016).

Women's empowerment is the process or social action through which women elaborate and recreate what it is to be in a situation that they were previously denied. There are various guiding concepts for what constitutes women's empowerment, such as the

requirement that one be empowered from a place of disempowerment. Women's empowerment is the process by which individuals develop and reinvent what they can be, do, and achieve in a situation where they were previously denied. However, while discussing women's empowerment, empowerment is defined as embracing and allowing those (women) who are outside of the decision-making process into it. Women should be empowered to challenge and fight against their injustice (N.Vivek, 2019).

The country's economic growth is accelerated by entrepreneurship. The segment for capital accumulation is one of the biggest. Entrepreneurial activities have actually led to economic progress. The economic and social development of the country is significantly influenced by entrepreneurs. Also playing a little part in this field are female entrepreneurs. The social status of women has improved in modern society. To support the promotion of appropriate working conditions for women entrepreneurs, the State and Central Governments have created a number of programs and initiatives for empowerment. Tamilnadu has a small current population of female business owners. If the government implements the essential promotional measures, the number will increase indefinitely and they can significantly contribute to Tamilnadu's entrepreneurial growth. Producing these kinds of necessities and food products is primarily done by women. These possibilities can be expanded upon for the development of entrepreneurship in Tamilnadu, and the future of female entrepreneurs will be beneficial to the expansion of our state (Ashokkumar, 2018). On other hand, the one of the most significant contributors to the economic growth of the society is entrepreneurship. Entrepreneurs have long been credited with helping to launch and maintain socioeconomic progress. The idea of female entrepreneurship is very new in India. Women have entered a variety of commercial professions and are more aware of their rights and circumstances. They have built successful corporate empires of their own. They support the expansion of the economy and the improvement of their socioeconomic circumstances (Jamshidi, 2012).

Women business owners face two distinct sets of issues: issues that affect all business owners generally and issues that are unique to women business owners. Following is a discussion of these: Financial difficulty any business, no matter how big or little, views finance as its "life blood." But there are two ways that a lack of funding affects women business owners. First of all, women typically don't have any real estate to put up as collateral when applying for loans from outside sources. Consequently, they have limited access to outside sources of funding. In secondly, banks restrict women from borrowing because they believe they may one day decide to abandon their businesses. Given this circumstance, female business owners must rely on any savings they may have as well as loans from friends and family (Jamshidi, 2012).

3. Methodology

3.1 Research Design and Target Population

Descriptive research was used in this study; its goal is to provide a precise profile of the people, events, or situations being studied. A quantitative technique will also be applied in this study. In quantitative research, variables are analyzed and quantified in order to draw conclusions. It involves taking numerical data and employing certain statistical techniques to analyze that data in order to provide answers to queries (Apuke, 2017). The study was carried out using a survey research methodology. To characterize, compare, or explain individual and society knowledge, feelings, beliefs, interests, and behavior, surveys are information-gathering tools. The study was conducted among microfinance institutions in Mogadishu. The researcher selected a number of microfinance institutions such as Salaam Hormud foundation, Dahabshil Bank and IBS Bank.

3.2 Sampling procedure

The information for this study was gathered through administering questionnaires to Mogadishu-based microfinance organizations. Purposive sampling is a sort of sampling where the researcher chooses members of the population who, in his or her opinion, are most likely to produce accurate data (Oso, 2008). The questionnaire was divided into three sections: demographic data (age, degree of education, and work experience), research objective (number one), and research objective (number two), each with a five-point Likert scale.

4. Findings

4.1 Profile of Respondents

The profile of respondents was analyzed and presented the following tables. It contained age, education level and experience.

Age

Class	Frequency	Percent
18-28	44	55.0
28-38	22	27.5
38-48	10	12.5
48 above	4	5.0
Total	80	100

Source: primary data, 2021

82.5 % of the respondents were aged between 18-38 years which indicated that the majority of women entrepreneurs in Mogadishu were junior.

4.2 Level of education

<i>Level of Education</i>	<i>Frequency</i>	<i>Percent</i>
<i>Secondary school</i>	12	15.00
<i>Diploma</i>	18	22.50
<i>Bachelor</i>	45	56.25
<i>Master</i>	5	6.25
<i>PHD</i>	0	0.00
Total	80	100.00

Source: primary data, 2021

The information given above showed that 15% is Secondary school, 22.5% Diploma, 56.25% Bachelor, 5% Master. Therefore, more than half of women entrepreneurs in Mogadishu are bachelor degree.

4.3 Experience of Respondents

<i>No. of years</i>	<i>Frequency</i>	<i>Percent</i>
<i>One year</i>	28	35.00
<i>Two years</i>	32	40.00
<i>Three years</i>	8	10.00
<i>3 year above</i>	12	15.00
Total	80	100.00

Source: primary data, 2021

The table above indicated less experienced women entrepreneurs in Mogadishu, they were because 75% of them had a work experience between one year and two years.

4.4 Role of microfinance institutions

No	Role of microfinance	1	2	3	4	5	%	Mean
1	Microfinance is crucial for empowering women in socioeconomic settings.	2.7	7.4	7.5	47.8	34.7	82.6	3.91
2	Microfinance is the provision of loans, savings accounts, and other fundamental financial services to the underprivileged.	2.5	11.2	5	51.2	30	81.2	3.95
3	Microfinance involves giving low-income groups, small companies, and the destitute access to microloans and savings.	3.5	8.9	22.6	20	45	65	3.94

4	Microfinance institutions were created to offer active women access to financial services.	3.8	12.5	17.5	35	31.2	66.2	3.78
5	The role of microfinance institutions is to offer economically engaged women a variety of reliable, timely financial services.	3.8	10	26.2	23.8	36.2	60	3.79
6	The role of microfinance institutions is created Employment opportunities.	1.2	8.8	31.2	31.2	27.5	58.7	3.75
7	The role of microfinance institutions is to support women entrepreneurs from both an economic and social perspective.	3.8	8.8	25	38.8	23.8	62.6	3.70
8	Role of microfinance institutions in assisting already-existing businesses to expand or diversify their business activities.	5	10	15	33.8	36.2	70	3.86
9	Role of microfinance institutions in promoting the growth of a new enterprise.	13.8	15	20	22.4	28.8	51.2	3.72
10	Role of microfinance institutions in empowering women or other underprivileged people	5	5	32.5	18.8	38.8	57.6	3.81

The results (Table above) show that microfinance has a bigger impact because respondents' mean scores across the board (3.821) are much higher than the mean scale (3.60). The technique of entrepreneurs, microfinance is crucial for empowering both women and businesses. It offers diversified, dependable, and timely financial services to the empowering and existing business, creates employment, promotes the growth of new businesses, and empowers women or other disadvantaged population groups.

4.5 Challenges and Obstacles Facing Empowering of Women

No	Challenges and Obstacles Facing Empowering of Women.	1	2	3	4	5	%	Mean
1	Very conservative lending procedures exist, which make it difficult for women to secure loans and raise their household's level of living.	2.5	7.5	5	22.5	62.5	85	4.35
2	Women are afraid of being unable to pay the high rate back, which prevents them from asking for loans.	2.5	2.5	10	55	30	85	3.75

3	Women lack adequate technical training and support, which forces them to rely mostly on their families or subject-matter experts.	5	12.5	7.5	30	45	75	3.94
4	Islamic microfinance is lacking innovation because there aren't any new goods or services established to cater to the demands of women.	2.5	17.5	25	40	15	55	3.48
5	Women lack sufficient expertise or understanding of resource management, budgeting, and other business functions.	2.5	10	15	60	12.5		3.70
6	Women are frustrated by the idea of microfinance because they are afraid of taking business responsibilities.	2.5	12.5	25	37.5	22.5	60	3.65
7	Graduation of loans from one level to another happens extremely slowly.	2.5	7.9	4.6	42.5	42.5	85	3.95
8	Lack of marketing expertise, market awareness, and marketing activity results in a loss of the capital put in the business.	5	8	7	52.5	27.5	80	4.02
9	The microfinance market freezes as a result of a lack of innovation and the availability of products and services that are similar across microfinance institutions.	10	5	12.5	25	47.5	72.5	3.95
10	The society's participants' unfavorable opinions.	5	2.5	10	20	62.5	82.5	4.35

The results (Table above) point out the major Challenges and Obstacles Facing Empowering of Women entrepreneurs. Expertise, knowledge, and relationships are necessary to enter new markets. Women frequently lack access to training and expertise on how to participate in the market, making it difficult for them to strategically promote goods and services. As a result, women-owned SMEs frequently find it difficult to handle both the production and marketing of their products. They frequently haven't been exposed to the global market, thus they don't know what is considered acceptable Islamic microfinance institutions.

6. Conclusions

The results indicate that micro finance is important for empowering women but there are some challenges faced women entrepreneurs in Mogadishu. It's clear that Micro Finance Institutions have gained a lot of attention as a means of empowering women economically. Because of their increased economic power as a result of having access to credit and savings, women play a larger economic role in decision-making. When women are in charge of credit and savings decisions, their wellbeing and the welfare of their families are maximized. Investments made in women's economic activities will increase women's job options, having a "trickle down and out" effect. The paradigm of financial sustainability and female empowerment places a strong emphasis on these individuals' sources of income.

Women empowerment has grown in importance recently. It is essential in encouraging them and empowering them to run various kinds of small and micro businesses that raise the living standards of their low-income households. Giving them the chance to be independent and self-assured is the essence of empowerment; it also makes it possible for them to become an active member of the family who can take part in decision-making and other relevant matters. Simply said, the process of empowering women involves giving them the skills, resources, education, and financial resources they need to launch their own small businesses or assist those that already exist.

Microfinance is a powerful tool for empowering women and giving them the chance to contribute to the elimination of family poverty and the creation of new employment prospects. Additionally, it aids in the family's food security and children's education. On the other hand, women expressed some negative views about this empowerment. They claim that it makes women feel more stressed and anxious about the loans they borrow from MFIs, creates an environment where household responsibilities and business activities are not balanced, and ultimately leads to issues with how businesses are run.

6. Recommendation

The study is recommending that microfinance institutions can be evaluated using socioeconomic and political indicators, which look at whether or not women have actually benefited. Access to funds, new employment prospects, a contribution to household income, more mobility, the ability to assert their rights, the capacity to learn, and numerous other advantages should follow from the empowerment of women.

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