



## Religion and experience: drivers of microfinance influence on participation of Turkish women in labor force

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**Abstract :** *Turkish labor markets are characterizable by an unexplained phenomenon of low female labor force participation. The rate of this particular phenomenon belongs to lowest ones worldwide. Also, the trend of the female labor force is on decline, adding further layer of importance to the need for its explanation. The study based upon primary data collected in microfinance portfolios in suburbs of Ankara tries to offer an illumination searching for contingent combinations of data related to responses of microfinance clients, with a special focus on experience as well as religion related factor, examining the validity of the Under-participation trap hypothesis.*

**Keywords:** microcredit mannequin, Ankara, under participation, microfinance

### 1. INTRODUCTION

#### 1.1 Trends of participation of women on labor force in Turkey

Despite profound changes in Turkish society which happened in recent year, the female participation of labor force, that were extremely reduced even by international standards, are on a decrease, providing ground for an unparalleled phenomenon, at least in the group of OECD countries. The female participation on labor force (LFP) in Turkey belongs to lowest rates on global scale (Fraker et al., 2011). Even the changes in attitudes of men towards their working wives, in combination with reduced rates of fertile women and later ages of wedding and marriages, women who are looking for jobs are decreasing. The decrease slowed down from from 34% to 21% in 1988 and 2008 respectively. Turkish markets are thus showing the opposite trend when compared to OECD members. These rates differ from expectations that are tied to rapidly growing and quickly modernizing economy, such as the Turkish is, especially when Turkey in the past showed similar ratios of LFP as western economies of Europe. This surprising tendency is further sublined by the drop of proportion of illiterate women from 33.9% to 19.6% in the past twenty years, which would suggest the opposite as literate women are expected to be more proactive and determined in searching for their independence. (World Bank, 2009). According to the United Nations based study performed in 2009, which examined these trends in Turkey, the reduced LFP of women was possibly caused by major influence of growing urbanization as well as by the declining agricultural employment. These two factors are however questionable. According to this view, women in urban areas of Turkey are not allowed to be employed in rather less favourable work conditions, which are not propitious to combination of childcare as well as domestic work. In such cases therefore, they prefer unemployment and thus, indirectly it is also the urbanization, which causes abandonment of rural areas and migration urban environment characterizable by low participation of women in LFP. In urban areas, it is men who are rather prone to acquire well-paid work in services as well as manufacturing sectors, than women. Shift from activities that were traditionally related to subsistence farming, had caused withdrawals of women from LFP.

There was an attempt to explain this phenomenon with the Under-Participation Trap Hypothesis (UPTH). This hypothesis asserts that Turkish LFP was caused especially by those rather poorly educated women living in urban areas and confronting cultural as well as economic obstacles. It is these barriers that are major constraints to their involvement in labor markets, especially urban on. Low salaries, offered to women with rather lower education levels, are insufficient to cover cost of childcare as well as household related domestic works. As a consequence, the supply of labor stays low. The lack of investment in education of women, which is a consequence, further maintains a vicious circle of under-participation.

The comprehension of the dynamics behind employment of women can be of a crucial importance in order to increase it. Employed women not only support families through their elevated economic independence, but also enhance their self confidence, respectability (UN, 2009) and thus stability of the Turkish society. This maybe of substantial interest for that statal authorities, especially as Turkey passes through important political changes caused by secular – religious tensions that can influence the future fate of the state, and therefore of tens of millions of Turks. Furthermore, higher female employment is key to economic growth and poverty reduction, as well as functions as an important enhancer of increased efficiency of government investment into educational sector (UN, 2009).

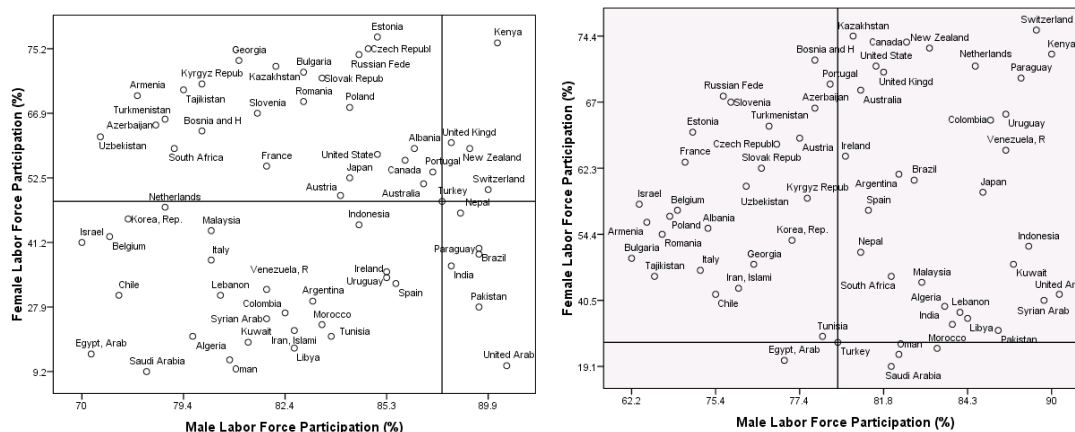


Fig. 1 Female LFP Rate changes in Turkey and OECD, 1980 – 2006 (World Bank, 2010)

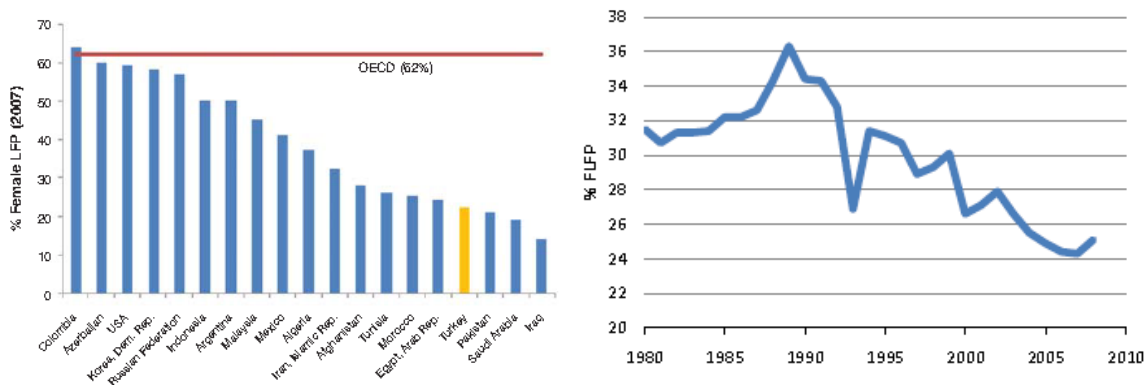


Fig. 2 Female LFP in Turkey in comparison (WDI, 2007; OECD, 2007; EUROSTAT, 2007) and 3 Decline of Female LFP in Turkey between 1980 – 2008 (Fraker, 2011)

Microfinance is an important of labour force activation and therefore is of interest for this study. As research confirms, according to Holt (1994), female participation in microfinance programs enhance social status and intrahousehold bargaining power. Khandker et al. Pitt (1998) and Sutoro (1990) had illustrated improvements of welfare of households, resulting from increased participation in labor markets. LFP as well as microfinance are there bound to be related, which is the main aim and interest of this study.

In 2012, researchers from the Czech University of Life Sciences Prague (CULS) executed in together with TGMP<sup>1</sup>, a microfinance institution (MFI) based in Turkey, and SESRIC (OIC based institution)<sup>2</sup>, a data collection of the abovementioned MFI in the suburbs of Ankara, focusing their survey on female entrepreneurs working in suburbs of Turkish urbs, which could be considered the principal target market of microfinance institutions. The data collected permitted execution of research on the UPTH. The principal goal of this research was to

<sup>1</sup> TURKISH Microfinance Grameen Program

<sup>2</sup> Organization of Islamic Conference

confirm UPTH by statistical testing of hypothesis related to education, number of children within the framework of UPTH, number of household members and also to enrich with additional elements the UPTH, including influence of experience with microcredit and religion. The research was structured into methodology description and body for defining five hypothesis, research description, synthesis and final conclusion.

*1.2 Methodology and hypothesis formulation*

The study uses data collected through qualitative, non-longitudinal questionnaires. These converted qualitative answers into intervals of a discrete type, which were examined with Pearson statistical tools. Questionnaires were answered by 117 active microfinance clients belonging to the principal client portfolios of the MFI. The clients chosen for completion of the survey belonged to the prime village bank groups of TGMP, representing female microfinance clientele operating in suburban areas and standing for standard mainstream working self-employed female Turkish population sample. No other distinction of or selection filter was applied other than membership in sustainable village bank groups successfully operating with TGMP on long term basis.

The questionnaires consisted of 30 questions of a closed format type of rating scale, dichotomous and of close-ended importance types.

The paper supposes that the more suitable clients are for the MFIs, the more higher potential they have as job seekers or to look for employment, thus participating in the LFP.

Nr.	Question:	Expected reaction	%
13	Is the repayment frequency better than frequency of competitive credit products?	Yes	84.0
16	Is there anything preventing from becoming a a debtor?	No	89.1
23	Are your relationships harmed by the fact that you are a debtor?	No	96.0
24	Do you recommend microcredit to others?	Yes	95.2
26	Do you have more parallel debts?	No	58.6

Tab. 1 Answers to questions 13,16, 23, 24, 26

The interdependence of the results was tested with statistical method Chi-square test, measuring the discrepancies among expected and observed results. The H<sub>0</sub> related to no correlation among group samples was formulated, with 4 hypothesis formulated (H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub>, H<sub>5</sub>) with the intention to find their probability of truth.

$$X^2 = \sum_{i=1}^r \sum_{j=1}^c \frac{(O_{i,j} - E_{i,j})^2}{E_{i,j}} \tag{1}$$

O = observed values



E = expected values

## 2. METHODOLOGY AND HYPOTHESIS FORMULATION

### 2.1. Hypothesis $H_1$

The Underparticipation Trap Hypothesis suggests that women with little potential to transcend their local living surrounding and without necessary experience are with a higher probability to be employed at home or informally and are thus offered too low wages. We can thus formulate a hypothesis  $H_1$ :

**The more bancarized people are likely to be more desirable clients of microfinance institutions in Turkey and thus bancarization fights UPTH.**

The LFP differentials are thought to exist due to disproportionate experience of women in participation in the labor process. Level of bancarization belongs to these characteristics.

### 2.2. Hypothesis $H_2$

According to UPTH, the incapacity of people to adapt and cross cultural and religious barriers may be one of the reasons for their low participation in labor force. This is particularly relevant for uneducated women living in traditional societies. A hypothesis  $H_2$  was formulated:

**The level of zealousness prevents people to become indebted with microcredit, thus increasing their unparticipation probability.**

This research attempt measures the religiousness or the intensity of the religious zeal by answers to those selected questions in the questionnaire that denominate a clearly pro-religious stand. This motive may be even more relevant in case of those Islamic groups that do not permit women to leave their households, which implies a clear pro-UPTH influence of religion. The relationship between religious propensities of microfinance clientele as LFP driver was not studied before.

### 2.3. Hypothesis $H_3$

According to the Underparticipation Trap Hypothesis, abilities of women that are not involved in the work process deepen the UPT problem. Financial literacy belongs to such abilities. Indebtedness can be considered a risk factor, with a pro-UPT influence. The use of depth can be however a tool of increased financial literacy as those women who managed their debts in the past and who were using it during the time the questionnaire was being taken, can be expected to manage microcredit with more managerial abilities. The research thus measures "debt savviness" by considering the use of debt in the past in combination with the use of parallel debt. Thus a hypothesis  $H_3$  can be formulated:

**The higher the "debt savviness"<sup>3</sup> of the client, the higher the clients microfinance desirability.**

## RESULTS

### 3.1. Testing of $H_1$

The p-value of chi-square comes to 0.781071 implying the impossibility of confirmation of the relationship between the bancarisation of TGMP clientele, and their eligibility as microfinance clients and thus, becoming involved in microfinance as a UPT mitigating sector, as per table nr. 2.

	Less eligible clientele	More eligible clientele	Row Totals

<sup>3</sup> Debt savviness is defined by past experience with debt and at the same time parallel debt with the TGMP microcredit.



<b>No bank account</b>	4 (3.57) [0.05]	21 (21.43) [0.01]	25
<b>Bank account</b>	12 (12.43) [0.01]	75 (74.57) [0]	87
<b>Marginal Column Totals</b>	16	96	112 (Total
<b>The Chi-square statistic</b>	0.0772		
<b>p &lt; 0.05</b>	0.781071		

Tab. 2 Testing of  $H_1$

3.2. Testing of  $H_2$

The p value of of the chi-square comes to 0.9533394 and thus, on the level of confidence of 0.95, the relationship of zealousness and intensity of religious stands and the desirability of TGMP clients and thus influence of UPT mitigation factor and we thus cannot confirm confirming the  $H_2$  hypothesis as per Table Nr. 3.

	<b>Less eligible clientele</b>	<b>More eligible clientele</b>	<b>Row Totals</b>
<b>Less zealous</b>	80 (80.07) [0]	24 (23.93) [0]	104
<b>More zealous</b>	7 (6.93) [0]	2 (2.07) [0]	9
<b>Marginal Column Totals</b>	87	26	113 (Total
<b>The Chi-square statistic</b>	0.0034		
<b>p &lt; 0.05</b>	0.953394		

Tab. 3 Testing of  $H_2$

3.3. Testing of  $H_3$

The p-value of chi-square statistic reaches 0.2711. Neither in this case, on level of confidence of 0.95, the relationship among the „debt experience“ level of clients and the level of their eligibility as microfinance clients cannot be confirmed.

	<b>Less eligible clientele</b>	<b>More eligible clientele</b>	<b>Row Totals</b>



<b>Islamic credit preference</b>	40 (38.69) [0.04]	4 (5.31) [0.32]	44
<b>Classical microcredit preferred</b>	11 (12.31) [0.14]	3 (1.69) [1.02]	14
<b>Marginal Column Totals</b>	51	7	58 (Total)
<b>The Chi-square statistic</b>	1.5234		
<b>p &lt; 0.05</b>	0.21711		

Tab. 4 Testing of H<sub>4</sub>

## CONCLUSION

Economic dependence of women belongs to crucial causes for economic underdevelopment of societies, as well as inequality of gender. In this research attempt, the sample of characteristics of microfinance clients who consisted of women, which could be considered as valuable also for the non-microfinance clientele due to shared socioeconomic characteristics and related LFP topics, had not come to deliver statistical relationship between religious aspects and bancarization of the clientele. Thus, the UnderpaUPTH could not be confirmed, if it were explained by the mentioned elements. This conclusion could be explained by a complicated interplay of many factors on the phenomenon and seems to confirm the conclusion of UN study (2009) on LFP of women which states that education increase is likely to have only a low impact on LFP increase of women belonging only to other attributable factors. World Banks research (2010) further validates this view considering a wide array of influences being responsible for low LFP of women in Turkey, including wage levels, migratory issues, civil status and others jointly impacting the phenomenon in a complex socio-cultural mechanism, without a singular influence being a salient or the most important one and therefore unidentifiable as the cause.

As the additional result of the findings we can confirm a statistical correlation between the influence of religion and the eligibility of microfinance clients. According to Fraker (2011), even though Turkey can be considered a positive outlier as the country does not experience the pressure of religion of female LFP, many underdeveloped countries with religious as well as sexist views of gender related problematics such as Morocco, Iraq or Malaysia show considerably higher LFP rates. If such finding can be confirmed in more focused studies in the future, the influence of religious authorities can be proven to have an effect on the labor force participation women, with further multiplying effects. The finding derived from the data processed in this paper thus hints at the systematic involvement of religious figures as a potentially important feature for economic development strategies focused on excluded populations. At the same time, as shown by this research, past experience with microfinance leads to increased qualities of women from the point of view of their labor force participation probability. In conclusion, the rather complex nature of UPTH is to stay unexplained by the selected variables. It is the interplay of more variables than of few variables, that is to be searched for. explanation architecture.

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