Chapter 2

Women Entrepreneurship in MENA and Europe: Empowerment Through Microfinance

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ABSTRACT

Women entrepreneurs greatly benefit from the development of economies on both the local and national level. They employ themselves as well as people in the community. Today, microcredit, as part of the microfinance system, has become one of the most successful economic development tools for aid agencies and non-governmental organizations all over the world. Within this framework, this chapter discusses 1) the importance of women to economic development; 2) the significance of microfinance practices for women’s empowerment; and 3) the specific influence of microcredit on women’s empowerment in Asian and European countries, as determined by spatial econometric analysis with respect to different microfinance variables for the MENA (Middle East and North Africa) and European zones. Using data from 1990-2016, and employing panel spatial econometric models to analyze the changes in women’s empowerment over the years, the study has observed that the microfinance indicators are statistically and economically effective in promoting women empowerment in both MENA and European regions.

INTRODUCTION

In many places, women are members of a community who are not on the frontlines but have significant influence. A community’s level of development is partially defined by the extent to which the effectiveness and productivity of women has increased in that community. The effective participation of women in the process of social and economic development and the increase of women’s participation and employment in the work force are considered important factors in socially and individually sustainable economic development (Korkmaz et al., 2013). Women entrepreneurs create job opportunities for both themselves...
Women Entrepreneurship in MENA and Europe

and the people they employ. In addition, the participation of women in the work force strengthens the position of women in society, positively affects the level a society’s development, and helps prevent injustice in income distribution within that society (Can and Karataş, 2007).

Various studies offer a range of definitions for a women entrepreneur; the common points of these definitions can be expressed as “a woman who has an enterprise established on her own name, who works alone or together with the persons that she employs or set up partnership due to being the owner, who contacts with various public and private institutions related with her business, who makes plans for the future of the business, who is dominant on investment and utilization areas, who assumes all risks on behalf of her enterprise” (Ecevit, 1993).

Women entrepreneurs exert significant leverage over the development of their countries’ economies. That is to say, women entrepreneurs represent an important source of economic development. In Europe (the European Union and other countries), estimates indicate that of 16 million employers, more than 10 million women work in their own business, and in the United States, 6.4 million of the employers for 9.2 million people are composed of women who work in their own business (Soysal, 2010). Today, women constitute approximately half of the world’s population (49.7%). However, women’s participation in economic life and their ability to benefit from social and economic developments are not directly proportional. Although this situation is associated with the level of a country’s development, it is a fact that in all countries, especially developing countries, women remain behind men (Korkmaz et al. 2013).

The emergence of microfinance practices has been an important starting point for women’s participation in the economic life of developing countries. Microfinance can be defined as the financing services provided to a low-income person, family, or micro-business (a business with one to nine employees). Basically, microfinancing makes it possible for a low-income person with a business idea to obtain a small amount of initial capital to begin an income-generating activity (Soyak, 2010; Altınöz, 2015).

Microfinancing was first initiated by Muhammad Yunus, a Professor of Economics at Chittagong University in the mid-1970s. The poverty and hunger experienced by many people in Bangladesh and the despair that they cause led Yunus to seek a different solution than the models predicted by economic theories. Yunus’ ideas now form the basis of the Grameen financing model. The project, which began with a credit amounting to $27 US given to 42 needy persons, has become a giant financing model which is now being implemented in many countries all around the world. (Yunus, 2003).

Microcredits are the most important type of microfinancing. A microcredit is the credit given to a micro-entrepreneur by a microfinance institution for the purpose of improving his/her business. Microcredits are generally provided for needs like operating capital, the purchase of raw materials or equipment, or the purchase of manufacturing equipment. (Ören et al, 2012; Özmen, 2012). The essence of the micro-credit project, which was first initiated by Grameen Bank in rural Bangladesh, involves lending small amounts of money to small-scale/micro entrepreneurs to help them start an enterprise or make an investment. While such small credits were more widely applicable in agriculture from the 1950s to the 1980s, since the 1980s, the main focus has shifted towards non-agricultural micro-entrepreneurs, especially women. (Baltacı, 2011)

Micro-credit applications are based on three basic paradigms. These are the financial sustainability paradigm, the poverty reduction paradigm, and the feminist empowerment paradigm. The main purpose of the financial sustainability paradigm is to deliver sustainable microfinance services to the poor masses, with an emphasis on micro-entrepreneurs. For women, this means that women will be empowered economically when their access to micro-credit services increases, increasing their wealth and socio-political empowerment (Mayoux, 2000; Balkiz, 2015). According to the paradigm of poverty...