

2-6-2022

Microfinance and the Role of Accounting in Supporting Family-Resilience-Based Women's Empowerment

Desi Adhariani

Department of Accounting, Faculty of Economics and Business, Universitas Indonesia,
desiadhari@gmail.com

Follow this and additional works at: <https://nsuworks.nova.edu/tqr>

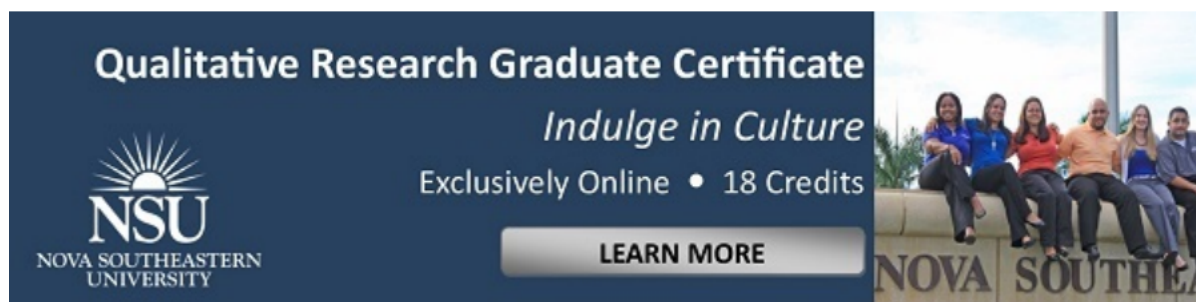


Part of the [Accounting Commons](#), [Finance and Financial Management Commons](#), and the [Other Business Commons](#)

Recommended APA Citation

Adhariani, D. (2022). Microfinance and the Role of Accounting in Supporting Family-Resilience-Based Women's Empowerment. *The Qualitative Report*, 27(2), 366-384. <https://doi.org/10.46743/2160-3715/2022.4249>

This Article is brought to you for free and open access by the The Qualitative Report at NSUWorks. It has been accepted for inclusion in The Qualitative Report by an authorized administrator of NSUWorks. For more information, please contact nsuworks@nova.edu.



Microfinance and the Role of Accounting in Supporting Family-Resilience-Based Women's Empowerment

Abstract

This action research aims to explore the issues of microfinance and women's empowerment in urban Indonesia, and the role of accounting on the issues. Drawing on critical accounting theory, this study employs feminism and empowerment theory based on Foucault's work to investigate the activities of female micro-entrepreneurs who are members of a Sharia cooperative. The study was conducted using an action research method for eight months with observation and interviews with 40 female micro-entrepreneurs. It is found that the lending scheme applied in the cooperative follows the principle of family resilience. In this context, the empowerment is not aimed at women only, but also at the family as the subject. The female entrepreneurs gain benefits from the microfinance initiatives and hence perceive themselves as being empowered. The cooperative loans transform them into neoliberal agents and the family resilience programs act as a shield to avoid the negative impact of their success on the gender relations in the family and as a reminder that their success also comes from the family's support. This study also found that the simple accounting system introduced to the women is perceived to be useful in enhancing their financial skills to support small businesses. How microfinance initiatives empower women has been studied extensively in previous research; however, how accounting can play a significant role in the process has rarely been investigated in the extant literature.

Keywords

microfinance, women's empowerment, accounting, action research, cooperative, family-resilience

Creative Commons License



This work is licensed under a [Creative Commons Attribution-Noncommercial-Share Alike 4.0 International License](https://creativecommons.org/licenses/by-nc-sa/4.0/).

Acknowledgements

This research is funded by the 2021 Basic Research Grant, the Indonesia Ministry of Education, Culture, Research, and Technology. The financial support is highly appreciated.

Microfinance and the Role of Accounting in Supporting Family-Resilience-Based Women's Empowerment

Desi Adhariani

Department of Accounting, Faculty of Economics and Business,
Universitas Indonesia, Indonesia

This action research aims to explore the issues of microfinance and women's empowerment in urban Indonesia, and the role of accounting on the issues. Drawing on critical accounting theory, this study employs feminism and empowerment theory based on Foucault's work to investigate the activities of female micro-entrepreneurs who are members of a Sharia cooperative. The study was conducted using an action research method for eight months with observation and interviews with 40 female micro-entrepreneurs. It is found that the lending scheme applied in the cooperative follows the principle of family resilience. In this context, the empowerment is not aimed at women only, but also at the family as the subject. The female entrepreneurs gain benefits from the microfinance initiatives and hence perceive themselves as being empowered. The cooperative loans transform them into neoliberal agents and the family resilience programs act as a shield to avoid the negative impact of their success on the gender relations in the family and as a reminder that their success also comes from the family's support. This study also found that the simple accounting system introduced to the women is perceived to be useful in enhancing their financial skills to support small businesses. How microfinance initiatives empower women has been studied extensively in previous research; however, how accounting can play a significant role in the process has rarely been investigated in the extant literature.

Keywords: microfinance, women's empowerment, accounting, action research, cooperative, family-resilience

Introduction

Microfinance aims at minimising financial exclusion by providing access to funding. It does not only affect matters relating to the fight against poverty but may also serve to push empowerment amongst the poor, especially women. The issue of microfinance and women's empowerment cannot be analysed separately from the issue of poverty as it remains a fundamental problem in developing countries, including in Indonesia. Poverty in Indonesia is largely concentrated in rural areas amounted to 62.75% of the total poor population based on Central Bureau of Statistics (BPS) data in 2015. Some of the factors are rooted in the low education level and the lack of capital resources.

Microfinance initiative has played a role in promoting financial inclusiveness since most of the micro businesses are difficult to get financing access from formal financial institutions such as banks because they cannot meet the requirements for financing. Microfinance has an important role in solving the problems given its reputation in the global arena of development as a crucial tool of empowering and alleviating poverty especially for poor-class women which become the main concern of this study.

Although the role of microfinance in women's empowerment has been largely studied in previous research (Mayoux, 1998, 1999, 2000, 2001, 2002), the concept of family resilience as practiced in the cooperative being studied in this research and how accounting can participate in the arena has not been given adequate attention. This study aims at filling the research gap by answering three research questions as follows:

1. What are the family resilience approaches adopted in the cooperative?
2. Are women empowered by the microfinance initiative?
3. What role does accounting play in the empowerment issue?

Latest research from Alawattage et al. (2019) explores the use of accounting and interpersonal accountability to make lending to poor village women profitable and low risk. In this study, we investigated the role of accounting in terms of accounting literacy that enhance the capabilities of women who are the members of a Sharia cooperative. The empowerment then supports their family life and strengthen family resilience because of the Islamic values inserted in the micro-lending activities.

The findings show that the principles of family resilience are applied to the cooperative members through several lending procedures and are inserted in the weekly routine meeting through Islamic preaching before the lending session begins. The principles are introduced not only to guarantee the payment of the loan, but also to strengthen the family bonding and welfare resulted from the empowerment through funds distributed. The accounting literacy training introduced to the female entrepreneurs was found to enhance the empowerment.

The remainder of the paper is organised as follows. The next section presents the theoretical perspective and reviews the literature on microfinance, family resilience and women's empowerment, followed by a brief description of the context of the study: Islamic microfinance in Indonesia and the role of accounting. Section 3 describes the research method, followed by Section 4 for the research findings. Conclusions and suggestions for further research is presented in the last section.

Theoretical Perspective and Literature Review

Foucauldian Theory of Power and Empowerment

The term "empowerment" as an ideology is rooted in social action where empowerment was associated with community interests and with attempts to increase the power and influence of oppressed groups (such as workers, women, and ethnic minorities). Foucauldian literature provides different aspects of studies related to the problematic of power. The study is referred to the notion of "biopower," which refers to state regulation of the population. It depicts the transition from the sovereign, or monarchical, the power to modern regulatory power comprised of disciplinary regimes, systems of surveillance, and normalizing tactics (Deveaux, 1994). Modern power requires "minimum expenditure for the maximum return" (Foucault 1986, p. 239), so that aspects of sovereign power are carried over into the modern period with disciplinary power.

Foucault uses the term "biopower" to describe the transformation like the sovereign's power over its subjects to disciplinary forms of power and the mechanisms through which they are exercised. In this notion, the state's focus on prohibition and juridical authority is replaced by new interests in various fields of power relations including in the education, discipline, health, and longevity of the population. Microfinance institutions can also be viewed in this notion as the transformation of power from state to the population through several disciplinary mechanisms in loan distribution to create as many bankable citizens as possible. Foucault

asserts that all social interactions are defined and permeated by the exercise of power, which means that in human relations, whether it is a question of verbal communication or a question of an institutional or economic relationship, power is always present. In his later work, Foucault emphasizes that the subject on whom that “conduct” or governance is exercised must be a free subject to maintain a power relationship. This refers to freedom where an individual or collective subjects are faced with a field of possibilities in which several ways of behaving, several reactions, and diverse comportments may be realized. In this context, power is separated off from force, violence, and domination, which do not involve any freedom on the part of the subject.

Biopower is used as the underlying theory of this research to explain the role of accounting in women empowerment through mini trainings designed and delivered for female micro entrepreneurs as the participants. The trainings consist of finance and transactions recording expected to develop a type of discipline after mini trainings were delivered, especially in forming the habit to be discipline in paying loans and separating the recording of family and business transactions. Following Alawattage et al. (2019), the repayment of loans distributed by the microfinance institution represents a form of accountability that has been diffused in the mundane interactions of women as the micro entrepreneurs rather than as a two-party transaction between a lender and a borrower. The simple accounting and finance trainings work in the process of disciplining the interpersonal accountability that exist between family members and neighbours to ensure the payment discipline of the borrowers.

Microfinance and Several Rationales

Microfinance is financial services provided in the form of small loans (microcredit) to the poor to start or expand their small business that may improve their standard of living. This can be achieved through the improvement in earning capacity as well as women’s empowerment by enabling them to make economic decisions and alleviate poverty. Microfinancing is available for poor entrepreneurs and the low-income households who have no collateral and lack access to a standard bank loan. Microfinance programs have been designed with the aim of developing microenterprises to assist existing business in growing and eradicating poverty in developing countries (Rokhman, 2013).

The origin of the modern-day microfinance movement is usually attributed to Dr. Muhammad Yunus, a Bangladeshi national (Jacobs et al., 2012). Yunus’s microfinance revolution was inspired by situations of poverty, famine and political turmoil in Bangladesh following the period of independence. Such situations motivated him to establish a microfinance programme as an experiment in rural Bangladesh, which eventually led to the formation of the Grameen Bank. In 2006, Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize for his anti-poverty efforts. One of the features of microfinance is that it mainly targets women, which has been promoted since the mid-1990s as a key strategy for simultaneously addressing poverty alleviation and women’s empowerment (Mayoux, 2002). This is also supported by international conferences that poor women have a right to credit, savings, pensions, and insurance schemes, like the upper sections of society (who have the power and capability to afford such services; Tanima, 2015).

A major microfinance innovation (Grameen Bank inspired) is the idea of group lending, where groups are formed of five to six women borrowers (usually from the same locality) (Jacobs et al., 2012). When loans are made to individuals, each group member is ultimately responsible for the loan repayment process by the exercising group control. The group meets weekly at one of the group member’s houses with staff from microfinance organisation which acts as a bank officer. A group-leader is appointed who assumes the role of ensuring that everyone repays the money on time. If a member of the group defaults, then all members of

the group cannot be given subsequent loans. The group structure, therefore, “takes advantage of local information and social capital networks associated with informal enforcement and risk sharing. Peer pressure is generally used to monitor and enforce contracts, providing an incentive for borrowers to repay and therefore reducing the risks for the microfinance institution” (Jacobs et al., 2012, p. 164). The group mechanism, through social hierarchical and horizontal relationships, provides a powerful mechanism for improving the loan recovery rate. Peer pressure works as a strong alternative to the usual pre-requisite of collateral before obtaining a bank loan.

There are several competing rationales surrounding the functions of microfinance organisations. The “financial-self-sustainability” rationale focuses on generating economic returns. Microfinance organisations work to achieve this rationale by majorly involving in large and profitable ventures that are self-supporting and compete with other private-sector banking institutions (Mayoux, 2002). Under this rationale, women become the target of the loan because of efficiency considerations, thus targeting women contributes towards the financial-self-sustainability of the programmes and enhances women’s economic capacities by giving them a significant voice within domestic sphere and in wider society.

The “poverty alleviation” rationale focuses on providing the poor with a means to get rid out of poverty. Proponents of this rationale argue that women are among the poorest of the poor and hence need critical attention (Mosley & Hulme, 1998). The focus of such programmes is on developing sustainable livelihoods, community development, and social services provisions, such as literacy, healthcare, and infrastructure development. It is also argued that women are more concerned and more responsible than men regarding household well-being, given their roles in the family as wives, sisters, or mothers, and therefore, extensions of financial services to women are more beneficial for households to address poverty (Mayoux, 2002).

The third key rationale of microfinance is “women’s empowerment.” The focus of this rationale is gender equality and human rights of women. It is argued that access to financial services helps to empower women by enabling the presence of women beyond domestic sphere, increasing their mobility, and building their self-confidence through the exercise of voice (Wright, 2006). Moreover, it is argued that poverty alleviation can only be addressed by focusing on the structural, cultural, and religious constraints on the poor, especially women, given the fact that women in a developing country context are among the most marginalised party (Fernando, 2006; Kabeer, 2001; Mayoux, 2000, 2002).

This research focuses on the third rationale by exploring the concept of women’s empowerment in the microfinance context and exploring the role of accounting in the process. The focus is taken to show that microfinance can play an important role in empowering women, not only to achieve the financial self-sustainability that treat women as the “object of the loan.” This study also does not focus on the poverty alleviation rationale even though the women empowerment can also alleviate poverty. The focus on women empowerment enables us to study the process taken by an Islamic microfinance in applying the Islamic principles integrated with accounting and financial knowledge to empower women.

Family Resilience

The ability to withstand and rebound from crisis and adversity in a family is referred to as a family resilience concept (Walsh, 1996) that has the potential for research, intervention, and prevention approaches to strengthen couples and families. A resiliency-based approach works to identify and fortify key interactional processes that enable families to withstand and recover from the challenges they face. One of the challenges is the wider social context, which

is the examination of individual risk and resilience in facing devastating social conditions, including poverty (Garmezy, 1991) that become the focus of this study.

Family resilience is used in this study to explain the approach taken by the Sharia cooperative under study in distributing loans to its members. As Walsh (1996) pointed out, it is a more useful concept than family crisis or adjustment, which focus narrowly on an immediate response. Resilience involves multiple, recursive processes over time in facing a threat or crisis through adaptations in the immediate and long-term period. A family resilience framework was developed as a guide of the family processes within three domains of family functioning: family belief systems, organization patterns, and communication processes (Walsh, 2002). The key processes that become the focus of this study are transcendence and spirituality as a family belief system, connectedness as well as social and economic resources as part of organizational patterns, and collaborative problem solving as part of the communication processes. The other key processes are beyond the scope of this study. The family resilience framework is depicted in Table 1.

Table 1

The Family Resilience Framework (Key Processes in Family Resilience)

Belief Systems	Making meaning of adversity	<ul style="list-style-type: none"> • Affiliative value: resilience as relationally based • Family life cycle orientation: normalize, contextualize adversity and distress • The sense of coherence: crisis as meaningful, comprehensible, manageable challenge • Appraisal of crisis, distress, and recovery: Facilitative vs. constraining beliefs
	Positive outlook	<ul style="list-style-type: none"> • Hope, optimistic view; confidence in overcoming odds • Courage and encouragement; focus on strengths and potential • Active initiative and perseverance (can-do spirit) • Master the possible; accept what cannot be changed
	Transcendence and spirituality	<ul style="list-style-type: none"> • Larger values, purpose; future goals and dreams • Spirituality: faith, communion, rituals • Inspiration: envision new possibilities; creativity • Transformation: learning and growth from adversity
Organizational Patterns	Flexibility	<ul style="list-style-type: none"> • Capacity to change: rebound, reorganize, adapt to fit challenges over time • Counterbalanced by stability: continuity, dependability through disruption

	Connectedness	<ul style="list-style-type: none"> • Mutual support, collaboration, and commitment • Respect individual needs, differences, and boundaries • Strong leadership: nurture, protect, guide children and vulnerable family members <ul style="list-style-type: none"> - Varied family forms: cooperative parenting/caregiving teams - Couple/co-parental relationship: equal partners • Seek reconnection, reconciliation of the troubled relationship
	Social and economic resources	<ul style="list-style-type: none"> • Mobilize extended kin and social support, models and mentors • Build community networks • Build financial security; balance work-family strains
Communication Processes	Clarity	<ul style="list-style-type: none"> • Clear, consistent messages (word and actions) • Clarify ambiguous information: truth-seeking and truth speaking
	Open emotional sharing	<ul style="list-style-type: none"> • Share range of feelings (joy and pain; hopes and fears) • Mutual empathy; tolerance for differences • Responsibility for own feelings, behaviour; avoid blaming • Pleasurable interactions; humour
	Collaborative problem solving	<ul style="list-style-type: none"> • Creative brainstorming; resourcefulness • Shared decision making and conflict resolution: negotiation, fairness, reciprocity • Focus on goals; take concrete steps; build on success; learn from failure • Proactive stance: Prevent problems; avert crises; prepare for future challenges

Note: Walsh (2002, p. 132)

Women's Empowerment

Women's empowerment refers to women's capability to increase self-reliance, their right to determine choices, and their ability to influence the direction of change by having control over material and non-material resources (Moser, 1989). According to Sanyal (2009), empowerment remains a distant goal in the lives of many women in South Asia who live in a patriarchal culture. Important factors contributing to the disempowerment is economic deprivation (related to poverty) and non-economic factors, which is the social practices and rules governing marriage and norms regulating the act of married women.

According to Mayoux (2007), microfinance can have positive contributions to some different and mutually reinforcing dimensions of women's empowerment. Increasing the access for women to microfinance programs and services can bring about economic empowerment for them especially in enhancing their capabilities in making decisions on savings, credits, and investments. This can also lead to the increased household prosperity through the fulfilment of several needs such as nutritious food and education for all children despite the gender. At macro level, the increased economic activity and decision-making capabilities can make women as agents of change for social and political spheres, as well as for economic growth, including around poverty reduction.

Women's empowerment is a complex concept that needs judgment as to whether and how much progress has been made as it may vary substantially according to the evaluator's socio-political perspective (Davies, 2007). Tanima (2015) argued that some researchers conclude that microfinance helps to empower women (e.g., Hashemi et al., 1996; Pitt & Khandker, 1996; Rahman, 1986), whereas others provide evidence that it disempowers women (Goetz & Sen Gupta, 1994; Montgomery et al., 1996). The work of competing logics in the microfinance context such as performed by Rahman (1999) and Mayoux (2002) show that the contradictory views on empowerment arise because mainstream understandings of empowerment are typically based on narrow economic logic, with a focus on simple statistical proxies (for example, repayment rates, household income levels and assets). Swain and Wallentin (2009) argued more that women's empowerment can take place when women challenge the existing social norms and culture to improve their well-being effectively. Therefore, understanding empowerment should embrace socio-political, cultural, and religious concerns, all of which develop ideas surrounding social logics (Tanima, 2015).

Rai and Ravi (2011) found the trace of disempowerment in their study of a situation in which health insurance is extended to husbands and wives of microfinance borrowers in India. They found that the non-borrowing spouses are less likely to file insurance claims compared to those who are borrowing. Furthermore, a man is found to be more likely to use the health insurance acquired through his wife's loan than is a woman (through her husband's loan). They test if non-borrowing female spouses are disempowered within the household by hypothesising that women who borrow are empowered in their health seeking compared to women who have acquired health insurance through their husbands. They found that differences in the probabilities of filing claims stem from geographical variations in female literacy rates, which suggests that wives of male borrowers are indeed disempowered. The results suggest that improving female literacy can reduce gender differences in the utilization of health insurance. This is consistent with evidence that empowering women through education can improve their health outcomes. The implication of the study is that microfinance institutions should develop a policy to select women as borrowers to enhance the empowerment.

In line with Rai and Ravi (2011), this study also tries to find if there are any signs of disempowerment and to investigate whether improvement in accounting and finance literacy can reduce the disempowerment, and thus strengthen the empowerment.

Accounting and Its Role in the Microfinance Context

In Indonesia, the Indonesian Institute of Accountants (IAI), a professional accounting organization that always supports the enforcement of transparency and accountability of entity financial reporting in Indonesia, has approved the Financial Accounting Standards for Micro, Small and Medium Enterprise Entities (SAK EMKM) in its meeting on May 18, 2016.

SAK EMKM is expected to help about 57.9 million actors of SMEs in Indonesia in preparing their financial statements properly without having to get difficulties in the complexity of current financial accounting standards. SAK EMKM is a much simpler financial

accounting standard compared to the standard for an entity without public accountability. For example, from the technical side, SAK EMKM purely uses the basis of historical cost measurement so that SMEs simply record assets and liabilities at the cost of acquisition.

In accounting research, the portion of the role of accounting in microfinance context is still limited. Most accounting research seems to take an economic framework for granted by focusing on shareholder primacy, wealth maximisation, and technical measurements regarding performance analysis and benchmarking (Molisa et al., 2012). There is little, if any, direct discussion of the actual or potential impact of accounting and accountability systems on women's empowerment (Tanima, 2015). This study addresses this gap by drawing on critical accounting literature that studies accounting in its broader social and political contexts. To achieve this objective, the author and the team conducted a series of simple accounting and finance trainings to the female microentrepreneurs. The team consisted of two accounting lecturers and two accounting students who all invested their time to provide the trainings with the intentions to enhance the accounting and financial literacy that will lead to increased capabilities in managing and repaying the microfinance loans. The author's personal involvement came from the interest on SMEs and how accounting technology can help them grow the business. The intentions were to contribute to the development of microfinance institutions and SMEs as important sectors in supporting a nation's economy especially in developing countries.

Islamic Microfinance in Indonesia

Microfinance in Indonesia has a long history, back in the 19th century with the bank in rural areas as the initial form (Fianto & Gan, 2017). A rural bank named Bank Rakyat Indonesia was established on 16 December 1895, by R. Bei Aria Wiraatmadja (Fianto & Gan, 2017). More banks were established since then, including microfinance institutions in several forms, such as project, non-profit organisations, cooperatives, and private companies. The institutions are operating in conventional mode or adopting Islamic principles in their operations.

There are three categories of microfinance (MFI) institutions in Indonesia, namely formal, semi-formal, and informal. Formal institutions are supervised by Financial Services Authority (Otoritas Jasa Keuangan); while microfinance-like channelling groups and rotating savings and credit associations are classified as informal.

Research Method

This study employs an action research approach in exploring the issue of women's empowerment and the role of accounting in the microfinance context. Action research aims to understand the causes of person or organizational change, where academics play a role as knowledgeable observers by offering theory to strengthen the salience of some features (Fogarty, 2017). There are three stages of action research, which is started from the planning of a change the researchers intend to bring about (Fogarty, 2017). Planning stage is the analysis of the situation and can involve data gathering at the early stage to inform early predispositions. The next stage is the execution of the planned action with actual participants. The prescribed plan becomes the guidance of the execution, although some deviations may happen following the situations in the field. The final stage is related to the evaluation of the outcomes of the planned changes executed in the second stage. The process creates new data which then can be analysed using a particular frame of reference in specific contexts.

In this research, the intended change carried out by the researcher is increasing the awareness or literacy of accounting and finance in the small business run by female microentrepreneurs. The analysis of the situation came from the researcher's preliminary

interview with SM Sharia Cooperative management who wanted to decrease or avoid the amount of unpaid loan by the members. The execution stage involved observations and in-depth interviews that have been conducted for eight months with key persons of a Sharia cooperative and their female micro-entrepreneur members. The research site is presented in the next sub section, followed by the explanation on the data and method.

SM Sharia Cooperative as the Research Context

Cooperative is a pillar of the Indonesian economy that plays an important role in improving the welfare of members and society in general. One way to realize this is through the distribution of credit for micro, small and medium enterprises. A Sharia cooperative located in one of the urban areas in Depok, Indonesia is the object of this case study, and the research context is described below.

Sharia Business Cooperative SM is a Sharia-based cooperative established on January 16, 2006, with aims to help the community, especially women, to borrow funds for starting or expanding business and return it by instalment. The cooperative's goal is to support small and medium-sized businesses and communities, especially women, to be able to progress and prosper. This cooperative has the vision to become a productive Sharia cooperative in optimizing women's potential in the city of Depok. The lending activities are done in accordance with Sharia principles with the contract Qardul Hasan (i.e., loans are provided without margin to facilitate micro-enterprises' productivity).

In connection with this loan borrowing contract, there are several problems faced, which are related to finance, such as late loan repayment or even unable to repay (refer as bad credits or non-performing loans). These financial problems indicate inappropriate financial management. Therefore, it is important to develop the financial skills so that their business can run smoothly, and the loans can be repaid on schedule. Some of these efforts, for example, assistance in terms of accurate financial recording, cost calculation, separation of business transaction records from personal transactions, and cash management.

SM Cooperative has several programs as follows.

- A. Savings and loan services
- B. Financing for business development
- C. Investment in business cooperation
- D. Financing for productive and consumptive goods
- E. Receiving and distributing social funds

Micro-enterprise is the largest customer (about 45%) in SM Cooperative. As referred to the Indonesian Law No. 20 Year 2008, a microenterprise is defined as a family or individual owned productive enterprise with the amount of sales maximum of Rp.300,000,000.00 (three hundred million rupiahs) per year. Microenterprises can apply credit to a bank at certain amount. The characteristics of micro-enterprises are as follows.

1. The type of goods/commodity business is not fixed
2. The place of business is not always permanent
3. Have not done a simple financial administration, and do not separate family finance with business finance
4. Human resources (entrepreneurs) have not had a strong entrepreneurial spirit
5. The average education level is relatively low

6. Generally, do not have yet access to banking, but some of them have access to non-bank financial institutions
7. Generally, do not have a business license or other legality requirements including tax identity number

Considering some of these characteristics, the financing distributed by the SM Cooperative is also vulnerable to problems faced by other financial institutions, namely the problem of non-performing loans. Based on interviews with the management, the number of customers with bad credits is about 5-10% (around 10-15 customers), most of them are female micro-entrepreneurs. This may indicate a weakness in financial management aspect of the business.

From an accounting and financial point of view, it is likely that problem encountered are as follows.

- a. The financial recording has not been done accurately
- b. Calculation of basic costs are still not correct,
- c. There is no separation of business and personal accounting records
- d. Weaknesses in cash management and accounts payable.

The problems listed above give rise for accounting to play an important role as a supporting tool for micro enterprises in managing their financial aspect.

Data and Method

This research has the characteristic of an action research method with fieldwork in the lending group weekly meeting act as the primary source of data for this study. The choice of a Sharia cooperative located in Depok, Indonesia, which is an urban area as the study context, rather than choosing one in a rural area is justified by the aim of this project to investigate the role of accounting literacy on women's empowerment. Many women in urban area have been equipped with basic education compared to women in rural area. Thus, it is easier to provide them the simple training in accounting. The intervention was given by providing the training for participants to record business transactions manually in six books, which are:

1. Cash records for business
2. Cash records for personal transactions
3. Accounts payable/credit book
4. Accounts receivable book
5. Inventory book
6. Costing book (for manufacturing microenterprises)

There are 40 female micro-entrepreneurs in four lending groups who are given the trainings, observed, and interviewed. In the absence of the requirement for the ethical approval in our local context, we secured the participants' informed consent by asking their voluntary approval to participate in the training and later be observed and interviewed. It was emphasised that their participations in the research were not obligatory and that they can refuse or withdraw from participation any time without any impact on their loan or on their relationship with the cooperative. The women are between the ages of 30-70 years old with the level of education ranging from primary school to diploma.

There were 113 members of the cooperative that can be classified as female entrepreneurs; however, only 40 women joined the extensive training given every week in their

regular meeting. Other members withdrew because of difficulties in providing the time commitment for the trainings or in understanding the material. The simple training provided is in line with suggestions from a study conducted by Drexler, Fischer, and Schoar (2014) that reducing the complexity of training programs might improve the effectiveness, especially for less sophisticated clients such as female micro-entrepreneurs. Their study used a randomized control experiment with a bank in the Dominican Republic to compare the impact of two distinct programs which are a standard accounting training versus a simplified, rule-of-thumb training that teaches basic financial skills. Only the latter produced significant improvements in micro enterprise's financial practices, objective reporting quality and revenues. The impact is found to be especially pronounced for micro-entrepreneurs with lower skills or poor initial financial practices.

Fieldwork in the four lending groups in the form of simple financial and accounting training, followed by observations and interviews with participants became the source of data to investigate the disciplinary behaviour in the accounting, accountability and governance practiced by female micro entrepreneurs. The training to grassroot participants is viewed as a short educational intervention to provide empowerment through improvement in finance and accounting literacy. The observation of the lending group meetings focused on the "ritual" held in the meetings, which are praying together to verbalize the wish to pay the loan on time, listening to the Islamic lectures, and loan payment and distribution activities recorded in the cashbook of each member. The researcher took photographs of the trainings conducted and interactions among members in the meeting and took picture of the account books.

We also complemented the interviews by approaching other respondents related to the microfinance initiatives, namely the microfinance management teams (three female directors and three staffs). The interviews were performed in a semi-structured forms with the list of questions as follows. The semi-structured interviews enable the researcher to probe or develop other related questions not included on the list to respond to the interviewees' answer to previous questions. The list of questions are as follows.

Table 2. List of Interview Questions

For training participants	For cooperative management
How did you become the member of SM Sharia Cooperative?	How did you approach the female entrepreneurs to become members of SM Sharia Cooperative?
Why did you decide to become the member, is it because of the loan they offered?	What motivated you to initiate the family resilience program?
Did you ask permission from your husband to become a member and take the loan?	How did you assess the capabilities of the members to take and to pay the loan?
What factors did you consider before taking the loan?	What empowerment and educational programs that your cooperative has delivered to improve the capabilities of the female entrepreneurs?
Did you receive any suggestions from the cooperative to take the loan only when you need it? Did you always mention the purpose of the funds?	Do you think the social capital is effective as the collateral against the loan?
Do you also have savings at the cooperative? Why did you trust the cooperative and not just have saving in a bank instead?	Do you also aware of the existence of the mobile bank? If so, how do you maintain your competitiveness against them?
Do you also take a loan from a mobile bank?	What do you think of the simple accounting training delivered by the researcher and team, can it complement the educational programs you have run so far?

How do you find the weekly meeting so far, do you find the Islamic preaching useful for you?	Will you continue to run the simple accounting training even though the researcher has finished the program?
How did you maintain your discipline to pay the loan?	
Do you feel empowered by the cooperative initiatives? If so, can you give example what empowerment that you experience (for example, the loan support your children's educations, or the loan make your business grow)	
Do you find the accounting training useful? Is it hard for you to understand the material?	

Data Analysis

Data from interviews was recorded and subsequently transcribed. Reading and re-reading of the transcripts enable the identification of themes extracted from particular words and phrases used by the respondents. The patterns were then identified within each of categories of themes and the responses within each category were then captured.

The data analysis phase began from the preparation and organisation of the data for coding and analysis. Following Braun and Clarke (2006), the first step in analysis is getting familiarized with the data by careful reading and re-reading the data and jot down the initial ideas. Some concepts uttered by participants arose (inductive approach) while others were produced by borrowing or adapting existing concepts from the literature (deductive approach). To recognise patterns and themes in the data, interesting and relevant information from each respondent are summarised to form initial coding. Data-driven codes identified from the data are "husband permission," "family needs," "family priorities," "economic changes," "gender relationship," "timely payment," and "financial records," while the theory-driven codes are "transcendence," "spirituality," "family belief system," "connectedness," "social and economic resources," "collaborative problem solving," "empowerment," "social capital," and "payment discipline." When the codes are collated, three themes emerge which are also correspond to the research questions: family resilience, women empowerment, and the role of accounting.

Research Findings and Analysis

The findings presented in this section are structured by the themes categorised under three groups (family resilience, women empowerment, the role of accounting) which were then interpreted from the theoretical lens of biopower. The participants' perceptions for the training program are explored together with the empowerment issue.

Family Resilience

Based on the interview with the management, the family resilience concept is practiced at the cooperative as a reflection of Islamic principles adopted. As one of the managements said: "We want to empower the family, not only the wife/mother of the family. Because strengthening the family will increase their resilience in facing problems, including in repaying the loan we have distributed."

The approach applied is in the form of required written approval from husband before requiring a loan distribution. This approach is required to strengthen the bonding in the family and collaborative problem-solving capability. This is in line with the organizational patterns and communication processes in the family resilience framework (Walsh, 2002).

Another channel adopted by the cooperative is through Islamic prayer ritual and preaching conducted before loan distribution in the weekly meeting. We observed that in the ritual, a member recites a pray to God and the other members together plead a vow to become trusted in repaying the loan that has been provided to them promptly. The pray also serves as a closing agenda for every meeting. In the beginning, the loan process is started with Islamic preaching delivered by a female preacher. Various aspects are discussed in the preaching session, including the family living under the guidance of Islamic principles. These practices are in line with the belief system of family resilience, where transcendence and spirituality are applied. The prayer was not directly related to the family and no family members present too; but the preaching materials are mostly related to family life such as the rights and obligations of women in Islam and how a woman can play the role in building harmonious family relationships. These are all expected to act as a shield against negative side of a woman's success, as stated by one of the managements as follows.

... we do want to empower the female microentrepreneurs, but we don't want to make them forget that their success is also rooted from the support of their family and that their success also means a success for their family. We don't want to see a successful woman who in the end forget to maintain the harmonious life with their family such as getting divorce with their husband because the feeling of being empowered bring them to feel more successful than their husband, creating a negative gender relationship in the family

An expert in family resilience who is also a consultant to the cooperative asserted that the social interventions performed by the cooperative are in the form of empowerment with the expected outcome of the subjects' independence. Therefore, the community development project is based on the subjects' and their environment's potential. Secondly, she added that:

...our stressing is the economic empowerment, which is in line with Islamic values, in the form of empowerment of family's economy. So, the subject is the family...not only the wife or mother in the family. The other member of the family also plays a significant role, especially the husband as the qawwam [leader-author] as a variable. Also, the family circle, either the main as well as the extended one, all have important roles.

She went on by asserting that the Islamic approach is important to avoid the family failure in the case of Grameen Bank's members. As a decade passed by, some research found that many women who are members of the bank sued for divorce from their husband (Mallick, 2002; Schuler et al., 1998) since the economic independence went on the disproportionate way to provoke the family split. "This is what happens if the intervention is not designed based on the family resilience concept," she claimed.

Our interview with the female micro-entrepreneurs who are members of the cooperative show signs of family resilience partly due to the microfinance program. Majority of the women felt that the borrowing opens a chance for some form of contribution to the household and improve living conditions for their children. The activities linked to microcredit also have allowed them to step outside their private sphere and become more mobile. They also become less dependent on their husband and in-laws, by participating in decision – making concerning the use of the loans and income, therefore gaining respect – or even social acknowledgment – from the community. The collective approach, through social pressure in groups of borrowers practiced by SM Sharia Cooperative also provide the basis of the fight against other social

problems such as domestic violence. The groups are charged with selecting the members, monitoring, and respecting their obligations for repayment.

Most of the members interviewed stated that they have no problems with their family, especially their husband, regarding the loan and its repayment. However, 5 members said that they prefer their husbands do not know such loan from the cooperative since it will reduce the number of living costs provided by their husband. This suggests that even though the cooperative has adopted the family resilience concept, the practices still should be improved since they have not involved the family member in the program. The written approval from the husband is not adequate since the signature can be forged. The Islamic preach for female members are also not adequate since it is only listened to and accepted by the wife or the mother in the family. Several programs involving the family should be applied to increase the family resilience.

Women's Empowerment

The notion of power is reflected in the perceptions of female micro-entrepreneurs through series of in-depth interviews. The transformation from sovereign or state power to a form of disciplinary power in the society occurred through the mechanisms of group lending, as depicted from a respondent below.

I join the cooperative because I do not want to get involved with “mobile bank” (i.e., creditor offering loans with high-interest rate) ... I do not mind with the collective responsibility we have against the loan for a particular member as we trust each other... (Respondent A)

The social identity is embedded in the lending scheme as the poor are identified in ways consistent with the self-regulating market—the notion of biopower. In this system, each member is viewed as an ally of economic success by ensuring the appropriate investment management and the success of their economic capital (Rankin, 2001).

The women in this context are empowered by their solidarity as borrower groups which become a form of control mechanism to motivate repayment through shared liability for default and to provide financial discipline through peer pressure. As Rhyne and Otero (1992) put it: “Lenders can shift some of the loan processing and loan approval tasks onto groups because the groups have better access to information on the character and creditworthiness of potential borrowers” (pp. 1564).

The notion of freedom as part of empowerment is reflected in several perceptions below, which show freedom to choose the most appropriate funding scheme:

...the funding scheme from the cooperative is very helpful for me as sometimes we need unexpected funds for my family...the cooperative provides light installments which are affordable for us...and the routine meeting gives me the sense of solidarity just like a family. (Respondent B)

I am very thankful for the scheme provided by SM Cooperative. It provides a non-interest bearing for me with flexible installment period. (Respondent C)

The other benefits from routine group meeting are the increasing sense of solidarity among women in the groups. SM Cooperative also facilitates the routine meeting with a female Islamic preacher who delivers a religious speech and sometimes also teaches them on making crafts or healthy foods which later are used as a new business idea. This is essential because if

group meetings focus only on savings and credit activities, this uses up women's precious work and leisure time, cutting the programme costs but not necessarily benefiting women.

I love attending the weekly group meeting as it gives me knowledge about Islam religion. Sometimes I also learn how to make crafts such as a brooch or how to cook healthy foods. I have produced brooch by my own and sale it to increase my revenue. (Respondent D)

Microfinance programmes in SM Cooperative have shown potential in contributing to women's economic, social, and political empowerment. Access to savings and credit strengthen the empowerment as they can use the savings and credit for an economic activity that is in the form of starting or expanding a micro business, thus increasing incomes and assets. The economic contribution creates freedom and increases women's role in economic decision making in the household which leading to greater well-being for the family.

The increased economic role may also lead to change in gender roles and increased status within households and communities. These represent women's empowerment to the wider economy, the household, and productive capacity.

However, as indicated by Mayoux (2002), even in financially successful microfinance programmes, actual contribution to empowerment is often limited. This can be seen from findings based on observations in this study:

1. Most women in this study remain in the narrow range of female low-income activities which might be attributed to the low level of education.
2. Women's expenditure decisions continue to prioritise men (husband) and male children, while daughters or daughters-in-law bear the unpaid domestic work.
3. Repayment pressures sometimes increase tensions among women in the group which lead to the exclusion of the most disadvantaged women who may then be further disadvantaged in markets and communities. Of 4 groups being studies, it was found that almost 5 members have been excluded for being unable to repay.

The Role of Accounting

The program of enhancing the financial skills capabilities of female micro-entrepreneurs through a series of training and direct assistance has been positively responded to:

The program is really useful for me to know the amount I receive from my business and the amount I spend using the revenues. It becomes more controllable so that I can report it to my husband clearly... (Respondent E)

... I can become more discipline in managing my business transactions and hence become wiser in spending money... (Respondent F)

...Usually, I did not know the real revenues and expenses of my business since I did not separate the records with my personal transactions. Now I can know how much revenues and expenses from my business... (Respondent G)

The role of accounting in the empowerment process is also stated by a member as:

... a freedom for me to determine the use of the funds, I used it to pay school tuitions for my children. Sometimes I also used it for my consumptive wants, such as to buy new clothes. But after recording the transactions in my cash book, I realize that the expenditures are so significant, and I managed to reduce it.

This is in line with what Mayoux (2007) described as the benefit of microfinance in enabling “women’s decisions about savings and credit use, enabling women to invest in their economic activities and assets and play a more controlling role in household activities” (p. 39).

Apart from the benefits gained by members, it was found that the cooperative suffers from a significant amount of non-performing loan in private credits (which was more than bad credits in the group lending). This represents a more effective social capital as a collateral of a disciplinary form of repayment. We observe that the family resilience concept practiced by the cooperative, together with accounting technologies in the form of cash book and social control are being used as disciplinary and biopower tools to govern populations. This results in the extension of economic production and global market principles beyond private corporate settings into the mundane lives of individuals in the urban setting.

Another finding is when being introduced to the concept of cost calculation, two mature women (age 60-70 years old) simply said that they or their family never calculate precisely how much the costs of their products (snack) should be. They just do business to make additional money for grandchildren and to make their customers happy by selling them cheap (compared to the price of similar products sold by other women in the neighbourhood). This represents a form of “genuine social responsibility” accounting practiced in the society.

Conclusions

This study aims at investigating the family resilience-based women’s empowerment in microfinance context and the role of accounting to enhance such empowerment process. Through observations and in-depth interviews, the perceptions tend to be positive towards the notion of empowerment and the role of accounting. However, it was also found that women oppression also existed since expenditures spent from the credit are mainly for the sake of men and male children; hence creating the image that women are only “used” in the system instead of gaining benefits.

The positive (and potential negative) findings bring implications that there is a need for greater clarity in the underlying vision of microfinance programmes. This includes the definition of empowerment which goes further than either women’s access to microfinance or poverty alleviation at the household level. As Mayoux (2002) suggested, providing an adequate and non-discriminatory regulatory framework for microfinance should be viewed as a human rights issue, rather than the end aim of gender policy itself. Poverty alleviation as measured by increased income may be not sufficient for women’s empowerment definition because inequalities in the household mean that women might not necessarily benefit from increases in the income, even when they are major contributors. Future studies can explore the issues of the intra-household inequality to reach a more meaningful definition of power and women’s empowerment in the microfinance context.

References

- Alawattage, C., Graham, C., & Wickramasinghe, D. (2019). Microaccountability and biopolitics: Microfinance in a Sri Lankan village. *Accounting, Organizations and Society*, 72, 38-60.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77-101.
- Davies, M. (2007). *Notes towards an optimistic feminism: A long view*. Ashgate Pub Co.
- Deveaux, M. (1994). Feminism and empowerment: A critical reading of Foucault. *Feminist Studies*, 20(2), 223-247.
- Drexler, A., Fischer, G., & Schoar, A. (2014). Keeping it simple: Financial literacy and rules of thumb. *American Economic Journal: Applied Economics*, 6(2), 1-31.
- Fernando, J. (2006). Microcredit and empowerment of women: Visibility without power. In J. Fernando (Ed.), *Microfinance: Perils and prospects*. Routledge.
- Fianto, B. A., & Gan, C. (2017). Islamic microfinance in Indonesia. In *Microfinance in Asia* (pp. 227-270). World Scientific.
- Fogarty, T. J. (2017). Action research in accounting. In Z. Hoque, L. D. Parker, M. A. Covalleski, & K. Haynes (Eds.), *The Routledge companion to qualitative accounting research methods* (pp. 231-259). Routledge.
- Foucault, M. (1986). Disciplinary power and subjection. In S. Lukes (Ed.) *Power* (pp. 229-242). Blackwell.
- Garmezy, N. (1991). Resiliency and vulnerability to adverse developmental outcomes associated with poverty. *American Behavioral Scientist*, 34, 416-430.
- Goetz, A. M., & Sen Gupta, R. (1994). Who takes the credit? Gender, power, and control over loan use in rural credit programmes in Bangladesh. *World Development*, 24(1), 45-63.
- Hashemi, S., Schuler, S., & Riley, A. (1996). Rural credit programs and women's empowerment in Bangladesh. *World Development*, 24(4), 635-653.
- Jacobs, K., Habib, M., Musyoki, N., & Jubb, C. (2012). Empowering or oppressing: The case of microfinance institutions. In T. Hopper, M. Tsamenyi, S. Uddin, & D. Wickramasinghe (Eds.), *Handbook of accounting and development* (pp. 162-182). Edward Elgar Publishing Limited.
- Kabeer, N. (2001). Conflicts over credit: Re-evaluating the empowerment potential of loans to women in rural Bangladesh. *World Development*, 29(1), 63-84.
- Mallick, R. (2002). Implementing and evaluating microcredit in Bangladesh. *Development in Practice*, 12(2), 153-163.
- Mayoux, L. (1998). Participatory learning for women's empowerment in microfinance programmes. *IDS Bulletin*, 29(4), 39-50.
- Mayoux, L. (1999). Questioning virtuous spirals: Microfinance and women's empowerment in Africa. *Journal of International Development*, 11(7), 957-984.
- Mayoux, L. (2000). *Women's empowerment and microfinance* [Paper presentation]. Beijing Conference, New York.
- Mayoux, L. (2001). Tackling the downside: Social capital, women's empowerment and microfinance in Cameroon. *Development and Change*, 32(3), 435-464.
- Mayoux, L. (2002). Microfinance and women's empowerment: Rethinking best practice. *Development Bulletin*, 57(1), 76-80.
- Mayoux, L. (2007). Not only reaching but also empowering women: Ways forward for the next microfinance decade. *Microfinance and Gender: New Contributions to an Old Issue*, 37, 35-60.
- Molisa, P., Vandagombo, D., & Brown, J. (2012). Social and environmental accounting in developing countries: Challenges, conflicts, and contradictions. In T. Hopper, M.

- Tsamenyi, S. Uddin, & D. Wickramasinghe (Eds.), *Handbook of accounting and development* (pp. 288-311). Edward Elgar Publishing Limited.
- Montgomery, R., Bhattacharaya, D., & Hulme, D. (1996). Credit for the poor in Bangladesh. In D. Hulme & P. Mosley (Eds.), *Finance against poverty*. Routledge.
- Moser, C. (1989). Gender planning in the third world: Meeting practical and strategic gender needs. *World Development*, 17(11), 1799–1825.
- Mosley, P., & Hulme, D. (1998). Microenterprise finance: Is there a conflict between growth and poverty alleviation? *World Development*, 26(5), 783-790.
- Pitt, M., & Khandker, S. (1996). *Household and intrahousehold impacts of the Grameen Bank and similar targeted credit programs in Bangladesh*. World Bank.
- Rahman, A. (1999). Microcredit initiatives for equitable and sustainable development: Who pays? *World Development*, 27(1), 67-82.
- Rahman, R. I. (1986). *Impact of Grameen Bank on the situation of poor rural women*. Dhaka, Bangladesh Institute of Development Studies, Agriculture and Rural Development Division.
- Rai, A., & Ravi, S. (2011). Do spouses make claims? Empowerment and microfinance in India. *World Development*, 39(6), 913-921.
- Rokhman, W. (2013). The effect of Islamic microfinance on poverty alleviation: Study in Indonesia. *Economic Review: Journal of Economics & Business*, 11(2), 21-30.
- Sanyal, P. (2009). From credit to collective action: The role of microfinance in promoting women's social capital and normative influence. *American Sociological Review*, 74(4), 529-550.
- Schuler, S. R., Hashemi, S. M., & Badal, S. H. (1998). Men's violence against women in rural Bangladesh: Undermined or exacerbated by microcredit programmes? *Development in Practice*, 8(2), 148-157.
- Swain, R. B., & Wallentin, F. Y. (2009). Does microfinance empower women? Evidence from self-help groups in India. *International Review of Applied Economics*, 23(5), 541-556.
- Tanima, F. (2015). *Microfinance and women's empowerment in Bangladesh: A study of competing logics and their implications for accounting and accountability systems* [Unpublished doctoral dissertation]. University of Wellington, New Zealand.
- Walsh, F. (1996). Family resilience: A concept and its application. *Family Process*, 35(3), 261-282.
- Walsh, F. (2002). A family resilience framework: Innovative practice applications. *Family Relations*, 51(2), 130-137.
- Wright, K. (2006). The darker side to microfinance-evidence from Cajamaru, Peru. In J. Fernando (Ed.), *Microfinance: Perils and prospects* (pp. 133-148). Routledge.

Author Note

Desi Adhariani, Ph.D., is a lecturer and researcher of the Department of Accounting, Faculty of Economics and Business, Universitas Indonesia. She holds a Ph.D. from Victoria University, Melbourne, Australia, which was funded by an Australia Awards Scholarship. She has been actively involved in several research projects on sustainability, accounting, ethics, and gender (most of them take multidisciplinary perspectives) and has attracted several research grants namely from the Indonesian Ministry of Research and Higher Education, CIMA (the Chartered Institute of Management Accountants) and Universitas Indonesia. To enhance her research capabilities, Desi has also been actively involved in several research collaborations with leading international researchers. In 2021, Desi was selected as one the winner of Emerald Young Researcher Award from Emerald Publishing for her outstanding contribution in research and/or in practice and the impact she brings on the society or the community

concerned. The complete list of her work and publications can be found in her Scopus profile, Research Gate and LinkedIn account: Desi Adhariani. Please direct correspondence to desi.adhariani@ui.ac.id or desiadharis@gmail.com.

Acknowledgements: This research is funded by the 2021 Basic Research Grant No: NKB-004/UN2.RST/HKP.05.00/2021 from the Indonesia Ministry of Education, Culture, Research, and Technology. The financial support is highly appreciated.

Copyright 2022: Desi Adhariani and Nova Southeastern University.

Article Citation

Adhariani, D. (2022). Microfinance and the role of accounting in supporting family-resilience-based women's empowerment. *The Qualitative Report*, 27(2), 366-384. <https://doi.org/10.46743/2160-3715/2022.4249>
