The Legitimacy of Profit of Microlending Institutions and Women's Empowerment: A Case Study from Jordan

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SUMMARY

The aim of this paper is to investigate the impact of the profitability policy of microlending institutions on women's social empowerment in specific aspects (education, health, and social status). Data were collected from 385 women-led microenterprises in Jordan. The dependent variable will be social empowerment measured by education, health, and social status. Descriptive analysis and regression analysis findings revealed there is no impact of profitability policy on women's level of education, social status and the whole dimension of social empowerment. However, there is a positive effect of profitability on women's health. This paper gives recommendations to policy makers to reformulate the current profitability policy to further support the global goal of women empowerment, and reflect the microcredit ideology.

Keywords: social enterprises, women's empowerment, microlending, Jordan

Journal of Economic Literature (JEL) codes: A13, C35, D12, O53

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INTRODUCTION

The popularity of microfinance stems from neo-liberal ideology, mainly the aim to dampen resistance to financial sector liberalization and economic austerity policies at the community level (Keating et al. 2010). In Jordan, the microfinance sector is conceived as an integral part of the national financial system (Policy Framework for Microfinance 2011). The industry includes organizations structured as quasi-governmental organizations, non-profit companies, for-profit companies and financial institutions. The largest microfinance providers are registered as non-profit companies (Sanabel Microfinance Industry Profile 2009). Since mid-2013 the Central Bank of Jordan has taken the lead in regulation and supervision of the microfinance sector in line with international best practices towards comprehensive financial inclusion (Betz & Frewer 2016).

A study by Chowdhury (2009) showed that the formal sector financial institutions leave out poor people through requirements for collateral, credit rationing, and preference for high-income clients. Apart from the government's provision of directed, subsidized credit, the operating environment of Jordan is relatively conducive to commercial microfinance operations. For example, no interest rate restrictions are imposed on microfinance institutions, and government disbursement of subsidized credit has substantially declined in recent years. MFI's can access wholesale funds at market-based interest rates. Also, there are several reliable local providers of microfinance technical assistance and training. MFI's in Jordan are diversifying their funding base, financing their portfolio with a mix of debt and equity. Credit is obtained from local banks and international microfinance investment vehicles from the Development and Employment Fund (DEF). However, the capital-to-asset ratio is close to 50%, compared to a global median of 23%, shows a continued reliance on donated equity to finance operations. MFIs have been able to cover the cost of their debt funding through their pricing policies (Policy Framework for Microfinance 2011).

Recently some women in Jordan have been arrested because of their inability to repay the loan; this leads to increase the vulnerability of families and consequently diverges away from the mission of microfinance. Many questions were raised regarding whether the profits of lending institutions are a means to an end or an end in themselves. High interest rates forced more than half of female borrowers to use savings for payments and spend the initial loan on immediate needs, such as utilities and healthcare, rather than on what it was intended for. Many women experienced shame for their apparent failure and deferred loan management to their husbands (Ward 2014). In this study, I choose to focus on not-for-profit micro-lending institutions because the commercial industry is different in its target group and objectives.

In an earlier paper (Al-Maaitah 2019) I investigated the impact of microfinance policies practiced at lending institutions on women's empowerment focusing on their policies on lending, profitability, monitoring and following up as their non-credit policy. I found that all policies have a positive impact on women's empowerment except for the profitability policy, which shows no impact on women's empowerment. From this point of departure, the current study aims to thoroughly figure out the reasons and rationalizations behind the result that profitability has no effect on the social dimension of women's empowerment; in addition the paper will provide recommendations to decision makers to avoid mission drift in the credit market. This study will answer the following questions:

Research questions:

1. To what extent do profitability practices of micro-lending institutions help to empower women socially?
2. To what extent do profitability practices of micro-lending institutions enhance the social status of women entrepreneurs?
3. To what extent do profitability practices of micro-lending institutions improve the level of education of women entrepreneurs?
4. To what extent profitability practices of micro-lending institutions enhance the health status of women entrepreneurs?
5. To what extent do micro-lending institutions profitability practices contradict women's social empowerment?

LITERATURE REVIEW

Microfinance and Social Mission

The term 'micro-finance' refers to small-scale financial services, primarily credit and savings to economically active low-income clients to produce goods and provide services. Some microfinance institutions (MFIs) provide other financial services such as micro-money transfer and micro-insurance, social mediation such as the development of social capital through group formation, training in financial and enterprise management and development of management capabilities (Aheeyar 2007). Thus, the idea behind microfinance is that the poor are able to work their way out of the poverty cycle through entrepreneurship and by obtaining the initial capital necessary to start a business (de Oliveira Crevelari 2017).

Recently the impact of microfinance has been questioned, and many studies argue that the impact of microfinance is divergent, reported to have positive impact, no impact and even negative impact (Angelucci et al. 2012; Rooyen et al. 2012; Ganlea et al. 2015). The impact of microfinance works differently from one context to another depending on the population density, attitudes to debt, group cohesion, enterprise development, financial literacy and financial service providers (Armendáriz 2005 as cited in Al-Shami et al. 2015). A large number of studies suggest that micro-finance has significant impact on poverty reduction and household well-being at different levels such as asset acquisition, household nutrition, health, food security, children's education, women's empowerment, and social cohesion (Hashemiet al. 1996; Armendáriz & Morduch 2000; Littlefield et al. 2003; Roodman & Morduch 2009). In the meantime, the recent negative media coverage of microfinance has concerned allegations of MFIs using coercive lending techniques and aggressive loan recovery practices (Priyadarshee & Ghalib, 2012). According to Littlefield et al. (2003) when MFI's focus on making profits by serving better-off clients at the expense of poorer customers in order to fulfil capital adequacy requirements, then a trade-off exists between financial sustainability[1] and the social mission of MFI's, and we refer to this trade-off as "mission drift". Moreover, Armendáriz & Morduch (2000) refer to the conflict between outreach to the unbanked versus sustainability as "microfinance schism", claiming that institutions move away from their primary objective of serving the poor because of rushing to become financially self-sustainable too quickly.

Further, the little bargaining power of the poor and the growing commercialization movement could mean higher microcredit interest rates (Strøm et al. 2014). A study by Roberts (2013) indicates that the higher effective interest rates charged for profit organization do not lead to higher profitability and therefore sustainability because these variables are also associated with increases in the major elements of an MFI's costs. The most crucial component of the interest rate is the cost structure (Rosenberg et al., 2009). Other major components include the gender of borrowers (D'espallier et al. 2013), the profit status of the MFI (Roberts 2013), the competition (McIntosh & Wydick 2005; Cull et al., 2015), and the country-specific macroeconomic and macro-institutional elements (Hartarska 2005). However, Augsburg & Fouillet (2010) showed that the practices of microfinance institutions intended to reach financial sustainability include low-interest rates (cost-covering) and high repayment rates so that the organization's portfolio remains secure. Augsburg & Fouillet point out that the repayment rate or the rate of investment returns do not tell us anything about the quality of services delivered to microfinance clients.

[1] *Financially sustainable MFIs are those that are covering more than 100% of their operational and financial costs and generating a net income without support subsidies (https://mop.gov.jo/echobusv3.0/SystemAssets/24092014/The%20Jordanian%20National%20Policy.pdf)*

Most MFIs are looking for high numbers of loans and payments, with equal attention being paid to the possibilities for profit and the minimization of potential loss (Adeel et al. 2013). Due to high transaction costs, with rates of 24-36%, it is common practice in microfinance to use a flat interest rate rather than the Annual Percentage Rate (APR), or effective interest rate, as is the banking standard in the developed world. Flat interest refers to charging interest on the full original loan amount, rather than on the declining balance (Augsburg & Fouillet 2010). According to Kling & Rudner (1996), in a market of extremely high transaction costs interest rate should cover costs but not be so high that institutions can be compared with money lenders, who are often portrayed as coldly preying upon their cultivator clients, luring them further and further into debt, and finally sucking them dry of surplus, savings, property, and liberty.

Microlenders have two kinds of operating costs: personnel and administrative. Often personnel costs are high because micro lending is still a labour-intensive operation. Administrative costs consist mainly of rent, utility charges, transport, office supplies and depreciation of fixed assets. Making and recovering small loans is also costly on a per unit basis (Fernando 2006). However, a minimalist approach that provides financial services only is adopted to reduce operating costs and improve the potential for sustainability (O'Brien 2008).

In the literature on micro-finance there are three lending approaches based on the following philosophies:

1. Institutional approach: This approach is based on the assumption that lending institutions must recover their operating and financing costs with program revenue through raising the interest rate and lowering costs to be financially sustainable (Armendáriz & Morduch 2010).
2. Welfare approach: This approach focuses on targeted outreach and social impact rather than financial returns or sustainability, based on the assumption that the poor cannot afford the high interest rate imposed by lending institutions (Hulme & Mosley 1996; Kodongo & Kendi 2013)
3. Win-win approach: This approach is based on the assumption that there is a balance between outreach to the poor, poverty reduction and financial self-sustainability (Rankin 2011).

Available evidence indicates that only those microfinance programmes started under institutional approaches are viable (Dhakal, 2010). However, proponents of the institutional approach argue that microfinance exploits the poor (Al-Azzam & Mimouni 2017). According to a recent survey, 18% of borrowers cut their food intake to repay debts, and 5% decided to take their children out of school in order to repay loans (Quang 2019, January 7). Clients make sacrifice to repay loans; besides eating less and taking children out of school, they may sell their furniture and utensils, borrow from loan sharks and take second jobs to pay off their loans in order to make the microfinance institutions successful and sustainable (Brett 2006). Clients consider "unacceptable" in order to stay current on their loans. These sacrifices happen on the way to default. And as they struggle to remain current on their debts, by taking another loan, the chains may only get tighter (Solli 2015). However, it is up to the consumer to be cautious when it comes to money (Flynn 2007). For non-profits, interest rates are a way to offset the risk of default as well as to provide cash flow for expenses incurred by the organization. In for-profit microfinance organizations, interest rates are a profit-generator and a risk-adjustment tool (Crevelari 2017). Microfinance institutions should be "social businesses" driven by social missions (Malkin 2008). In the meantime, microfinance activities are not necessarily charitable; the Inter-American Development Bank estimates that on average the return on capital of microloans exceeds 20%, making this a profitable venture for many lenders (Sapp 2006). For example, Wall Street is now a microfinance creditor because microfinance is profitable (Flynn 2007).

Cull et al. 2009 indicate that a common mistake is to assume that non-profits are only dependent on donations to survive. Instead, earning profits does not imply being a for-profit organization. Non-profit MFIs can and do earn positive profits that are not distributed to shareholders but are re-invested in activities that further service their clients. From the economics standpoint, the main difference between for-profit and non-profit status is the ability to distribute profits (Glaeser & Shleifer 2001). If non-profits earn revenues greater than costs, they have to return them back to the business to further social missions. For-profit institutions, in contrast, can do what they wish with after-tax profits. The crucial differences emerge in the outreach and scale of the institutions (Cull et al. 2009).

The global average of interest rate is about 35 percent, but for example the average in Uzbekistan is above 80 percent, and in Sri Lanka it is around 17 percent (Kneiding & Rosenberg 2008).The interest rate provided by microfinance institutions is still high for the poor. The range is wide, but 30% to 50% is typical (Weinberg 2008). Contradictory Armendáriz & Morduch (2005) suggest that the poor can pay higher interest rates than others. If we assume that microfinance is a profitable in the commercial markets, then supply and demand of competition will drive interest rates down further (Rosenberg 2007)

Interest rates are significantly higher among the MFI's that have medium or large outreach levels, those that target women clients, and those that emphasize poverty-reduction in their mission statements (Roberts 2013). For example, in Mexico Banco Compartamos, which is a for-profit organization providing microfinance services to the poor, charges interest rates nearly double that of AlSol, which is a non-profit organization servicing the poorest people in rural areas, while both gained profits from borrowers of around 41%; many have criticized these high rates and profits (Rosenberg 2007). The main difference between these two entities is the use of the interest income: AlSol uses interest income to cover operating costs and leftover profits are then reinvested back into the organization to provide additional loans. With Banco Compartamos, after covering operating costs, they choose between reinvesting profits and paying dividends to stockholders (Weinberg 2008).

Ethics of Microfinance

Some scholars claim that there is an ethical crisis in the sector (Hudon 2011). Profit motives do not define whether an action is ethical or not, the outcome does.The high interest rates lead to debt traps which are usually linked to loan sharks and payday loans, which happens when a beneficiary falls into a debt cycle, having to borrow more in order to pay older loans; debt traps usually come from irresponsible borrowing (Crevelari 2017). Moreover, coercive techniques have been used to force the defaulting party to repay the loan, such as public humiliation by others in the loan circle, eviction from their dwelling, and appropriation of all of their worldly possessions (Karim 2008). In the literature of responsible finance and according to the Smart Campaign there are seven principles for client protection (Smart Campaign 2019) as follows:

1. Appropriate product design and delivery:
Products and delivery channels will be designed with client characteristics taken into account.

2. Prevention of over-indebtedness
Providers will take adequate care in all phases of their credit process to determine that clients have the capacity to repay without becoming over-indebted. In addition, to implement and monitor internal systems that supports prevention of over indebtedness

3. Transparency
Providers will communicate clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.

4. Responsible pricing
Pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable. Providers will strive to provide positive real returns on deposits.

5. Fair and respectful treatment of client's
Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.

6. Privacy of client data
The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions. Such data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.

7. Mechanisms for complaint resolution
Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

Women's Empowerment:

The notion of empowerment forms part of the vision to acquire power, to control one's life and make choices. This notion of "making choices" has been broadly debated by Sen (2000) who defines individuals' ability to "choose their life paths" as a determining factor for wellbeing, and also Kabeer (2001), who expanded the notion to people's ability to have access to things and to make choices. Furthermore, the capacity for empowerment is tied to institutions and laws. Kabeer (2001) added, according to feminist theory, empowerment involves change, both individual and social. Common indicators of women's empowerment such as nutrition and education were identified and can also include percentage of children enrolled in school (Pitt & Khandker 1998), consumption per week/month of specific nutritious foods (Hussain 1998), ability to treat children's illnesses (MkNelly & Dunford, 1998) and medical expenditures (Coleman 1999). Many studies show how women's earnings may increase household expenditures on food and on the education of children (Pitt & Khandker 1996), and especially on the school enrolment of girls (Kabeer 2001) and improved health status (Pitt et al. 1999).

Moreover, it has been found that marital conflicts over finance decreased when women made substantial contributions to household expenditure and became financially independent (Haile, et al. 2012). A study by Naved (1994) indicated that women were more active in household decision making after participating in microcredit programs. However, Banerjee et al. (2009) found no impact of microfinance on women's empowerment. Moreover, research by (Roodman & Morduch (2009) criticizes microcredit programmes, concluding that the net effect of microcredit is negative. It has been claimed that feminization of debt destroys clients' self-respect and sometimes even their lives (Dash 2012).

HYPOTHESIS:

Based on the previous discussion I formulated the following hypotheses: H1 -There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes on women's social empowerment

$H_{1.1}$ There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes on education

$H_{1.2}$ There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes on health

$H_{1.3}$ There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes on social status

RESEARCH METHODOLOGY

Data

The dataset used in the recent paper is same as the dataset that was used in the former paper (Al-Maaitah 2019) but the aim and the purpose of this paper is different. I requested data from the leading lending institutions in the government and non-government sector in Jordan. These institutions are the Micro Fund for Women, the Development and Employment Fund, and the Agricultural Credit Organization. The data requested contain (the number and characteristics of women client served, the type of loan product they received (development, start up, retired), loan size granted, project type (home-based, independent and registered, independent and unregistered), branch location, sector of activity, the disbursed amount of the loan, starting date of establishing the business, number of employees working in the business, number of job opportunities created by establishing the business, area/location of the enterprise, address of the borrower and mobile number).

I compiled and sorted the data in terms of number of women beneficiaries according to region (north, south, central) to cover urban and rural regions of Jordan; when the data were analysed it became clear that there are discrepancies in the number of female borrowers in different regions. Therefore, I consider the demographic and cultural differences among borrowers.

Sample and Sampling Techniques

The population size is 46,962 female borrowers. A sample of 385 female borrowers engaged in entrepreneurial activity with loans up to 20,000 JOD[2] were chosen as the target of the study regardless of the sector of the enterprise[3]. The sample was drawn from either married or unmarried women, with age groups from 18-65 years and taken from all educational level (illiterate, preparatory, primary, secondary, diploma, higher education, cover the three main regions in Jordan (north, south, central) over 12 cities during the period 2015–2016. This time frame was chosen because the length of time relates directly to the outcome measures. According to Karlan & Goldberg (2011) an intermediate outcome is observed within six months to one year, whereas the working capital or fixed assets in the business may be observable in a shorter time. In Jordan the figures are the same as the global target; According to (Jorden 2014, 16 September) nearly 66 percent of small businesses will survive their first two years. Jorden indicate that only about one-third of total businesses will fail in these first two crucial years.

The sample size was chosen based on Sekeran & Bougie (2010), who suggest the survey system ignore the population size when it is "large" or unknown. Population size is only likely to be a factor when the researcher works with a relatively small and known group of people (e.g., members of an association). Homogeneity was explored in the sample by choosing the sample distributed according to region. To control for non-random program placement we randomized the order in which the program expands over the different regions of Jordan

The survey was conducted on 1 July, 2018. A total of 257 valid questionnaires were obtained, divided by region as follows: 98 from the central region, 79, from the north 80 from the south region. The researcher discarded incomplete questionnaires with missing values from the analysis. However the response rate was 66% which is considered high, hence the researcher distributed the questionnaire by hand which enable the respondents to give better responses (Sekeran 2000; Zikmund 2003)

Instrumentations:

In this study I used questionnaire for quantitative data, and In-depth interview for qualitative data. An audio recording device with high-quality was implemented to record the interview with the participants

[2] The currency of Jordan, on 15 November, 2019 1JOD =1.28 EUR

[3] According to the Central Bank of Jordan, a loan up to 20,000 JD is considered a microloan (Central Bank of Jordan 2019)

Data Collection Methods

In this study, I used both quantitative and qualitative data collection methods through a questionnaire survey and in-depth interviews with selected managers and executives in the concerned institutions, in addition to reviewing and analysing local and international reports. The researcher formulated the questionnaire by reviewing the literature. The instruments are used to collect data that are not directly measurable or observable; instead they are measurable through feelings, personal opinions, behaviours and expressions, since I used subjective variables with latent traits. I designed items for every variable; these items were adopted from analysing the literature.

All of the questions were closed-ended with a five-point Likert scale (1=Disagree strongly, 2= Disagree, 3= Neutral, 4= Agree, and 5= Agree strongly) which will measure the high and low dimension of the dependent and independent variables. The interpretation of the mean score is shown in Table 1:

Table 1
Range of mean score

Range of mean score	Level
1.00-2.33	Low
2.34-3.67	Medium
3.68-5.00	High

Source: Lindell (1997)

The questionnaire directed to women borrowers consists of the following sections:

1. Women's social and demographic characteristics, such as age, educational level, and marital status
2. Microlending institution's policy (profitability policy): respondents were asked if interest rate incurred on delivered loans is high, if collateral is required, and if delinquent loans can be rescheduled, they were also asked their perceptions on whether the institution uses aggressive collection methods; focuses on instalment payment more than tracking project success; is making profit through accessing different regions; invests revenues in profitable aspects; and if the client's property can be confiscated in case of default.
3. Social empowerment variables covered education, health, and social status. Questions were designed to assess the extent to which women borrowers and their children have access to formal schooling, which is measured by the enrolment rate of children in school; developing the female borrower's financial literacy; or helping borrowers or their children to enrol in university or college. The health variable is measured by the probability of borrowers and their household members—adults and children—receiving medication for illnesses or improving the quality of the medication, whether the borrowers can join insurance programs, if they can pay treatment and medication expenses, and if they can buy healthy food and medical devices to track their health status. A social status variable is measured by the probability of female borrowers having more power in decision making in the family in terms of a son's marriage; participation in community life, and self-confidence (Mason & Smith 2003; Alsopet al. 2006).

Semi-structured interviews of 30–45 minutes were conducted with ten microcredit managers. The aim of the interview was to report their views and perceptions on whether the institutions focus on financial sustainability rather than their social mission and if the profitability policy of micro-lending institutions contradicts with the sector's ideology. The validity of the questions was achieved by consulting 10 experts and academics to validate the questions and ensure clarity. During the in-depth interviews managers gave their views on the impact of social enterprises on women's empowerment and whether the focus on making profit conflicts with the social mission. I analysed the interview transcript and grouped comparable concepts into subcategories and then I grouped those subcategories into major categories.

RELIABILITY AND VALIDITY

Before the pilot study the questionnaire was submitted to several reviewers, academics, and experts in microfinance to verify the sincerity of its paragraphs and to gather their opinions on the appropriateness, meaningfulness, and usefulness of each question. Based on the feedback I re-worded some paragraphs and made the required modifications. Results from the pilot study revealed that the data collected from the initial version of the questionnaire is reliable. Table 2 presents a summary of the results of the reliability coefficient: for the pilot study: for the borrowers (N=40) it is 0.72 and for a sample of the study (N=257) it is 0.755, which is considered acceptable according to Mertler & Vanatta (2005) and Hair et al. (1995).

Table 2
Cronbach's alpha for the study fields

Variables	Statements	Cronbach Alpha n=40	Cronbach Alpha n=257
Profitability policy	1-10	0.72	0.755
Education	1-5	0.77	0.760
Health	1-6	0.83	0.852
Social status	1-9	0.83	0.827

Source: prepared by the researcher

Construct Validity for the Borrowers Scale:

The researcher used the Pearson correlation test to show the construct validity for each statement and the relationship with its dimension; Table 3 shows the results.

Table 3
Pearson correlation test for the statements and their relationship with the dimension of the profitability policy of the lending institution

Profitability policy statement	
#	P.C.
1	.376**
2	.564**
3	.610**
4	.601**
5	.645**
6	.586**
7	.588**
8	.636**
9	.586**
10	.425**

**: significant at level of 0.01
(P.C. = Pearson Correlation)
Source: Own calculations

Table 3 shows that all statements have a relationship with the dimension with P.C. values of more than 0.30 and this is significant at the level of 0.01 or less, which is acceptable.

Table 4
Pearson correlation test for the statements and their relationship with the dimension of social empowerment of women

Education		Health		Social Status	
#	P.C.	#	P.C.	#	P.C.
1	.836**	1	.745**	1	.709**
2	.827**	2	.733**	2	.798**
3	.769**	3	.837**	3	.735**
4	.512**	4	.796**	4	.743**
5	.636**	5	.719**	5	.710**
		6	.730**	6	.448**
				7	.726**
				8	.537**
				9	.600**

**: significant at level of 0.01
(P.C. = Pearson Correlation)
Source: Own calculations

Table 4 shows the Pearson correlation test results. All statements have a relationship with the dimension’s P.C. values of more than (0.30) and are significant at the level of (0.01) or less, which is acceptable. Thus, all 20 statements measure the social empowerment of women.

RESULTS

According to the purpose of the research and the research framework presented in the previous section, I describe the results of the statistical analysis for the data collected. The data analysis includes a regression analysis and a descriptive of the means and standard deviations for the questions of the study.

Descriptive Statistics

The researcher used the arithmetic mean, standard deviation, item importance and importance level to analyse the data as described below. Every item is rated by the respondent, and then I sum up the values given to every item to calculate the mean. Item importance measures the degree of compatibility of responses for each item; the higher the mean the higher the importance of the item.

Level of profitability policy

As Table 5 shows, the mean of this dimension (profitability policy) ranges between 3.67–2.93, where the whole dimension has a total mean of 3.39, which is medium level. Paragraph 9 (the client is accountable legally in case of default) has the highest mean with 3.67, with a standard deviation of 1.02, which is considered medium level.

Paragraph 1 (high interest rate) comes in the last place. It has a mean of 2.93, and a standard deviation of 1.18, which is medium level. That means the profitability policy was medium level in the microfinance institutions from the beneficiaries' perspective.

Table 5
Arithmetic mean, standard deviation, item importance and importance level of Profitability policy statements

No	Statements	Mean	Standard Deviation	Item Importance	Importance Level
9	The client is accountable legally in case of default	3.67	1.02	1	Medium
8	Capital is recycled to the next wave of poor (to lend to new clients)	3.53	1.01	2	Medium
4	Efficient collection methods	3.50	1.10	3	Medium
5	Collateral is required	3.50	1.15	3	Medium
6	Expanding outreach for profitability purposes	3.49	1.05	5	Medium
10	Focus on payment of installments rather than enterprise sustainability	3.48	1.11	6	Medium
7	Institution invests revenue in profitable projects	3.33	1.01	7	Medium
3	Priority on projects with high yield to ensure loan repayment	3.30	1.07	8	Medium
2	Rescheduling loans in case of loan default	3.12	1.10	9	Medium
1	High interest rate	2.93	1.18	10	Medium
Total		3.39	0.60		Medium

Source: Own calculations

Table 6
Arithmetic mean, standard deviation, item importance and importance level of Education

No	Statements	Mean	Standard Deviation	Item Importance	Importance Level
5	the enterprise exposed me to other cultures	3.68	1.25	1	High
3	It improved my financial literacy	3.60	1.22	2	Medium
1	The project contributed to the enrollment of my children in school	3.28	1.21	3	Medium
2	It improved the educational level of my family members	3.13	1.21	4	Medium
4	It helped me to enrol in college or university	2.35	1.25	5	Medium
Total		3.21	0.88		Medium

Source: Own calculations

Level of education

As Table 6 shows, the mean of this dimension (level of education) ranges between 3.68–2.35, where the whole dimension earns a total mean of 3.21, which is medium level. Paragraph 5 (the enterprise exposed me to other cultures) earns the highest mean with 3.68, with a standard deviation of 1.25, which is high.

Paragraph (4) (the enterprise helped me to enrol in college or university) comes in the last place. It earns a mean of (2.35), and a standard deviation (1.25), which is medium level.

Level of health

As Table 7 shows, the mean of the dimension level of health ranges between 3.67–2.86, where the whole dimension has a total mean of 3.33, which is a medium level. Paragraph 2 (achieving food security for my family members) has the highest mean with 3.67, standard deviation 1.07, which is medium level.

Paragraph 6 (purchasing medical devices to follow my health, such as blood pressure gauge, glucose meter for diabetes) comes in the last place. It has a mean of 2.86, standard deviation 1.23, which is medium level.

Table 7
Arithmetic Mean, SD, Item Importance and Importance level of Health

No	Statements	Mean	Std. Deviation	Item Importance	Importance Level
2	Achieving food security for my family members	3.67	1.07	1	Medium
1	buying healthy food	3.49	1.09	2	Medium
3	Covering treatment and medication expenses.	3.42	1.09	3	Medium
4	Treating my family members with a private doctor if necessary.	3.39	1.08	4	Medium
5	Joining a health insurance program.	3.13	1.12	5	Medium
6	purchasing medical devices to follow my health, such as blood pressure gauge, diabetes	2.86	1.23	6	Medium
Total		3.33	0.85		Medium

Source: Own calculations

Table 8
Arithmetic Mean, SD, Item Importance and Importance level of Social Status

No	Statements	Mean	Std. Deviation	Item Importanc e	Importance Level
3	My self-reliance and self-confidence increased	4.16	0.88	1	High
4	The project contributed to changing the traditional image of women	4.02	0.92	2	High
5	My social interaction with others was strengthened	4.01	1.01	3	High
2	I occupied higher social status among the community members as a result of establishing my business	3.98	0.99	4	High
1	I held higher social status among my family members as a result of creating my business	3.79	1.11	5	High
7	It helped me to settle in the village and not migrate to the city	3.63	1.22	6	Medium
8	I can spend to marry my sons	3.29	1.22	7	Medium
9	I became a member of community associations and charities	3.21	1.22	8	Medium
6	My participation in social activities increased	2.86	1.39	9	Medium
Total		3.66	0.73		Medium

Source: Own calculations

Level of social status

As Table 8 shows, the mean of the dimension Level of social status ranges between 4.16–2.86, where the whole dimension has a total mean of 3.66, which is medium level. Paragraph 3 (my self-reliance and self-confidence increased) earns the highest mean with 4.16, standard deviation (0.88), which is high. Paragraph 6 (my participation in social activities increased) comes in the last place with a mean of 2.86), and a standard deviation of 1.39, which is medium level.

Table 9
Arithmetic Mean, SD, Item Importance and Importance level of Social Empowerment

No	*Dimension*	*Mean*	*Std. Deviation*	*Item Importance*	*Importance Level*
3	Social Status	3.66	0.73	1	Medium
2	Health	3.33	0.85	2	Medium
1	Education	3.21	0.88	3	Medium
Total		3.40	0.71		Medium

Source: Own calculations

Level of social empowerment of women as a whole:

Table 9 shows the level of statements in the social empowerment dimension in descending order from the beneficiaries' perspective according to their access to microenterprise loans. The mean of the dimension of level of social empowerment), ranged between 3.66–3.21, where the whole dimension has a total mean of 3.40, which is medium level. The social status dimension comes in the first place with the highest mean, 3.66, with a 0.73 standard deviation, which is medium level; the second dimension was health with a mean of 3.33 and with standard deviation of 0.85, medium level; the third was education and has a mean of 3.21 and a standard deviation of 0.88 with a medium level.

Univariate Regression

In this part regression analysis is used to analyze the impact of profitability policy of institutions providing microenterprise schemes on women's education, health, and social status.

H_1: There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes in women's social empowerment

Results show the impact of profitability policy on social empowerment is statistically not significant (p-value = 0.74) and is over 0.05, which means that the hypothesis is rejected.

$H_{1.1}$ There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes in education.

Results shows the impact of profitability policy on education is statistically not significant (p-value = 0.342) and is over 0.05, which means that the hypothesis is rejected.

$H_{1.2}$: There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes in health.

Result shows the impact of profitability policy on health is statistically significant (p-value = 0.002) and is less than 0.05, which means that this hypothesis is confirmed. The slope for the profitability is 0.270, meaning that for each unit of change in profitability the health change on average by 0.270 units.

Results of the scatter plot show the value of R-squared=0.037 indicate that 3.7% of all variability in health is explained by profitability.

$H_{1.3}$: There is a statistically significant impact of the profitability policy of institutions providing microenterprise schemes in social status

Result shows the impact of profitability policy on social empowerment is statistically not significant (p-value =0.616) and is over 0.05, which means that the hypothesis is rejected.

DISCUSSION

During the personal interviews with women borrowers, they pointed out that micro lending institutions aim to make a profit from non-interest sources including investment income and fees; they believe that lenders focus on loan repayment rather than tracking project success or expanding outreach, in addition to requiring collateral for the loan and confiscation of the client's property in case of default. The researcher observed that women borrowers ranked the questions related to the high interest rate in the last place, as shown in Table 5, which indicate that women entrepreneurs may not know the exact amount of interest rate charged on loans they received because they did not read the terms and condition of the loan contract. Another reason can be that borrowers believe that access to a loan is more important than its price. Women respondents also pointed out that lenders will not disburse a new loan until ensuring that the client has repaid the past due loan.

The results show that profitability policy did not contribute to improving the level of education of women and their family members; as Table 6 shows, 60.8% of women in the study sample hold a Bachelor degree, 10.4% hold a Master degree and 28.4% hold a Diploma (two years of post-secondary education) or less. Moreover, figures from the department of statistics shows that the literacy rate of female in Jordan was 92.5% in 2017 (Department of Statistics 2017). Thus, I conclude that women, after repaying loan instalments, disbursed the remaining part of their disposable income on emergencies and medication. These results agree with Asian Development Bank (2007) that changes in income or expenditures do not necessarily translate into increased investments in human capital. Profitability policy improved the health status of women borrowers, probably because credit providers offer loan products specifically aimed to create income to enhance the level of health and improve the nutrition of women clients. For example, the Micro Fund for Women offers hospitalization coverage of 15 JOD per night to women entrepreneurs or their dependents under 21 years old. The Agricultural Credit Organization also tailored financial products that enable borrowers to create income with the purpose of improving the health status of women borrowers.

Profitability policies of the concerned institutions do not contribute to enhancing the women's social status. Women borrowers stay under the financial burden of the debt (loan instalments, late arrears, and fees), while the extra income generated from the enterprise – which is mostly established on a small scale – is so petty that it barely helps them to enhance their self-sufficiency but does not enable them to expand and grow their business. This situation reflects negatively on their social status and limits their social mobility and integration with the society members. This result agrees with the findings of Mayoux (1999). On the other hand, clients are also responsible for choosing the proper financial product that matches their needs to avoid indebtedness. During the field work I observed that the lending decision is influenced by identification bias. This result agrees with that of Schervish & Herman (1988), who define identification bias as an affective influence on a microloan funding decision due to an emotional connection that a lender feels with a borrower.

The opinions reported during the in-depth interviews with all participants support our findings. Three respondents mention that "financial sustainability is essential for the institution's survival". Further, Respondent 2 reported that "we don't target risky clients who are unable to repay the loan." All respondents reported that "the profit margin is used to cover the operating expenses, to maintain the capital adequacy ratio". However, this result is not in line with the views of four participants (1, 7, 9, and 10) who indicate that "profit margin is used for relending to additional numbers of clients)". Respondent 4 indicated that the "profit margin is used to maintain financial sustainability." However, findings agree with the view reported by Participant 8, who confirmed that "we don't use the profit for relending to more clients; we use the funds that we borrow from banks for this purpose". He added, "We focus on a social mission, and profit is used to cover the operating and administrative costs in order to maintain financial sustainability."

CONCLUSION

This study analysed the impact of profitability policy of lending institutions in Jordan on the social dimension of women empowerment. In addition; the study observed the potential for mission drift in micro-lending institutions. Profitability policy is hypothesized to impact women's social empowerment. The primary hypothesis, that there is a statistically significant impact of profitability on women's social empowerment, is rejected. The first sub-hypothesis (there is a statistically significant impact of the profitability on education) and the third sub-hypothesis (there is a statistically significant impact of the profitability on social status) were rejected, a significant correlation was found for the second sub-hypothesis, that profitability improved the health status of women entrepreneurs

The findings of this study suggest several potential recommendations for future policy regarding microcredit in Jordan. Firstly, there is a need to adjust the current profitability policy of credit institutions included (the level of interest rates, improper products, unfair bargaining tactics, and stringent collection practices. Secondly, women entrepreneurs should be protected and treated responsibly, by being provided with cost-efficient products and services. Thirdly, the central bank of Jordan should reduce the lending rate to MFI's, which is reflected in the interest rates charged to borrowers. Fourth, financial service providers need to look at innovative ways to reduce the costs of funding, either through savings mobilization or equity investment. Fourth, credit institutions must provide an opportunity to motivate poor women in their fight against poverty rather than focusing on loan repayment or unfair collection practices. Fifth, microlending institutions are recommended to take concrete steps to empower women entrepreneurs, incorporating the principles of the smart campaign in their business activities to achieve the best combination of financial and social returns. Finally, rigorous supervision is needed to achieve equal double-bottom-line returns and to empower the women of Jordan.

Even though credit institutions do not have an inherit motive toward making a profit and they are registered as not-for-profit organizations, their existing profitability policy need to be refined in order to achieve the promise of microfinance as a factor is women's empowerment. However, there is a fine line between financial sustainability and the social mission. When the institution is self-sustainable, it can meet its social goals. Profitability is not a crime, but it should not contradict with the sector's ideology; it should function to achieve the ultimate goal of microfinance to reach a Pareto-optimal outcome in women's empowerment. However, profitability can be increased by reducing the costs of financing. Thus, transaction costs and the interest rate on loan products should be reduced, especially, administrative costs, as this are considered the main driver of sustainability. In the meantime, profitability cannot be reduced to its financial dimension. Profits should be shared with clients or used to build up equity and expand outreach. Finally, clients should become more knowledgeable about the terms and conditions of credit providers to manage their finance properly and avoid over indebtedness.

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