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The Mediating Role of Women Social Entrepreneurs in Strengthening Financial Inclusion through Microfinance

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Abstract: This study focusses on the mediating role of women social entrepreneurs in strengthening financial inclusion through microfinance. The research uses a quantitative approach with a descriptive and explanatory design. Primary data is gathered from 150 women micro-entrepreneurs in the SPS Nellore District of Andhra Pradesh. To test the hypothesis, a mediational model was used. Analysis show that women's social entrepreneurship acts as a critical pathway through which microfinance access and influences financial inclusion outcomes. The findings reveal that microfinance access has a direct positive effect on financial inclusion.A significant portion of this effect is mediated by engagement of woman in social entrepreneurship. The results show that microfinance becomes more powerful and sustainable tool for enhancing financial resilience, liquidity, and goal-setting in terms of social value creation. The study recommends policy and practice implications for a holistic ecosystem that supports women-led social enterprises to drive inclusive development.
Keywords: Microfinance, Women Entrepreneurs, Financial Inclusion, Social Entrepreneurship, Mediation Analysis

I. INTRODUCTION

Microfinance has become an important tool for financial inclusion and economic development at grassroots level by extending services to millions of unserved and underserved individuals in developing nations. In India, this sector is particularly dominant by serving an estimated 79 million borrowers and 99% of them are women. This shows critical role of microfinance in economic empowerment of women.

Microfinance sector in India is facing challenges, including a strategic shift away from small-ticket loans towards larger ones.This rises non-performing assets (NPAs) and a challenging economic environment in the country. This trend is concerning because small-ticket loans have been the entry point for the most vulnerable, especially women. Moreover, access to finance alone may not be sufficient to overcome deep-rooted socio-cultural barriers that women entrepreneurs face.

A. Research Gap

A review of existing literature reveals a significant research gap. While a number of studies have established a direct link between microfinance and financial inclusion, they overlook the complex and multi-faceted pathways to empowerment. The provision of financial services has, been unable to significantly empower disadvantaged women in some cases. This suggests that a simple cause-and-effect relationship is incomplete and that other critical factors are at play. Moreover, while microfinance is a global phenomenon, the specific contextual dynamics of a region that has experienced a major microfinance crisis, like Andhra Pradesh, require a more nuanced investigation. This study addresses this gap by introducing a mediational model.Positing that women's social entrepreneurship is the missing link that translates microfinance access into sustainable and meaningful financial inclusion, this provides a more comprehensive and context-specific understanding of the empowerment process.

B. Objectives

The objectives of this study are:

1) To analyze the direct relationship between microfinance access and the key dimensions of financial inclusion such as liquidity, resilience, and goal-settingfor women.
2) To investigate how engagement in social entrepreneurship mediates the relationship between microfinance access and financial inclusion outcomes.

3) To identify the key drivers and challenges for women social entrepreneurs in leveraging microfinance within the socio-economic context.

II. LITERATURE REVIEW

Theories of women's entrepreneurship have evolved from purely economic perspectives to include sociological and feminist views. The Social Feminist Theory emphasizes that women's motivations are influenced by social and cultural factors, often leading them to create businesses with a social purpose. The concept of emancipatory social entrepreneurship sees social enterprises as tools that empower women to increase their agency and change their surroundings.

The history of microfinance in India, from the Self-Employed Women's Association (SEWA) in the 1970s to the current environment of market volatility, highlights its resilience and adaptability. The recent changes in this sector prioritizes risk management over small-ticket lending and raises concerns about the fill in this gap. Women entrepreneurs in India are facing various challenges such as limited access to formal credit and a deficit of professional networks. The current study, therefore, hypothesizes that women's social entrepreneurship is the missing link that translates financial access into tangible achievements and empowerment.

III. THE CONTEXT: SPS NELLORE DISTRICT

Sri PottiSriramulu (SPS) Nellore District, located in the state of Andhra Pradesh, Indiais the geographical context for this study. The district with a total area of 10,439.75 Sq.Kmshas a population of 24.69 lakhs with significant rural population of 17.64 lakhs (71.42%). The district's economy is mainly based on agriculture, but the services sector is the largest contributor to its Gross Value Added (GVA) at 42.16%. The fishing sector is a major growth engine, contributing ₹6,245 crores to the GVA, with prawns accounting for 85.95% of this value. Table 1 provides an overview of the district's key demographic and economic features.

Table 1: Socio-Economic Profile of S.P.S. Nellore District

Demographic/Economic Feature	Value
Total Population (2011 Census)	24.69 lakhs
Rural Population	17.64 lakhs (71.42% of total)
Sex Ratio	983 females per 1000 males
Main Workers	9.15 lakhs
GVA by Sector	Agriculture & Allied (34.11%), Industry (23.73%), Services (42.16%)
Top GVA Contributor (Allied Sector)	Fishing (₹6,245 Crores)
GVA Growth Rate (2017-18)	12.90%
Per Capita Income (2017-18)	₹1,56,106

IV. RESEARCH METHODOLOGY AND DATA

A. *Research Design and Approach*

This study employs a quantitative research approach with a descriptive and explanatory design to investigate the relationship between microfinance access, women's social entrepreneurship, and financial inclusion. The research tests a mediational model.

B. *Data Collection and Sample*

The study is based on both primary and secondary data. Primary data was collected through a cross-sectional survey of 150 women micro-entrepreneurs in SPS Nellore District. The data was then analyzed to provide a comprehensive look at the research model.

C. *Variables and Measurement*

Three key variables were measured using composite scores:

- Independent Variable: Microfinance Access, measured by access to small loans, savings, and micro insurance.
- Mediating Variable: Social Entrepreneurship, measured by an index of social value creation, employment of other women, and personal agency.
- Dependent Variable: Financial Inclusion, measured by a composite index of liquidity, resilience, and meeting goals, based on the AFI framework.

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D. Data Analysis

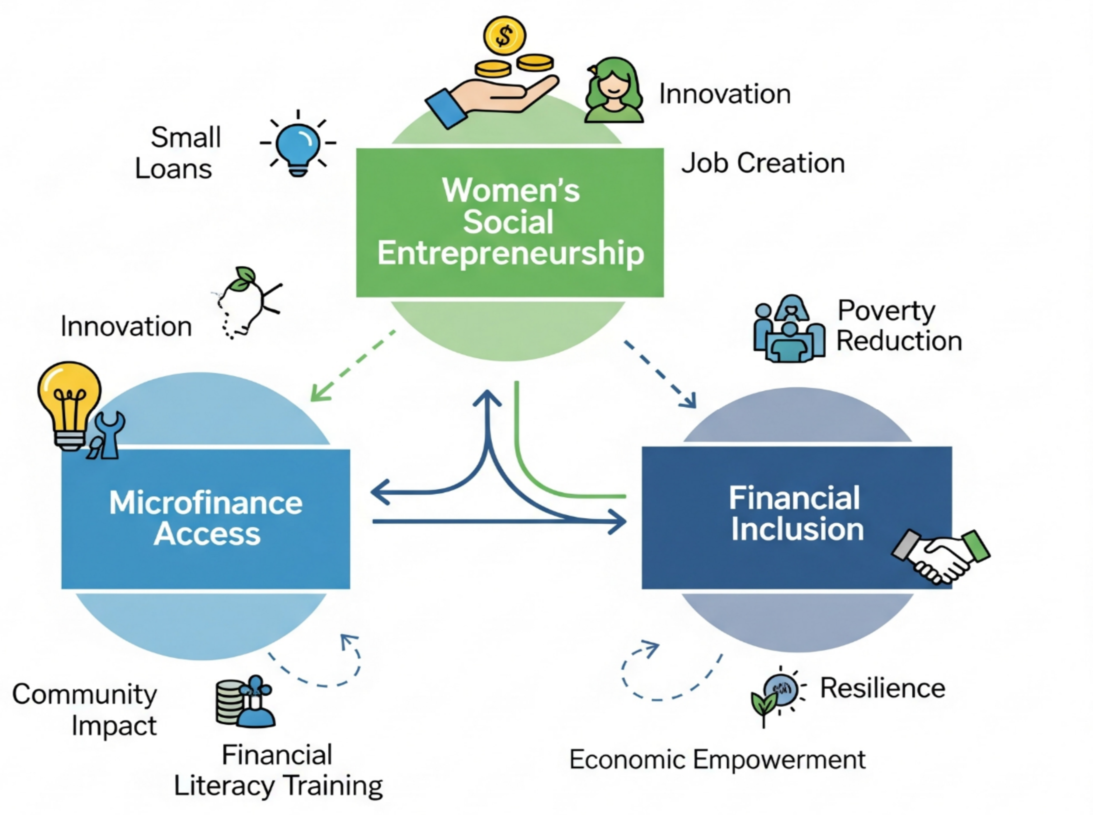
Statistical analyses were performed using a statistical software package. The analysis included:

- Descriptive Statistics: To summarize sample characteristics.
- Correlation Analysis: To determine the relationships between variables using Pearson's correlation coefficient.
- Mediation Analysis: A three-step hierarchical multiple regression was used to test the mediation hypothesis.

V. FINDINGS AND ANALYSIS

The conceptual framework is a mediational model where microfinance access influences financial inclusion through the mediating pathway of women's social entrepreneurship.

Figure 1. The Mediational Model of Financial Inclusion



The model represents a direct positive relationship between Microfinance Access and Financial Inclusion. It also hypothesizes an indirect relationship where Microfinance Access positively influences Women's Social Entrepreneurship, which, in turn, positively influences Financial Inclusion. This suggests that social entrepreneurship acts as an important mediating variable in the relationship between microfinance and financial inclusion.

A. Descriptive Statistics

The sample of 150 women had an average age of 36.8 years and an average monthly household income of ₹12,500. Table 2 summarizes the composite scores for the key variables.

Table 2: Descriptive Statistics of Key Study Variables

Variable	Mean	Median	Standard Deviation
Microfinance Access	3.8	4.0	1.2
Social Entrepreneurship	2.9	3.0	0.9
Financial Inclusion Score	5.1	5.2	1.4

B. Correlation Analysis

Correlation analysis showed significant positive relationships between all variables: Microfinance Access and Financial Inclusion ($r=0.68, p<0.001$), Microfinance Access and Social Entrepreneurship ($r=0.72, p<0.001$), and Social Entrepreneurship and Financial Inclusion ($r=0.79, p<0.001$). The correlation matrix is presented in Table 3.

Table 3: Correlation Matrix of Key Variables

Variable	1. Microfinance Access	2. Social Entrepreneurship	3. Financial Inclusion Score
1. Microfinance Access	1.000		
2. Social Entrepreneurship	0.72**	1.000	
3. Financial Inclusion Score	0.68**	0.79**	1.000
*$p<0.05$$, **p<0.001			

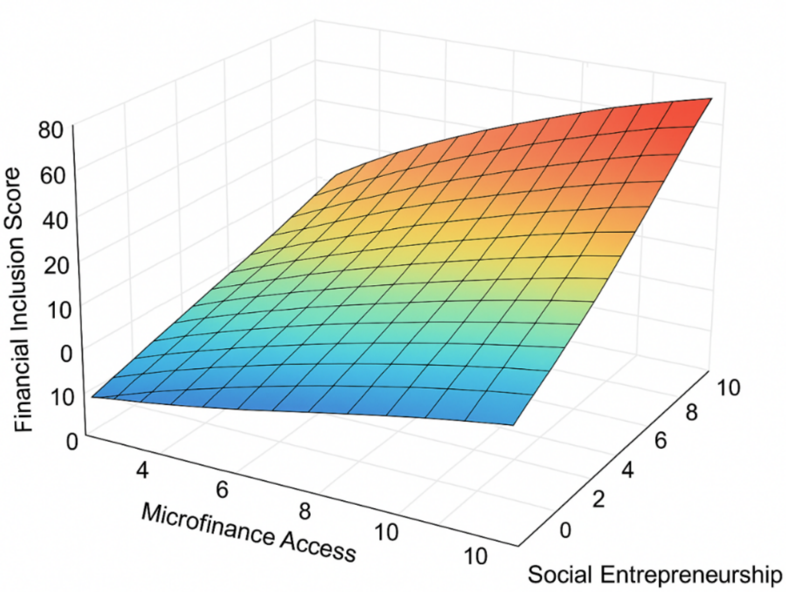
C. Regression Analysis and Test of Mediation

Hierarchical multiple regression confirmed the mediation effect. The direct effect of Microfinance Access on Financial Inclusion ($B=0.81, p<0.001$) was significant. When Social Entrepreneurship was added to the model, its effect was highly significant ($B=0.79, p<0.001$), while the coefficient for Microfinance Access was substantially reduced ($B=0.28$). This indicates that a significant portion of the impact of microfinance on financial inclusion is explained by women's engagement in social entrepreneurship. The final model explained 67% of the variance in financial inclusion scores (R2=0.68).

Table 4: Hierarchical Multiple Regression Analysis Results

Independent Variable	Model 1 (DV: Financial Inclusion)	Model 2 (DV: Social Entrepreneurship)	Model 3 (DV: Financial Inclusion)
	B(SE)	B(SE)	B(SE)
Microfinance Access	0.81 (0.09)**	0.54 (0.05)**	0.28 (0.07)**
Social Entrepreneurship	-	-	0.79 (0.08)**
Constant	1.76 (0.35)**	0.82 (0.21)**	0.73 (0.32)**
R2	0.46	0.52	0.68
Adjusted R2	0.45	0.51	0.67
F-statistic	126.34**	160.75**	156.41**
*$p<0.05$$, **p<0.001			

Figure 2. Financial Inclusion Score by Microfinance Access and Social Entrepreneurship



The visualization shows a clear upward trend, as a woman's access to microfinance increases, her financial inclusion score also rises. It is also noticed that at any given level of microfinance access, the financial inclusion score would be consistently higher for women with higher social entrepreneurship scores. This shows that social entrepreneurship provides an additional, significant boost to financial inclusion outcomes, mediated by the initial microfinance access.

VI. DISCUSSION

The findings of this study provide an argument for a more nuanced understanding of the impact of microfinance. While access to finance is necessary for financial inclusion, the mediating role of women's social entrepreneurship is significant and suggests it is not sufficient. This analysis supports the Social Feminist Theory by showing that the creation of social value is a critical factor in transforming financial access into sustainable and meaningful financial inclusion. A microloan is becoming a catalyst for building an enterprise that addresses community needs, generates employment, and builds social capital and personal agency. This is particularly relevant in the present Indian microfinance landscape, which is retreating from small-ticket loans, creating a vacuum that community-embedded social enterprises are uniquely positioned to fill.

The results suggest certain policy implications. Policymakers and microfinance institutions should change their focus from merely promoting credit access to actively nurturing women's social entrepreneurship through non-financial support services like mentorship and training. MFIs could also develop specialized financial products for this segment, recognizing its potential for social return and stable repayment behavior.

VII. CONCLUSION

This study concludes that women's social entrepreneurship is significantly mediates the relationship between microfinance access and financial inclusion. The findings show that the full potential of microfinance is unlocked when it is leveraged for a social purpose. By creating enterprises that address community needs, women can move from being passive recipients of aid to active agents of change. Thereby building a more sustainable and resilient form of financial inclusion.

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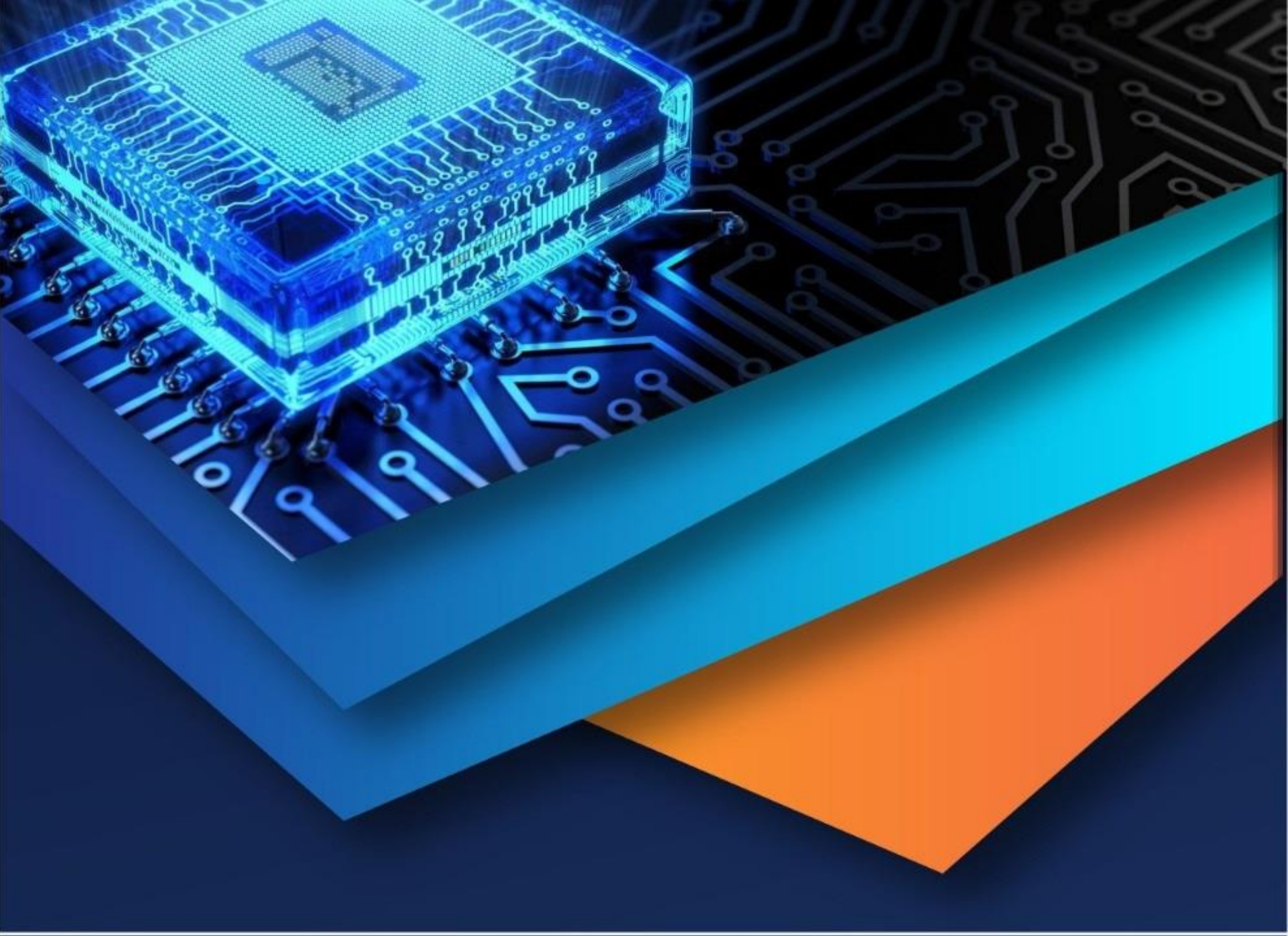

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