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The Development of Psychological Capacity for Action: The Empowering Effect of a Microfinance Programme on Women in Sri Lanka

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This work examines the effect of a microfinance intervention on psychological empowerment among women in the North of Sri Lanka. Psychological empowerment is defined as personal (personal control beliefs) and social (social networks) capacity for action. The intervention included relevant skills training, saving activities, and micro loans to eligible clients. In total, 88 women who had participated in the program for 12–18 months were randomly selected and compared with a matched control group ($n = 84$). As expected, women in the intervention group showed higher levels of personal control beliefs and reported a larger social network (indicators for personal and social capacity for action, respectively), compared to the control group. Importantly, women who received training showed stronger effects than women who did not, illustrating the importance of training to capacitate women. Implications for theory and practice of microfinance interventions designed to foster societal change toward gender equality are discussed.

More than 30 years ago, the concept of microcredit was introduced in Bangladesh by Nobel Peace Prize winner Muhammad Yunus to reduce poverty by providing small loans to the rural poor. Since then, the number of microfinance institutions and microcredit borrowers has increased enormously. Moreover, the administration of microcredit has also evolved over the years. It not only provides credit to the poor, but also includes a myriad of other financial services such as

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savings and nonfinancial services like financial literacy training and skills development programs (now referred to as microfinance; Armendáriz & Morduch, 2010).

To date, microfinance programs mainly target women as clients. By providing access to microfinance services, these programs help to financially and socially empower women to break the cycle of poverty and reduce gender inequality. Although large sums are spent in microfinance services in low-income countries, we know very little about whether and how these programs can foster female empowerment (e.g., Banerjee, Duflo, Glennerster, & Kinnan, 2014). Previous research has focused primarily on women's economic empowerment—the extent to which women have a say in financial decisions within the household, their bargaining power (e.g., Vaessen et al., 2012). However, before women will increase their bargaining power within the household they need to realize and develop their capacity to influence and take financial decisions. Thus, this work focuses on the psychological basis of female empowerment, namely the psychological capacity for action. This psychological capacity for action can form a platform that can stimulate action by women. More precisely, this research differentiates between personal capacity (personal control beliefs) and social capacity (social networks) for action. Thus, the aims of this research are twofold; first, to study if and how a microfinance intervention among poor and war-affected women can increase women's capacity for action and, second, to investigate the specific role of training relevant skills on these effects.

Gender Relations and Microfinance Intervention

Societies are organized as group-based social hierarchies in which men on average hold more power than women (Sidanius & Pratto, 1999) and women face sexism (Becker, Zawadzki, & Shields, 2014). Gender inequality is especially prevalent in nations with lower income (e.g., Sanyal, 2009). This research was conducted in Sri Lanka which is ranked 75 out of 146 countries worldwide on the gender inequality index which captures the loss of achievement within a country due to gender inequality in reproductive health, empowerment, and labor market participation (UNDP, 2014). Sri Lanka has been quite progressive with respect to gender equality and had one of the first female presidents. However, women living on the countryside, especially in the North, still face strong gender inequality.

Microfinance interventions are often implemented in low-income countries. In this context, women are often financially deprived and are required to adhere to social practices and rules, which restrict their social interactions, often meaning that they seldom leave their community. Most families live below the poverty line. Offering women access to microfinance services and the chance to regularly leave their neighborhood to attend microfinance group meeting, will in turn provide them with better access to “social resources” such as access to new social networks and social support as well.

Microfinance Services and Economic Empowerment among Women

Microfinance programs assume that providing access to financial resources will increase the empowerment of women. In this field, empowerment is defined as people's improved ability to make strategic life choices in a context where this ability was previously denied to them (Kabeer, 1999). A recent review shows that these strategic life choices were specifically focusing on control over household expenditures such as consumption, health, education, or business (for a review, see Vaessen et al., 2012), thus, focusing on economic empowerment exclusively. In other words, economic empowerment refers to an increase in women's bargaining power with respect to intrahousehold decision making, such as having a say in for what and how much money should be spent on food or business investments (for an overview, see Duvendack, Palmer-Jones, Copestake, Hooper, Loke, & Rao, 2011).

More recently, this direct link between providing access to microfinance services and economic empowerment has been questioned because some programs did not achieve an increase in financial outcomes (e.g., Angelucci, Karlan, & Zinman, 2013). Furthermore, previous economic research provided mixed results about the link between providing microfinance services and empowerment among women (e.g., Duvendack et al., 2011). Although some studies indicate that female borrowers showed an increase in financial and self-confidence compared to a control group (Kim et al., 2007) and were more likely than those who had not received loans to have a say in financial decisions (Angelucci et al., 2013), other studies show no effects regarding economic decision making within the family and on household functioning (Angelucci et al., 2013; Banerjee et al., 2014). In addition, some research has also provided evidence for negative effects, suggesting that microfinance borrowing may increase friction and conflict at home including increased intimate partner violence (e.g., Allen, Armendáriz, Karlan, & Mullainathan, 2010; Rahman, Hoque, & Makinoda, 2011). Researchers have speculated about the reasons for these frictions, suggesting that men might feel excluded and unfairly treated because the majority of borrowers are women (e.g., Allen et al., 2010) and that they may also feel threatened by the changes caused by the microfinance intervention.

To conclude, previous research provides mixed results with respect to the impact of microfinance on economic empowerment among female borrowers. I will next describe how social psychological theory and research can enrich our understanding of the underlying processes on how microfinance interventions may stimulate psychological empowerment.

Defining Psychological Capacity for Action as a Basis of Empowerment

To the best of my knowledge, in the field of microfinance interventions female empowerment has mainly been investigated by focusing on economic

empowerment (e.g., Vaessen et al., 2012). However, before women will have a say in these decisions, which have previously often been solely taken by their spouses, they would need to have developed a sense of agency, the sense of power that they can negotiate household decisions and even influence their life outcomes in general.

The numerous psychological literatures offer a wide range of definitions of empowerment (e.g., community psychology, Zimmerman, 2000; health psychology, Cattaneo, & Chapman, 2010; social psychology, Drury & Reicher, 2009). These definitions differ with respect to the level of empowerment (personal, social, or collective) and the specific outcome (cognitions, motivation, or behavior). Taken together, these definitions include a sense of personal control. It is this particular outcome that has been linked to greater health as well as processes to reduce social inequality (e.g., Cattaneo & Chapman, 2010). This research studies this psychological basis of female empowerment, namely the psychological capacity for action. It encompasses two important aspects, namely personal and social capacity for action which will be defined below.

Whether or not people take decisions or perform actions greatly depends on their personal capacity for action, the perception whether they are aware of their options and are individually capable to take them. Previous social psychological research has studied the impact of people's control motivation on their functioning in general (e.g., Bandura, 1997; Rotter, 1966). The concept of personal control beliefs refers to an individual's beliefs regarding the extent to which she/he is able to control or influence life outcomes (e.g., locus of control, Rotter, 1966). Individuals who believe that they can achieve a specific outcome in life (internal locus of control) hold stronger personal control beliefs compared to individuals who believe that, for example, others control this outcome (external locus of control). Further research extensively studied individual's perceived capabilities to exercise control over their own functioning and over outcomes that affect their lives, one's so-called self-efficacy (for an overview, see Bandura, 1997). Research has shown that people's beliefs in personal efficacy affect their level of motivation, life choices, their functioning, or coping strategies. In the context of microfinance, women first need to become aware that they could influence financial decisions that have previously been denied to them before they will be able to influence them. Thus, based on a psychological perspective on empowerment (i.e., a sense of control), this research assessed women's personal control beliefs about decisions or outcomes they can achieve in life (e.g., Rotter, 1966). Thus, I expect that women who participate in a microfinance intervention will show higher levels of personal control beliefs compared to a control group (Hypothesis 1).

The second aspect of capacity for action refers to one's social networks, one's social capacity for action. Women in low-income countries are for the most part members of their close-netted family networks and are expected to adhere to social norms with respect to interactions and physical distance from their homes.

In other words, they are relatively deprived with respect to their social network size compared to men (e.g., Leach & Livingstone, 2015; Sanyal, 2009; Walker & Smith, 2001). Participating in a microfinance program offers women access to new social networks. They will have to leave their village to attend different meetings of the program: to participate in a saving group or training group. Women will become and define themselves a new member of these social groups, a new social identity (Tajfel & Turner, 1979). This new social identity defines who they are as a function of their similarities and differences with others. Furthermore, it is shared with others and may even provide a basis for shared social action. Being a member of a microfinance group also provides women with access to social support such as emotional and instrumental support by other members. Research has shown that social support among group members makes them more able to cope with actual and anticipated difficulties; it decreases anxiety and stress while it increases optimism and the sense of self-efficacy (Haslam, Jetten, Postmes, & Haslam, 2009). Engaging in social groups is an important aspect of the development of social capital (Putnam, 1993). Realizing that they are not alone and becoming part of a new group of women might be important drivers in the development of psychological empowerment. Thus, I expect that women who participate in a microfinance intervention will have larger social networks compared to a control group (Hypothesis 2).

This research sets out to investigate these two important aspects of psychological empowerment, namely personal control beliefs and social network size. Realizing that one can influence life decisions and outcomes as well as belonging to new networks might also in the future, lead to a sense of collective empowerment to engage into collective action (e.g., Van Zomeren, 2013). Thus, these two aspects, one personal and one social, of people's psychological empowerment represent an important first step toward social change. They measure people's psychological capacity for action.

The Impact of Training

The poor and self-employed clients of microfinance programs often have no formal training in business skills. Thus, microfinance institutions have started developing training for their clients (e.g., Armendáriz & Morduch, 2010). These training programs aim at improving clients' financial literacy and their business, leadership, and technical skills. However, the results have been mixed with respect to the effectiveness of training (e.g., Karlan & Valdivia, 2011). For example, 2,093 female clients of a microfinance institution in Peru received 30 to 60 minute entrepreneurship training sessions during their normal meetings over a period of 1 to 2 years and were compared with a control group that met at the same frequency but solely for making loan and savings payments ($n = 1,364$). Interestingly, women in the training group significantly improved their business knowledge and were

more likely to stay in their microfinance group (higher retention rate) compared to the control group. However, economic impacts did not emerge (e.g., business revenue, profits, or employment; Karlan & Valdivia, 2011). To conclude, although economic effects did not result, training did produce psychological impacts, indicating that learning and social bonding occurred among women in lending groups.

Previous psychological research has shown that increasing people's knowledge led to an increase in personal control beliefs and, in turn, improved a variety of aspects such as well-being and health (e.g., Bandura, 1997). Thus, I expected that participating in training to develop relevant skills (in addition to a loan) should lead to higher levels of personal control beliefs compared to not participating in training (Hypothesis 3). Participating in training offers access to new social networks and research has suggested that when women can leave their deprived situation and join a microfinance group with other women, they started supporting each other within their group and sometimes also as a group engaged in additional community activities (e.g., Sanyal, 2009). Thus, I expect that attending training to develop relevant skills (in addition to a loan) should lead to a larger social network compared to not attending training (Hypothesis 4).

Method

Microfinance Intervention

This study was conducted in the context of a development cooperation program in Sri Lanka. The ProMiS (Promotion of the Microfinance Sector) program provided technical support to Microfinance Institutions (MFIs) within Sri Lanka to reach out to marginalized people who did not have access to microfinance services (for more information, see <http://www.youtube.com/watch?v=ii05554S3To>). These people were living below the poverty line; most were directly affected by the conflict, and may have been resettled. After 26 years of civil war, peace negotiations ended the brutal conflict in 2009. The program offered access to microfinance services to approximately 20,000 marginalized people in Sri Lanka from 2009 to 2012. The program consisted of three different activities. First, clients could sign up for three different types of training to improve their soft skills (leadership, motivation, conflict management), business skills (e.g., starting and managing a business, business planning, basic book-keeping), and technical skills (e.g., agricultural skills, food technology, livestock management). Second, the intervention applied a group-based model, where clients come together to save and apply for loans. Thus, all clients engaged in saving activities in small groups to become familiar with their financial situation. Finally, only those clients who improved their skills and financial situation became eligible to apply for a micro loan at the MFI. The overall aim of this program was to provide access to

microfinance services to these marginalized people and in turn empower them by increasing their economic and social participation in the broader society.

Participants and Design

This quasi-field experiment had a cross-sectional design with a treatment group and a comparison group. A stratified sample of 172 women was chosen based on three criteria. First, two conflict-affected districts from the North, Jaffna and Vavuniya, were chosen because they represented the socioeconomic and ethnic diversity of the North. In Jaffna, the sample consisted of Sri Lankan Tamils who are the majority in that district and the largest ethnic minority in Sri Lanka (11.2%). Except for one Christian woman, all other women in this group were Hindu. In Vavuniya, the sample consisted of Sinhalese who are the ethnic majority in Sri Lanka (74.9%; Census, 2012) and all were Buddhists. Second, in both districts, an MFI was selected that recruited and trained their clients in the same way. More precisely, these MFIs selected their clients based on their marginalized position in society (living below the poverty line according to the Progress out of Poverty Index; Grameen Foundation, 2010), recruited them via existing community societies, and offered the same services with respect to training, saving groups, and loans. Thrift and Credit Cooperative Societies Union was the MFI operating in Jaffna and Pragathi Sewa Padanama in Vavuniya. Third, all selected clients joined the MFIs between January and June 2011. Thus, they had been participating in the program between 14 and 20 months at the time of data collection in August–September 2012. During this period, they should have received trainings, started saving, and have applied for a micro loan. The comparison group was selected by the enumerators who were conducting the field work. The enumerators approached neighbors of the ProMiS clients who had not yet been approached by an MFI at the time of the study but would have been interested in joining one. We used this selection procedure to ensure that both groups had a similar level of motivation to receive access to microfinance services.

The final sample included 172 women ($n_{\text{treatment}} = 88$; $n_{\text{comparison}} = 84$). In Jaffna, 46 women participating in the program and 47 women of the matched comparison group were interviewed; in Vavuniya, 42 women of the program and 37 of the comparison group were interviewed. All women were at the age that they could work (range: 18–70 years). The mean age was 42.29 years ($SD = 13.19$). The majority (79%) was married and the minority widowed (14%), single or unmarried (4.7%), or separated (2.3%). Their average estimated monthly household living expenses, a very gross indicator of their financial situation, was 13,469 ($SD = 6,814$) Sri Lankan Rupee (LKR). One thousand LKR was approximately 6 euro at the time of the study. This was a very difficult question for the participants and enumerators often helped them to estimate this amount. Thus, I did not include it in further analyses. The two districts/subsamples did not significantly differ in

any of the demographic and socioeconomic indicators (all p 's > .46). None of these variables were correlated with the dependent measures and were, thus, not included in further analyses.

Procedure

Questionnaires were translated from English to Sinhala and Tamil, then back-translated to English, and then carefully pretested. In each region, native Sinhala and Tamil speakers were recruited to serve as enumerators and extensively trained for 2 days. Female enumerators visited participants in their homes. The enumerators first introduced themselves and said that they were working for an initiative that wants to learn more on how to improve the effectiveness of services to help villagers. Next, they asked for informed consent before starting the interview. An independent consultant made random visits to some enumerators during their field work to ensure the quality of the interviews. On average, an interview lasted 51.56 ($SD = 23.92$) minutes. Participants answered questions about their socioeconomic and financial background, the three intervention activities, personal control beliefs, indicators of well-being and identity, their social networks, cultural values, and the impact of war on their life. This article focuses on the intervention activities and indicators of psychological capacity for action, namely personal control beliefs and social network size.

Measures

Scales commonly used in social psychological studies (e.g., ranging from 1 to 5 to assess participants dis/agreement or importance) were too difficult for the participants and, thus, not suitable for this context. Before starting data collection, two focus group discussions were conducted to carefully develop and pretest suitable items for the final questionnaires. Measures were developed that were meaningful and understandable for the participants.

Intervention outputs. To examine whether women have profited from the three intervention activities (training, saving assistance, and loan), the measurable outputs of these activities were assessed. More precisely, women were first asked to indicate which type of training they had participated in (i.e., soft skills, business skills, technical skills). The number of attended trainings was summed up to produce a single score ranging from 0 to 4. Second, all women were asked to indicate the amount of money they had saved in their saving group. Third, women were asked to indicate whether they received a micro loan and indicate the amount in Sri Lankan Rupee.

Psychological capacity for action. I assessed two aspects of psychological capacity for action. First, personal control beliefs were assessed with three items

(adopted from Rotter, 1966). In each item, women were asked to choose between two options the one that best reflected their own belief. One option represented having control over life outcomes (Option 1) and the other not (Option 2). First item: “1. When I make plans, I am almost certain that I can make them work” / 2. “When I make plans, it is not always wise to plan too far ahead, because many things turn out to be a matter of good or bad fortune anyhow.” Second item: “1. What happens to me is my own doing” / “2. Sometimes I feel that I don’t have enough control over the direction my life is taking.” Third item: “1. It is impossible for me to believe that chance or luck plays an important role in my life” / “2. Many times I feel that I have little influence over the things that happen to me.” Scores on the three first options were summed. The scale ranged from 0 (no control) to 3 (a strong personal control belief).

Second, participants were asked to indicate their social networks size by naming groups that they are an active member of (adopted from World Bank, 2012). Based on two focus groups discussion, we developed a list of the most common groups: MFIs; funeral associations to support its members if a family member dies; neighborhood/village associations to govern the village; farmer’s/fishermen’s associations; trader’s associations; religious groups (Christian, Hindu, or Buddhist); environmental groups (e.g., to clean the neighborhood); health-related groups (e.g., to learn and teach about hygiene or HIV); cultural groups (e.g., dancing or singing groups); women’s groups different from MFI (e.g., to fight against violence); school committee (e.g., teacher–parent associations). The most typical groups were funeral organization, religious group, or business-related organization (farmers, fishermen, or traders). The number of groups that were named ranged from 0 to 11.

Results

The results were analyzed in three main steps. First, I reported the outputs of the intervention (participation in saving group, participation in training, number and size of loan). Second, the Hypotheses 1 and 2 were tested by analyzing a 2 (Intervention: comparison vs. microfinance) $\times$ 2 (Region: Jaffna vs. Vavuniya) ANOVA with personal control beliefs and social network size as dependent measures. The factor of region was included to control for regional differences. Third, I analyzed the specific impact of training versus loan on the dependent measures by conducting trend analyses and planned contrasts as well as reporting correlations between the number of training and the dependent measures.

Outputs of the Microfinance Intervention

All women in the intervention group ($n = 88$) had participated in a saving group; 76 had taken part in some trainings, and 62 had received a loan. On average, women had saved 5,959 ($SD = 7,385$ range 200–40,000) LKR, and had attended

Table 1. Summary of Scale Anchors, Means, *SD*s, Range, and Intercorrelations for Personal Control Beliefs and Social Network Size across Conditions ($N = 172$) and per Condition ($n_{\text{comparison}} = 84$, $n_{\text{treatment}} = 88$)

Variable	Scale	<i>M</i>	<i>SD</i>	Range	1.	2.
Overall						
1. Control beliefs	0–3	1.76	.74	0–3	–	
2. Social network	Open	2.41	1.96	0–11	.36***	–
Comparison condition						
1. Control beliefs	0–3	1.58	.84	0–3	–	
2. Social network	Open	1.64	1.85	0–11	.26*	–
Treatment condition						
1. Control beliefs	0–3	1.92	.59	0–3	–	
2. Social network	Open	3.14	1.79	1–7	.37***	–

Notes. For all scales, higher scores are indicative of more extreme responding in the direction of the construct assessed.

*** $p < .001$, * $p < .05$.

2.13 trainings ($SD = 1.27$, range 0–4). The average loan size was 40,403 ($SD = 34,479$ range 10,000–160,000) LKR. Thus, women differed with respect to their participation in the three intervention activities.

Psychological Capacity for Action

Overall, personal control beliefs ($M = 1.76$, $SD = 0.74$) were significantly correlated with the social network size ($M = 2.41$, $SD = 1.96$), $r(172) = .36$, $p < .001$ (see Table 1).

Personal control beliefs. As predicted, results showed that women participating in the microfinance intervention showed significantly higher levels of personal control beliefs ($M = 1.92$, $SD = 0.59$) compared to the comparison group ($M = 1.58$, $SD = 0.84$), $F(1, 168) = 9.24$, $p = .003$, $\eta^2 = .05$ (Hypothesis 1). Furthermore, a main effect of district emerged showing higher levels of personal control beliefs in Vavuniya ($M = 2.01$, $SD = 0.61$) compared to Jaffna ($M = 1.54$, $SD = 0.77$), $F(1, 168) = 19.52$, $p < .001$, $\eta^2 = .10$. However, these effects were not qualified by an interaction, $F(1, 168) = 0.006$, $p = .94$, $\eta^2 < .001$.

Social network size. Again, as predicted, results showed that women participating in the microfinance intervention showed significant larger social networks ($M = 3.14$, $SD = 1.79$) compared to the comparison group ($M = 1.64$, $SD = 1.85$), $F(1, 168) = 48.62$, $p < .001$, $\eta^2 = .22$ (Hypothesis 2). Again, a main

Table 2. Summary of Subsample Size, Means, and SDs for Personal Control Beliefs and Social Network Split Up for Condition and Activities (*N* = 172)

Condition	Comparison (1)	Treatment (2)	Treatment (3)	Treatment (4)	Treatment (5)
Activities	No training no loan	No training no loan	No training loan	Training no loan	Training loan
<i>N</i>	84	8	4	18	58
Control beliefs	1.58 (.84)	1.75 (.46)	1.50 (.58)	1.83 (.51)	2.00 (.62)
Social network	1.64 (1.85)	1.25 (.46)	1.75 (1.50)	2.61 (1.61)	3.65 (1.73)

Note. For all scales, higher scores are indicative of more extreme responding in the direction of the construct assessed. *SDs* are reported in brackets.

effect of district emerged showing larger social networks in Vavuniya (*M* = 3.81, *SD* = 1.75) compared to Jaffna (*M* = 1.22, *SD* = 1.20), *F* (1, 168) = 161.07, *p* < .001, $\eta^2 = .49$. However, these effects were not qualified by an interaction, *F* (1, 168) = .02, *p* = .90, $\eta^2 < .001$.

The Impact of Specific Intervention Outputs on the Psychological Capacity for Action

The results of the intervention outputs revealed that not all women in the microfinance intervention group had participated in the trainings and/or received a loan. To gain some initial understanding of the effects of these two activities (i.e., training/loan), I created five comparison groups (see Table 2): comparison group not part of the microfinance program (Group 1; *n* = 84), microfinance group with no training and no loan granted (Group 2; *n* = 8), microfinance group with no training and loan granted (Group 3; *n* = 4), microfinance group with training and no loan granted (Group 4; *n* = 18), and finally microfinance group with training and loan granted (Group 5; *n* = 58). Unfortunately, the naturally uneven distribution across the five groups limits the conclusions that can be drawn. However, I believe these analyses provide some valuable initial insights. Next, I conducted two ANOVAs, for both dependent measures separately, with an overall experimental effect that was further broken down in a trend analyses comparing all five groups and two planned contrasts comparing different subsamples: first, a training contrast comparing no training (Group 1, 2, and 3, see Table 2) versus training (Group 4 and 5) and, second, a loan contrast comparing no loan (Group 1, 2, and 4) versus loan (Group 3 and 5).

Personal control beliefs. First, there was a significant overall experimental effect on personal control beliefs, *F* (4, 167) = 3.02, *p* = .02. More precisely, the trend analysis including the five groups showed a significant unweighted,

$F(1, 167) = 5.40, p = .02$ as well as a significant weighted linear trend, $F(1, 167) = 11.29, p < .001$, indicated that as the number of interventions activities women participated in increased (from the comparison group not profiting from any intervention activity to the participation in training and loan in the intervention group, see Table 2), personal control beliefs increased proportionally. The Levene's test of homogeneity of variance was significant, $F(4, 167) = 7.19, p < .001$, violating the assumption. Based on the unequal sample distribution, this effect is not that surprising. Thus, the contrast effects that did not assume equal variance were reported. As predicted (Hypothesis 3), the planned training contrast revealed that participating in training significantly increased levels of personal control beliefs compared to not participating in it, $t(11.16) = 2.25, p = .046, d = 1.35$. The planned loan contrast was not significant, $t(5.38) = .17, p = .87$.

Social network size. Again, the overall experimental effect on social network size was significant, $F(4, 167) = 12.57, p < .001$. More precisely, the trend analysis showed a significant unweighted, $F(1.167) = 32.16, p < .001$ as well as weighted linear trend, $F(1, 167) = 46.19, p < .001$; as the number of interventions activities women participated in increased, social networks size increased proportionally. Next, The Levene's test of homogeneity of variance was not significant, $F(4, 167) = 2.26, p = .065$, suggesting equal variance. As predicted (Hypothesis 4), the planned training contrast revealed that participating in training significantly increased social network size compared to not participating in, $t(167) = 3.68, p < .001, d = 0.57$. The planned loan contrast was not significant, $t(167) = 1.68, p = .095$. Furthermore, within the intervention group, the number of trainings was not significantly correlated with women's personal control beliefs, $r(88) = .06, p = .58$, but showed a trend for a positive correlation with women's social network size, $r(88) = .18, p = .085$.

In sum, two significant trends provide clear evidence that engaging in all intervention activities stimulated higher levels of psychological capacity for action, namely stronger personal control beliefs and larger social networks. More interestingly, the results further suggest that participating in training may drive these effects in microfinance interventions.

Discussion

This research investigated the impact of a microfinance intervention on the psychological capacity for action among poor and conflict-affected women in Sri Lanka. The intervention provided training, saving activities, and finally, if participants were successfully managing their economic situation, a micro loan. The results showed that all women participated in group-saving activities but not all of them attended trainings or received a micro loan. This intervention offered a valuable opportunity to investigate the development of female empowerment in a natural setting. As expected, results showed that women who participated

in the microfinance intervention showed higher levels of personal control beliefs (Hypothesis 1) and a larger social network (Hypothesis 2) compared to a matched control group of women who did not yet have access to microfinance services. Further analyses suggested that the additional training component was particularly effective in stimulating these effects compared to only access to a micro loan (Hypothesis 3 and 4).

Importantly, mean levels of both measures of psychological capacity for action differed between the districts showing in general higher levels of capacity for action in Vavuniya compared to Jaffna. However, these effects were not qualified by an interaction. This main effect of district seems to be driven by the environment women live in. In general, life in Jaffna was still more strongly affected by the consequences of the civil war; destroyed infrastructure, higher unemployment rate, many people were displaced and were often resettled by the government at the time of the study. For example, 83.9% of the women in Jaffna were resettled compared to 75.9% women in Vavuniya.

Despite the positive results confirming my main hypotheses, the low correlations between the number of training and the capacity for action indicators are striking. This may be caused by the unequal distribution of training in the intervention subsamples. However, if we were to speculate about these effects, based on the main effects (see Hypotheses 3 and 4) this result might suggest that the participation in a few or even a single training can lead to an increase in psychological empowerment.

In this context, women traditionally stay close to their home, seldom leaving their local environment. Participating in a microfinance program means that women regularly have to attend meetings with their saving group or attend training. These meetings increase their interactions with people outside their direct environment (Sanyal, 2009). The reported data provide direct evidence that these experiences may result in a strong effect for women's social networks ($\eta^2 = .22$) and a small effect for their personal control beliefs ($\eta^2 = .05$).

From the Development of Psychological Capacity for Action to Social Change

To date, psychological research on social change has mainly been driven by an intergroup relations agenda focusing on collective action (for overviews, see Iyer & van Zomeren, 2009; this special issue). These documented changes are often caused by intergroup conflict, whereas in the current context an intergroup dynamic was not the driver of change. This research focused on an earlier first step for social change with respect to empowerment. More precisely, this research studied the development of women's personal and social capacity for action. Specifically, I have focused on the development of an agentic self; the realization that one can personally have control over life outcomes and recognizing that one is a member of social networks that share the same interests (Hansen & Postmes, 2013).

This individual development of capacity for action is a first step to women realizing that they could also gain by engaging with others in collective action toward gender equality. First, qualitative research in this specific context documented this change. More precisely, Sanyal (2009) showed that before joining a microfinance group none of the 400 women had participated in any collective action. In fact, most had no contact beyond their families and immediate neighbors. When these women, who previously had been isolated, were grouped together in lending groups with peers, in addition to the clear economic ties women started to realize and also developed their collective capacity. More precisely, one third of the groups started engaging in some form of collective action, such as working against domestic violence against women or organizing community events.

Other collective action scholars have also stressed the importance of social networks (Dixon et al., 2015; Drury & Reicher, 2009; Klandermans, van der Toorn, & van Stekelenburg, 2008). For example, Klandermans and colleagues (2008) showed that social embeddedness, in this case the involvement in civil society groups such as microfinance groups, is a key predictor for collective action among immigrant groups. Moreover, the change in people's sense of identity along with the sense of who is ingroup and who is outgroup is again a key predictor in collective psychological empowerment of crowds (Drury & Reicher, 2009). Or contact between historically disadvantaged groups can lay a foundation for political solidarity (Dixon et al., 2015).

However, the documented changes shown in this research differ from previous collective action studies. The pathways to social change driven by modern innovations in development aid interventions is marked by a different pathway than previously theorized by collective action researchers (Hansen & Postmes, 2013). By participating in these development programs, people develop a stronger agentic and independent sense of self. For example, in a laptop program for students, primary school children in Ethiopia, independent of their elders and teachers, learned to master the laptop. This active and often shared laptop use triggered the stronger development of an agentic self as evidenced by stronger reasoning skills, an independent self-construal, changes in cultural values, and more positive attitudes toward gender equality (Hansen, Postmes, Van der Vinne, & Van Thiel, 2012; Hansen, Postmes, Tovote, & Bos, 2014).

Limitations and Future Research

Unfortunately, the cross-sectional study design does not allow drawing causal conclusions about the observed effects. Furthermore, the present data do not allow me to ascertain what the precise mechanisms were by which this microfinance intervention affected women's capacity for action. Based on other research and the subgroup comparisons (see Table 2), I feel confident arguing that the training component is crucial in stimulating changes in psychological capacity for action. However, it is not clear what specific aspect of the training most strongly stimulated

these changes. Is it the realization of belonging to a group, an increased social network, or the training content? It could also be that people with stronger personal control beliefs or social networks were more likely to sign up for training.

This study focused only on the psychological basis of empowerment, as defined as the psychological capacity for action. The underlying processes and the exact drivers of these effects need to be studied in a longitudinal field experiment comparing women receiving only a loan with women receiving a loan and training and its impact on the development of different aspects of empowerment. A randomized field experiment would offer insight in the causal relations of these impacts.

Policy Implications and Conclusions

This research provides two clear practical implications that may be valuable to involved stakeholders in the field of microfinance interventions such as governments, microfinance institutions, nongovernmental organizations, program designers, or donors.

The first practical implication is concerned with the importance of training. To date, surprisingly few programs include a training component. This research clearly shows that especially training and not only receiving a small loan empowers female borrowers. Furthermore, research in the field of entrepreneurship (business creation and business success) that was conducted in different African countries clearly shows that offering training in relevant psychological and business-related skills increases the chances that young entrepreneurs successfully develop a small business (for an overview, see Frese & Gielnik, 2014). This research stresses the importance of including a training component in a microfinance intervention to achieve its goals.

The second practical implication is related to the development of the content of training. Recent economic research investigating the impact of training among female borrowers showed that economic outcomes were not increased (Karlan & Valdivia, 2011). However, interestingly the results showed some positive psychological outcomes, such as increased knowledge and a stronger bonding with the lending group. The later result can be explained based on social identity theory (Tajfel & Turner, 1979); female borrowers became a member of a lending group with which they identified and bonded. This research stresses the importance of focusing on these psychological impacts. Microfinance services can help women to realize their capacity for action to make important life decisions.

To conclude, results show that training is a crucial component in addition to receiving loans to develop their income-generating activity and capacitate women. Only when women become confident about their own ability to impact, can they start negotiating the obligations and gender roles that limit their life outcomes. This first step may form the basis to act to achieve the larger change goal of gender equality.

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