



Role of Microfinance in Developing Countries to Support Women's Entrepreneurship and Socio-Economic Empowerment

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Abstract

Women business owners in underdeveloped nations and the importance of microfinance. In order to promote gender equality in entrepreneurship, it analyzes the obstacles women encounter when trying to access financial services, the effects of microloans on company growth, the socio-economic advantages of financial inclusion, and provides policy suggestions based on its findings. Indians live in rural areas for the most part. Among nations that rely heavily on agriculture for their economy, India ranks fourth. Compared to urban areas, the literacy rate in rural regions is lower. When it comes to creating jobs and fighting poverty, women entrepreneurs are an absolute game-changer, especially in developing nations. Access to microfinance is a major barrier to business growth and economic empowerment for women entrepreneurs due to the many obstacles they face.

Keywords: Microfinance, Women's, Entrepreneurship, Socio-Economic and Empowerment

Introduction

Microfinance entails extending credit to those with low incomes or members of underserved communities who lack the means to use conventional banking services. There is some debate among microfinance organizations as to whether or not their goals include a societal revolution. Most microfinance organizations cater to small business and individual requirements by providing microloans and microcredit, which are terms for small loans used for working capital. A kind of microfinance is a nutshell, a kind of informal lending. For businesses that couldn't get loans from traditional lenders, it was originally designed to provide with financial assistance. One subset of microfinance, microcredit allows low-income businesses to get modest business loans. These companies provide a full suite of services, including savings accounts, microinsurance, and payment processing. In contrast, microfinance organizations that have the proper licensing may provide savings accounts together insurance and money transfers.

There are many different areas that might benefit from microfinancing. It may be used by families to settle their debts. To pay off their high-interest debts and purchase

agricultural goods, farmers utilize it. Here, however, we will center our attention on the ways in which microfinancing has facilitated the intellectual and economic advancement of women. Some people think that women have always been able to see what's coming their way, and that given the chance, they can turn their inherent strengths into something powerful that will benefit both themselves and the world around them. While a string One modest purpose of microlending is to reach individuals without access to traditional banking services; nevertheless, a number of suicides in India over the last decade have put doubt on this claim. bank accounts-is just as challenging today.

Lenders from the higher class, known as "Savkar," would charge exorbitant interest rates to the lower class in the past when established banks refused to lend to them. Borrowers were duped into paying exorbitant amounts of interest by lenders who took advantage of their lack of literacy. It was very dangerous without government oversight, and the growing number of fraudulent operations made it an important social issue.

The government established regulations for the construction of cooperative banks and other organizations in response to the increasing demand for microcredits, since supply and

demand are interdependent. Various programs to aid the poor are offered by microfinancing institutions and self-help organizations. Beginning in 1991–1992, NABARD heavily promoted self-help groups. The so-called "SHG movement" really began at that moment. The Reserve Bank of India also authorized SHGs to open bank savings accounts in 1993. A turning point for the movement came when financial services were made available.

Literature Review

Cheston, Susy; and Kuhn, Lisa (2002) ^[1] study that aimed to determine how SHGs contribute to women's empowerment efforts. This data was mostly sourced from the Indian state of Goa. While there are 500 SHGs in Goa, the National Co-operative Union of India (NCUI) has provided funding to 100 of them. From the talukas of Bardez and Bicholim, twenty-five women SHGs were selected by NCUI to participate. Before and after, the SHG method was used to compare the results. Particularly in rural Goa, microfinance impacts women's life over the long run. according to the research. Gains in revenue, savings, and discretionary spending all rose. The group's social circle expanded as members' self-assurance grew. As women's economic opportunities and collective organizing skills have grown, gender-based problems such as domestic violence, dowry, and polygamy have diminished. The members' apparent enthusiasm for the program's benefits led them to suggest that additional women form SHGs advantages. As a result of SHGs, there was more mutual understanding between people of various faiths.

Swain (2017) ^[2]. The data was gathered from five states in India over the course of two periods, beginning in July 2000 and ending in 2003, for this specific purpose. The states in question were Maharashtra, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, and Orissa. Methods such as focus groups and interviews were used. Twenty such focus groups took place overall, with four sessions conducted in each of the five states that were surveyed. In each focus group, anything from fifteen to twenty people from different SHGs took part. To find out how effective the microfinance program was, we compared one group that had participated in SHGs to another that had not. Distinct differences existed between the SHG participants and those who received a placebo. Mobility, self-confidence, exposure, and communication skills were among the areas where the SHG members saw the most improvement. Respondents from SHGs indicated higher rates of self-confidence (88% vs. 34%). after group participation. There was a marked improvement in the SHG families' self-assurance when it came to sharing their thoughts during meetings. Nearly 87% of SHG members said they could weather a household financial emergency. Borrowing women made the important choices on the purchasing of raw materials and the price of their products, according to almost of the people in the control group, 43% were women and 60% were men.

Tracey, L. Moyle; Maureen, Dollard; and Saswata, Narayan Biswas (2018) ^[3] The authors of the research looked at how taking part in self-help organizations boosted the economic and personal standing of rural Indian women. The study polled 100 rural women residing in the Udaipur area of Rajasthan, an Indian state. These women learned to sew, embroider, and patch while volunteering with the Sewa

Mandir NGO in Rajasthan's Udaipur and Rajsamand areas. Data collection methods included both quantitative and qualitative methods. via surveys, in-depth interviews, and group discussions. Working women reported higher levels of meaningful daily experiences, more personal control over spending, stronger social networks, lower levels of boredom, more authority to make decisions at home, and greater independence, according to the quantitative data. Women were able to gain economic and personal independence when they were included in wage-earning activities.

Sharma, Puspa Raj (2018) ^[4]. This goal was achieved from 2004–2006 by surveying program participants in the Terai and Hill areas of Nepal. We selected microfinance institution participants according to their level of experience with the Grameen model. Involvement of women in home decision-making, economic empowerment, social networks, and mobility all saw significant improvements. after SHG membership compared to before. Credit for women led to more open dialogue between partners over parenting and family planning. The difficulty was in increasing the number of services provided by microfinance organizations, which had hitherto touched just a small percentage of the population. Microfinance services should be developed in a supportive setting, according to the study.

Sahu, Ananta Basudev; and Das, Sandhya Rani (2018) ^[5] investigated how well SHGs in In the Indian state of Orissa, namely in the Gajapati area, there was an effort to empower women. To achieve this, we conducted a survey amongst 800 members of 50 SHGs. The survey found that only 7.43% of the SHG members could read and write, and that most of the members were from indigenous areas. Even after receiving group loans, most members kept harvesting and selling modest forest products. Consumption, healthcare, festivals, and the repayment of prior loans were the primary uses of the loans. The percentage of loans used for investment purposes was a meager 11.56%. The group lacked the expertise necessary to launch novel, lucrative ventures. Although the members were not financially well-off, they reported numerous benefits from their SHG membership, including increased self-confidence (81.54%), independence from past obligations (63.36%), and improved social connection (75.17%).

Women Entrepreneurs and Microfinance

An important aspect of economic development, especially in developing nations, is the work of women entrepreneurs, who create jobs and help reduce poverty. A third of all firms in the world are owned by women, and the International Labor Organization (ILO) reports that this group has the ability to spur innovation and economic growth through the creation of jobs. Despite their valuable contributions, women entrepreneurs frequently encounter formidable obstacles when trying to secure funding. This is precisely why microfinance has become an indispensable instrument for empowering these women. A growing number of women are turning to microfinance, which helps those with low incomes or no access to conventional banking, to launch their own businesses. Eighty percent of microfinance clients are women, according to the Microfinance Gateway, demonstrating the sector's commitment to developing female entrepreneurs. Women gain economic empowerment

when they are able to start and build their own enterprises with the help of microfinance, which also gives them more control over their own money.

The path to financial inclusion for female entrepreneurs, however, is not without its obstacles. Women frequently face barriers when trying to use microfinance services, such as cultural constraints, a lack of collateral, and poor financial literacy. For example, in many developing nations, women have 20% less access to financial products than men, according to a report by the Consultative Group to Assist the Poor (CGAP). This discrepancy highlights the importance of implementing focused initiatives to narrow the gender gap in access to microfinance.

There are a lot of obstacles that women business owners face, such as a lack of capital and gender biases and societal expectations. Legal constraints limit women's capacity to freely own property or acquire loans in numerous nations, according to the World Bank's Women, Business and the Law report. Because of these structural problems, microfinance must take a holistic approach, helping women overcome not just financial but also social and cultural obstacles. Considering these obstacles, the purpose of this research is to investigate how microfinance has affected female entrepreneurs by looking at examples of good practice and case studies. One goal of this research is to add to the conversation about women's economic empowerment and equality by looking at how microfinance, entrepreneurship, and gender all tie together.

Challenges Faced by Women Entrepreneurs in Accessing Microfinance

Many obstacles stand in the way of women entrepreneurs gaining access to microfinance, which can have a devastating effect on their ability to build their businesses and gain economic independence. The absence of collateral, which is often required to secure loans, is one major obstacle. The International Finance Corporation (IFC) found that compared to men, women are less likely to own collateral-worthy assets, which restricts their access to loans. This pervasive problem keeps women mired in poverty and dependency while limiting their access to economic possibilities. In addition, women are discouraged from pursuing entrepreneurial endeavors due to cultural norms and societal expectations that govern their responsibilities within families and communities. Women may find it difficult to pursue entrepreneurial endeavors due to cultural expectations that they should focus on domestic duties. As a result of devoting three times as much time to unpaid care labor as men do, women in developing nations are unable to participate in economic activities, according to a UN Women report. Women company owners have obstacles in obtaining acknowledgment and backing due to this social dynamic.

Women may struggle to understand and use microfinance programs due to a lack of financial literacy, according to research from the Global Financial Literacy Excellence Center. When it comes to loans and investments, their lack of financial expertise might cause them to make poor decisions, which in turn can impact the long-term viability of their enterprises. In order to enable women to properly utilize microfinance, it is necessary to enhance financial literacy programs specifically designed for them. The

microfinance industry is not immune to the gender prejudices that afflict women in the field. Because of long-held gender norms, many microfinance institutions (MFIs) provide preference to male customers. A dearth of specialized goods and services designed to fulfill the unique requirements of female entrepreneurs may result from this attitude. According to a study by the Consultative Group to Assist the Poor (CGAP), microfinance institutions (MFIs) that target women in particular had higher satisfaction and payback rates among their clients.

Impact of Microloans on Business Growth

Research indicates that microloans can greatly benefit female entrepreneurs by helping their businesses develop and empowering them economically. More and more research is pointing to the fact that businesses can benefit financially and sustainably from having access to microfinance. Microloan recipients, on average, saw a 30% rise in their income after just one year of repayment, according to research out of the pioneering Grameen Bank. Everyone from the entrepreneurs' families to their communities reaps the benefits of this revenue boost. Additionally, female company owners are able to diversify their product lines and increase operational efficiency with the help of microloans. One example study looked at the SEWA Bank in India and found that women who took out microloans were able to upgrade their machinery and supplies, which in turn enhanced their output and made their products better.

Not only does this investment boost their companies' competitiveness, but it also helps their communities create jobs and thrive economically. Women business owners are able to seize control of their own financial destiny when they have access to microloans. Microfinance empowers women by giving them the financial resources they need to make their own decisions, which boosts their self-esteem and agency. Microloans gave 75% of female entrepreneurs a boost in self-esteem and confidence in their company skills, according to a Women's World Banking poll. In order to encourage women to start their own businesses, this psychological effect is vital. Also, microloans are good for society in general, not just for individual business owners.

When women achieve financial success, they typically put the money back into their communities and families, improving things like healthcare, education, and overall quality of life. Microfinance recipients are more likely to spend in their children's healthcare and education, according to a study by the International Fund for Agricultural Development (IFAD) (IFAD, 2021). This has a positive effect on future generations' socioeconomic status. It is crucial to promote female entrepreneurs through microfinance because of the impact it has on subsequent generations.

Socio-Economic Benefits of Financial Inclusion

Beyond boosting individual success stories, financial inclusion for women entrepreneurs may drive larger economic development and social transformation. There will be a marked improvement in living standards and a decrease in poverty rates when women are able to participate fully in their households' and communities' financial affairs. The economic potential of empowering

women through financial inclusion is demonstrated by the projections made by the McKinsey Global Institute, which indicate that narrowing the gender gap in labor force participation may add \$28 trillion to global GDP by 2025. By removing barriers to entry, financial inclusion empowers women to take the reins of their own businesses and see them through to success.

Microfinance empowers women entrepreneurs, who are more inclined to experiment with new ideas and take calculated risks, creating a vibrant economic landscape that can respond quickly to shifts in consumer preferences. The World Economic Forum found that companies run by women are better able to weather economic storms and recover quickly, which helps keep the economy stable as a whole (World Economic Forum, 2020). In light of worldwide problems like climate change and economic recessions, this resilience is more crucial than ever. In addition to improving health and education, financial inclusion has far-reaching socioeconomic advantages. Communities and children benefit when women are able to put their money where their mouths are, investing in healthcare and education for their families.

When women are financially independent, they are more likely to invest in their children's health and education, according to World Bank research. To end poverty and foster long-term growth, this expenditure on human capital is essential. The negotiating power of women in the home and community may be increased via financial inclusion. Women are better able to fight for equal rights in a variety of social settings and for improved terms in family decision-making when they have access to financial resources. Oxfam found that women who have access to banking services are more active in community decision-making, which is good for social justice and gender equality. In order to promote a fairer society and challenge current gender conventions, this empowerment is crucial.

Successful Microfinance Models and Policy Recommendations

The emergence of successful microfinance models throughout the globe is proof that specific interventions may increase women's access to capital and encourage them to start their own businesses. The BRAC model in Bangladesh is a prime illustration of this principle in action; it combines microfinance with other social services like healthcare and education. By providing them with the information and tools they need to start and grow their own enterprises, BRAC has helped millions of women achieve economic independence. If other microfinance institutions want to help women entrepreneurs, they should look to this comprehensive strategy. The Kiva platform is another good example; it links international lenders with female entrepreneurs in underdeveloped nations. By facilitating microloans to women-owned companies, Kiva's novel crowdfunding model brings people together in a spirit of mutual aid and understanding throughout the world.

Not only does this strategy help female entrepreneurs financially, but it also helps them connect with mentors and support networks. Microfinance policies should be designed with gender equality in mind if policymakers are serious about promoting gender equality in entrepreneurship. Among these measures is the establishment of legislative

frameworks that incentivize banks to cater their product lines to women and to give workshops on personal finance and company administration. In order to achieve gender equality and sustainable development, it is crucial to have policies that promote financial inclusion. This is something that the G20 Women's Empowerment Action Plan stresses. Furthermore, in order to provide a supportive atmosphere for female entrepreneurs, it is critical for the private sector, NGOs, and governments to work together. Women may be empowered in their entrepreneurial journeys via public-private partnerships that provide access to funding, training, and mentoring programs. The UNDP found that these kinds of partnerships helped increase women's access to capital and encouraged more women to start their own businesses.

Conclusion

To overcome these obstacles, lawmakers, banks, and civil society organizations must work together to establish a climate that encourages women to start their own businesses and helps more people gain access to financial services. Economic growth, better health and education results, and enhanced gender equality are some of the many socioeconomic gains that can be achieved when women entrepreneurs have access to financial services. How microfinance is helping women entrepreneurs in developing countries. We can build a better, more equitable economy for everyone if we help women get microloans. The promotion of women's entrepreneurship and financial inclusion cannot be achieved without effective microfinance models and specific policy suggestions. Greater economic empowerment and gender equality can be achieved by studying successful practices and enacting policies that support them.

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