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## **Assessing the impact of microfinance on women's empowerment: a critical review of the literature**

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### **Abstract**

*The role of microfinance in addressing women's disempowerment is the critical focus of this article. Based on secondary literature, the paper offers a critical perspective on empowerment, emphasizing the role of microeconomic activities. The issues of gender inequality and the use of microfinance as a tool to combat this inequality form the foundation of the article. This review argues that microfinance can serve as a means to emancipate marginalized sections of society, particularly women. The current state of society is bleak; however, numerous financial, microfinance, and local institutions are striving to change this reality. At present, microfinance serves as a beacon of hope in addressing various genders, class, and other social issues, especially in developing countries like Nepal.*

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**Key Words:** *Microfinance, Woman, Gender, Empowerment, Literature, Review*

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### **Introduction: Concept and the Construct**

Microfinance is often considered one of the most effective and flexible strategies in the fight against global poverty. It is sustainable and can be implemented on the massive scale necessary to address the urgent needs of those living in severe poverty and struggling to meet basic necessities. A small loan, provided to individuals to manage a cottage industry, can create jobs, generate knowledge, and enhance civic participation. Surprisingly, extremely high repayment rates among microfinance borrowers have replicated the success of the Grameen Bank in Bangladesh. Microfinance offers not only microcredit but also a range of services, including deposits, insurance, money transfers, payment services, and savings (Maurya, 2023).

This study draws from the 2006 Nobel Laureate, Professor Muhammad Yunus' concept of the Grameen Bank (Hulme, 2008). Empowerment is a symbol of social change and offers solutions to many challenges faced during societal development. Ultimately, empowerment fosters the creation of an egalitarian society. To claim that a society like Nepal has achieved empowerment requires consideration of multiple aspects. There are numerous examples of microfinance contributing to social work in Nepal. Empowerment, in this context, refers to creating conditions that enable gender-marginalized groups to participate in decision-making (Bhattarai, 2022). The cornerstone of developed countries is their female workforce. Compared to developing nations, these developed countries have achieved their status in part due to the significant financial contributions made by women.

Microfinance plays an important role in providing financial services to economically disadvantaged individuals and communities (Maurya, 2023). The increasing engagement of women in financial activities such as savings, credit, and resource mobilization is expected to enhance their capabilities and overall development. Therefore, the justification for this research is crucial in the current context of Nepal's grassroots economic activities.

The increasing involvement of women in financial activities such as savings, credit, and resource mobilization is expected to enhance their capabilities and overall development. Therefore, the justification for this research is highly significant, especially in the current context of Nepal's grassroots economic activities. This study attempts to explore avenues for improving women's daily conditions in our culture. At various levels of society and across social institutions—whether in the family, community, traditional labor barter systems, modern markets, the nation-state, or internationally—different roles are culturally assigned to men and women. Cultural practices often impose greater restrictions on women in terms of what they can or cannot do. The balance between career and daily life refers to the need for a check and balance between personal and professional responsibilities (Parajuli, 2021). Despite all the facts and functions, there are many other stakeholders in society. Every stakeholder in the society bears equal responsibility for balancing progress and quality of life (Gautam & Thapa, 2023). Here, microfinance is also a major stakeholder in our society, working to reduce social inequality and poverty. This paper focuses on Bangladesh, where recent transformations in the microfinance sector highlight its potential macroeconomic impact (Kovacevic & Pflug, 2017).

Microfinance serves as a helping hand for poor people; however, empirical studies have indicated that a significant proportion of borrowers from microfinance institutions are over-indebted (Pendo & Amani, 2021). Nepal advocates for the UN Convention on the Rights of Women and also supports ILO Convention 169. Despite the gradual development of microfinance activities in Nepal, the country continues to face

fundamental problems in the sector, such as difficulties in identifying target groups, finding potential projects that can be easily managed according to clients' needs, and misunderstandings about the interest rates charged by some microfinance institutions.

### **Methodology**

Published literature serves as the primary source for data collection and interpretation. This paper relies on secondary data, with critical perspectives provided by the researcher. It addresses questions such as how and in what ways microfinance operates at the societal level. Researchers often use data collected by other investigators to explore different questions (Wickham, 2019). Secondary data-based research addresses a variety of issues, both directly and indirectly. This study is significant because financial transaction programs can improve the economic conditions of rural populations and marginalized groups. Microfinance is expected to play a crucial role in poverty reduction and overall development (Saini, 2017). This study utilizes a descriptive research approach along with the concept of causality and operationalization to address key issues related to microfinance and its impact on gender empowerment. The primary objective of this research is to explore the relationship between microfinance and women's empowerment. The use of secondary data is increasingly common in both pure and social sciences (Wickham, 2019).

### **Critical Perspective on the Subject Matter**

With such research work policy maker, policy implementer organization and many other organizations to formulate appropriate policies and project for proper disbursement and collection of loan along with repayment and some provisions so as to avoid over indebtedness in microfinance clients. There is a few concerned let's say no concerned by the government of Nepal with the 'production of academic knowledge' for the enrichment of social sciences which can have huge policy implications for the robust development of Nepali society and economy (Upreti, 2021: viii). The study becomes useful for researchers, policy makers, micro finance providers and policy implementer organization.

Research was done in Pakistan by Khursheed, (2022), who found that 'there is a linkage between MFIs and women entrepreneurship'. From this research, we can conclude that there is also the role of policymakers in strengthening the linkage.

Microfinance is considered a valuable tool for socioeconomic upliftment in developing countries like India (Saini, 2017). Due to variation in the construct for female in developing countries compared to developed ones, the expected financial progress of developing countries cannot be witnessed. Studies are supportive of the logic that engagement of female in the financial process is a prerequisite to the all country's development.

Microfinance in Bangladesh has grown significantly, offering larger loans, creating millions of jobs, and including non-financial services like training and education (Kovacevic & Pflug, 2017).

In recent years, there has been a noticeable increase in the participation of Bhutanese women in various economic activities. This trend reflects a significant shift toward greater gender involvement in the workforce and contributes to the overall economic development of the country (Dorji, 2018).

The effect of microfinance on women's empowerment is generally less than anticipated, though some women experience positive outcomes. Additionally, the impact of microfinance on poverty alleviation remains inconclusive (Hemat & Rahman, 2023).

There have been several researchers already dig out the issues related to working women when they have handle and balance both a house hold and work altogether. Women in the every sector must have to work in order to reject the social issues and societal meaning makers (Lama, 2019). Theories have been carved out to help bring a better understanding on the same.

### **Empirical Evidences in Policy Discourse**

Most studies of women employed in developing countries have been reported that there are many push and pull factors for women employers. Today female are very aware then the past, they have been equally capable of managing the hardest of works but main hindrance has been posed by the conditionally demand of the globally adapted role of female of that of a nurturer. There is a low achievement on closing fender gaps although most highly progressed nations indicated better advancement in the sector of financial empowerment of the female (Global Gender Gap, 2012).

In the Nepalese condition, not much more efforts have been made in recognizing the factors, actors, and agencies determining career increment for Nepali women (Rijal & Wasti, 2017).

Theory of Joint Liability in MFIs, collective consciousness is the best mechanism to fight against poverty and establish empowered society (Kumari, 2020). According to the analysis, the perimeter of policy discourse has grown common in modern social science political viewpoints. In today's society, the discourse of policy and discourse in policy are described differently by different perspectives. Theoretical review can make clear glimpses regarding study topic (Gautam, 2022). Economic growth and social development theories can only be achieved via excellent governance, which rejects financial inequality. Good governance is an essential component of national growth and financial stability of the country.

Good governance constantly focuses on policy and bringing its desired outcomes to fruition. Policy is the most important aspect in good governance. Agriculture, remittances, and tourism are keys to policy formulation and implementation in Nepal. Making a policy is a simple process for policymakers, but the question arises during implementation; policy without execution is like sorting through a nightmare. A country with numerous issues is a breeding ground for many malpractices and an industry that supplies youth for remittances. An eloquent portion of Nepal's Gross Domestic Product is derived from remittance, which is emerging as the backbone of its economy (Adhikari, 2021).

Gender empowerment and governance are interconnected phenomena. Empowerment and emancipation are strongly connected with governance (Eleftherios & Minas, 2022), and also acceptingly impacts the financial progress of the nation or vice versa. Many other aspects of the governance process can be presented in relation to the given issue. Modern governments' primary goal in implementing good governance principles is to establishment of empowered society and eliminates corruption. The role of the modern government as a welfare state in all aspects of society is to encourage people's engagement. Empowerment, involvement, accountability in service delivery, and free and fair elections are some markers of policy debate and implementation in practice.

The environments like; legal, political and ethical generally relate to need to abide by law of business and to catch the ethical or social responsibility standards of customers and the communities (Koch, 2000). Gender empowerment contributes to the development of a governance culture and corporatism in the interest of human responsibility. Despite its richness of natural resources and immense prospects, Nepal is not on the path to economic prosperity, despite its proximity to two large growing economies. Constant ideological contributions, people's advancements and benefits to the country's prosperity, and the admirable habit of non-governmental sector administrators to supply revenue to dynamic social development functions all play an important role in the state ship process. This is also obvious in this survey, as informants reported the following benefits: higher profit.

## **Conclusion**

Microfinance plays a crucial role in empowering all segments of society, particularly women, by offering essential resources to that in need. Empowerment involves women gaining access to and ownership of resources. Microfinance is especially significant for marginalized groups, as it enables women to secure capital, achieve financial independence, and contribute economically to their households and communities. Access to credit is a vital tool for alleviating women's poverty and empowering them. In this context, microfinance serves as a significant method for supporting rural women. Various societal levels—from family and community to the traditional labor barter system and

modern markets—attribute different cultural roles and functions to men and women. Cultural practices often restrict women's actions and choices. Increasing women's engagement in financial activities—such as saving, credit, and resource mobilization—aims to enhance their capabilities and overall empowerment. Thus, this research is essential for understanding the current economic landscape in Nepal at the grassroots level.

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