

## **Title: Does Microfinance Truly Empower Women?**

**Author: Carlota Camarudin Campos**

*Blurb: Microfinance is recognized as a revolutionary tool to address economic development and to promote women's empowerment. But in a country with strongly held patriarchal gender norms, does this claim truly hold?*

Over the last twenty years, microfinance has been recognized as a [revolutionary financial tool](#) to address economic growth in underdeveloped nations, promoting [women's empowerment and economic independence](#). However, a closer look may reveal a different picture: the effectiveness of microfinance programs may be hindered by [deep-rooted patriarchal norms](#). Can microfinance policies empower women and thus act as an incentive to change patriarchal social norms, or do these cultural issues have to be tackled to allow such tools to be effective?

Let's start with definitions. [Microfinance](#) offers small loans to poor clients who are typically excluded from traditional banking services, typically without the need for collateral or a steady income. When talking about women's empowerment, we first have [economic empowerment](#), which is when women are involved in income-generating activities and have access to and full control over their loans, as well as control over household income and spending. Empowerment can also be defined as [socio-cultural](#), which is when women have authority over decision-making.

For this article, let's look at Bangladesh, where microfinance first started. [South Asian communities are deeply patriarchal](#) and are rooted in a system of dependency in which the women are highly reliant on their husbands economically due to their inferior status. This leads to various issues.

The first issue is due to the ownership and control of women's loans. Numerous studies have found male involvement in loans that are meant for women. For example, a [recent study conducted in Dumuria](#), a sub-district of Bangladesh, found that 60% of women reported that their loans were managed by their husbands, while only 15% felt they could decide on their business initiatives by themselves. Another [study](#) found that 66% out of almost 5,000 Bangladeshi women say that their husbands or other family members use their loan money instead of allowing women to remain autonomous. Such statistics raise concerns about the true impact of microfinance on women's autonomy. Cultural expectations about women's responsibilities in financial management result in [female borrowers transferring control of their loans](#) to male relatives, implying that greater control of financial resources would only be achievable if the [underlying structure of gender norms in Bangladesh](#) was changed.

Thus, patriarchal gender norms are also a problem when it comes to the **sectors** women choose to invest in. A [study](#) on Bangladeshi microfinance recipients found that around half of female microfinance recipients decide to invest in domestic activities such as farming or manual craftsmanship, as opposed to jobs done outside the home. Female borrowers often choose to work and invest in businesses characterized by low risk and low returns. This decision is shaped by [how well the projects fit into women's daily lives](#), as [women's domestic and family responsibilities](#) make it hard for them to work outside their homes.

The question remains: can for-profit businesses genuinely contribute to social goals without compromising their financial performance? As more [microfinance institutions \(MFIs\) prioritize loan recovery over social impact](#), the potential for women's empowerment through microfinance continues to diminish. MFIs have long been accused of [unfair lending practices and forceful methods of collecting debt](#), which could further block women's empowerment and leave them worse off than before. Thus, a controversial increase in [commercialization of microfinance](#), in which many MFIs prioritize loan recovery over social goals, has been leading to a tradeoff between meeting both social and financial objectives. This highlights the counterintuitive role of these loans, raising the question of whether it is justified for commercial companies to take part in crucial humanitarian actions.

If participation in microfinance programs alone does not challenge the patriarchal social norms which Bangladeshi women have to follow, then what does? [Financial literacy](#) is the knowledge that allows someone to make smart financial decisions. It teaches women key financial terms related to microfinance, lending, and starting a business, thus enhancing their skills and confidence. [Courses in financial literacy](#) help women manage their money effectively; identify high-income job sectors; pursue high-income activities independently, particularly in male-dominated sectors; and show women how to save and invest to build various income sources.

Financial literacy plays a crucial role in the relationship between microfinance and women's empowerment, accounting for [94%](#) of the connection. Thus, it has been shown that financial literacy has a [direct effect on women's empowerment](#), which in turn affects their positive development as entrepreneurs. This boosts their chances of succeeding in higher-risk businesses, enabling them to make independent business decisions without relying on their husbands. Women who engage in businesses that generate greater income, regardless of greater risk, are [more likely to repay their loans in the long term](#). This empowerment not only increases women's credibility as successful business owners, especially in rural Bangladeshi communities but also contributes to changing misconceptions about gender roles in society.

Naturally, financial literacy should not be implemented in isolation, as this also requires changing everyday gender norms and practices, aiming to achieve a [new dynamic of gender socialization](#). Having these initiatives targeted at women is especially important, considering the [great difference in education levels of women and men in Bangladesh](#). By focusing on the needs of the client and including gender-sensitive practices, MFIs can improve the long-term success of their initiatives. Time and time again, this example highlights the importance of education, showcasing that handing out resources without the respective education can be a waste.



Illustration: Bhargava, A. (2023, April 17)

1. Andriamahery, A., & Qamruzzaman, Md. (2022). Do Access to Finance, Technical Know-How, and Financial Literacy Offer Women Empowerment Through Women's Entrepreneurial Development? *Frontiers in Psychology*, 12(776844).  
<https://doi.org/10.3389/fpsyg.2021.776844>
2. Bharti, N., & Malik, S. (2021). Financial inclusion and the performance of microfinance institutions: does social performance affect the efficiency of microfinance institutions? *Social Responsibility Journal*, 18(4), 858–874.  
<https://ideas.repec.org/a/eme/srijpps/srj-03-2020-0100.html>
3. Demirgüç-Kunt, A. (2024). *Microfinance: Dream vs. Reality*. World Bank Blogs.  
<https://blogs.worldbank.org/en/allaboutfinance/microfinance-dream-vs-reality>
4. Dutta, A., & Banerjee, S. (2018). Does microfinance impede sustainable entrepreneurial initiatives among women borrowers? Evidence from rural Bangladesh. *Journal of Rural Studies*, 60, 70–81. <https://doi.org/10.1016/j.jrurstud.2018.03.007>

5. Hudon, M., & Sandberg, J. (2013). The Ethical Crisis in Microfinance: Issues, Findings, and Implications. *Business Ethics Quarterly*, 23(4), 561–589.  
<https://www.jstor.org/stable/43695076>
6. Kabeer, N. (2005). Is Microfinance a “Magic Bullet” for Women’s Empowerment? Analysis of Findings from South Asia. *Economic and Political Weekly*, 40(44/45), 4709–4718.  
<https://www.jstor.org/stable/4417357>
7. Lee, C.-W., & Huruta, A. D. (2022). Green Microfinance and Women’s Empowerment: Why Does Financial Literacy Matter? *Sustainability*, 14(5), 3130.  
<https://doi.org/10.3390/su14053130>
8. Nawaz, F. (2015). Microfinance, Financial Literacy, and Household Power Configuration in Rural Bangladesh: An Empirical Study on Some Credit Borrowers. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 26(4), 1100–1121.  
<https://doi.org/10.1007/s11266-015-9585-z>
9. Ngo, T. M.-P., & Wahhaj, Z. (2012). Microfinance and gender empowerment. *Journal of Development Economics*, 99(1), 1–12. <https://doi.org/10.1016/j.jdeveco.2011.09.003>
10. Ofreneo, R. P. (2005). Problematizing Microfinance as an Empowerment Strategy for Women Living in Poverty: Some Policy Directions. *Gender, Technology and Development*, 9(3), 373–394. <https://doi.org/10.1177/097185240500900303>
11. Shohel, T. A., Niner, S., & Gunawardana, S. J. (2022). “Even Though I Get a Loan, My Husband Controls It”: Rhetoric Versus Reality of Empowering Bangladeshi Women Through Microfinance Programs. *The European Journal of Development Research*.  
<https://doi.org/10.1057/s41287-022-00539-9>
12. Special Correspondent. (2024, March 11). *Men spend loans taken in women’s name*. Prothomalo; Prothom Alo English. <https://en.prothomalo.com/bangladesh/p8mwjqfgyw>

PICTURE: Bhargava, A. (2023, April 17). *For decades, small loans to people for small home items or to invest in companies have been a staple of India's and other aid programmes. This is known as "microfinance," and the goal is to empower women as well as alleviate poverty.* LinkedIn.com.

<https://www.linkedin.com/pulse/microfinance-aid-measure-enough-empower-women-apoorv-bhargava/>