Unveiling the Constraints: Exploring limiting Factors for Microfinance Institutions Effectiveness in Fostering Women's Empowerment in India

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Abstract

Microfinance provides financial services such as small loans, savings accounts and insurance to low-income individuals and marginalised communities with limited access to traditional banking services. By facilitating access to financial services, microfinance aims to enhance long-term economic well-being, foster social inclusion and empower individuals and communities worldwide, contributing to sustainable development. Furthermore, microfinance can empower poor women by enabling them to participate in income-generating activities, leading to financial independence and greater decision-making power. It is seen as a potential solution to reduce gender inequality since it provides women with opportunities for economic growth and empowerment. Behind this belief, it is assumed that women will use loans for their enterprises; that these enterprises will be successful; that women will control the profits and that more significant involvement in economics will translate to their social and political position in society. However, during this thesis, we identified different studies that contradict these assumptions, arguing that the process of women's empowerment is complex and that socio-economic limitations and cultural challenges can reduce the microfinance institutions' effectiveness to produce empowerment. Therefore, this thesis aimed to understand the processes of empowerment presented by female borrowers participating in India’s microfinance system. The reason for this was to identify which factor limit MFIs' promotion of women’s empowerment. Among the identified limitations are a lack of gender-sensitive approaches, limited focus on economic empowerment, the difference in literacy among women borrowers, the limited scope of services, the viewpoint of men regarding the position of women in their households and communities, limited representation and participation and change in social goals. These limitations were linked to the socio-economic status of the women borrowers and microfinance institutions' priority of profit before social impact. It was concluded that it is essential that MFIs look at the different social barriers that their female clients have in their daily life to create products and services that target financial inclusion and empowerment in all the spheres of a woman's life.

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Abbreviations

MFIs	Microfinance Institutions
SGHs	Self-Help Groups
NABARAD	National Banks for Agricultural and Rural Development
NGOs	Non-Governmental Organisations

1. Introduction

In 2020, the World Bank published its yearly Global Financial Inclusion Database, estimating that “more than one billion women remain unbanked and do not use or have access to financial tools”. The report also highlighted that “women without financial access face (higher) difficulties collecting and saving income, growing their business, and pulling their families out of poverty” (IFC, 2020). Because of this, international organisations, national and local governments, non-governmental organisations (NGOs), academics, and development specialists have begun to pay close attention to the use of microfinance as a tool for increasing women's participation in the financial system and therefore in the development process.

Microfinance is, according to Beck (2015), "the provision of financial services to individuals, households, and micro-enterprises who are excluded from traditional commercial banking services." Within the offered financial services are *microloans* (also known as micro-credit), *credits, savings, guarantees, insurance, transfer payment*, and *other transactions* (ILO, 2005). Microfinance is a development tool designed to help those who are economically disadvantaged, particularly those in low-income areas, who may require additional collateral, credit history, or official financial documentation to qualify for loans from traditional banks.

In many developing countries, microfinance is used as a tool for poverty alleviation since it allows low-income individuals and groups to stabilise their income flows and save for future needs. When targeting disadvantaged women, microfinance institutions (MFIs) have the potential to enable women to become economically empowered and motivated to start their enterprises, earn income and improve their living conditions. According to McCarter (2006), microfinance's potential to boost overall family welfare and empower women contributes to its appeal as a development instrument.

Microfinance holds significant potential in countries like India, where its impact on impoverished households and the overall economy has a crucial role in the country's development. By targeting communities from the bottom, microfinance strives to uplift poor people's quality of life and stimulate rural job creation. Moreover, microfinance institutions actively promote women's involvement in economic activities, recognizing their transformative effects on their personal and societal empowerment. Resulting in microfinance being a relevant tool not only for finance inclusion but a tool for addressing gender issues, reducing poverty, and fostering community development.

Microfinance organisations have been creative in developing products and services that enable women to break free from poverty, establish economic independence and challenge traditional gender norms. According to Lakshmi Kumar's study case on women empowerment in microfinance, lending to women was generally justified on the grounds that not only are they creditworthy, but they are also more likely to share the rewards of their investments with their families and less likely to mishandle the money. Additionally, Kumar argues that women's participation in decision-making over the household economy would enhance their feeling of empowerment. (Kumar, 2013)

Similarly, the International Labour Organization considers that microfinance services have a positive effect on women's empowerment since "it increases women's decision-making and allows them to change their socioeconomic status" (ILO, 2007). In addition, the United Nations Capital Development Fund (2005) underlines that microfinance plays a significant role in advancing economic equality due to the interdependence between financial power, poverty, and women. This means that having more economic control empowers women to make other life improvements for both themselves and their families (Swain & Yang, 2009).

Several studies have identified the capacity of microfinance institutions to foster empowerment among women by promoting entrepreneurship, increasing their income, promoting better decision-making, and improving their quality of life and social status (e.g., Kettestter, 2009; Kub et al., 2016; Niaz & Mazhar's, 2019; Asad et al., 2020; Thapa & Chowhary, 2022; Belay Mengstie's, 2022). Measuring microfinance's impact on women's empowerment has been a long subject of debate. Despite its positive benefits, its impact on poverty and women's empowerment depends on the country and the MFIs policies and regulations. Authors like Linda Mayoux (2020) and Farah Nawaz (2019) emphasise that microfinance programs have limitations, and their effectiveness depends much on the socio-economic context and environment in which they operate. Furthermore, Nawaz (2010) argues that the programs need to combine other services, such as financial literacy, socio-economic training, education, health care, social mobilisation and legal support can bring about higher levels of empowerment.

The International Labour Organization has also studied the undesired outcomes of microfinance on women's empowerment, despite them promoting and recognizing its benefits in women's empowerment. Their studies indicate that sometimes "women have little or no control over their loans, with the husband or male family member making all decisions" (ILO, 2008). Moreover, the organisation argues that "differences in literacy, property rights and social attitudes about women may limit impact outside the immediate household" (Ibid).

Women who are educated, who count on family support and who live in urban areas, have better access to microfinance services than women who live in rural areas of India, with little access to education, mobilisation and banking systems.

Financial inclusion is a key element for the economic development of developing countries, and for India, it remains a challenge. India's vast territory, with the second-largest growing population, has made the country a natural candidate for experimenting with microfinance services. With 265 million people living with less than 2 dollars per day, poverty reduction and elimination of economic inequality is one of the most important social objectives of the Indian government. According to the India Brand Equity Foundation, a Trust established by the Indian Ministry of Commerce and Industry, the government recognizes that microfinance institutions can be used to achieve national policies aiming at poverty reduction, enhancing women’s empowerment, assisting vulnerable and marginalised groups and improving the overall living standard (IBEF, n.d.)

The microfinance system that is use nowadays, originated in the early 1970s, when Muhammad Yunus developed the concept of microfinance services in Bangladesh. By 1974, the Self-employed Women's Association (SEWA) of Guarajat, India, decided to follow Muhammad's idea and establish a bank to lend money to poor women with entrepreneurial spirits in rural India. Microfinance has thus become an essential tool for poverty eradication and development in India (Sriram & Upadhyayula, 2004).

Recognising the potential of microfinance to drive financial inclusion and poverty reduction, the Indian government introduced supportive policies and regulatory frameworks to support the microfinance system. The National Bank for Agriculture and Rural Development (NABARD) has played a vital role in offering financial aid, refinancing, and capacity-building assistance to Microfinance Institutions. The establishment of the Micro Units Development and Refinance Agency (MUDRA) further bolstered the microfinance sector by providing access to formal credit for microenterprises.

Additionally to this, NABARD conducted investigations over existing self-help groups (SHGs) across India from 1987 to 1997 and offered financial assistance to Myranda (an NGO that provided microfinance services in rural areas). This then, prepared the path for the development of operating guidelines for SHGs in India (Sethi, 2019). The size of these SHGs was enough to make them a candidate for the banks to have transactions with, and they were also very responsive and adaptive to their member’s needs. As a result, in 1992 NABARD formally established the SHG-Bank linkage programme. According to Sethi, the SHGs’ good payback record persuaded the Reserve Bank of India (RBI) to include financing to SHGs as a mainstream activity of banks to be covered under their priority sector lending in 1996 (Ibid).

The self-help group-bank linkage model was launched as an initiative to link the informal sector with the formal banking sector. Under this program, the government of India requested banks to allow the opening of savings accounts for Self-Help Groups (SHGs). These groups are sometimes registered and unregistered entities that have a membership of 15 to 20 people from low-income families, most commonly women. Before the program's creation, these SHG groups used their saving and dispersed small loans to the members, but the constraints of financial resources did not allow them to satisfy their financial needs. With NABARD self-help group-bank linkage models, the SHGs groups have linked accounts with formal banks and access to better loans if repayment performance is successful. (NABARD, 2021).

The second followed model is **Micro Finance Institution (MFI)-led approach**. This approach typically involves an informal smaller group that consists of 4-10 individuals who come together to apply for loans with mutual guarantees. Compared to the first model, these loans are commonly used for agricultural purposes or related activities. Borrowers in this category are commonly farmers, rural workers or tenants. Each individual in a joint/linkage group is equally responsible for the loan repayment on time. However, this institution does not need any financial administration, as it is simple in nature (Ibid).

According to the Indian government database, the self-help group-bank linkage model programme has emerged as "the world's largest as well as the fastest growing microfinance programme and the most successful network of women-owned community-based microfinance institutions". The SHG-bank linkage model, as it evolved in India, is now a key microcredit model globally (NABARD, 2021). It is believed that this growth has had an impact on overall improvement in financial inclusion in India over the last decade. This growth can be seen in the reported statistics from the World Bank's 2017 Global Financial Inclusion Database (Also known as the Global Findex), where 80% of adults in India (aged 15 and above) have a bank account. This figure represents a nearly twofold increase from the share of adults with bank accounts in 2011 (35%) and a substantial improvement compared to the Findex data from 2014 (53%). As a result, access to financial services in India is higher compared to low-income and middle-income countries, but challenges remain.

Additionally to financial inclusion, authors like Swain and Yang (2009) consider that "SHG members are empowered by participating in microfinance programmes, in the sense that they have a greater propensity to resist gender norms and culture that restrict their ability to develop and make choices” Similarly, Kumar et al. (2021) argues that women who participated in SHG training programs gained leadership skills, competence, and self-belief in their ability to start a business or engage in any other activity. However, the authors recognize that participation in programmes has little effect on other forms of empowerment influenced by gender norms, such as views against domestic violence and household respect.

Although there have been significant studies on microfinance and its positive and negative impact on women's empowerment in India, several critical gaps persist. Exploring these gaps is essential to develop a comprehensive understanding of the complex relationship between microfinance institutions and women's empowerment and find solutions to the problems that arise in the process. Therefore, this thesis aimed to identify the different factors that can limit MFI's effectiveness when trying to foster empowerment among poor women in India.

The thesis followed a qualitative case study research design with a deductive approach, focusing on India as the study case and testing the three-dimensional Model of Women’s Empowerment. The model, developed by 4 professors in the Netherlands, aims to explain why empowerment is not an automatic outcome of female borrowers’ participation in microfinance programs but rather needs to be directly targeted for it to happen. The model presented different variables that must be identified during the exploration of your qualitative data. By applying these variables, the study revealed the different levels of empowerment achieved by women in India after participating in microfinance programs, as well as the barriers and challenges that hindered their empowerment process throughout the program.

By using the model, the research focused on identifying the limitations MFIs face when attempting to promote empowerment. Among these limitations are the lack of a gender-sensitive approach to the programs, overlooked at the levels of financial literacy of their female borrowers, and the perception of women within their communities, among others. To analyse these limitations, the study examined whether they stemmed from social constraints women face or the lack of interest from microfinance institutions in developing products and services that considers the specific needs and challenges of their female borrowers.

The findings demonstrated that both environmental factors and the approaches of MFIs contributed to limited empowerment. To foster better empowerment, the research suggests the creation of a supportive environment for women and improvement in microfinance services by collaborating with governmental institutions and other NGOs.

1.1. Problem statement

Many disadvantaged women worldwide lack access to essential financial services to help them manage their assets and generate income. Women require borrowing, savings, and investment to elevate themselves out of poverty and gain empowerment. Microfinance has been recognised as a method of combating poverty and inequality in rural areas, which house most of the world's poorest women. In India, poverty and gender inequality persist as significant barriers, especially in rural areas, where access to financial services is limited. Although microfinance institutions (MFIs) are widely used in India, it remains unclear whether these institutions can effectively promote empowerment among disadvantaged and marginalised women. This is due to the fact that studies focus on the economic empowerment process of women and overlook at the personal and relational aspects of Female borrowers. Therefore, this study aims to contribute to understanding, from a qualitative gender perspective, the factors that can limit microfinance's impact on women's empowerment.

1.2. Research question

- What factors limit MFIs' effectiveness in fostering women's empowerment?

1.3. Research objectives

1.3.1. General objective:

This research aims to identify the factors limiting microfinance institutions' (MFIs) effectiveness in fostering empowerment. To do this, the following specific objectives will be followed:

1. Measure the process of empowerment of women participating in microfinance programs in India,

2. Identify the common barriers and challenges that women present during their participation in microfinance programs to,

3. Identify the limitations MFIs have when trying to foster empowerment,

4. Determine if the factors are related to the environment surrounding the women or lack of the lack of interest from microfinance institutions in targeting empowerment.

5. Identified what can be done for MFIs to create better products and services that meet their female client's needs.

1.4. Significance of the study

The significance of this thesis lies in its potential to contribute to the literature discussion about the role of microfinance institutions in promoting empowerment among disadvantaged and marginalised women in developing countries. By exploring the current state of India's microfinance system and examining the factors that limit MFIs' contribution to women's empowerment, this study can provide valuable insights into the factors that can limit microfinance influence in women's empowerment and how MFIs can address these limitations to be more effective in their promotion of empowerment.

2. Methodology

The purpose of this section is to outline the methodology used in this research, which followed a qualitative case study as the research design with a deductive approach. A deductive approach is based on developing an idea for your research based on existing preconditions or theories. According to Dr, P.M. Gulati's book, *Research Management: Fundamental and Applied Research,* a "deductive approach means reasoning from the particular to the general. If a causal relationship or link seems to be implied by a particular theory or case example, it might be true in many cases. A deductive design might test to see if this relationship or link did obtain in more general circumstances" (Gulati, 2009). Following this approach, I intended to use the theory to identify the before and after experiences of women involved in microfinance programs, to measure their level of empowerment and determine the causes that can limit their empowerment process. This way of analysing my data allowed me to reach an answer to my research question. Therefore, this section will discuss the research design, choice of theory, data collection methods, data analysis and the study limitations.

2.1. Research design

Different pieces of literature have discussed the role of microfinance as a poverty alleviation and empowerment tool, most of them arguing that its effectiveness depends on the country and socioeconomic environment of their target audience, as well as, the different policies and strategies developed by the MFIs. Due to this, I have decided to explore India's microfinance system, to identify the common denominators that impede women to reach empowerment during their participation in microfinance programs. For this, I have decided to follow a qualitative case study design to understand the limitations microfinance institutions may face when trying to foster empowerment among women.

According to Crowe et al., a case study is “a research approach used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context”. (Crowe et al., 2011). This method allows researchers to dive deeply into a specific topic and explore it from different angles, considering its real-world complexities and nuances. According to Yin, following a case study design can contribute to a general understanding of a specific topic and shed light on the causes of specifics phenomenon that occurs in everyday contexts. (Yin, 2009). Meaning that researchers using case studies as their methodology aims to describe a specific aspect of a problem and progress to an evaluative perspective to research a solution to the problem.

This initial phase involves a detailed description of the case or situation under study, in which the researcher gathers the data, facts, and information about the case to understand the different components and complexities. In Creswell's words (2014), during a qualitative case study, “researchers explore in depth a program, event, activity, process, or one or more individuals. The case(s) are bound by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time”(Creswell, 2014). These evaluations are essential in understanding the implication and significance of the case. They help identify strengths, weaknesses, and opportunities, which aid in the solution and the proper action that need to be taken to solve the problems encountered during the analysis. Case study research then becomes a valuable tool for exploring intricate issues and generating meaningful insights in qualitative research.

Following these ideas, by focusing my research on India’s microfinance system and its female borrowers, I aimed to contribute to the existing literature to better understand the relation between empowerment and microfinance, and its existing limitations. In order to do this, I conducted a general literature review that looked at the different impacts of poverty and empowerment microfinance has around the world. This helped me understand the general idea of the use of microfinance as a poverty alleviation tool and a means for empowerment. From this general view, I narrowed down my research to my main subject and gather information related to India's microfinance system. Following this structure helped me at understanding better my topic and gave me an idea of what type of result I may encounter during my analysis section and the ways these findings can contribute to the answer to my research question.

2.2. Data Collection Methods

To explore the limitations of MFIs in promoting empowerment among poor women in India, a qualitative approach was adopted in this study, meaning that the collected data in this thesis consist of secondary data from various existing sources, such as journals, academic research papers, economic reports from international organizations, policies briefs, government website and reports, among others. The data collection methods employed in this research are outlined below:

2.2.1. Literature review: despite using the same type of data collection methods, it varies depending on their use. For example, for the literature review, the data collection focused on studies related to microfinance and its impact on women's empowerment. Here, I aimed to introduce the general idea of the perception of microfinance as a poverty alleviation tool and a means to empowerment. Therefore, my data looked at different experiences around the world and did not focus on a specific country or group of women. For this section, I used specific keywords related to the research topic, such as "Microfinance and women's empowerment," "SHGs and women's empowerment," and "MFIs and empowerment."

2.2.2. Reports from International and Local Organisations: reports and publications from international and local organisations working in microfinance and women's empowerment were accessed to gather relevant data. These reports often contained valuable insights, case studies, and statistical information about the impact of MFIs on the lives of women borrowers. Examples of such organisations include the United Nations Development Programme (UNDP), World Bank, International Monetary Fund (IMF), and various non-governmental organisations (NGOs) operating in India.

2.2.3. Government Databases: data from the databases of the Indian government were used to gather information related to microfinance and women's empowerment. The government databases contain official statistics, research reports, and data collected through national surveys and initiatives. These sources provide reliable and comprehensive data on various aspects of microfinance, including its origins, the different programs, the numbers of female borrowers, as well as female Self-Helped Groups, the official data on its impact on women's economic growth and empowerment, among other data. The official websites used in this thesis were the NABARD website and the IBEF website.

2.2.4. International and Indian Research Papers: Academic papers published by scholars and researchers from international and Indian institutions were examined to extract relevant data. These papers often present empirical studies, theoretical frameworks, and analyses of microfinance programs and their effects on women's empowerment. In addition, they contribute valuable insights and findings that inform the research on the topic. Most of this research can be seen in the literature review and analysis section. The words used to gather this data involve “Women empowerment and microfinance” “SHGs in India” “Female SHGs in India” “India microfinance system” and “Indian women in microfinance”, among other word codification. The most used websites to gather these research papers included AAU library, Sage Journals, JSTOR, Science Direct, etc.

By employing these data collection methods, the study aimed to gather a comprehensive and diverse secondary data on microfinance and women's empowerment from various reliable sources. This approach allows for a broader understanding of the research topic by integrating existing knowledge and research findings from different contexts and perspectives.

2.3. Choice of theory

For the analysis of this thesis, two theories were presented in the theoretical framework section. Intersectionality and the Three-Dimensional Women's Empowerment Model. Both theories are important for the research and are used with a specific objective, one can explain how differences in a women’s background affect their interaction with their environment and their process of empowerment and the others aid to analyse their processes of empowerment and measure them. However, both aimed to answer the research question.

2.3.1. Intersectionality approach: intersectionality has become crucial for research because it recognises and addresses the interconnected and overlapping system of oppression and privilege that shape women’s experiences. For this thesis, it was important to look at the differences in gender, class, race, ethnicity, caste and more to identify the different processes of empowerment women experience when participating in microfinance programs, since these intersecting identities can create and unique and complex experience that cannot be understood if the woman’s background is not taken into account. Therefore, intersectionality was used to identify inequality among female borrowers, their different interactions with the programs, and their freedom to access financial tools, among other variables. The approach complemented the model in a way that helped explain the importance of addressing these differences to make microfinance institutions more effective at promoting empowerment.

2.3.2. Three-Dimensional Women's Empowerment Model, the reason for choosing this model relays on the fact that is a theory that was developed to measure the impact of microfinance on women’s empowerment. The theory has already shown that it can be used to identify the challenges and barriers women present during their empowering process in microfinance programs. It recognises that time and culture may affect their participation in the program and therefore their feeling of empowerment. While I will use the theory the measure their processes and measure their level of empowerment, I aimed to identify how the barriers they presented can be seen as limitations of MFIs. An example of my approach is how women with little to non-financial literacy have a harder time participating in female SHGs, because they have no understanding of the loan and repayment process. This can be seen as an overlook from the MFIs to the differences in financial literacy of their female borrowers. This use of the model helped me reach my objective and answer my research question.

2.4. Data Analysis Methods

During the analysis of the data a qualitative approach was applied. The data were analysed on the different perspectives and arguments from various authors, researchers, theories and approaches. The following methods were employed for analysing the data in this study:

2.4.1. Theoretical Framework Analysis: The theoretical framework, as presented in the former section, was divided into two sections. The concepts and the theory. The reason for this was to introduce the reader to the different theoretical perspectives and definitions of the concepts of poverty, microfinance, empowerment and women empowerment. By giving the different theories surrounding these concepts, I aimed to narrow down the perspective this thesis will be looking at the different concepts, which come from a gender view. This view then, introduces the two different theories used in this thesis. Intersectionality approach and the Three-Dimensional Women's Empowerment Model. The latter is the main theory used for the analysis of the data during the analysis section that helped me understand the process of empowerment and the limitations of the microfinance system in India.

2.4.2. Data Analysis based on the Three-Dimensional Women's Empowerment Model: the model developed by Huis et al., includes three dimensions researchers should learn before initiating their data analysis. These dimensions are the micro-level, the meso-level and the macro-level. Each of these levels presented specific variables the researcher should look to in order to identify the processes of empowerment women presented before and after their participation in microfinance programs.

a. **Micro-level analysis:** at this level the analysis of the data was based on the variables presented by the theory. These variables included changes in women's "self-esteem", "self-confidence", and "personal strength". Once the data was analysed, I looked at the before and after improvement of each variable to determine if empowerment has being reached. In the cases in which it was not, I used the information to determine the causes of the problem and its relationship with MFIs. Once this was done, I presented the limitations for this level.

b. **Meso-level analysis:** this level followed the same structure as the micro-level except for its variables. Here the variables include "position of the women in relation to others" "Bargaining power" "freedom of mobility" and "risk of domestic violence".

c. **Macro-level analysis:** the analysis of this level was different from the other two, this was due to the lack of data that meet the variables presented by the authors. Here, the authors recommend looking at the "percentage of women participating in microfinance" "female leadership" "female staff promotion" and more, however, these macro numbers were hard to find, therefore the analysis focused mostly on the numbers of female borrowers and their experiences working in microfinance institutions.

2.4.3. Discussion and Conclusion Analysis: after the analysis of the findings and result from the analysis section, the discussion section focused on the recommendations for improving female borrowers empowering experiences in microfinance programs. This recommendation was based on the limitation that was found and the conclusion of the analysis. The conclusion of the study summarised the key findings and their implications for microfinance programs and women's empowerment in India.

The data analysis methods used in this research facilitated the exploration of the available data, identification of limitations, and the application of the Three-Dimensional Women's Empowerment Model to understand the dynamics of women's empowerment within the Indian microfinance system. These methods helped provide insights into the limits and opportunities for MFIs to foster women's empowerment, contributing to the overall understanding of microfinance's role in financial inclusion and gender empowerment.

2.5. Limitations

Acknowledging the limitations of your research demonstrates a level of honesty and transparency. According to Ross and Bibler (2019), it ensures transparency of both the research and the researchers and provides transferability and reproducibility of methods to the readers. Presenting limitations also supports the proper interpretation and validity of the findings (Ross & Bibler, 2019). By openly discussing the limitations, the writer shows that they have critically assessed the research and are aware of its shortcomings. The limitations identified during the research of this paper are related to limited access to data and time constraints. These limitations impact the comprehensive understanding of microfinance institutions' limits when trying to foster empowerment. The specific limitations include:

2.5.1. Limited Access to Data: The absence of official data on the index of women participating in the microfinance system, not only as borrowers but also as employees, hindered the analysis of the macro-dimension of empowerment. This limited access to data makes obtaining a holistic view of women's participation and their roles within the microfinance sector challenging. Without this data, it becomes difficult to assess the extent of women's economic empowerment and identify potential limitations or disparities.

2.5.2. Lack of Primary Data: The unavailability of primary data, particularly from studying a specific group of women participating in microfinance programs, further limits understanding of their empowerment levels and the constraints they face. Primary data collection would have provided more in-depth insights into women's experiences, perspectives, and challenges within SHG groups. Without access to primary data, the analysis relies solely on secondary data sources, potentially missing nuances, and context-specific factors.

2.5.3 Time Constraints: Time constraints during the research process can impact the extent of data collection and analysis. A limited timeframe can restrict the researcher's ability to gather a wider range of data sources or conduct more extensive fieldwork. As a result, the analysis may not capture the full complexity of women's empowerment and the limitations MFIs face in promoting it within SHG groups.

It is important to acknowledge these limitations as they affect the scope and depth of the research findings. Despite these constraints, the study's conclusions and recommendations are still based on the available data and analysis within the given timeframe. Future research should address these limitations by accessing more comprehensive and diverse data sources and allowing for a more extensive exploration of women's empowerment in microfinance.

3. Theoretical Framework

The aim of this thesis, as mentioned earlier, is to understand the limitations that microfinance institutions encounter when trying to foster empowerment in their female-orientated programs. In order to better understand these limitations, it is important to conceptualise the definitions of poverty, empowerment, women empowerment and microfinance and how these concepts are related to each other. For this, the theoretical framework has been divided into two sections, the first focusing on the definitions of the main concepts used across this study case and that will give an introduction to the second part of the framework, which focused on Intersectionality and the three-Dimensional Women's Empowerment Model, which is the theory used to measure the different process of empowerment and helped identify the different limitations presented in the analysis section of this thesis.

3.1. The concepts

3.1.1 The concept of poverty

Poverty can be defined in various ways, however, most of the definitions share the premises that poverty refers to individuals, families and communities who have extremely low income or no income for food, clothes, housing and other basic needs. Furthermore, according to the United Nations, poverty entails more than the lack of income and productive resources to ensure sustainable livelihoods. It involves restricting access to education and other essential rights, as well as social prejudice, marginalisation and lack of participation in their community's decision-making.

The definition of poverty cannot be based entirely on economic connotations but on the accumulation of different social and environmental aspects of someone's life. According to Wagle (2008), poverty is a multifaceted concept, and purely economic approaches have failed to accurately capture the degree of poverty experienced. The author introduced two alternative approaches to conceptualise and measure poverty: capability and social inclusion. The capability approach focuses on the freedom aspect of life, arguing that "a lack of meaningful freedom disallows one to achieve valued "functioning", including a decent living standard". The social inclusion approach suggests looking at societal and institutional factors that are key in determining one's living standard (Wagle, 2008). In other words, social inclusion is about ensuring that individuals have access to the resources and opportunities necessary to participate fully in society and lead a fulfilling life. Both approaches explore poverty through the lens of financial strain and sociocultural inequity.

Similarly, Brady (2009), argues that explanations of the causes of poverty can be categorised into three broad families of theories: *behavioural, structural and political.* According to him, **behavioural theories** pay close attention to individual behaviours as they are influenced by incentives and culture. This means that behavioural theories can provide insight into the relationship between behaviour and poverty by looking at human behaviour through a comprehensive analysis of the contextual factors preceding and following an individual's actions. Among those theories is behavioural economics, which is, in Richard Thaler’s words “a combination of economics and psychology to understand how and why people behave the way they do in the real world. It differs from neoclassical economics, which assumes that most people have well-defined preferences and make well-informed, self-interested decisions based on those preferences” (Witynski, n.d.). When applied to poverty, behavioural economics can shed light on habits like impulsive spending, under-saving, and risk aversion, all of which can lead to a cycle of poverty.

On the other hand, **structural theories**, often known as structuralist theories, focus on social phenomena and human behaviour by exploring the underlying structures and systems that shape society (Brady, 2009). These theories emphasise the role of social, economic, and political structures that cause poverty among individuals and groups. According to David Elesh (1970), structural theories discuss poverty in terms of poor living conditions: unemployment, underemployment, inadequate education, and bad health (Elesh, 1970). Among structural theories is structural functionalism, which is a theory that considers society to be a complex system with numerous pieces that all work together to make society more stable and supportive (Vicent, 2015). In the case of poverty, this approach can reveal how structural factors emerge. For example, poverty can be viewed as a consequence of the uneven distribution of resources or as a means of maintaining low-wage labour for economic growth.

Finally, **political theories** argue that power and institutions generate policies that contribute to the causes of poverty and moderate the relationship between behaviour and poverty (Brady, 2009). Political theories aim to explain and analyse many aspects of politics, governance, power, and society. These theories provide different perspectives on the nature of politics, the distribution of power, the role of government, and the relationship between the individual and the state. Although poverty, as noted earlier, is a multidimensional issue affected by a variety of factors, political theories can provide insight into how political systems, policies and ideologies influence poverty. Among those theories is feminist political theory. According to Erika Tucker (2011), this theory is a combination of the feminist approach and political theory that looks at gender, power and poverty. It investigates how gender inequalities contribute to women’s disproportionate poverty experiences and advocates for legislative and societal changes to address gender-based economic disparities.

The view of poverty from a gender perspective is the concept that this thesis will be following since feminist political theory understands poverty not only from the lack of economic resources but the differences in gender, cultural background, language, and socio-economic status and more than contribute to the cycle of poverty among women. It also introduces us to the term “feminization of poverty”.

Poverty from a gender perspective

During the 1980s, feminists from underdeveloped countries initiated a critical examination of poverty through a gender lens. They identified a number of phenomena within poverty that were specific to women and demonstrated that the number of poor women was higher than poor men, that women suffered more from extreme poverty than men, and that female poverty had a more marked tendency to increase, due to the rise on the numbers of single mother-headed households (ECLAC, 2003). This phenomenon resulted in the concept of “Feminization of Poverty”.

However, it is important to understand that the feminization of poverty is not a result of women not having an income, or enough income to survive, but also a consequence of limited opportunities, gender biases in their communities, employment discrimination, lack of access to financial resources, gender-based violence and lack of protection and reassurance from government institutions. Projections on global poverty by UN Women and the Pardee Center for International Futures indicated that approximate 388 million women and girls were estimated to be living in extreme poverty in 2022. Among these women, most of them being from developing nations were denied access to basic resources such as loans, land and inheritance.

Furthermore, women's labour goes unacknowledged and unrewarded. Their health and nutritional requirements are not prioritised, they do not have adequate access to education and support services and have limited participation in decision-making at home and in the community. According to the United Nations, women trapped in the cycle of poverty lack access to resources and services that could help them transform their circumstances (UN, 2000).

Microfinance and poverty have a deeply rooted relationship. Poverty, as defined before, is believed to be a result of existing economic, political, and social structures that restrict individuals’ chances and availability of resources to attain financial stability and overall welfare. Microfinance is an economic tool that aims to provide financial services to the poor to include them in the financial system and therefore, help them lift themselves out of poverty. Microfinance began its formal activities during the late 1970s and since then has had a growing importance and presence in efforts to achieve development goals and in the fight against poverty.

3.1.2. The concept of microfinance

Microfinance is, according to Karlan and Golberg (2006) "the provision of small-scale financial services to people who lack access to traditional banking service". When talking about microfinance, it is typically referring to the provision of small microcredits to clients for self-employment use. Alongside this, there is often an emphasis on encouraging the accumulation of modest savings. Furthermore, the International Labour Office (2005) defines microfinance as "the provision of financial services to the poor on a sustainable basis, financial services that the working poor need and demand. These services include different types of credit, savings, guarantees, insurance, transfer payments, remittance and other transactions" (ILO, 2005).

Microfinance is considered a financial tool aimed to support entrepreneurship, alleviate poverty, and promote financial inclusion. Moreover, according to Kumar and Bansal, "It is a movement whose object is a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high-quality financial services, including not just credit but also savings, insurance, and fund transfers." (Kumar Bansal & Bansal, 2012). Maria Nowark highlights that microfinance diverges from conventional credit by primarily targeting impoverished and marginalised individuals and groups. It is a tool that acknowledges their skills, their needs and their ability to repay loans (as quoted in Blondeau, 2006).

The current microcredit movement, in contrast to traditional informal credit practices, is characterised by its NGO approach to poverty alleviation. Unlike profit-oriented lenders, microcredit organisations focus on social impact. They also reject the notion that poverty is solely a result of personal failings, instead attributing it to social processes that restrict access to resources like credit. According to Khandakar (2004), leaders in the microfinance sector perceive credit as a fundamental human right and hold the belief that by mobilising the impoverished through microcredit organisations, MFIs can foster both social and economic changes.

In conclusion, microfinance entails providing financial services to individuals and groups that face barriers to accessing the conventional banking system. It is a tool whose objective is to improve long-term economic welfare, promote social inclusion and empower its users, contributing to their personal and social development. However, it is important to mention that poverty alleviation or empowerment is not an immediate result of microfinance programs. According to Rames Chandra, microfinance should not be seen as the cure for poverty but as a tool to alleviate it. The author argues that, for microfinance to be an effective tool, it needs to come with government intervention that ensures social mobilisation, capital formation, capacity building and appropriate planning. The author argues that without effective intervention, microfinance projects tend to have little to non-impact in alleviating poverty (Chandra, 2022).

3.1.3. The concept of empowerment

Empowerment is a complex concept that is not easy to define. It is subjected to a different interpretation that depends on the context and the social groups to which reference is made. According to the Cambridge dictionary, "empowerment refers to the process of gaining freedom and power to do what you want or to control what happens to you". As a result, empowerment is the process of enhancing one's authority and control over one's life and decision-making. It entails providing an atmosphere in which individuals and groups can grow their skills, knowledge, and confidence while also having access to resources and opportunities that allow them to manage their lives and achieve their goals.

From a feminist perspective, Bookman and Morgen (1988), conceptualise empowerment as the ''process aimed at consolidating, maintaining, or changing the nature and distribution of power in a particular cultural context'' which can range from ''acts of individual resistance to mass political mobilizations''. Furthermore, in Czuda and Page's (1999) analysis of empowerment, she argues that the concept of empowerment depends on two factors. To begin, empowerment involves the ability for power to shift. If power cannot be changed, if it is inherent in positions or people, then empowerment is neither attainable nor even conceivable. Meaning that empowerment can only exist if power structures change. Second, the concept of empowerment is based on the idea that power may be expanded. Meaning that power does not stay in a specific stage but can expand to other spheres of someone's life (Czuda & page, 1999). An example is the expansion of women's rights over the years. The power did not stay on just the right to vote but expanded to other areas of women's rights like education, work and social rights.

Empowerment can come in many forms, it can be political, social, economic or personal empowerment. It entails having access to education and training, establishing support networks and communities, advocating for equal rights and opportunities, and tackling institutional hurdles and disparities. Perkins and Zimmerman (1995), in their aim to understand empowerment, highlighted that empowerment is not and should not be an individual process but rather a collective aim. In their work, empowerment is described as a purposeful and ongoing journey centred in the local community, with emphasis on mutual respect, self-reflection, empathy and active team participation. It enables disadvantaged individuals in similar circumstances to increase access to and control over their resources. Empowerment, therefore, becomes a process of change that enables people to take control over their lives, participate democratically in their communities' affairs and allows people to gain meaningful awareness of their environment.

According to Rowlands (1995), empowerment can be analysed from three dimensions: **Personal,** "empowerment is about developing a sense of self and individual confidence and capacity and undoing the effects of internalised oppression" (P., 2) **Rational,** "empowerment is about developing the ability to negotiate and influence the nature of the relationship and decisions made within it" (P., 2) **Collective,** empowerment is seen as a collective work to achieve better outcomes for all groups. Here "individuals work together to achieve a more extensive impact than each could have done alone" (P., 3). Within the empowerment approach, it is considered that for a woman to be empowered she must have access to the material, human and social resources necessary for her to be able to make strategic decisions that can improve her life and well-being. Her process therefore must impact her personal, rational and collective empowerment.

3.1.4. Women empowerment

The concept "women empowerment" was introduced in 1985 at the International Women's Conference in Nairobi, Kenia. The conference defined empowerment as "a redistribution of social power and control of resources in favour of women" (Chutia, 2022). According to Sushama, women empowerment is a situation in which women are allowed to participate fully in social, political and economic spheres of life (as quoted in Manuere et all, 2018). Empowerment involves the extension of power and authority to marginalised, oppressed and disadvantaged individuals who have historically been excluded from participation in decision-making processes, as well as in participation in the development and implementation of policies and programs within governmental and societal matters (Mandal, 2013).

Keller and Mbwewe (1991) describe women empowerment as "a process whereby women become able to organise themselves to increase their self-reliance, to assert their independent right to make choices and to control resources which will assist in challenging and eliminating their subordination" (as cited in Tandon 2016). This view on women's empowerment focused on women's access and control over economic resources, however, it is important to notice that women's empowerment is also related to the achievement of skills that enable the transformation of social structures in order to obtain women's participation in the environment where their involvement had been denied. According to the European Institute for Gender Equality, women's empowerment journey increases their awareness of gender inequalities and enables them to gain the self-confidence to overcome inequalities presented in their home, workplaces and communities.

Furthermore, Esther Duflo (2012) argues that "there is a bidirectional relationship between economic development and women's empowerment defined as improving the ability of women to access the constituents of development—in particular health, education, earning opportunities, rights, and political participation". In her paper, the author states that, in one direction, development by itself can play an important role in decreasing inequality between women and men, and in contrast, ongoing discrimination against women can hinder development.

Therefore, according to Dina Pomeranz (2014) using microfinance as a tool to empower women can result in women having access to capital for funding for business opportunities, as well as the ability to handle financial setbacks, bargaining power within households and total independence from their families. The author argues that as poverty diminishes, gender inequality tends to decrease, highlighting the potential for transformative change through targeted financial inclusion strategies. Nonetheless, according to Rowlands (1995), there is a prevalent assumption that economic strength inherently leads to power.. Although this correlation might hold true in specific cases, it frequently proves otherwise. The process of empowerment is intricately linked to contextual factors such as gender, culture, social class, and even factors like caste, as seen in the Indian context. Despite progress, development efforts often continue to be directed "toward" women, and an exclusive focus on economic activities does not automatically creates and environment for women to reflect on their own roles or address other complex challenges they face in their lives (Rowlands, 1995).

In conclusion, women's empowerment entails providing women with the tools, opportunities and support they need to achieve equality, autonomy and agency in all aspects of their life. It involves ensuring access to education, economic resources and decision-making spaces. By fostering empowerment, microfinance institutions have the capacity of creating value in the life of their female borrowers and impacting their empowerment journey. However, in order to do this, they need to understand the challenges and barriers that their female clients face, as well as their limitations when trying to promote empowerment. It is for this, that microfinance can only be effective at creating empowerment if their planning process is seen from a gender lens.

3.2. The theories

3.2.1 Intersectionality theory

The United Nations considers intersectionality as "a concept and theoretical framework that facilitate recognition of the complex ways in which social identities overlap and, in negative scenarios, can create compounding experiences of discrimination and concurrent forms of oppression" (UN, 2022). The concept originated in 1989 by imberlé Williams Crenshaw, who defined intersectionality as a metaphorical framework that helps us comprehend how various forms of inequality or disadvantage intersect and interact, often resulting in compounded obstacles that go beyond conventional ways of thinking.

Furthermore, intersectionality is based on recognizing that individuals have multiple and overlapping identities shaped by social interactions, historical context and power dynamics. According to the European Institute for Gender Equality, an intersectional analysis aims to reveal the discrimination and problems that arise when these identities cross and interact with each other. Therefore, intersectional research asserts that gender cannot be examined independently of other societal and institutional systems that shape inequality. When examining women's empowerment, it is essential to consider intersectionality to comprehend the varied obstacles and types of discrimination that women from diverse backgrounds encounter.

According to Anthias (2012) and Yuval-David (2006), intersectionality understands that power operates at multiple levels: at the individual level shaping lived experience and subject formation; at the inter-subjective level in relations among actors; at the organisational level in social, political, and economic institutions; and at the representational level in discourse information flows (As cited in Hughes and Dubrow, 2018). By embracing an intersectional perspective, women's empowerment efforts strive to address the unique needs and experiences of women from different racial, ethnic, socioeconomic, and cultural backgrounds. It recognizes that women's empowerment cannot be achieved through a one-size-fits-all approach but requires tailored strategies that should consider the specific challenges faced by marginalised women. For instance, in India, an intersectional approach would recognize that women who are illiterate, impoverished, and from lower castes and religious minorities may confront not only gender-based discrimination but also cultural bias, intensifying their disadvantages and impeding their access to empowerment resources.

According to Zhang and Posso (2017) microfinance “enables poor women to engage in income-generating activities that help them become financially independent, strengthening their decision-making power within the household and society. It is through this channel that economists argue that microfinance has the potential to reduce gender inequality”. Behind this belief, it is assumed that: women will use loans for their own enterprises; that these enterprises will be successful; that women will control the profits and that greater involvement in economics will translate to their social and political position in society (Hulme & Mosley 1996).

However, several studies contradict these assumptions, adding that the process of women’s empowerment is complex and that social limitations and cultural challenges can reduce the microfinance institutions’ effectiveness to produce empowerment. Therefore, understanding the dimension of empowerment and intersectionality can provide MFIs with an understanding of the complexities of women’s experiences and challenges, so the institution can foster programs that have a meaningful impact on the empowerment process of their female borrowers.

3.2.2 The Three-Dimensional Model of Women’s Empowerment

The three-dimensional women’s empowerment model is a framework created by Huis et al. (2017) that suggests that women’s empowerment can occur at three distinct but related dimensions: the personal, relational, and societal dimensions. According to the authors, microfinance interventions are based on the assumption that “participation in the program has empowering effects and stimulates individual growth”. However, they argue that these interventions are often implemented in more traditional collectivist cultures and due to this, it is crucial to conduct culturally sensitive research to avoid cultural biases and understand empowerment outcomes in different cultural contexts. To do this, they presented the following way to asset the impact of microfinance on women's empowerment:

The first, **micro-level**, refers to “the individuals’ personal belief as well as actions, where personal empowerment can be observed”. **Personal empowerment** refers to an improvement in self-esteem, control belief, self-confidence and self-efficacy. In order to measure the impact of microfinance programs on these components of women’s self-belief about their personal strength, the authors recommend performing before and after attitude improvement measurements to determine if women who participate in these programs report higher levels of internal control compared to women who have not participated in these programs (Huis et al, p. 3, 2017).

The second, **the meso-level**, refers to "beliefs as well as actions in relation to relevant others, where relational empowerment can be observed" (Ibid, P., 5). **Relation empowerment**, focused on women's position in relation to others such as their partner, family or social network. At this level, the impact measurement of microfinance, is by assessing women's bargaining power within the household (Are they allowed to participate in the decision-making over the household spending?); their freedom of mobility to visit places such as grocery stores or relatives outside their villages (Do they have the possibility of mobilising between one community to the other? Do they have access to transportation without risk of sexual harassment?) and risk of intimate partner violence. Another way the authors propose to measure microfinance's impact on women's relation empowerment is to examine the number of women's membership in social groups such as microfinance groups, school groups, religious groups and other women's groups (have women increased their social participation after being part of microfinance programs? and what is the difference between women who have not?) (Ibid, p. 5)

The third, **the macro-level,** refers to "outcomes in the broader, societal context where societal empowerment can be observed" (Ibid, P.6). **Societal empowerment** refers to women's ability to close the gap between the inequalities in their environment. Here empowerment is measured on the percentage of women participating in the microfinance system. An example is the percentage of female microfinance borrowers, female clients with school-aged children, female leadership in microfinance institutions, female staff promotion and attrition, average loan balance for female borrowed and finance literary services offered to women. At this level, the target is to measure the presence of women in the context of microfinance services. (Ibid, p. 6)

4. Literature Review

Different studies have revealed the positive impact of microfinance on poverty reduction and promotion of empowerment. Authors around the world recognize the role that financial services play in enhancing the life of impoverished communities and marginalised groups, therefore, in the following section, I will briefly conduct a literature review of different author's perspectives and arguments on the impact of microfinance on poverty and women's empowerment.

4.1. Impact of microfinance on poverty

Faconi and Schedule (2010), describe microfinance as a type of tool that goes beyond generating a financial return but aims to reach social benefits as well. Microfinance for the authors, represents a sustainable blend of economic performance and social impact, offering a holistic approach to fostering positive change. Furthermore, a study conducted by Kamer et al. (2018) revealed that microfinance, including its microcredit initiatives, demonstrates a statistically significant effect on reducing the poverty alleviation index, enhancing the living standard of borrowers by elevating their income level.

Samer et al. (2015), suggest that microfinance enhances household well-being across various dimensions. This impact encompasses aspects such as asset acquisition, household nutrition, health, food, security, children's education, women's empowerment and the promotion of social cohesion. However, in order for microfinance to have a positive effect on poverty reduction, Hulme and Mosley (1996), suggest that well-designed lending programmes can improve the income of poor people and for a portion of cases can move the income of poor households above the official poverty line in large numbers.

Additionally, Edson (2018) suggests that access to financial services has an impact on the level of education of the beneficiaries, leading to poverty reduction. According to Khand et al. (2020) education among women will reduce family size and therefore create a reduction of poverty within the household. Additionally, Chomen's (2021) study of the Ethiopian MFIs revealed that beyond income increase and better nutrition intake, members develop the habit of voluntary saving. Khandker (2005) argues that microfinance not only raises the probability of program participants escaping poverty but the microfinance intervention also benefits nonparticipants through growth in local income.

However, several studies dispute the impact of microfinance in poverty alleviation, arguing that by itself microfinance programs cannot guarantee reduction of poverty. As in LaCalle-Calderon et al. (2018) view, microfinance should not be seen as the solution for poverty but as a tool that needs to be combined with other development tools. Governments and NGOs, as well as individuals, should invest more significant efforts in supporting microfinance institutions and their activities. Similarly, Tasos et al. (2020) study in Pakistan revealed that microfinance effectively contributes to poverty alleviation through income increase in the member's households. However, they also argued that microfinance effectiveness can be enhanced by MFIs taking additional steps to ensure its impact on poverty.

Blondeu’s (2006) conclusion on the positive effects of microfinance accentuates that while progress for clients is noticeable in terms of an increase in income, reduction of vulnerability and better confidence and self-esteem, microfinance remains a financial tool and it cannot be expected to resolve the complex, multidimensional problem of poverty. In Unufegan et al. (2005) findings from their study of MFIs in Nigeria showed that the geographical location of clients, environmental conditions, government policies as well as local culture could limit the operation of MFIs and therefore its contribution to poverty reduction.

4.2. Impact of microfinance on women's empowerment

Women who receive microloans have been able to start or expand a small business, increase their income and improve their standard of living. Additionally, it has helped increase women’s social capital by providing them access to financial education and support networks (Kerstetter, 2019). Belay Mengstie's (2022) study on the impact of microfinance on female borrowers in Ethiopia, concluded that there was a notable improvement in various areas of women’s lives. These included “improvement in women’s asset ownership”, “increased income”, “improvement in saving amounts” and “more effective decision-making”. The study also revealed that “women's participation in the microfinance program contributed to a higher level of economic empowerment”. This was evident through “better economic status”, “knowledge of business activities”, “self-confidence in engaging in income-generating activities”, “social and political awareness”, “development of organisational skills”, and “increased mobility” (Mengstie, 2022).

Similarly, Niaz & Mazhar’s (2019) study of Pakistani women borrowers, identified the relationship between microfinance, poverty reduction and economic empowerment of women. According to the study results, when a woman receives a loan and is able to reduce her poverty, she will certainly become economically empowered with a better social position. Kulb et al. 's (2016) study on microcredit and women’s empowerment in Kenya, used qualitative in-depth interviews and observations to understand the process of empowerment from the perspective of women involved in a community-based microcredit group. It highlighted that women experienced three different phases of empowerment as ‘enlightenment’, ‘group movement’ and ‘empowerment’ after their involvement in microfinance. Thapa & Chowdhary's (2022) study of Rupandehi District in Nepal, concluded microfinance is a powerful instrument for empowering women socially and economically. The paper argues that microfinance significantly affects increasing business volume, ownership of assets, saving and expenditure pattern, freedom towards decision-making, family and social relationships, freedom of mobility and education and health status of women entrepreneurs.

Asad et al. (2020) conducted a study examining the connection between Microfinance Institutions and women's empowerment, revealing that MFIs and their services play a crucial role in enhancing women's empowerment. The study found that “providing women with financial tools can reduce their level of poverty and enhance their socioeconomic well-being”. Farah Nawaz's (2019) book on Microfinance and Women’s Empowerment in Bangladesh argues that microfinance programs have been successful at empowering women , but it has not been able to bring empowerment to all women equally at all levels. Asad et al., suggest that combining microfinance with other services such as financial literacy, socio-economic training, education, health care, social mobilisation and legal support can bring about higher levels of empowerment. Additionally, the author emphasises the importance of considering the diversity of women's experiences and needs when designing and implementing microfinance programs.

Following this criticism, Linda Mayoux (2020) conducted a comprehensive analysis of the crucial aspects concerning microfinance and women’s empowerment. Her review concluded that “women’s general empowerment cannot be assumed to be an automatic outcome of microfinance programmes”. Furthermore, Mayoux argues that there is a persistent lack of interest in including methods or approaches that effectively integrate microfinance with other empowerment interventions. Mayoux emphasises that “unless empowerment is an integral part of the planning process, the rapid expansion of microfinance is unlikely to make more than a limited contribution to women’s empowerment” (Mayoux, 2020). Similarly to this, Kerstetter (2019) highlights that microfinance is not an entirely perfect solution to eliminate poverty and empower women, but with improvement, it can be. Microfinance has been found to be most effective in countries with high poverty rates, but despite all the benefits that microfinance has provided to women in these countries, the author could not stop to mention that microfinance may not be effective in all content and that it may not address underlying structural inequalities that prevent women from accessing resources and opportunities.

The International Labour Organization conducted research to assess the effects of microfinance on women's empowerment in developing countries. The findings revealed that while microfinance demonstrates a positive impact on women's empowerment, organisations must be cautious to prevent potential negative consequences. Their studies indicate that sometimes “women have little or no control over their loans, with the husband or male family member making all decisions" (ILO, 2008). Moreover, the organisation argues that "differences in literacy, property rights and social attitudes about women may limit impact outside the immediate household" (Ibid). An example of negative outcomes, is the fact that in rural areas, women have higher difficulties accessing microfinance compared to women in urban areas. This is because, in urban areas, there is a higher promotion of financial services and better access to different schemes.

Regarding India, a report made by Brain & Companies indicates that one of the undesired consequences is that, despite the number of women in entrepreneurship are high in India, these numbers are far from reality. the report argues that "in order for women to attain economic independence, it is crucial for enterprises to be owned, controlled or operated by women". However, in India, various surveys suggest that 10% to 30% of registered women-owned companies are not actually managed by women (Brain & Companies, 2020). Meaning that there is an existing gap between the ownership and control of businesses by women in India.

5. Analysis

5.1. Empowerment and poverty: what role does microfinance play in empowering low-income Indian women?

"Irawati, a 58-year-old Indian woman, recalls her first days in the ancient city of Varanasi. Her house was a structure made of bamboo poles and saris, an emergency measure until she could afford brick walls. With one small loan after another, averaging USD 290 at a time, she gradually managed to replace her home's structure. She then bought food carts, pots, and utensils to start the business that now supports her family"

(IFC, 2018).

Millions of Indian women could share Irawati's experience of taking small loans to help themselves and their families escape poverty if given the proper access to financial services. According to the World Bank, around 60% of India's population lives on less than $3.10 per day; additionally to this, 21% of Indians, live in extreme poverty with less than $2 per day (CNN, 2021). Furthermore, by 2021, women account for roughly 47 million of the total number of persons living in extreme poverty in India. According to these calculations, there will be 120 severely poor women for every 100 poor men in 2021. Unfortunately, by 2030, this ratio is expected to deteriorate to 129 poor women for every 100 men. At the current rate of advancement, economists estimate that India will need an additional 37 years to close the gender poverty gap among people aged 25 to 34 (India Times, 2022).

Efforts by international organisations, NGOs and governments have been done to enable access to financial services to poor individuals and communities. However, women remain excluded from the financial system. Commercial banks have a tendency to prioritise men and formal businesses, often overlooking the substantial and expanding presence of women in the informal economy (ILO, 2006). According to the report made by Bain & Company, in India, "challenges such as low personal savings and assets, limited financial support from friends and family, and a lack of funding from banks or private investors, make it hard for a women to start, grow and scale in the business world" (Bain & Company, 2019).

The microfinance industry has taken important steps to identify the barriers and challenges that women have when accessing financial services and have implemented strategies to break through those barriers. As shown in the literature review section, several studies have identified the influence microfinance programmes have on poverty alleviation and women's empowerment process. A woman that has access to monetary capital, uses her income to increase her well-being as well as her family's well-being. As a result, a better contribution to her household increases her self-esteem and confidence.

According to Deshmukh-Ranadive (2002), in India, organisations like the Self-Employed Women's Association (SEWA) and Working Women's Forum (WWF), have created programs and schemes that target the need for credit to Indian women. Their extensive work across different regions of India has had a positive impact on the lives of their female clientele. However, poverty and empowerment are complex processes, and it cannot be expected that just by having access to monetary capital a woman will then be empowered. An analysis of the different processes of women borrowers is needed to identify the impact that microfinance has on their process of empowerment. To contribute to a better understanding of the relationship between women, microfinance and empowerment, in the following section, I will be exploring the experiences of women in microfinance programs in India, and the limitations MFIs face when fostering empowerment.

5.2. The impact of India's microfinance system in the micro, meso and macro level of the three-dimensional women's empowerment model

The power structure, who has it, where it comes from and how it is used, have a direct impact on the decisions women can take over their lives. Microfinance programs have the opportunity to play an important role in the process of empowerment if their products and services consider the structures of power. As mentioned before, Huis et al. (2017) suggest that women's empowerment can occur in three distinct but related dimensions: the personal, relational and societal dimensions. Paying attention to the process of empowerment at each dimension can provide MFIs and policymakers with an overview of the barriers women face when trying to access financial services. Moreover, these challenges can be used to identify the limitations that microfinance institutions have when trying to foster empowerment among their female borrowers. Therefore, during this section, I am aiming to find answers to my research question through the lens of my theories.

5.2.1. The micro level

At this level, I will be analysing the level of **personal empowerment** women borrowers in India experience when they participate in microfinance programmes. As presented in the theoretical framework section, **Personal empowerment** refers to the process in which women increase their motivation, self -interests and morale to become more involved in national programmes, such as education, politics, health matters, agricultural issues and developmental programmes (Pam Rajput, 2001; Tiwari, 2001 as cited in Manuere et all., 2018). Therefore, in order to measure the impact of microfinance programs on these variables, Huis et al. (2017) recommend performing before and after attitude improvement measurements to determine if women who participate in these programs report higher levels of "self-esteem", "self-confidence", and "personal strength" and internal control compared to women who have not participated in these programs.

Loomba's (2013) study on female members of SHG in the region of Ghaziabad found that "microfinance has a profound influence on the economic status, decision-making power, knowledge and self-worthiness of women participants". Through different surveys, 96 % of female participants expressed that they "started to play an important role in decision-making over household spending and were consulted for important decisions regarding family matters". Moreover, the participants recognized that their participation in the SHG helped them improve their income and business skills (Loomba, 2013). In this study, the process of empowerment and its relationship with the microfinance programs lies in the fact that providing women with financial tools has the potential of changing their mindset and improving their emotional intelligence (related to an increase of self-esteem, self-worth, and self-belief) and their production capacity.

Similarly to this, Sult and Sharma's (2015) study concluded that "there is a significant impact of microfinance on personal empowerment since women participating in SHGs become self-independent, with a problem-solving mindset as well as improving their confidence in doing activities outside of their household without any restriction or fear". Furthermore, Sultana et al. (2017) study of the process of empowerment between SHG Muslim Members and non-Muslim member in the city of Chennai, concluded that "microfinance can have a more significant impact on knowledge and social empowerment rather than economic empowerment" (Sultana et al., 2017). The study emphasises the positive effects of microfinance in building confidence, courage and skill development for women. Moreover, it highlights how important it is for microfinance institutions to create programs that target women, since they can lead to women's leadership positions and the adoption of pro-woman rules, which ultimately can reduce poverty among women. However, the study also suggests that "microfinance programs should be accompanied by efforts to monitor the distribution of essential resources within households, such as food, healthcare and education" (p., 8), since cultural and religious background, as well as the social status of women, affect their process of empowerment and access to these basic needs. Additionally, the authors suggest that "strategies to sensitise men about the gender-specific needs of women are crucial to ensure that increased income through microfinance translates into the improvement of gender-specific needs" (Ibid, p., 8).

Similar to that, Malarvizhi and Phil's (2018) study on different SHG and microcredit schemes in Krishnagiri District highlights the important role SHG have in "creating an environment in which women increase their leadership quality, better decision-making in their personal life, and higher self-esteem". However, they also identified that the process of empowerment varies with the level of education of the female members. By using the Chi-square test[1], the authors proved that "there is a close relationship between the educational

[1] A Pearson's chi-square test is a statistical test for categorical data. It is used to determine whether the data are significantly different from what the author's first hypothesis expected.

qualification of the respondents and the level of satisfaction perceived in utilising the micro-credit" (Malarvizhi and Phil, 2018).

Furthermore, Gupta and Yesudian's (2006) study on the Indian DHS database, collected information on the perception of women's empowerment from 90,303 married women, highlighting that the index of empowerment differs from the differences of socio-economic backgrounds as well as cultural settings of female borrowers. As in Sultana's study, Gupta and Yesudian, concluded that "women's education level has emerge as the important predictor for all dimensions of women empowerment" and that "the level of personal empowerment depends much in their educational background before participating in the program" (Gupta and Yesudian, 2006). This means that higher-educated women have a better understanding of microfinance schemes and the use of the loan, than illiterate women, which makes their participation in SHG better. Illiterate women have a harder time understanding the process of repayment and how to produce revenue with their loans. They will probably tend to use their loans for short-term use (as for buying food, clothes and other basic needs) than for business investment, which results in a lack of loan repayment. It is for this, that the implementation of financial education and business strategies courses are crucial for microfinance schemes. This can help in closing the gap between the experiences of educated and non-educated women participating in microfinance programs.

However, the process of empowerment not only depends on the level of literacy or social-economic status. Lalitha and Prasad's (2011) study on female SHG across different Indian states, showed that there are several elements that can contribute to the difficulty for women to find empowerment through economic activities. Even though female Self-help groups have been shown to be effective at improving the lives of their participants, they can also have poor decision-making capacity for the self-development of their members. In Lalitha and Prasad's study, they identified that most female SHGs have been involved only in micro saving and not in any other program that could enhance their self-confidence and self-belief for income creation. Their active participation in economic activities was very much limited due to the lack of an adequate approach by the NGOs, which only focused on enabling them to have a loan but not teaching their clients on how to use it (Lalitha and Prasad, 2011). On several occasions, good use of the loan does not come as a result of financial literacy or the learning of good business skills. Mental barriers play a significant role in the way women see their capacities for business and revenue creation. Looking at the mental barriers that women experience during their process of getting the loan, can make their process easier and produce an even better outcome.

Limitations presented at this level.

According to the model, the common denominator researcher should look into when assessing the impact of microfinance on different components of women's belief about their personal strength are **control belief** and **self-efficacy/ self-esteem.** The studies discussed above shed light on the transformative potential microfinance programs have in empowering women and fostering positive changes in their lives. The collected data showed that having access to financial tools changed their mindset, they became self-independent at solving problems, they presented a higher level of self-esteem and improved control over some aspects of their lives. However, the data also showed that differences in education, religion, support of their community or cultural background, affected their process of personal empowerment.

Due to their barriers, and the suggestions given by the different authors, the following limitations were identified:

A. Lack of gender-sensitive approaches

Gender-sensitive approaches are, according to UN Women, "the understatement of sociocultural norms and discriminations in order to acknowledge the different rights, roles and responsibilities of women and men in the community and the relationships between them" (UN, 2013). Programs that have both genders as target audiences, should acknowledge the challenges faced by different genders in order for them to have a more effective impact. Additionally, a gender-sensitive approach to financial inclusion involves recognizing and addressing the unique financial needs, constraints and opportunities of men and women. It should aim to ensure that financial services are designed, delivered and accessible for all no matter their gender or circumstances. Microfinance services should, more than provide economic tools, enhance gender equality and empower women to fully participate in the financial system and development process.

However, the data showed that some microfinance institutions in India lack gender-sensitive policies, practices, or staff training, resulting in insufficient consideration of women's distinct needs, preferences, and challenges. This lack of gender sensitivity can jeopardise their efforts to promote empowerment. According to the Food and Agriculture Organization of the United Nations (FAO) "microfinance programmes must be gender-sensitive because a new source of income can change intra-household relationships and has differential impacts on women and men depending on who controls the new source of finance" (FAO, n.d.). A well-planned microfinance program should include an analysis of gender disparities in accessing financial tools in order to guarantee that the scheme will reach its objective according to its target audience.

Intersectionality theory takes into account the differences in women's cultural, social and economic backgrounds to meet their needs. In India, intersectionality tries to understand how the differences among women, especially from different casts, affect their process of empowerment. Amritpal Kaur, describes intersectionality feminism in India, as an approach that tries to understand how race, class, cast ethnicity, religion, and sexual orientation make women's experiences different from each other (Kaur, 2021) It acknowledges that differences in a woman's literacy, as well as religion and their position within the household, may affect the way they see themselves in their communities.

Microfinance institutions can use a gender-sensitive intersectional approach during their planning to understand the different challenges and barriers women face when trying to access financial services. Since women are the main borrower in India's microfinance system, MFIs should aim to create products and services that effectively meet the needs of their female audiences. Linda Mayoux and Maria Hartl (2009) argue that not paying attention to the gender dimensions of women borrowers will make financial services inefficient and ineffective for them. Therefore, having a gender approach in microfinance programmes can improve the experiences of women during their participation in the programs, which can lead to an improvement in their level of empowerment.

B. MFIs' indirect target to emotional intelligence

It is hard to request financial institutions to look beyond their need for fast-growing revenue since its main objective is to produce capital. However, MFIs claim to be different from formal baking, instead of only looking at cash return, microfinance also aimed for social impact. Therefore, MFIs should provide spaces in which their female audience can break their mental barriers to break free from the strings of their environment. This can be done by directly targeting emotional intelligence, instead of expecting it to naturally happen by just participating in SHG or specific financial schemes. According to Singh and Kaur Suri (2021), "Women with a developed sense of emotional intelligence have a greater ability to cultivate profitable business relations, attract profit by analysing business needs, linking business opportunities with a diverse spectrum of people and an increasing ability to provide assistance to customers and colleagues". Meaning that women can become more active in their participation during the microfinance programme and create a profit to repay their loans.

However, MFIs tend to avoid implementing and offering additional services that demand the need for more personal and capital investment. This mindset overlooks the idea that targeting emotional intelligence through courses or seminar, will increase women's self-belief and make them more proactive at producing profit, which will then benefit the MFIs, since increase the women's capacity to repay their loans and make them a good client for the organisation.

To conclude, microfinance institutions have the capacity of empowering women by enhancing their economic status, decision-making and sense of self-worth. However, their lack of a gender-sensitive approach and other services than financial services limit their impact on the lives of their female clientele. By addressing cultural, educational and mental barriers, microfinance institutions can optimise their impact and contribute better to the process of personal empowerment of women.

5.2.2.The meso level

At this level, microfinance impact is measured by its influence on women's relationship empowerment. The research presented in this section will be related to women's position in relation to others such as their partner, family or social network. It will analyse women's bargaining power, freedom of movement, membership in other social groups and risk of domestic violence.

Sahu (2016) study on women's participation in SHG in India, concluded that female members experienced "better economic security, the ability to make purchases and better involvement in major financial and other household decisions than non-SHG members". meaning that the exposure to microfinance programs had an impact on other areas of a woman's environment, such as "physical mobility", "greater independence from family control", "active engagement in public protests", "better self-esteem and self-confidence", "increased public interaction", and "participation in political activities" (Sahu, 2016). These findings indicate that SHGs and microfinance programs play a significant role in empowering women, facilitating their socioeconomic development, and expanding their agency in both private and public spheres.

Furthermore, Davidson and Sanyal's (2017) study on women's participation in SHGs indicated that microcredit participation provides an "association mechanism" through which women can form new relationships outside their circle and gain access to valuable resources.

However, the authors highlight that microfinance programmes have their limitations, and that empowerment does not occur evenly for women across all social groups, their impact can be affected by women's household type and socio-economic status. An example given by the authors is how Muslim women tend to have smaller networks than non-Muslim women, this is due to gender norms restricting Muslim women's activities.

Mohapatra and Sahoo's (2016) study on self-help group (SHG)–bank linkage programme in Odisha, found that participation in a microfinance programme has a positive and significant impact on the status of women. He emphasised that "frequent meetings with group members, meetings with the bank and other government officials, as well as going out for various training programs give female participants confidence to realise their rights and position in the family. As a result, women start participating more actively in the decision-making of their households" (Mohapatra and Sahoo, 2016). However, this depends on the village where the impact is being measured, as well as the activities carried out by the microfinance programmes. In the study, the different villages of Odisha results on empowerment differ one from the other, due to the social status and the educational background of the women participants.

Similarly, Sujatha and Malyadri's (2015) study concluded that microfinance is a powerful tool in enhancing women's empowerment for indicators like "household economy decision-making", "economic security", "family decision-making", "mobility" and "legal awareness". But also argued that "empowerment is not an automatic result of participating in the program but rather a combination of participation in seminars, workshops and training". Meaning that the impact of microfinance programs depends much on the inclusion of elements of literacy in group meetings (Sujatha and Malyadri, 2015).

Furthermore, Nagaraj and Sundaram's (2017) study on the effectiveness of SHG towards women's empowerment in the Vellore District indicated that after joining the group, the women felt empowered at different levels, resulting in better decision- making, ability to deal with difficult situations and confidence to live independently. However, it also showed that this process was affected by different educational qualifications, view of women in their communities and support from their families. Similarly, Prabhakar's (2020) case study of women SHGs in Karnataka, revealed that the process of being a member of a Self-help group has enhanced women's economic emancipation, empowering them in "decision-making, income generation", "savings", "asset creation" and "family responsibilities". Although SHGs have contributed substantially to some communities, there are still challenges and limitations that emphasise the need for government control and regulation to guarantee women's economic empowerment.

Additional positive effects can be evidenced in Leach and Sitaram's (2002) review of microfinance projects in Karnataka State in South India. The authors analyse the experiences of women participants before and after being part of the project. The findings revealed significant changes in the lives of women in the initial stages of the project. The main changes were “improvement in their economic and social status”, as well as “greater perception of respect within their community and increase in their self-esteem”. The women also reported increased mobility, “finding themselves able to move around the village, engage in conversation with men and being able to visit the cocoon market and Silk Exchange without their husbands”. Additionally, their communication skills and self-confidence notably improved, as well as, their sensation of security and their feeling of being able able to provide for their children without relying solely on their husbands (Leach and Sitaram, 2002).

Despite all this improvement, two months into the project, the women started to have doubts about the benefits of the program. The price of the silk dropped, which meant that women were not producing enough money to save or pay back the loan, as well as encountering problems with their partners, who complained about their wives always working and never being at home. At the same time, their participation in the program has not changed the dynamics in their household. Even though women were contributing to the economy of the home, men were still the ones taking most of the decisions. Furthermore, the review of the NGO project revealed that the project had to be restructured to have any impact on the community. It started as a group-loan-oriented project and transformed into an individual loan project because of the change of behaviours of the women participants and their partners and family members (Ibid).

This project analysis brings light on the barriers and limitations that microfinance programmes have when trying to have any impact on women’s process of empowerment. Not understanding the women's personal environment and position within their family members as well as their capacity to understand the process of economic empowerment led to the NGO to change its course to still be relevant for the community. First, the NGO assumed that “microcredit, together with some training and experience in a business transaction will overcome social barriers and make the women participants successful entrepreneurs” (Leach and Sitaram, p., 4, 2002). Instead, their lack of understanding of the market increases their struggle with selling the silk and decreases their motivation to collaborate with each other in order to increase their income. Second, it assumed that “having direct access to the market would allow them to make their own production-related decision, which will give them more control over their income" (Ibid). However, the dynamic at the women's home did not change, which meant that it was the husband who had control over the woman's income and their business decision-making.

Murthy, Raju and Kamath's (2005) study on different SHG women members of Andhra Pradesh state examined the process of empowerment at the individual, collective and wider levels through semi-structured interview. The study indicated that women have control over their savings, mobility, friendship, ability to visit their parents when they want and decide whom they want to vote for since the SHG formation. The degree of power exercised by female members on these issues is significantly higher than that of non-members. However, they experienced lesser control over their reproductive work, nature/social relationship of productive work they do, immovable property of the household and reproductive rights. Furthermore, the report showed that a significant number of the women participants continue to experience violence at home.

Limitations and challenges at this level

To assess the impact of microfinance on relational empowerment, the model suggests finding the common denominators in relation to different aspects of women's position in relation to others to look at the variables "position of the women in relation to others" "Bargaining power" "freedom of mobility" and "risk of domestic violence".

The analysed data showed that in terms of relational empowerment, women who participated in microfinance programs, such as SHGs, presented higher participation in the decision-making within their households, created new relationships outside of their core family, encountered better mobility and increased their income production and social status. However, this new relational empowerment differs from woman to woman. The data indicated that differences in literacy, social status background and support from immediate families, affected the process of empowerment of female participants. Due to this, the following limitations of MFIs were identified:

A. Overlook the differences in literacy levels among women borrowers

On a personal level, limited financial literacy and the lack of necessary personal and professional skills to manage loans can affect women's participation in microfinance programs. In India, the literacy rate varies across different regions and areas. As of 2021, the literacy rate in rural India was around 73.5%. This includes 81% male and 65% female literacy in rural sections of India (IBEF, n.d.). Women with higher education experience better outcomes from participating in microfinance programmes, those who lack financial knowledge had a harder time understanding the loan and repayment process, as well as the market dynamics, which led to dropout from the programme.

The effectiveness of financial services relies on ensuring that its users know how to make proper use of their products, and for this, financial literacy is need it. According to Linda Mayoux, promoting financial literacy allows clients to make "informed input", "know their rights" and "understand the information provided" (Mayoux & Hartl, 2009). Therefore, MFIs should include financial literacy courses and methodologies to ensure that, no matter the level of literacy of their female clients, all of them will have the opportunity to learn how to properly use their required service.

To further address the challenges of illiteracy, the International Labour Organization proposes that microfinance institutions should incorporate in their schemes "non-financial" services. These additional services should include literacy programs that aim to teach their borrowers financial literacy and business training initiatives. According to the ILO, by providing such support, "women would have access to better jobs and income-generating opportunities than will have a positive impact in their repayment process." (ILO, n.d.).

B. The viewpoint of men regarding the position of women in their households and communities.

According to Evans et al, in India microfinance institutions face significant challenges in integrating women into their programs due to deeply rooted socio-cultural gender roles. Their analysis of women's position within their households and communities revealed that although a substantial portion of the population believes in shared family responsibilities, traditional patriarchal values still persist. The statistics indicate that a slim majority believes in the shared responsibility of earning money within a family, while a significant proportion maintains the belief that men should hold primary responsibility for earning. Moreover, a substantial majority of Indians, including a notable percentage of women, strongly agree with the notion of a wife being obligated to obey her husband (Evans et al., 2022). Furthermore, according to a study made by Bain and Company in 2021 "most Indian women work as unpaid caregivers, household managers or in other home-based positions, only a minority work outside the house.

Even though women can tend to be better educated and enjoy improved health care than before, they continue to face structural, social and economic barriers”.

These cultural attitudes and expectations act as barriers to the inclusion and empowerment of women in microfinance initiatives. They underscore the need for addressing and challenging these deep-rooted gender roles in order to foster greater gender equality and women's empowerment in microfinance programs in India. Moreover, it can restrict women's access to resources, decision-making power, and opportunities for economic advancement. As a result, women face challenges in qualifying for loans, providing collateral, and investing in income-generating activities, limiting their economic empowerment through microfinance. Gender role barriers also impose restrictions on women's mobility and participation in economic activities, hampering their ability to benefit fully from microfinance opportunities. According to Kumar and al., overlooking intrahousehold harmony and attitudes towards intimate partner violence suggest that gender norms are slow to change and that SHG programming may need to deliberately address changing these norms by reaching out more directly to other members of the community (Kumar et al., 2021). Meaning that in order to create mainstreaming norms and policies that promote women in labour spaces, men should also be included in the conversation. Microfinance institutions should aim to break the barriers between men and women and use their figure as an authority, to change the mindset of the view of women in the community. It is only like this that change can be done.

Authors like Murthy, Raju and Kamath’s (2005) suggest that to achieve women's empowerment and create lasting change in gender-specific aspects requires the sensitization of men to gender issues. Specifically, there is a crucial need to raise awareness among male relatives regarding their responsibility for domestic work and childcare. It is also necessary to challenge the view of masculinity that contributes to domestic violence and the use of alcohol. Encouraging men to share the productive workload with women without overshadowing their entrepreneurial efforts is vital in promoting gender equality and empowerment (Murthy et al., 2005). By including men in the process of empowerment, microfinance programmes have the potential to help women transform their traditional roles within their households. However, it is important to mention that just changing women’s household status will not lead to immediate empowerment, it can be a necessary precondition for it and that is why it should be targeted by microfinance programmes. Meaning that public institutions need to secure an environment in which women have access to financial tools regarding their gender, cultural background, religion, caste or race.

5.2.3. The macro-level

In general studies, the measurement of macro empowerment refers to changes in the macro indicators such as fertility rate, literacy rates, participation in the labour force and involvement in political affairs. Compared to this, the model suggests measuring the percentage of women participating in the microfinance system. An example is the percentage of female microfinance borrowers, female clients with school-aged children, female leadership in microfinance institutions, female staff promotion and attrition, average loan balance for female borrowed and finance literary services offered to women.

However, limited data on this specific indicator, make this level difficult to measure when applied to India. Therefore, I will not be looking only at indicators related to microfinance, but at the variables of "women participation in microfinance programs" "numbers of female SHGs" and "Female staff in MFIs".

According to the National Bank for Agriculture and Rural Development (NABARD), "out of the 11.893 million of SHGs, 10,4 million are only women SHGs, which entitles 88% of the total groups in India. Meaning that women are the main target client for MFIs in India". Making women the main clientele and users of microfinance institutions. Sahu and Singh's (2011) report on microfinance and gender in India measured the impact of microfinance in the process of political and social empowerment of women members of SHGs across India. Among the different areas of study, the authors indicated that in terms of women's political empowerment (participation in public/civic protest), women involved in microfinance programs, felt they are part of the mainstream of the village policy, making them more likely to participate in public protest, demand their rights and approach government official to solve problems than women who are not involve the SHGs.

Furthermore, the report concludes that "sharing of information through meetings, acquiring knowledge through training programmes, scope of visiting different government offices etc, provides enough confidence among SHG female members and that reflects in their participation in social justice" (Ibid, p. 77, 2011). Similarly, a research conducted by Harvard and Duke University in collaboration with the Centre for Microfinance in India, analysed the role of microfinance on women's participation in the labour market from 1995 to 2015. The study revealed that "having access to microfinance had a substantial impact on the female labour force in the long run". Meaning that having access to SEWA bank loan schemes, increased the female labour force by 12% due to the fact that women were now allowed to have access to capital and generate business as well as employment. (Field et al, 2017).

In Smitha Radhakrishnan's book "Making Women Pay" based on a decade of research on India's commercial microfinance sector, Smitha noticed that different changes in the system led to a drift of microfinance's initial goal, helping marginalised women, to systematically reinforce gender inequality. Among her finding, she highlights that, instead of benefiting women, "the industry profits from the unpaid labour of women borrowers, who organise groups and leverage personal information to ensure debts are paid" (Radhakrishnan, 2022).

Furthermore, she states that "while microfinance has a reputation for providing women with the opportunity to run a business and become economically independent, in India, women borrowers use loans to pay school fees, medical expenses, and household expenses and to pay off more expensive debts" (Ibid). This indicates that microfinance does not translate to an increase of women in the labour market but contributes to their cycle of poverty.

Additionally, she argues that women who work in the microfinance field have presented limited options for career growth. The interviews conducted by Smitha showed that many women workers were denied internal opportunities. Even at the corporate level, some women perceived their fellow female colleagues as untrustworthy (Ibid). Overall, Radhakrishnan's research raises concerns about the evolving role and impact of microfinance in India's context. Her finding suggests a misalignment between the sector's intended objectives and the outcomes observed, including unintended gender disparities and persistence of poverty cycles. Her analysis underscores the importance of critically monitoring the outcomes of microfinance programs to ensure that they truly empower women and contribute to sustainable improvement in their socioeconomic conditions.

Limitations and challenges at this level

For this dimension, the model suggests looking at the presence of women in the context of microfinance services. It does not indicate the common denominator the researcher should look at, therefore here I analysed the available data in relation to women working within microfinance as well as the numbers of active female borrowers in India, and what did that represent for societal empowerment. According to the data, female SHGs in India exceed the numbers of male SHGs, meaning that female borrowers are the main clientele of MFIs, however, that does not mean that they were the ones using the loan provided by the institutions.

It also indicated that women within the microfinance field had limited career growth. Taking this into account the following limitations were identified:

A. Limited representation and participation

Women's representation and participation in MFI decision-making processes and governance structures may be limited. This could restrict their influence and ability to modify MFI's programs and services, perhaps leading to a mismatch between their needs and the interventions provided. Based on the findings of Mia et al. (2021), several research conducted in India suggest that women working in microfinance institutions exhibit better skills and strong management capacity from the institutional perspective. Consequently, this contributes to enhanced firm performance.

Therefore, increasing the numbers of women as members of the board, as managers and as loan officers can improve MFIs' performance since they have a greater ability to understand the challenges and barriers women borrowers face with their network outreach, hence they can create products and services that are better suited for female users. According to Mia et al., (2021) in the context of MFIs, female loan officers and female clients may find themselves in the same social networks. This can foster strong social ties, which will enhance understanding of the consumption needs and expenditure patterns of female clients. When this is achieved, it could potentially reduce operating costs by better-anticipating customer needs and making recommendations on where MFIs should convey their resources, eventually leading to higher performance.

B. Change in social goals

Microfinance has historically prioritised women as its primary target demographic. The decision to focus on women stems from their demonstrated higher repayment rates compared to men. This, in turn, reduces the number of outstanding and defaulted loans, positively impacting the effectiveness and sustainability of microfinance institutions. Additionally, it has been observed that women exhibit greater levels of cooperation, enabling organisations to establish better communication channels with female borrowers. However, despite these factors, some microfinance institutions argue that prioritising women may tend to prioritise social goals over efficiency, potentially resulting in lower financial performance.

According to Thrikawala et al., (2013) “different MFIs consider more important the improvement in their outputs, such as the number of borrowers serve, the number of jobs created, average loan outstanding, and depth of outreach but no improvement in outcomes such as measuring the impact on client’s income, the impact on the education and social status of clients and their family members” (Thrikawala et al., P. 6, 2013) Thrikawala et al. emphasize the significance of incorporating social performance considerations into the operations of MFIs. They argue that this inclusion of social performance indicators contributes to the overall effectiveness and success of the organization. To achieve this, the authors suggest that MFIs should be obligated to provide substantiated evidence of their accomplishments in areas related to social performance, including aspects like “housing,” “health”, and “client empowerment.” (Thrikawala et al., P. 7, 2013).

In summary, his analysis highlights discrepancy in focus between quantitative outputs and qualitative outcomes in MFIs. The authors advocate for a more balanced approach by emphasizing the importance of considering social performance indicators, which align with broader societal well-being and have the potential to enhance the organization's overall performance and impact. Therefore, MFIs should continue aiming to social impact in order to be effective not only in creating value in the communities they work with, but for them to have better economic outcomes.

5.3. Findings and results

According to Anthias (2012) and Yuval-David (2006), intersectionality theory understands the power operating at multiple levels; at the individual level shaping lived experience and subject formation; at the inter-subjective level in the relation among actors; at the organisational level in social, political, and economic institutions (as cited in Hughes and Dubrow, 2018). Meaning that understanding the different factors that are part of the socio-economic status of women, can create a perspective on the type of access women can have.

Socio-economic, cultural and religious differences can affect the process of women when participating in microfinance programmes. As seen during the analysis of the data, women with no source of income had less access to education which made it difficult for them to understand how the loan and repayment process worked. The lack of business training and entrepreneurs’ skills make it also difficult for them to use their loans for business creation, which makes it even harder to repay the loan and have some income left.

In personal empowerment, the improvement in women's emotional intelligence was mostly successful. The data showed that most participants experience better self-esteem which improves their confidence in decision-making. This earned confidence made them more participative in activities outside their homes, which led to an increase in their network. However, the studies also showed that this process is affected by their educational background and the dynamics at their home. Women who had support from their husbands showed higher personal empowerment levels than women who had not. The process was also affected by religion and culture. Less gender-role-oriented communities are influenced more positively in the personal empowerment of women than traditional gender-role communities. Additionally, the approach of the microfinance programme also affected the process of personal empowerment. Women who participated in gender-sensitive approach programs had access to other services that help them develop their personal strengths and taught them how to be better at using their loans so they can succeed and lift themselves out of poverty.

The limitation finding at the micro level (personal empowerment) appears to be connected to a lack of understanding from the MFIs of the need of their female borrowers. The lack of a gender-sensitive approach and MFIs' indirect target to emotional intelligence can limit the sustainability of the project as well as the reach of the program objectives. In contrast, the relational empowerment (Meso level) presented mixed results, in some cases, the limitation to foster empowerment were related to the MFIs approach and in others, related to socioeconomic and cultural differences among the women. Their access to loans, their bargaining power, mobility and household participation, were mostly affected by the way women are seen in the different communities. The problem started to arise when women’s time was invested mostly in their process within the microfinance program than in their homes which led to an increase in domestic violence and restriction of their participation in the programs.

The limitations found at this level are mostly related to factors outside of the MFI's functionality, but not far from their reach. At mentioned during the analysis of the limitations, creating additional programs such as seminars or courses to target financial literacy among their female borrowers is one of the solutions for their difference in education. In the case of the perception of women in the communities the MFIs are working with, they can use their authority position to include men in the dialogue of women’s inclusion in the financial system.

At the societal level (macro-level), it was difficult to conduct an analysis due to the fact that the data was limited. However, the analysed data showed that in terms of women borrowers and women SHGs, the numbers are high. On paper, women are the main clientele of the Indian microfinance system. Indicators showed that, despite women being the main borrowers of microfinance programmes, their participation in the labour market remains low. Meaning that the loans are not used for entrepreneurial ventures but for personal and household expenses. Additionally, women working in microfinance institutions presented limited options for carriers' growth. At this level, the limitations found are connected to socioeconomic factors and mismanagement from the MFIs. This is due to the fact that programs that are directed to women, should be better at evaluating and monitoring the use of the loans, to ensure that their capital is being used by women and not by their male relatives.

The findings presented during the analysis showed that MFIs' limited knowledge of the different backgrounds of their female borrowers leads to MFIs creation of programs that do not meet the needs of their female clientele. Despite MFIs' social ventures, it prioritises profit over impact. The data showed that microfinance tends to prioritise its profit outcomes over its social outcomes, making them less effective at fostering empowerment.

To conclude, embracing an intersectional perspective of the process of empowerment for women that looks at the different factors in a woman's life (their socio-economic background, their religion, their educational level, their cast and social status) and using models to measure their process of empowerment, can provide a better understanding of the challenges they face when trying to participate in microfinance program and have a successful outcome from it. This will allow MFIs to identify their limitations so changes can be made for them to meet the needs of their female borrowers in a way that will create sustainability and profit.

6. Discussion

6.1. Does having access to microfinance services lead to women's empowerment?

The question of whether microfinance empowers women has been around for longer than I had imagined, different studies as shown during the literature review and the analysis of the Indian microfinance system, showed that financial access will lead to empowerment. The arguments are based on the fact that microfinance allows women to be economically independent by putting financial resources in their hands. Economic independence will then lead to better self-esteem and confidence, which will make women participate more actively in the decision-making of their homes as well as participating in activities outside their households. However, despite this logic, empowerment is a complex phenomenon, and it is not an automatic result of financial inclusion.

Just by using India as an example, the result of the dimension of empowerment was mixed. In some of the studies, the process of empowerment was successful and Indian women did in fact reach a positive overall level of empowerment. Better self-confidence, business skills, an increase in their network and better social status were the most common factors identified during the analysis. However, this was not the case for most observed women. India's ability to transform their lives through financial services depends on different factors. As presented in the analysis, some of the barriers are linked to women's socio-economic background, personal skills, environment culture and status in their communities. Limited impact evaluation contributes to MFIs' ignorance of the challenges women SHGs face. Therefore, developing better evaluation and monitoring strategies for their associated women SHGs can provide an understanding of how to contribute to the elimination of the barriers and challenges their women clients come across, to maximise the institution's potential to foster empowerment.

However, some MFIs in India avoid targeting empowerment in their programs due to additional resources that need to be dedicated in order for them to have a better impact on their female clients' process of empowerment. The institutions believe this to be an expensive and unnecessary step that can be done by another actor of society, without acknowledging that just by training a member of an SHG with knowledge on how to do business, how to support women who suffer from domestic violence and how to increase women's emotional intelligence, have the potential of creating a spillover effect over all the members and others female SHGs.

6.2. Overcoming MFIs limitations: business literacy and promotion of entrepreneurial spirit.

First, it is important for financial institutions, policymakers and NGOs to identify the potential of microfinance services in improving the lives of Indian women, beyond the economic sphere. Even though microfinance's main target is to provide women with financial tools such as credit, loans and saving, it is important for MFIs to also look at the additional factor that contributes to the barrier's women face. By doing this, all institutions can design programs that are better at meeting the needs of all female clients. This task does not have to rely only on the microfinance institution, it can be a joint effort between the government, the financial sector and the NGOs. An example will be for MFIs to connect with an NGO that promotes business literacy among women in the target communities. This can go hand in hand with their loan and credit process, this will not only allow them to have a better understatement of the programme but also, increase their chances of using the money not only for household expenses but for entrepreneurs' ventures.

This idea comes from a capacity-building project that InterCollege, an NGO from Denmark, did in conjoint work with NGOs in India, Nepal and Cambodia. During that project, the different organisations identified that limited non-access to education, as well as gender-specific constraints among young females, contributed to their social exclusion. Which in turn resulted in increased levels of poverty and disempowerment. With this in mind, the different organisations created a manual called "Equal Start", addressing the need of empowering impoverished and marginalised women through entrepreneurship. Recognizing that knowledge of financial literacy and entrepreneurial skills can help achieve better gender equality, reduce poverty and contribute to the economic growth of women and their communities.

The manual was structured as a 5-day training course that mainly focused on educating women on how to start a business and how to make it sustainable. However, the project did not target only financial literacy but also focused on teaching women how to overcome mental barriers that participants encounter due to the social and cultural environment they are surrounded by. This manual was implemented in India and resulted in several women experiencing high levels of empowerment, as well as being able to use loans for entrepreneurial activities. Four businesses were created after the program was implemented. Initiatives like this should be looked into by policymakers as well as financial institutions in order for them to see how the ongoing programmes can be adapted to give space to financial training.

Second, it is important to avoid undesired consequences that can lead to disempowerment of women. During the analysis of the data, it was shown that while women represent the majority of microfinance users in India, it also showed that the numbers of women participation in the labour market remain low. A study made by Bain & Company in 2021 supports this statement by arguing that Indian economic growth does not translate to women since their labour participation is among the lowest in the world and it is expected to decline. In their study, the organisation identified factors such as the generally high level of unemployment, geographic location of women, socio-economic restriction and cultural barriers as the main challenges for women's unemployment. Among the recommendations made by the organisation on ways to include women in the labour market, it is promoting non-traditional approaches. They suggest that entrepreneurship could be a strategy that can potentially increase the number of women in pay-labour activities (Chawla et al., 2021).

Nevertheless, the path to entrepreneurship for women is far from simple, and any efforts to foster entrepreneurship and promote financial inclusion must recognize the significant influence of social and cultural elements on women's involvement and financial independence. Bain & Company, states that in numerous regions of India, “ women are often discouraged to seek financial autonomy or independence outside of home, whether for a reason of social conducting, culture, safety or status” (Chawla et al., 2021). The NGO suggests that in order to make entrepreneurship a strategy for labour promotion among women, it is needed for government and financial institutions to systematically address these barriers and challenge the social norms to change the situation for women.

7. Conclusion

As defined by the International Labour Organization, microfinance is a sustainable provision of financial services to individuals living in poverty. Moreover, microfinance is, according to Kumar and Bansal, “a movement whose objective is a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high-quality financial services” (Kumar and Bansal, 2012). By facilitating access to financial services, microfinance’s main goal is to enhance long-term economic well-being, foster social inclusion and empower individuals and communities worldwide, contributing therefore to sustainable development. Different studies believe in the important role that microfinance institutions have in the promotion of gender equality and women’s empowerment.

Furthermore, according to Zhang and Posso (2017) microfinance “enables poor women to engage in income-generating activities that help them become financially independent, strengthening their decision-making power within the household and society. It is through this channel that economists argue that microfinance has the potential to reduce gender inequality”. However, in contrast to this, several studies contradict these assumptions, adding that the process of women’s empowerment is complex, and that social limitations and cultural challenges can reduce the microfinance institutions’ effectiveness to produce empowerment. Therefore, in order to create programs and products that target the needs of their female borrowers, MFIs need to understand the dimension of empowerment and the intersectionality of a women’s identity, for them to have a full impact on the process of empowerment of their female borrowers.

To contribute to this idea, the study aimed to identify the limitations that MFIs have that affect their effectiveness in fostering empowerment by exploring the microfinance system in India, one of the biggest in the world. The data collected came from different studies made in India about the process of empowerment of different women in self-help groups as well as individual borrowing schemes. The analysis was made based on the Three-dimensional women empowerment model, created by Huis et al. in 2017, which presented 3 levels of empowerment that women have to go through for them to achieve an overall positive score of empowerment. The model presented the personal level, which refers to the internal growth of the women; better self-confidence, self-esteem and control belief; the relation empowerment; referring to women's position in relation to others and societal empowerment, referring to the general index of women participating in the microfinance system. This model helped identify the different challenges women face when participating in microfinance activities and then allowed me to identify the limitations of microfinance institutions. The identified limitations were lack of gender-sensitive approaches, MFIs' indirect target to emotional intelligence, the difference in literacy among women borrowers, the limited scope of services, the viewpoint of men regarding the position of women in their households and communities, limited representation and participation and change in social goals.

Identifying this limitation helped me to understand that MFIs need to look at the different socio-economic and cultural barriers women had in order for them to create meaningful programs that target their female clients' needs. The data helped conclude that microfinance tends to prioritise its profit outcomes over its social outcomes and that this may affect the process of empowerment of their female borrowers.

To conclude, it is important for MFIs to look at the different social barriers that their female clients have in their daily life for them to create products and services that target not only financial inclusion but empowerment in the spheres of personal, relational and societal empowerment of women. To do this, MFIs can work with other NGOs that focus on the processes of empowerment like the training course created by intercollege and the recommendations made by Bain and Company. Instead of using extra sources MFIs can join forces with these NGOs and create positive and more effective outcomes for women's borrowers.

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