International Journal of New Political Economy 6(1): 141-178, 2025

Microfinance Evolution and Development: A Critical Exploration

Musiliu Okesina[1]*

ARTICLE INFO

Article history:

Date of submission: 10 December 2024

Date of revise: 17 April 2025

Date of acceptance: 17 April 2025

JEL Classification:

G21, O16

I32, O15

D14, J16

Keywords:

Microfinance evolution and development,

Poverty alleviation,

Financial inclusion,

Women empowerment

ABSTRACT

No one theory accounts for the origin of microfinance because informal savings and credit unions have operated for centuries in many parts of the world. As such, the foundations of microfinance lie in traditional savings and community-based contribution schemes which are familiar to many cultures. However, the industrialisation and formalisation of these practices into regulated microfinance institutions (MFIs) brought a structured approach intended to address poverty, financial exclusion, and economic empowerment. This paper examines the effectiveness of microfinance as a development tool to promote poverty alleviation, gender empowerment, and financial inclusion, especially in the Global South. This study employs a historical and critical literature review methodology, analysing peer-reviewed articles, policy documents, and empirical studies to trace the evolution of microfinance and its impact on financial inclusion, poverty alleviation, and gender empowerment. By synthesizing diverse perspectives from academic discourse, policy reports, and case studies, the research critically examines microfinance's transformation from a development-oriented tool to a commercialized financial sector. The study finds that the commercialisation of microfinance has reshaped its core mission, frequently side-lining social objectives for profitability and financial sustainability. This review and analysis serve as a resource for scholars, policymakers, and MFI clients alike, offering insights into the sector's trends, challenges, and future directions.

1. Ph.D, Development Finance, Leeds Beckett University, Leeds, United Kingdom

*** Corresponding Author Email Address**: mmokesina1@gmail.com

DOI: https://doi.org/10.48308/jep.2025.237913.1198

1. Introduction

Microfinance has long been heralded as a transformative financial tool aimed at reducing poverty, fostering entrepreneurship, and promoting financial inclusion among marginalized populations. Originating as small-scale lending initiatives in the mid-20th century, microfinance has evolved into a global financial industry that incorporates micro-credit, micro-savings, and micro-insurance, with a particular focus on women and low-income communities. Early proponents, such as Muhammad Yunus and the Grameen Bank model, envisioned microfinance as a social innovation that could empower the poor by providing them with financial resources otherwise inaccessible through traditional banking channels (Yunus, 1999). However, as microfinance expanded, its role, structure, and objectives underwent significant transformations. Over time, the narrative of microfinance shifted from one of donor-supported poverty alleviation to profit-driven financialization, particularly after the rise of neoliberal economic policies in the 1980s (Bateman, 2010; Roy, 2010). The introduction of market-driven principles, financial liberalization, and commercial investment into microfinance institutions (MFIs) has sparked ongoing debates about its effectiveness in alleviating poverty versus its role in deepening debt dependency among the poor (Mader, 2017; Cull & Morduch, 2018). The microfinance sector has also been significantly impacted by major global crises, including the 2008 financial meltdown and the COVID-19 pandemic, both of which exposed the fragility of the industry and led to increased borrower over-indebtedness, higher portfolio risks, and liquidity crises for many MFIs (Taylor, 2011; Guerin et al., 2013; Obed, 2018; Malik, et al., 2020; Brickell et al., 2022). Despite extensive research on microfinance's growth and impact, several critical gaps persist. There remains a lack of longitudinal and critical studies examining whether microfinance enables sustained economic mobility or simply creates temporary financial relief followed by long-term debt dependency (Karim, 2011; Geleta, 2016; Banerjee & Jackson, 2017; Bateman, 2022; Guermond, et al. 2022). Furthermore, while microfinance is widely promoted as a gender empowerment tool, empirical studies present mixed results, with some highlighting positive financial autonomy among women borrowers (Weber & Ahmad, 2014; Hussain et al., 2019), while others document increased financial burden, coercive repayment mechanisms, and limited agency in household decision-making (Karim, 2011; Geleta, 2016). The commercialization of microfinance, particularly through high-interest lending models and digital microfinance platforms, also raises concerns regarding exploitative financial practices, rising default rates, and the sustainability of financial inclusion efforts (Mader, 2017; Bateman, 2022).

This study critically examines the historical evolution, economic policies, and commercialization of microfinance, with a focus on the following questions:

- What is the effectiveness of microfinance in promoting financial inclusion, long-term poverty reduction, entrepreneurship and gender empowerment, and are its benefits sustained or temporary?
- What is the role of financialization and commercialization in shaping microfinance institutions, and what are the implications for the well-being of the borrowers or MFIs' clients?
- How has the global crises, particularly the 2008 financial crisis and COVID-19, impacted on microfinance sustainability, and the potential risks associated with digital microfinance and fintech-based lending models?

The study is structured as follows: The literature review examines existing academic perspectives on microfinance's evolution, effectiveness, and critiques of its commercialization, situating the study within ongoing debates in the field. The methodology outlines the research paradigm, criteria for selecting relevant studies, and framework for analysing microfinance's impact. The results and discussion section presents an empirical and historical analysis of microfinance's phases of development, illustrating how its objectives and strategies have shifted over time. It critically evaluates these findings, and assesses the broader socio-economic implications of microfinance's trajectory. Finally, the Summary and conclusion section synthesizes key insights, identifies research gaps, and suggests potential alternatives to debt-based financial inclusion.

2. Literature Review

2.1. Microfinance: The Journey So far

Microfinance has evolved through several distinct phases, shaped by economic policies, institutional structures, and global development agendas. The origins of microfinance can be traced back to informal savings and credit groups such as the Irish Loan Fund system of the 1700s, European financial cooperatives of the 1800s, and community-based self-help schemes like Nigeria's Esusu and India's Chit Funds (Seibel, 2005: Helms, 2006). These early microfinance models emphasized social solidarity and financial intermediation, often rooted in community-based lending mechanisms. The modern microfinance movement gained prominence in the 1970s, with the pioneering efforts of Muhammad Yunus and the Grameen Bank in Bangladesh. Yunus's model introduced group lending and social collateral as alternatives to traditional banking, allowing the poor—especially women—to access credit without requiring physical collateral (Yunus, 1999, 2017). This phase framed microfinance as a developmental tool aimed at poverty alleviation, women's empowerment, and entrepreneurship promotion. The model was widely replicated across the Global South, leading to an expansion of donor-funded microfinance institutions (MFIs) in the 1980s and 1990s (Armendariz & Morduch, 2005). By the 1990s and early 2000s, microfinance underwent commercialization, moving away from a welfare-based model to one driven by financial sustainability and profitability (Cull, Demirgüç-Kunt & Morduch, 2018). This shift was supported by global financial institutions, including the World Bank, the International Monetary Fund (IMF), and private investors, who viewed microfinance as an asset class with significant return potential (Bateman, 2010). The post-2008 financial crisis era saw microfinance rebranded under the financial inclusion agenda, expanding beyond microcredit to include savings, insurance, and digital financial services (Mader, 2017). More recently, COVID-19 (2019–2021) and post-pandemic challenges have revealed the sector's fragility, with high borrower defaults, liquidity crises, and the increasing role of fintech-based digital microfinance (Zheng & Zhang, 2021; Sotiriou, Crush & Spaggiari, 2024). This has led to renewed debates about microfinance's role in financial stability, debt sustainability, and its real impact on poverty alleviation (Brickell et al., 2022).

2.2. Microfinance as a Poverty Reduction Tool

Proponents argue that microfinance plays a transformative role in reducing poverty, empowering women, and fostering entrepreneurship. Yunus (1999) contends that access to credit enables the poor to invest in small businesses, increase household income, and achieve financial independence. Studies in Bangladesh, India, the Philippines, and Nigeria have reported positive outcomes such as higher income levels, improved food security, and increased social capital among microfinance borrowers (Pitt & Khandker, 1998; Khandker, 2005; Agbola, Acupan & Mahmood, 2017; Ude, 2024). In addition to economic empowerment, microfinance is often credited with enhancing gender equality. Women, who constitute over 70% of microfinance clients globally, are believed to benefit from higher decision-making power within households and greater social mobility (Weber & Ahmad, 2014; Zhang & Posso, 2017). Many governments and international agencies, including the United Nations (UN) and the Consultative Group to Assist the Poor (CGAP), promote microfinance as a key driver of financial inclusion and a tool for achieving Sustainable Development Goals (SDGs) (UN, 2018; CGAP, 2024).

The Commercialization Debate

While Yunus envisioned microfinance as a social business, many institutions have embraced commercial microfinance, operating under market-driven principles. The commercialization of microfinance, led by institutions such as Compartamos Banco in Mexico and SKS Microfinance in India, argues that charging market-based interest rates is essential for long-term financial sustainability and attracting investment (Otero, 2008). Supporters contend that financial sustainability ensures the scalability of microfinance services, allowing millions of unbanked individuals to gain access to financial resources (Cull, Demirgüç-Kunt & Morduch, 2017). However, critics argue that commercialization has transformed microfinance into a debt-driven industry, prioritizing profit maximization over poverty alleviation (Bateman, 2010). Bateman argue that high-interest rates, over-indebtedness, and exploitative repayment structures have trapped borrowers in cycles of debt rather than lifting them out of poverty. Empirical studies have shown that in countries such as India, Mexico, and Bolivia, aggressive lending practices have led to loan defaults, social distress, and even borrower suicides (Karim, 2011; Taylor, 2011; Guerin et al., 2013).

Microfinance and the Debt Trap Hypothesis

A growing body of literature challenges the mainstream microfinance narrative, arguing that microcredit does not significantly reduce poverty and often worsens economic vulnerability (Duvendack et al., 2011; Banerjee & Jackson, 2017). Critics contend that, firstly, microfinance aids dependency on debt rather than wealth creation (Bateman, 2014). Secondly, most loans are used for consumption rather than productive investments, undermining their impact on long-term economic growth (Ganle, Afriyie & Segbefia, 2015). Thirdly, women act as intermediaries for loans that ultimately benefit male household members, limiting the supposed empowerment effect (Karim, 2011; Geleta, 2016). Fourthly, group lending models create social pressures and coercion, leading to stress, social stigma, and even violence against defaulters (Banerjee & Jackson, 2017). Furthermore, post-COVID-19 research highlights the sector’s vulnerability, noting that borrowers in informal economies suffered severe income losses, making loan repayments unsustainable (Beck, 2020; Brickell et al., 2022). Many MFIs faced liquidity crises, and some collapsed due to rising non-performing loans (NPLs) (Zheng & Zhang, 2021; Sotiriou, Crush & Spaggiari, 2024).

2.3. Research Gaps: Microfinance - Long-term impact, Financialization, and Evolving role in global development policy

Despite the extensive body of research on microfinance's evolution, effectiveness, and commercialization, several critical gaps remain unaddressed, particularly regarding its long-term impact, financialization, and evolving role in global development policy. While many studies assess microfinance’s short-term effects on income generation, financial inclusion, and women’s empowerment, fewer have conducted longitudinal analyses to determine whether borrowers sustain long-term economic improvements or remain trapped in cycles of debt (Bateman, 2010; Guerin et al., 2013). The literature largely focuses on individual borrower outcomes rather than the structural transformation of microfinance into a global financialized industry (Federici, 2014; Mader, 2017). There is the overemphasis on women’s financial access without addressing structural constraints. Proponents argue that women benefit disproportionately from microfinance, but critics highlight that access to credit does not automatically translate to economic empowerment (Karim, 2011; Geleta, 2016). Lastly, the COVID-19 pandemic exposed the susceptibility of microfinance, with high borrower defaults, liquidity crises, and increased reliance on digital lending platforms (Brickell et al., 2022; Sotiriou, Crush & Spaggiari, 2024). This study seeks to bridge these gaps by offering a historical and critical analysis of microfinance’s trajectory, focusing on its transformation from a social tool for poverty alleviation to a market-driven financial sector, and its implications for financial inclusion, gender dynamics, and economic sustainability.

3. Methodology

This study adopts an interpretivist research paradigm because of its subjective interpretation of existing literature to derive meaning and understanding (Pervin & Mokhtar, 2022). The interpretivist approach is well suited for examining the evolution of microfinance, as it allows for an in-depth analysis of economic policies, institutional shifts, and theoretical debates that have shaped the sector (Haldar & Stiglitz, 2016; Mia et al., 2019). This informed the qualitative research approach adopted for the analysis and interpretation of textual data from scholarly literature, policy documents, and institutional reports. More specifically, given that microfinance has evolved through distinct phases characterized by shifting paradigms, this study used a historical and critical literature review methodology (Sager & Rosser, 2015; Snyder, 2019) to trace these changes over time. The historical analysis allows for a contextual examination of key transformations (Sager & Rosser, 2015), while the critical literature review assesses the claims and counterclaims (Snyder, 2019) regarding microfinance's impact on financial inclusion, poverty reduction, and gender empowerment. Through this dual approach, the study offers a holistic and nuanced understanding of microfinance's trajectory, challenges, and contradictions.

Criteria for Selecting Relevant Studies

The selection of literature was guided by specific criteria to ensure comprehensiveness, credibility, and relevance. The following parameters were considered:

Credibility and Source Reliability: Only peer-reviewed journal articles, policy reports, and institutional documents from reputable sources such as World Bank, CGAP, IMF, UNDP, and microfinance regulatory bodies were included (e.g., Cull & Morduch, 2018; Microfinance Barometer, 2019; UNDP, 2024). Studies that have been widely cited in microfinance research were prioritized to ensure a solid foundation of evidence (Morduch, 1999;

Yunus, 199; Armendariz de Aghion & Morduch, 2005; Bateman, 2010; Roy, 2010; Karim, 2011; Mader, 2017; Banerjee & Jackson, 2017, etc.)

Theoretical and Empirical Contributions: studies offering empirical evidence, case studies, or policy analyses were given precedence over purely theoretical papers to ensure the literature review is grounded in real-world observations (e.g., Rankin, 2001; Guerin et al., 2013; Adeola & Evans, 2017; Ibukun et al., 2023; Farooq et al., 2024). Research that directly engages with debates on commercialization, financial inclusion, and gendered microfinance practices was prioritized to capture critical perspectives (Karim, 2011; Geleta, 2016, Ghimire, 2020; Shohel, et al., 2023; etc.).

Chronological Coverage and Evolutionary Perspective: Given the historical approach, the study reviewed literature covering all major phases of microfinance development, from the 1950s to the post-COVID era (e.g., Helms, 2006; Haldar & Stiglitz, 2016; Mia et al., 2019, Meki & Quinn, 2024). The study prioritized recent research (2000–2024) as was done by Ali et al (2022) to ensure that the latest developments, particularly the impact of financial inclusion, digital microfinance, and regulatory shifts, are incorporated.

Contextual Relevance: Given that microfinance is not a homogenous concept, studies focusing on developing economies, particularly in the Global South—where microfinance is most dominant—were prioritized (e.g., Bateman, 2014; Hussein, Mahmoud & Scott, 2019; Ude, 2024).

Impact Assessment Framework

The study examined how microfinance has contributed to poverty alleviation, gender empowerment, and financial inclusion using existing impact assessments studies (e.g., Weber & Ahmad, 2014; Zhang & Posso, 2017). It assessed whether microfinance has improved borrowers' long-term financial well-being or merely created cyclical debt burdens (Duvendack et al., 2011; Van-Rooyen et al., 2012; Bateman, 2014). Also, the effectiveness of financial inclusion policies, including how governments and IFIs have shaped microfinance's trajectory, was analyzed (e.g., AFI, 2015; UN, 2018; ADB, 2023). The study evaluated whether MFIs are financially sustainable without donor dependence by focusing on interest rates, loan repayment structures, and borrower over-indebtedness (Halder & Stiglitz, 2016; Bateman, 2022). Given the post-pandemic shift to digital microfinance, the study evaluates how mobile banking, fintech, and regulatory adjustments are influencing financial access and borrower risks (e.g., Fersi et al., 2023; Iddrisu, 2024). It critically examines whether digital financial inclusion is expanding opportunities or exacerbating inequalities in accessing credit (e.g., Datta & Sahu, 2023).

4. Discussion

This section presents findings from a historical and critical literature review and analysis of microfinance's phases of development, illustrating how its objectives and strategies have shifted over time, its impact and development policy implication. This study identified eight distinct phases of microfinance evolution and development starting from the subsidized microcredit era up to the current phase (post COVID era).

4.1. The First Phase of Microfinance Development (the 1950s - 1970) The Era of Subsidized Agricultural Small-Scale Credit

The first phase of microfinance development in the 1950s focused on subsidized, small-scale agricultural loans, designed with international support to boost agricultural productivity in developing countries (Helms, 2006). Industrialized nations, led by the U.S. and Britain, aimed to assist their former colonies by addressing a critical shortage of agricultural credit, which hindered economic growth (Braverman & Guasch, 1986; Lapenu, 2000). These subsidized loans provided poor farmers, mostly women, with credit for essential resources like fertilizers, improved seeds, and equipment, aligning with the socialist economic policies prevalent in many developing nations at the time. However, structural issues, particularly around gender, limited the effectiveness of this policy. Women farmers, lacking land rights and control over farming proceeds due to entrenched patriarchy, often spent loans on household needs rather than income-generating activities, leading to widespread defaults (Boserup, 1970; Lapenu, 2000). The loans were distributed through state-owned institutions like Bank Rakyat Indonesia and the Nigerian Agricultural and Cooperative Bank, but their sustainability was compromised by underfunding, inadequate repayment, and governance issues, which left them vulnerable to political and cultural interference (Gonzalez-Vega & Graham, 1995; Helms, 2006). The policy's failure to address gender inequality and the underlying social constraints reinforced women's dependence and created new issues, such as family disputes over credit access and control. By the early 1970s, it became evident that merely providing credit without addressing systemic barriers like land ownership and gender-based inequalities could not achieve sustainable agricultural or economic development.

4.2 The Second Phase (the 1970s to 1980)

Microfinance as a Social Tool for Poverty Alleviation

As the first phase of microfinance (The era of subsidized agricultural small-scale credit) came to a close, it had succeeded in expanding the inequality between women and men. Male farmers increased their real income from cash crop production, and women farmers had little or no earning from their subsistence farming. These challenges, among others, attracted the Women in Development (WID) movement, which emerged to champion the cause for the integration of women as equal partners with men in the development process (Moser, 1993; Vijayamohanan et al., 2009). Specifically, the theorists sought to address women's inability to freely access and control resources (Vijayamohanan et al., 2009). Hence, they pushed for income earnings, equal access to and control of credit, and proliferation of small-scale enterprises (Moser, 1993). However, developing nations, grappling with the failures of state-owned banks and socialist economic policies, prioritized poverty reduction over structural changes in gender roles

(Armendariz de Aghion & Morduch, 2005). These governments wanted to get more from small credits and reduce credit loss risk. Also, the existing commercial banks denied the poor, especially women, access to capital because they did not have access to assets/lands or owned the type of businesses required to access loans.

Therefore, the second phase of microfinance, from the 1970s to 1980, marked a shift towards using microcredit as a poverty alleviation tool, with a particular focus on women. This period saw the pioneering work of Muhammad Yunus, who initiated a micro-lending program in Bangladesh to free poor households from moneylenders' high-interest traps. Yunus's approach, which required women to form self-monitoring groups, enabled them to obtain small loans, generate household income, and maintain high repayment rates (Yunus, 1999; Halder & Stiglitz, 2016). With support from international donors, the Grameen Bank was established, expanding microcredit access across Bangladesh and into countries in Latin America and India, aligning with both WID's goals and poverty reduction strategies. Despite the success in repayment rates, critics argued that focusing solely on income generation overlooked deeper issues like unequal access to resources (Moser, 1993). Women bore the brunt of loan repayment through solidarity group pressure, leading to high repayment rates that masked the burdens placed on them (Moser, 1993; Rankin, 2001). This phase also saw governments and donors increasingly transfer welfare responsibilities to microfinance institutions, and placing women in a cycle of debt without broader social protections (Roy, 2010). The heavy reliance on international funding and mounting indebtedness of borrowers foreshadowed the challenges microfinance would face in the coming decade.

4.3. The Third Phase (the 1980s)

Global Financial Sector and the commercialization of microfinance

With the problem of sustainability due to ceiling on interest rates and low profitability, high indebtedness of borrowers to microcredit lenders, and that of the developing nations to IFIs, the Global South economy was in crisis. Therefore, the third phase of microfinance in the 1980s was characterized by the global financial sector's push toward commercialization. This shift was largely a result of the Structural Adjustment Programs (SAPs) promoted by IFIs, which required Global South nations to adopt free-market policies in exchange for financial aid (Williamson, 2005; Boas & Gans-Morse, 2009). These reforms prioritized macroeconomic stabilization, privatization, and financial liberalization, encouraging nations to embrace market-driven interest rates and reduce reliance on subsidies (Calvo et al., 1996; Stiglitz, 2000). Financial liberalization led to the commercialization of microfinance, transforming it from a social tool into a profit-driven sector. Microfinance institutions (MFIs) began to focus on high-interest rates and low credit risks, aiming to recover costs and generate profit (Baumann, 2005, p.98; Bateman, 2010). Advocates argued that poor people, particularly women, demonstrated strong repayment reliability, making them ideal clients even at market-driven interest rates (Yunus, 1999; Otero, 2008). As profitability became the primary measure of success, MFIs shifted from group lending to individual lending, with collateral substitutes like compulsory savings and tangible assets (Morduch, 1999; Armendariz & Morduch, 2005). MFIs that were able to achieve these cost recoveries and then profit were considered efficient at helping the poor and profitable (Harper, 2011, p.55). The economically active poor became the main target, as lending to them posed fewer risks.

While commercialization attracted global investors and allowed MFIs to achieve financial sustainability, it also marginalized the poorest borrowers, exacerbating inequality and creating class distinctions within the poor population. By prioritizing profit over poverty alleviation, microfinance became an investment avenue for global capital, opening new markets for capital accumulation but distancing itself from its original mission.

4.4. The Fourth Phase (the 1990s to Pre 2008 financial crisis)

Expansion of Microfinance and the celebration of its success based on its profitability and sustainability.

In the fourth phase, from the 1990s to the pre-2008 financial crisis, microfinance evolved into a booming industry as both public and private investors sought returns on microcredit, transforming it into a profitable venture (Robinson, 2001). Bilateral agencies, multilateral organizations, and private investors injected capital, enabling microfinance to expand beyond microcredit to include services like micro-savings and micro-insurance. This period marked a formalized industry structure, heavily supported by international institutions such as the World Bank's Consultative Group to Assist the Poorest (CGAP) formed in 1995 and the 1997 Microcredit Summit, which set the ambitious goal of providing credit to 100 million of the world's poorest by 2005 (Siraj, 2012; Cull & Morduch, 2018). The United Nations further amplified microfinance’s visibility by declaring 2005 the International Year of Microcredit, positioning it as a tool for financial inclusion and poverty reduction. This recognition, along with the Nobel Peace Prize awarded to the Grameen Bank and its founder in 2006, underscored microfinance’s role in poverty alleviation and gender equality. However, empirical studies questioned whether microfinance truly met these objectives (Microcredit Summit Campaign (MSC), 2007). During this phase, MFIs grew rapidly, notably the Grameen Bank and BRAC, whose clients increased by over 600% from 1991 to 2006 (MSC, 2007, 2007, p.16). MFIs increasingly targeted women, capitalizing on higher repayment rates associated with female borrowers, a trend bolstered by research showing women’s superior loan repayment performance compared to men (Sharma & Zeller, 1997; Kevane & Wydick, 2001). By 2006, women accounted for about 85% of microfinance clients globally (MSC, 2007, p.24), demonstrating the industry’s reliance on women as a low-risk segment. While commercial microfinance attracted massive capital inflows, it also led to high-interest rates, exemplified by the Mexican MFI Compartamos Banco, which charged rates up to 83% (Rosenberg, 2007). This high-profit model sparked criticism from Muhammad Yunus, who argued that such rates contradicted microfinance's original mission (Accion International Journal, 2007; MSC, 2007, p.29). High interest rates, combined with a focus on profitability, left many borrowers, especially women, trapped in debt (Bateman, 2010; Roy, 2010; Karim, 2011). These findings reinforced Morduch's (1999) assertion that commercial microfinance was unsuited for poverty alleviation (pp.1609-1610). This phase of microfinance exposed the tension between profitability and social impact. While MFIs achieved financial sustainability and market expansion, their high-interest rates and commercialization sparked criticism, with studies (Roy, 2010; Bateman, 2010; Duvendack et al., 2011; Van Rooyen et al., 2012) revealing minimal positive impacts on poverty reduction and even cases of worsened financial situations for borrowers.

4.5. The Fifth Phase (2008 to 2009)

Microfinance During Global Financial Crisis

During the 2008-2009 global financial crisis, the booming microfinance industry, characterized by rapid expansion and high-interest rates, faced severe setbacks. The crisis exposed significant vulnerabilities within MFIs, leading to sharp declines in asset quality, profitability, and loan portfolio performance, along with increased defaults and widespread borrower over-indebtedness. The crisis underscored systemic issues in the microfinance sector, such as high operational costs, limited regulatory oversight, and an excessive supply of credit from MFIs (Di Bella, 2011; Wagner & Winkler, 2012; Obed, 2018). Policies in some Global South nations to cap interest rates or restructure debts en masse exacerbated these problems, as did public spending cuts that heightened living costs for basic goods and services, disproportionately impacting low-income borrowers, particularly women (Elson, 2010). As women traditionally allocate income toward family welfare, rising costs and high-interest loan repayments left many unable to meet their obligations, leading to default and over-indebtedness in countries such as Bolivia, Peru, Morocco, India, Mexico, Pakistan, Bangladesh, Ghana, and Nigeria (Karim, 2008; Bateman, 2010; Taylor, 2011; Guerin et al., 2013). Over-indebtedness occurred when clients borrowed beyond their repayment capacity, forcing borrowers into harsh sacrifices, like skipping meals or defaulting on loans altogether (Schicks & Rosenberg, 2011). This cycle of debt contributed to desperate conditions, sometimes resulting in extreme consequences, such as borrower harassment and even suicides (Karim, 2011; Taylor, 2011). To counter rising defaults, some MFIs resorted to aggressive recovery practices, which further tarnished the industry's reputation (Karim. 2008, 2011).

Research comparing pre-crisis performance with the crisis period reveals a significant downturn for MFIs. According to Di Bella (2011), from 1998-2006, MFIs experienced steady growth, with assets expanding annually by 36%, loans by nearly 40%, and borrowings by over 50%. This period saw high profitability, with a return on equity (ROE) around 10%, while MFIs' lending rates averaged around 36%. However, the financial crisis caused a marked decline. From 2007-2009, annual asset growth fell to 22%, and lending rates dropped to 32%. Borrowings decreased to an annual growth rate of 23%, with ROE dropping by 5% points from pre-crisis levels. By 2008-2009, MFIs saw a stark downturn in performance, which led to a public outcry over the relatively high interest rates they continued to charge, especially as these rates surpassed those of commercial banks (Di Bella, 2011). The crisis illuminated the dissonance between MFIs' mission of poverty alleviation and the financial burdens imposed on vulnerable clients. Borrowers, facing high interest rates and unmanageable debt, often resorted to taking on multiple loans to meet repayment obligations, creating a cycle of indebtedness. This unsustainable lending environment damaged the credibility of MFIs and prompted governmental scrutiny worldwide. The resulting criticism underscored the need for a re-evaluation of microfinance's role and practices, as the very system designed to uplift the poor was increasingly seen as a source of financial strain for the most economically vulnerable.

4.6. The Sixth Phase (2010 to 2019)

Microfinance Post - Global Financial Crisis (Financial Inclusion as the New Mission and Definition of Microfinance)

In the aftermath of the 2008-2009 global financial crisis, the microfinance sector underwent significant changes. No longer able to rely solely on credit provision for sustainability due to clients' over-indebtedness and weakened asset quality, MFIs sought new strategies. They focused on strengthening internal controls, reducing operational costs, monitoring asset quality, and improving financial performance (Halder & Stiglitz, 2016). MFIs diversified their funding sources, raising more domestic deposits and seeking new equity from institutional investors, often through forced savings collected from clients at no interest (Mader, 2017). The sector also redefined its mission, shifting from “microfinance” to “financial inclusion,” a broader framework introduced with the 2011 Maya Declaration by the Alliance for Financial Inclusion (AFI) in Mexico. Financial inclusion was presented as essential for economic stability and development, with a commitment to extending diverse financial services beyond microcredit to marginalized populations (AFI, 2015; Mader, 2017). This new approach viewed microfinance as a pathway to integrating financially excluded populations into the global financial system, aligning with development goals and even featuring in the United Nations’ Sustainable Development Goals (SDGs), specifically in SDG 8 (UN, 2018). However, despite this shift, MFIs remained primarily credit-focused, driven by profitability and sustainability needs (Sinclair, 2012; Mader, 2017). Financial inclusion attracted new players, including large banks, payday lenders, technology firms, and mobile operators, who expanded their reach into the microfinance sector. Commercial banks began scaling back into micro-lending, while large MFIs obtained formal banking licenses, and partnerships between fintech firms and MFIs flourished. This influx of commercial entities—including major banks like Credit Suisse and Citigroup—redefined microfinance, often under adverse conditions for borrowers, which some argue perpetuated inequality and exclusion under the guise of inclusion (Geleta, 2016; Banerjee & Jackson, 2017). The policy objectives behind microfinance—promoting entrepreneurship, poverty reduction, gender equality, and empowerment—have been widely studied, with some research indicating positive outcomes. Studies report that microfinance has supported entrepreneurship (Mahmood, 2011; Kato & Kratzer, 2013; Naeem, et al., 2015), poverty alleviation (Boateng et al., 2015; Yunus, 2017; Agbola et al., 2017), financial inclusion (Siraj, 2012; Adeola & Evans, 2017), economic empowerment (Weber & Ahmad, 2014; Hussain et al., 2019), and gender equality (Zhang & Posso, 2017; Niaz & Iqbal, 2019). Yet, other studies highlight adverse effects, including client disempowerment, debt traps, and heightened vulnerability due to over-indebtedness (Bateman, 2014; Ganle et al., 2015; Geleta, 2016; Maclean, 2019), while MFIs continue to accumulate surplus capital from forced savings and repayments (Federici, 2014; Ghimire, 2020). These criticisms have spurred ongoing debates regarding microfinance's effectiveness as a development tool. Despite the divergent findings, the sector has grown substantially, with global microfinance clients rising from 98 million in 2009 to 139.9 million by 2018, holding a collective loan portfolio of $124.1 billion (Microfinance Barometer, 2019). Women, in particular, make up 80% of borrowers, with rural clients comprising 65%, underscoring microfinance's focus on the Global South and its significant outreach to women.

Highlights of the spread of microfinance across regions presented in Table 1 show that South Asia dominates the global MF sector with the largest borrowers (85.6 million in 2018). Another critical feature of MF in this region is that almost all borrowers are female (89 percent in 2018). A loan portfolio is outstanding (36.8 billion as of 2018) and a rural penetration of 72 percent in 2018. In contrast, Latin America and the Caribbean alone account for 44 percent of the total MF portfolio in outstanding loans ($48.3 billion in 2018). However, it is the second-largest in terms of the number of borrowers (22.2 million in 2018) after South Asia. The data further shows that the region is characterized by a low penetration rate in rural areas accounting for only 23 percent of their clients in 2018. Eastern Asia and the Pacific, with 20.8 million borrowers, have the highest rural penetration (79 percent in 2018). It is also the region with the second-largest female clients (73 percent in 2018). Sub-Saharan Africa has 64 percent female clients and 60 percent rural borrowers. Eastern Europe and Central Asia have 49 percent female clients and 62 percent rural borrowers. The Middle East and North Africa have 60 percent female clients and 47 percent rural borrowers, respectively. These microfinance numbers draw attention to microfinance prioritizing the Global South and women in particular.

Table 1. Number of Microfinance Borrowers and Loan Portfolio by Region

Rank	Region	Borrowers 2018	Male % (Borrowers)	Female % (Borrowers)	Rural % (Borrowers)	Loan Portfolio 2018 ($)
1	South Asia	85.6 M	11	89	72	36.8 B
2	Latin America and the Caribbean	22.2 M	37	63	23	48.3 B
3	East Asia and Pacific	20.8	27	73	79	21.5 B
4	Sub-Saharan Africa	6.3 M	36	64	60	10.3 B
5	Eastern Europe and Central Asia	2.5 M	51	49	62	5.7 B
6	The Middle East and North Africa	2.5 M	40	60	47	1.5 B
		139.9 M				124.1 B

Source: Microfinance Barometer (2019, pp. 1-2)

The financial inclusion agenda has reshaped microfinance into a global industry targeting the economically marginalized, especially in the Global South. However, critiques persist, arguing that financial inclusion has expanded microfinance's reach at the expense of vulnerable clients, leading to new forms of financial exploitation and perpetuating inequalities. The implications of this transformation for poverty alleviation and empowerment remain subjects of debate and scrutiny.

4.7. The Seventh Phase (2019 to 2021): Microfinance During the Corona virus (COVID-19) Pandemic

The COVID-19 pandemic, beginning in late 2019, introduced unprecedented challenges to the microfinance sector, disrupting the high-contact, in-person model central to MFIs' operations. Lockdowns halted loan repayments and new loan disbursements which resulted in a sharp rise in overdue loans; particularly in regions like Sub-Saharan Africa, where MFIs reported a 41% increase in portfolio-at-risk (PAR30) rates, the highest among the studied areas (Grameen Crédit Agricole Foundation, 2020). Clients in countries like Pakistan and Bangladesh experienced severe income drops, with many unable to meet loan obligations; for example, 70% of surveyed Pakistani borrowers struggled with repayments by April 2020 (Malik et al., 2020). This inability to repay loans escalated the problem of non-performing loans, pushing the microfinance sector into financial instability and heightening MFIs' liquidity risks (Zheng & Zhang, 2021). Studies highlighted substantial challenges for key institutions, with many facing liquidity crises, asset quality deterioration, and capital adequacy issues. For instance, Nigerian MFIs, among the largest in Sub-Saharan Africa, experienced widespread declines across performance indicators, particularly in asset quality, with significant portions of their loan portfolios at risk (Onwuka et al., 2022). Smaller MFIs, without the reserve strength of larger institutions, faced pressing solvency risks, with 32% of MFIs globally at high risk by 2022, an increase from pre-pandemic levels (Sotiriou, Crush, & Spaggiari, 2024).

To prevent collapse, MFIs, governments, and regulatory bodies introduced adaptive measures. Many MFIs restructured loans, granting grace periods of up to 180 days (Sotiriou et al., 2024). Large MFIs with reserves could sustain this period, but smaller institutions required external support to maintain liquidity. Additionally, MFIs like BancoSol in Bolivia and Accion

MfB in Nigeria provided food aid to clients impacted by the crisis, blending financial support with humanitarian assistance (Altschul, 2021). Some institutions pivoted to digital strategies; BancoSol expanded its virtual lending app, resulting in a 141% transaction increase as customers accessed banking services remotely (Altschul, 2021). Similarly, Accion MfB organized training programs to help clients transition their businesses online, providing crucial support in a shifting economic landscape. Despite these efforts, the relief measures offered limited long-term recovery options for borrowers or MFIs. The pandemic exposed the financial vulnerabilities of borrowers, particularly women, who often bore the economic burden of household support. The pandemic further highlighted the sector's inefficiencies and fragilities, intensifying the debate over microfinance's role in fostering resilience versus amplifying economic vulnerabilities. For many clients, MFIs remained one of the few accessible funding sources, but the pandemic underscored the inherent challenges and the often-exploitative dynamics within the microfinance model, as clients remained vulnerable to the sector's strict practices (Brickell et al., 2020). The pandemic's lasting impact on microfinance has reshaped the sector's future. As the need for capital persists in a post-COVID world, MFIs and borrowers face an ongoing struggle with the sector's financial efficiency and the balance between support and debt dependence. This period has prompted critical reflection on microfinance's role, which is influencing policies and practices moving forward.

4.8. The Eight Phase (2022 and beyond)

The State of Microfinance Post COVID-19 and the effectiveness of microfinance

From the seventh phase it is observable that the COVID-19 pandemic introduced unprecedented challenges to the microfinance sector. It ushered in a new phase defined by recovery, adaptation, and digitalization. The eight phase reflects a mixture of resilience, structural transformation, and persistent challenges, especially in the face of evolving market demands and the technological shift forced by the pandemic. The state of MF post-covid era is explored around the following themes: operational efficiency, digitalization, and ongoing debates over effectiveness.

Operational Efficiency: Post-pandemic, MFIs have re-evaluated their strategies to enhance operational efficiency, diversifying funding sources, improving internal controls, and implementing flexible repayment terms to manage loan defaults. Emphasis has shifted to customer-centric approaches, with MFIs tailoring products to evolving client needs, especially in resilient sectors like agriculture and rural communities (Campos, Foschi, & Dunkel, 2022; Research & Markets, 2024).

Shift Toward Digitalization: A major transformation in this phase is the rapid digitalization of microfinance. Social distancing and lockdowns spurred MFIs to adopt digital financial services (DFS) such as mobile banking and online lending platforms to maintain services remotely (Research and Markets, 2024). While digital lending has improved access to financial services, especially in underserved areas, it also presents challenges (Iddrisu, 2024). Rural borrowers, women, and low-income individuals lack the digital literacy or infrastructure to access these services, highlighting concerns about a growing digital divide (Ibukun et al., 2023). Issues of data security, borrower protection, and potential over-indebtedness have also arisen, underscoring the need for technological investment and digital literacy programs to ensure inclusive access (Fersi et al., 2023; Datta, 2023).

Effectiveness of Microfinance: Impacts and Criticism: While microfinance is often lauded for promoting financial inclusion, poverty reduction, and women's empowerment, its effectiveness remains contested. In 2024, the global microfinance market was valued at $204 billion, projected to reach $377 billion by 2030 (Research & Markets, 2024). Women constitute over two-thirds of microfinance clients worldwide, reflecting the sector’s focus on women. Yet, the extent to which microfinance achieves its goals is debated.

Microfinance and Financial Inclusion: Microfinance is promoted as a means to extend formal financial services to those excluded by mainstream banking due to high risks or lack of collateral (Asian Development Bank (ADP) (2023); CGAP, 2024). Empirical studies present mixed results. Some report positive impacts on financial inclusion and mobile banking adoption (Mishra et al., 2024; Research & Markets, 2024). However, studies argue that microfinance's reliance on group lending models, predominantly targeting women, perpetuates financial risks borne by the poor (Sahan & Phimister, 2023; Shohel et al., 2023) and entrenches gendered roles. Women are often deemed more reliable borrowers due to stereotypes that they are trustworthy and compliant, leading MFIs to utilize social pressure tactics like public shaming for debt recovery (Bloomberg, 2022; Shohel et al., 2023). This model has both increased financial inclusion and, in some cases, exploited the social capital of women (Andriani et al., 2022; Shohel et al., 2023).

Microfinance, Entrepreneurship, and Poverty Reduction: Microfinance is often viewed as a catalyst for entrepreneurship among low-income individuals, aiming to facilitate income generation and lift borrowers out of poverty (Datta & Sahu, 2023). The United Nations' Sustainable Development Goals, particularly SDG 8, link access to credit with poverty reduction and economic growth (UNDP, 2024). Many studies have documented positive impacts on entrepreneurship, poverty alleviation, with improvements in income, savings, and consumption expenditures in regions like Bangladesh, India, Pakistan, and Nigeria (Khursheed, 2022; ADB, 2023; Farooq et al., 2024, Ude, 2024). However, critics and studies argue that most microenterprises remain too small to scale, often leading to market saturation, low productivity, and debt without sustainable growth (Bateman, 2022; Dulhunty, 2022). Many loans are used for immediate consumption rather than business expansion, pushing households further into debt (Bateman, 2022; Guermond, et al. 2022).

Microfinance, Gender Equality, and Economic Empowerment: Microfinance has been celebrated for its role in promoting gender equality and economic empowerment. Proponents argue that access to financial resources empowers women, enhancing their decision-making power within households and contributing to improved social standing (ADB, 2023; BNP Paripas, 2024). Some studies show that microfinance increases women's autonomy in economic decisions, a critical indicator of empowerment (Lee & Huruta, 2022; ADB, 2023; Maldonado-Castro et al., 2024). However, others argue that empowerment outcomes are limited. In many cases, men retain control over loans, and women are burdened with debt that benefits the household without increasing their own financial independence (Sinha et al., 2022; Shohel et al., 2023). Critics contend that the structural power dynamics in patriarchal societies inhibit true empowerment, and microfinance often reinforces these dynamics rather than dismantling them (Shohel et al., 2021). In the wake of COVID-19, microfinance has transitioned to a phase marked by resilience, innovation, and evolving challenges. The evidence from this phase underscores mixed outcomes in microfinance's impact on poverty reduction, financial inclusion, and empowerment. While digitalization and customer-centric strategies signal progress, concerns about the debt burden, gender exploitation, and limited structural change remain. This complex legacy highlights the need for ongoing research and policy scrutiny to ensure microfinance genuinely serves the interests of low-income communities, rather than merely expanding financial markets at their expense.

5. Conclusion

This article has traced the evolution of microfinance through its various developmental phases, exploring the economic policies and theoretical frameworks that have shaped its trajectory and impact, especially on women, the scheme's primary targets. Beginning with the subsidized small-scale agricultural credit of the 1950s to 1970s, microfinance sought to alleviate poverty through state-led financial support for farmers. However, instead of providing equitable access to essential resources, the state funnelled debt to impoverished women, creating unintended social conflicts over credit access, loan control, and repayment responsibilities. These challenges showcased the unsustainability of state-funded credit as Global South nations faced mounting debt and declining social welfare protections. The 1970s ushered in a shift towards microfinance as a poverty alleviation tool, symbolized by Muhammad Yunus's pioneering Grameen Bank model in Bangladesh, which focused on group lending and peer support. Early successes led to rapid expansion across the Global South, with state-backed donor funding supporting microfinance initiatives. While celebrated for high repayment rates, the burden of debt repayment often fell disproportionately on women, who made sacrifices to meet loan obligations. This phase also underscored a growing dependency on international financial institutions, revealing the fragility of microfinance reliant on subsidized interest rates. In the 1980s, the commercialization of microfinance marked a decisive shift towards neoliberalism, with emphasis on market-driven interest rates and profitability. MFIs now aimed for self-sustainability by targeting the "economically active poor," especially women, seen as lower-risk borrowers due to perceived reliability in loan repayment. This phase prioritized profit generation over poverty reduction, establishing microfinance as a viable investment vehicle rather than a purely social initiative. The 1990s through the pre-2008 financial crisis saw microfinance formalize into a distinct industry, expanding services beyond microcredit to include savings and insurance. Public and private investments surged, and the commercialization of microfinance reached a new high with cases like Compartamos Banco's oversubscribed IPO. As MFIs concentrated on urban areas and capital growth, competition grew intense, leading to a sector focused more on profitability than on reducing inequality. The prioritization of women borrowers continued, reinforcing their role as low-risk clients but also deepening financial divides among the poor.

During the 2008-2009 financial crisis, microfinance was hit hard, with high-interest rates, loan defaults, and borrower over-indebtedness exposing the sector’s vulnerabilities. MFIs responded by cutting costs, seeking new funding sources, and exploring alternative markets. This phase highlighted the risks of credit oversupply and lax internal controls, which had undermined loan performance and borrower stability. In the aftermath of the crisis, the sixth phase (2010-2019) saw microfinance rebranded under the “financial inclusion” agenda. Although the mission was to integrate the poor into formal financial systems, MFIs largely retained their focus on credit-based products and actively pursued profitability. Critics argued that this approach exacerbated inequality and social vulnerability, especially as MFIs targeted women and the “active poor” under adverse conditions masked as financial inclusion. The seventh phase during the COVID-19 pandemic mirrored the financial crisis in exposing microfinance's structural weaknesses. MFIs struggled with high portfolio risks, reduced profitability, and liquidity issues as lockdowns disrupted traditional operations. Although digital solutions and new client segments emerged, these adaptations failed to secure long-term stability. The pandemic underscored microfinance’s fragility and its dependence on extracting surplus from low-income borrowers, suggesting that microfinance does not fulfill its role as a tool for holistic financial inclusion, empowerment, or poverty alleviation.

This article contributes a critical perspective to the limited literature on microfinance’s development, underscoring the economic policies and gender dynamics that have shaped its impact in the Global South. The high poverty rate in this region has driven a focus on microfinance as part of global poverty reduction efforts. Yet, commercialisation has introduced high-interest rates, over-indebtedness, and cyclical financial crises, casting doubt on microfinance’s purported benefits for poverty alleviation. This study further argues that microfinance now capitalises on the poor, extracting deposits and savings from borrowers to fund further lending—an approach marketed as “financial inclusion” while primarily benefiting MFIs. Women remain central targets due to perceived reliability in repayment, but this often involves coercive lending practices, stringent collateral requirements, and social stigma. Despite these issues, proponents continue to assert that microcredit contributes positively to poverty alleviation, women's entrepreneurship, and empowerment, especially in the Global South. Nevertheless, MF has so far been unable to achieve broad poverty reduction and economic empowerment. While there is no conclusive evidence that MF exploits the poor, existing findings suggest that MF interactions are more beneficial to MF institutions than to the poor. This occurs because MF tends to prioritize active borrowers and profit over addressing the development needs of impoverished communities.

Therefore, this author recommends that using MF as a primary tool for poverty reduction and empowerment is impractical, as it portends more harm than good. Instead, policymakers should focus on non-credit development programs that provide sustainable support to the poor—such as skill acquisition training, direct job creation in agriculture and manufacturing, and broader employment opportunities for both men and women. These initiatives would more effectively assist all socioeconomic groups, including those poorest populations often neglected by traditional MF schemes. Rather than attempting to regulate how the poor receive and spend money, more effort should be invested in formalizing and improving their means of creating wealth or earning a livelihood. Additionally, the study recommends that governments in the Global South adopt a more cautious approach to financial inclusion through microfinance. This involves designing innovative programs that offer financial services to the poorest individuals, who are often excluded due to social and financial requirements. Such measures could include providing tailored financial services through specialised or development banks rather than relying on MFIs, which tend to limit their operations to the financially active poor. What other non-debt-based development strategies might better serve the Global South? These pending issues signal a need for further research, especially focused on local communities, to better evaluate microfinance's impact on sustainable development, social equity and possible non-credit alternatives.

Funding

This study received no financial support from any organization or individual.

Authors' contributions

All authors had contribution in preparing this paper.

Conflicts of interest

The authors declare no conflict of interest

References

Adeola, O., & Evans, O. (2017). The impact of microfinance on financial inclusion in Nigeria, The Journal of Developing Areas, 51(4):193-206, DOI:10.1353/jda.2017.0097.

Agbola, F.W., Acupan, A. & Mahmood, A. (2017). Does microfinance reduce poverty? New evidence from Northeastern Mindanao, the Philippines. *Journal of Rural Studies*, 50, 159-171.

Alliance for Financial Inclusion (AFI) (2015). *Maya Declaration: Commitments You Can Bank On*. www.afiglobal.org/sites/deafault/files/publications/maya. (Accessed 28 September 2018).

Ali, A., Ramakrishnan, S., Faisal, F., & Ullah, Z. (2022). Bibliometric analysis of global research trends on microfinance institutions and microfinance: Suggesting new research agendas. *International Journal of Finance & Economics*. https://doi.org/10.1002/ijfe.2607.

Altschul, E. (2021). Moving beyond “doomsday”: Inclusive finance in the time of COVID-19, https://www.accion.org/moving-beyond-doomsday-inclusive-finance-in-the-time-of-covid-19/

Andriani, L., Lal, S., & Kalam, A. A. (2022). Entrepreneurial activities and women empowerment in rural India between microfinance and social capital. *Strategic Change*, *31*(2), 227–237. https://doi.org/10.1002/jsc.2492

Armendáriz de Aghion, B. & Morduch, J. (2005). *The Economics of Microfinance*. Cambridge, Massachusetts: The MIT Press.

Asian Development Bank (ADP) (2023). Expanding access to credit for women. https://www.adb.org/projects/52124-001/main#project-pds

Banerjee, S.B., & Jackson, L. (2017). *Microfinance and the business of poverty reduction: critical perspectives from rural Bangladesh*, 70 (1).

Bateman, M. (2010). *Why doesn't microfinance work? The destructive rise of local neoliberalism*. New York: Zed Books.

Bateman, M. (2014). South Africa's post-apartheid microcredit-driven calamity. *Law, Democracy and Development*, 18, 92-135.

Bateman, M. (2022). Moving from 'developmental' to 'anti-developmental' local financial models in East Asia: Abandoning a winning formula, Geoforum, Volume 137, December 2022, 154-163.

Baumann, T. (2005). Pro-poor microcredit in South Africa: Cost-efficiency and productivity of South African pro-poor microfinance institutions, *Journal of Microfinance/ESR Review*, 7(1), 95-119.

BNP Baripas (2024). 2024 MICROFINANCE SOCIAL PERFORMANCE REPORT https://group.bnpparibas/uploads/file/2024_bnp_paribas_microfinance_social_report.pdf

Boas, T. C., & Gans-Morse, J. (2009). Neoliberalism: From new liberal philosophy to anti-liberal slogan. *Studies in Comparative International Development*, *44*(2), 137–161.

Boateng, G.O., Boateng, A.A. & Bampoe, H.S. (2015). Microfinance and poverty reduction in Ghana: Evidence from policy beneficiaries. *Review of Business and FinanceStudies*, 6(1), 99-108.

Bloomberg (2022). Big Money Backs Tiny Loans That Lead to Debt, Despair and Even Suicide, The Cambodia Daily, 5 May, 2022, https://english.cambodiadaily.com/business/big-money-backs-tiny-loans-that-lead-to-debt-despair-and-even-suicide-177781/

Boserup, E. (1970). *Woman's role in economic development*. Earthscan Publications.

Braverman, A., & Guasch, J. Luis. (1986). Rural credit markets and institutions in developing countries: Lessons for policy analysis from practice and modern theory. *World Development*, *14*(10-11), 1253–1267. https://doi.org/10.1016/0305-750x(86)90104-x

Brickell, K., Picchioni, F., Natarajan, N., Guermond, V., Parsons, L., Zanello, G., & Bateman, M. (2020). Compounding crises of social reproduction: Microfinance, over-indebtedness and the COVID-19 pandemic. *World Development*, *136*, 105087. https://doi.org/10.1016/j.worlddev.2020.105087

Calvo, G.A., Leiderman, L. & Reinhart, C.M. (1996). Inflows of capital to developing countries in the 1990s. *Journal of economic perspectives*, 10(2), pp.123-139.

Campos, E., Foschi, L. & Dunkel, B. (2022). *The Impact of the Crisis on Microfinance institutions. Analyses and Perspectives*. [online] Available at: https://www.ada-microfinance.org/sites/default/files/2021/07/FGCA_The%20impact%20of%20the%20COVID-19%20crisis%20on%20microfinance%20institutions_EN.pdf.

Consultative Group to Assist the Poor (CGAP) (2024). Financial Inclusion, https://www.cgap.org/financial-inclusion

Cull, R., & Morduch, J. (2018). Microfinance and economic development. In *Handbook of finance and development* (pp. 550-572). Edward Elgar Publishing.

Datta, D. (2023). Future Agendas in Finance in a Post-pandemic World: A Brief Overview. *A Journal of Management*, 22(1), 9–24. doi:https://doi.org/10.1177/09728686231181443

Datta, S., & Sahu, T. N. (2023). *Financial Inclusion and Livelihood Transformation*. Palgrave Macmillan. https://doi.org/10.1007/978-981-99-4141-4.

Di Bella, G. (2011). *The Impact of the Global Financial Crisis on Microfinance and Policy Implications,* IMF Working Paper, WP/11/175 (2011), http://www.imf.org/external/pubs /ft /wp / 2011/wp11175.pdf.

Dulhunty, A. (2022). The microcredit continuum: from 'smart economics' to holistic programming. Journal of International Development, 34 (2022), 1213-1226, 10.1002/jid.3625

Duvendack, M., Palmer-Jones, R., Copestake, J.G., Hooper, L., Loke, Y., & Rao, N. (2011). *What is the evidence of the impact of microfinance on the well-being of poor people?* London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

Elson, D. (2010). Gender and the global economic crisis in developing countries: A framework for analysis. *Gender and Development*. 18(2), 201-212.

Farooq, S. H., Din, A. U., Soomro, I. A., & Riviezzo, A. (2024). Unveiling the path to sustainable poverty alleviation in Pakistan: Investigating the role of microfinance interventions in empowering women entrepreneurs. *Scandinavian Journal of Management*, *40*(2), 101331.

Federici, S. (2014). From commoning to debt: financialisation, microcredit, and the changing architecture of capital accumulation. *South Atlantic Quarterly*, *113* (2), 231-244.

Fersi, M., Boujelbène, M. & Arous, F. (2023). Microfinance's Digital Transformation for Sustainable Inclusion. *European journal of management and business economics*, 32(5). doi:https://doi.org/10.1108/ejmbe-10-2022-0332.

Foundation Grameen Credit Agricole (2020). Covid 19 crisis new opportunities are emerging for microfinance institutions, https://www.gca-foundation.org/en/beyond-the-difficulties-posed-by-the-covid-19-crisis-new-opportunities-are-emerging-for-microfinance-institutions-mfis/

Ganle, J. K., Afriyie, K. & Segbefia, A. Y. (2015). Microcredit: Empowerment and Disempowerment of Rural Women in Ghana. World Development, 66, pp. 335-345, https://doi.org/10.1016/j.worlddev

Geleta, E. B. (2016). Microfinance and women's empowerment: An ethnographic inquiry. *Development in Practice*, 26 (1), pp. 91-101.

Ghimire, S. (2020). Canadian imperialism and the politics of microfinance. Studies in Political Economy, 101 (2020), 155-173, 10.1080/07078552.2020.1802833

Gonzalez-Vega, C., & Graham, D. H. (1995). *State-owned agricultural development banks: Lessons and opportunities for microfinance*. GEMINI.

Guérin, I., Morvant-Roux, S., & Villarreal, M. (2013). *Microfinance, debt and over-indebtedness*. Juggling with money. London. Routledge.

Guermond, V., Parsons, L., Ly Vouch, L., Brickell, K., Michiels, S., Faye, G., Bateman, M., Zanello, G., Natarajan, N., Picchioni, F., & Iskander, D. (2022, Sept). Microfinance, over-indebtedness and climate adaptation: New evidence from rural Cambodia. https://static1.squarespace.com/static/62f2cf0e5c1d785dc4090f66/t/6327baac4be25f1d0d3ec013/1663548086338/Microfinance-over-indebtedness-and-climate-adaptation_English.pdf

Haldar, A., & Stiglitz, J. E. (2016). Group lending, joint liability, and social capital. *Politics & Society*, *44*(4), 459–497. https://doi.org/10.1177/0032329216674001.

Harper, M. (2011). The commercialisation of microfinance: resolution or extension of poverty? In M. Bateman (Ed.), *Confronting Microfinance: Undermining Sustainable Development* (pp.49-63), Sterling: Khumarian Press.

Helms, B. (2006). *Access for All: Building Inclusive Financial Systems*. The World Bank Group.

Hussain, J., Mahmood, S., & Scott, J. (2019). Gender, microcredit and poverty alleviation in a developing country: The case of women entrepreneurs in Pakistan. *Journal of International Development*, *31*(3), 247-270. 10.1002/jid.3403

Iddrisu, K. (2024). Foreign bank presence and income inequality in Africa: What role does economic freedom play? *Future Business Journal*, *10*(1). https://doi.org/10.1186/s43093-024-00357-x

Karim, L. (2008). Demystifying micro-credit the Grameen Bank, NGOs, and neoliberalism in Bangladesh. *Cultural Dynamics*, *20* (1), 5-29.

Karim, L. (2011). *Microfinance and its discontents: Women in debt in Bangladesh*. Minneapolis: University of Minnesota Press.

Kato, M.P & Kratzer, J. (2013). Empowering women through microfinance: Evidence from Tanzania. *ACRN Journal of Entrepreneurship Perspectives*, 2 (1), 31-59.

Kevane, M. & B. Wydick. (2001). Microenterprise lending to female entrepreneurs: Sacrificing economic growth for poverty alleviation? *World Development*, 29, 1225–1236.

Khursheed, A. (2022). Exploring the role of microfinance in women's empowerment and entrepreneurial development: a qualitative study. *Future Business Journal* 8, 57 (2022). https://doi.org/10.1186/s43093-022-00172-2.

Lapenu, C. (2000). The Role of the State in Promoting Microfinance Institutions. *FCND Discussion Paper*, *89*. https://doi.org/10.22004/ag.econ.16461

Lee, C.-W., & Huruta, A. D. (2022). Green Microfinance and Women's Empowerment: Why Does Financial Literacy Matter? *Sustainability*, *14*(5), 3130. https://doi.org/10.3390/su14053130

Maclean, K. (2019) Women and Microfinance in the Global South: Empowerment and Disempowerment Outcomes, *Gender and Development*, 27(1), 180-182, DOI:10.1080/13552074.2019.1570730.

Mader, P. (2017). Debate: Contesting financial inclusion. *Development and Change,* 49 (2), 461–483. DOI:10.1111/dech.12368C.

Mahmood, S. (2011). Microfinance and women entrepreneurs in Pakistan. *International Journal of Gender and Entrepreneurship,* 3 (3), 265-274, https://doi.org/ 10.1108/17566261111169340

Maldonado-Castro, J., Gallego-Losada, R., & Montero-Navarro, A. (2024). Mapping the intellectual structure of microfinance and women's empowerment: A bibliometric analysis. *Heliyon*, *10*(20), e39563. https://doi.org/10.1016/j.heliyon.2024.e39563

Malik, K., Meki, M., Morduch, J., Ogden, T., Quinn, S., & Said, F. (2020). COVID-19 and the Future of Microfinance: Evidence and Insights from Pakistan. *Oxford Review of Economic Policy*, *36*(Supplement_1), S138-S168.

Meki, M & Quinn, S. (2024). Microfinance: an overview, Oxford Review of Economic Policy, Volume 40, Issue 1, Spring 2024, 1–7, https://doi.org/10.1093/oxrep/grae004.

Mia, M. A., Lee, H. A., Chandran, V., Rasiah, R. & Rahman, M. (2019). History of microfinance in Bangladesh: A life cycle theory approach. Business History, 61(4), 703–733.

Microcredit Summit Campaign (2007). *State of the Summit Report 2007*. Available at: https:// www.microcreditsummit.org.

Microfinance Barometer (2019). *Microfinance and Profitabilities*, 9th edition. Online at:www.convergences.org/wp-content/uploads/2018/ BMF.pdf.

Mishra, A, Rathore, R.S, Pandey, A & Katiyar, M. (2024). Evaluating the role of microfinance institutions in supporting financial inclusion and economic development. Educational Administration Theory and Practices. 30. 10.53555/kuey.v30i5.4956.

Morduch, J. (1999). The Microfinance Promise, *Journal of Economic Literature*, 37, 1569-1614.

Moser, C. (1993). Gender planning and development: Theory, practice, and training. London: Routledge.

Naeem, A., Khan, S., Sheikh, S.R, Alim, M. & Hassan, F.S. (2015). The impact of microfinance on women micro-enterprises: A case study of district Quetta, Pakistan, *American Journal of Social Science*, 4(4), 19-27.

Niaz, M. & Iqbal (2019). Effect of microfinance on women empowerment: a case study of Pakistan, SSRN Electron. J. (2019), 10.2139/ssrn.3419834

Obed, N.A. (2018). An overview of the loan portfolio at risk in the microfinance industry, Sub-Saharan Africa, *Afro Asian Journal of Social Sciences*, (Online). Available at: *www.onlineresearchjournals.com/ aajoss/art/271.pdf*

Onwuka, I., Nwadiubu, A., & Okwara, U. K. (2022). Impact of covid-19 pandemic on microfinance banks in nigeria. *Savings and Development*, *46*.ttps://doi.org/10.2139/ssrn.3583053;citation_issn=1556-5068;citation_language

Otero, M. (2008). *Commentary: Microfinance at the Crossroads*, Forbes.com, 19 May 2008.

Pervin, N., & Mokhtar, M. (2022). The Interpretivist Research paradigm: A Subjective Notion of a Social Context. *International Journal of Academic Research in Progressive Education and Development*, *11*(2), 419–428. Researchgate. https://doi.org/10.6007/IJARPED/v11-i2/12938

Rankin, K. N. (2001). Governing development: Neoliberalism, microcredit, and rational economic woman. *Economy and Society,* 30, 18–37.

Research and Markets. (2024). *Microfinance market size, competitors & forecast to 2030.* Researchandmarkets.com. https://www.research andmarkets.com/report/microfinance
?srsltid=AfmBOoqk6Ax1b9xDWCRp1RpBgrRmVxKWX2xxUgMxmehGq jIY44Gc-KEp

Rosenberg, R. (2007). *CGAP Reflections on the Compartamos Initial Public Offering: A Case Study on Microfinance Interest Rates and Profits.* Washington, DC.

Roy, A. (2010). *Poverty capital: Microfinance and the making of development.* New York: Routledge. Print.

Sager, F., & Rosser, C. (2015). Historical methods. In M. Bevir & R. A. W. Rhodes (Eds.), *Routledge Handbook of Interpretive Political Science*. Routledge. https://doi.org/10.4324/9781315725314

Sahan, S. & Euan Phimister, E (2023). Repayment performance of joint-liability microcredits: Metropolitan evidence on social capital and group names, Bulletin of Economic Research, Wiley Blackwell, vol. 75(2), pages 287-311.

Schicks, J., & Rosenberg, R. (2011). *Too Much Microcredit? A Survey of the Evidence on over indebtedness*. CGAP, 77-91.

Seibel, H. D. (2005). *Does History Matter? the Old and the New World of Microfinance in Europe and Asia*. Www.econstor.eu. https://www.econstor.eu/handle/10419/23654

Sharma, M., & Zeller, M. (1997). Repayment performance in group-based credit programs in Bangladesh: An empirical analysis. *World development*, *25*(10), 1731-1742.

Shohel, T. A., Niner, S., & Gunawardana, S. (2021). How the persistence of patriarchy undermines the financial empowerment of women microfinance borrowers? Evidence from a southern sub-district of Bangladesh. *PLOS ONE*, *16*(4), e0250000. https://doi.org/10.1371/journal.pone.0250000

Shohel, T. A., Niner, S., & Gunawardana, S. J. (2023). "Even Though I Get a Loan, My Husband Controls It": Rhetoric Versus Reality of Empowering Bangladeshi Women Through Microfinance Programs, European Journal of Development Research, 35 (2023), 794-819, 10.1057/s41287-022-00539-9

Sinclair, H. (2012). *Confessions of a microfinance heretic: How micro-lending lost its way and betrayed the poor*. San Francisco, CA: Berrett-Koehler.

Sinha, M., Mahapatra, S. S., Dutta, A., & Sengupta, P. P. (2022). Microfinance and Women Empowerment: An Empirical Analysis. *Research Anthology on Microfinance Services and Roles in Social Progress*, 1–13. https://doi.org/10.4018/978-1-6684-7552-2.ch001

Siraj, M. (2012). Do microfinance programs benefit women in developing countries? *Advancing women in leadership*, 22, pp. 24-35, Available online at http://advancingwomen.com/awl/awl_wordpress/ISSN 1093-7099.

Sotiriou, A., Crush, D. & Spaggiari, L. (2024). *In a Post-Pandemic World, How Healthy Are MFIs? | Blog | CGAP*. [online] www.cgap.org. Available at: https://www.cgap.org/blog/in-post-pandemic-world-how-healthy-are-mfis-0.

Snyder, H. (2019). Literature Review as a Research methodology: an Overview and Guidelines. *Journal of Business Research*, *104*(1), 333–339. ScienceDirect. https://doi.org/10.1016/j.jbusres.2019.07.039

Stiglitz, J. (2000). Capital market liberalization, economic growth, and instability. *World development*, 28(6), pp.1075-1086.

Taylor, M. (2011). Freedom from poverty is not for free: Rural development and the Microfinance Crisis in Andhra Pradesh, India. *Journal of Agrarian Change*, 11 (4), pp. 484–504.

Turnell, S. (2005). *The rise and fall of cooperative credit in Colonial Burma*. Macquarie University, Department of Economics research papers, No. 0509.

Ude, D, K. 2024. "Microfinance as a Vehicle for Zero Poverty and Gender Equality in Nigeria." *Innovation, Entrepreneurship and the Informal Economy in Sub-Saharan Africa: A sustainable development Agenda, 30-332, 2024.* Promote poverty reduction in Nigeria.

United Nations (UN) (2018). *Sustainable development goal (SDG) 5.* Available at: https://sustainable development.un.org./sdg5. (Accessed 15 Nov. 2024).

United Nations Development Programme (UNDP) (2024). *Sustainable development goals (SDGs)* Available at: https://www.undp.org/sustainable-development-goals(Accessed 4 Dec. 2024).

Van-Rooyen, C.V, Stewart, R. & Dewet .T. (2012). The impact of microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence: *World Development.* 40 (11), pp. 2249-2262.

Vijayamohanan, P. N., Asalatha, B. P., & Ponnuswamy, B. (2009). *Women in development: Dissecting the discourse.* Munich Personal RePEc Archive (MPRA) Paper No. 13119. http://mpra.ub.uni-muenchen.de/13119.

Wagner C., & Winkler, A. (2012). *The vulnerability of microfinance to financial turmoil –evidence from the global economic crisis*, Frankfurt School of Finance and Management, draft version 04/12 (2012), http://economics.soc.uoc.gr/macro
/docs/Year/2012/papers/paper_2_74.pdf

Weber, O., & Ahmad, A. (2014). Empowerment through microfinance: The relation between loan cycle and level of empowerment. *World development*, *62*, 75-87.

Williamson, J. (2005). The Washington Consensus as a policy Prescription for Development. In: Timothy Besley and Roberto Zagha: *Development Challenges in the 1990s* (pp. 31-57). Washington DC: World Bank & Oxford University Press.

Yunus, M. (1999). *Banker to the poor*. New York, NY: Public Affairs

Yunus, M. (2017). Social business entrepreneurs are the solution. In *The future makers* (pp. 219-225). Routledge.

Zhang, Q., & Posso, A. (2017). Microfinance and gender inequality: Cross-country evidence. Applied Economics Letters, 24(20), 1494-1498.

Zheng, C., & Zhang, J., (2021). The impact of COVID-19 on the efficiency of microfinance institutions. International Review of Economics & Finance, 71(January), 407-423