



# **Funding Women's Futures: A Literature Review and Case Study Analysis of Microfinance in Developing Nations**

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*Research Question: To what extent have microfinance institutions and loans helped enable women's empowerment and entrepreneurship in developing countries?*

## **Abstract**

Gender stereotypes have long been persistent and give way to gender bias which impacts almost all walks of life, particularly the business world whereby several hardships are incurred, especially by women. The prominence and adverse impact of this gender bias are highlighted in a crucial stage of establishing a business i.e., fundraising. In line with the aforementioned, this research paper conducts a thorough literature review which aims to uncover the traditional funding landscape and how gender bias affects it. The paper then proceeds to acknowledge microfinance institutions and loans as one of the funding options which have come up in more recent years to serve and encourage entrepreneurship among disadvantaged groups in society, particularly women in low-income countries. In light of the same, the paper critically analyzes microfinance as a concept in regard to its various characteristics, including accessibility, loan size and terms, support services and impact and sustainability, and then conducts case studies on the impact of microfinance in developing countries such as India, Bangladesh and Vietnam. On the whole, the paper concludes that microfinance loans and institutions do help with women's empowerment and enable women's entrepreneurship in developing countries to a certain extent.

*Key Words: Microfinance, Developing countries, Women's empowerment, Entrepreneurship, Fundraising, Gender Bias*

## **Introduction**

Picture this: You're witnessing an investment pitch where one male entrepreneur and one female entrepreneur are putting their best foot forward in hopes of piquing the interest of potential investors. Both the ideas sound equally compelling but the male entrepreneur walks away with the investment. Seems strange? Well, it's merely a narrative of reality.

Entrepreneurship is the ability and readiness to develop, organize and run a business enterprise, along with any of its uncertainties in order to make a profit. The most prominent example of entrepreneurship is the starting of new businesses (BYJUS, 2020). Amidst the many resources required to get a start-up running, capital/financial resources are the key assets that allow the business to action any of the operations ranging from setting up a company all the way to producing a product or service to sell to customers. Money from personal savings, friends and family, bank loans, crowdfunding, and private equity through angel investors and venture capitalists are all options for funding throughout the life cycle of a private company. Each of the aforementioned options has its unique characteristics and comes with different levels of risk and reward - for instance, venture capital investing can be a high-risk/high-reward scenario for investors which involves investing large sums of money whereas crowdfunding is a relatively low-risk way of raising money where one only needs to raise as much money as one needs.

When discussing funding, one observation that is commonly made is that women entrepreneurs tend to raise less money than their male counterparts when raising funds. Whilst there are several possible reasons for this, one of the reasons may be that venture capitalists amidst other forms of investors hold gender bias. There are psychological barriers and biases against women which when practised can limit their ability to raise funds and consequently enter the realm of entrepreneurship. According to a Telegraph poll, for instance, two-thirds of 750 female founders felt they were not taken seriously when pitching to investors, and felt they were treated differently to their male counterparts (Burn-Callander, 2019). Adding further to the aforementioned, a study presented in the Harvard Business Review has demonstrated how gender stereotypes about the competence and ability of women may discourage women from pursuing entrepreneurship (O'Connell, 2022) which has several implications for the economy and society.

Taking the above into consideration, microfinance institutions and loans were introduced in 1974 with the main aim of helping women as a disadvantaged group to obtain funding more easily and therefore be more enabled and successful in entrepreneurship ventures. This is particularly true for women in low-income countries and developing countries. In light of the aforementioned, the research question for this paper is **“To what extent have microfinance institutions and loans helped enable women's empowerment and entrepreneurship in developing countries?”**.

This research paper aims to discover the role of microfinance institutions in promoting women's entrepreneurship and economic independence in developing countries through case studies of India, Bangladesh and Vietnam.

## **Literature Review**

There are various funding options available to entrepreneurs to start up their businesses. Choosing among these different funding options can be influenced by several factors. The most prominent sources of funding for startups have been defined in the table below.

Venture Capital	Venture capital (VC) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential (Hayes, 2020). Venture capital generally comes from well-off investors, investment banks, and other financial institutions.
Angel Investors	Angel investors are individuals who offer promising startup companies funding in exchange for a piece of the business, usually in the form of equity or royalties (O'Connell, 2022).
Crowdfunding	Crowdfunding is a way for companies and individuals to raise capital from a large group of investors who can choose from hundreds of projects for as little as \$10, typically via the Internet (Smith, 2022).
Bank Loans	Bank loans are the easiest source of availing finance. A bank loan is an extension of credit by a bank to a customer or business; it has to be paid along with interest (Trisha, 2014).
Government Grants	A government grant is a financial award from a federal, state, or local government authority for a beneficial project. It is effectively a transfer payment (Segal, 2021).

Each of the funding methods defined in the table has its own characteristics and therefore also its own set of advantages and drawbacks. For instance, *angel investors* typically invest large sums of money with a higher expectation of return to make up for the risk they take. On the other hand, *crowdfunding* is a newer funding option which has recently gained popularity but it allows crowd funders to invest small amounts of money

without the expectation of a large return and instead to support a project or cause they believe in. With regard to the two aforementioned funding methods, the biggest difference is in the fact that angel investors are specialized in investing in startups therefore they allow access to lower interest rates, more flexibility and large sums of capital that may not otherwise be available to such early stage companies that still present a risk of failure. This directly contrasts with *bank loans* that usually come with higher interest rates and risk of defaulting. One more advantage of angel investors and *venture capitalists* is that they bring not only capital to the table but also expertise which is not available when relying on a *government grant* as these do not include technical assistance or even other financial assistance, such as a loan or loan guarantee, direct appropriation, or revenue sharing (Segal, 2021). The one primary advantage of a grant, however, is that it is not required to be paid back.

### Gender Biases in Funding

Many gender-related barriers and biases have declined over the years but gender stereotypes continue to create problems in the progress of women's careers. Gender stereotypes are ideas about how members of a certain gender do or should be or behave. They reflect ingrained biases based on the social norms of that society (Jones, 2022). In patriarchal societies (such as India, Iraq, Yemen, etc.), for instance, one of the most prominent stereotypes which exists is that of a woman's role being in the kitchen or household whilst the man is stereotyped as being the primary breadwinner. As the years have gone by, such stereotypes have also led to occupational stereotyping to the extent that certain occupations, such as nursing and teaching, are identified more as the role of a woman whilst the likes of construction and engineering are associated with men. Women find themselves having to abide by these structures with over half of the women entrepreneurs surveyed (56%) saying that social approval or disapproval of different careers played a role in their choice of career (Cherie Blair Foundation for Women, 2021). Regardless of the occupation, one common trend which is made evident is that women have to face a lot more hurdles in their work and also in order to receive appreciation and recognition in society.

When focusing on the business and entrepreneurship domain, particularly, one area in which women face heightened levels of challenges is funding (a necessary step to be able to partake in entrepreneurial ventures). For instance, it has been reported that female entrepreneurs receive only about 2% of all venture funding, despite owning 38% of the businesses in the USA (Kanze et al., 2017). The reason for this disparity boils down to the biases related to age, marital status, and societal expectations that women have to face. Investors tend to consider these factors when making financing decisions, which can hinder women's access to funding opportunities. There are certain theories which can explain how and why this discrimination takes place as well as the impact of it. Two of these are discussed below:

The *stereotype threat theory* helps us explain how certain stereotypes which have been created for women have the ability to take a psychological toll on them and to a very great extent demotivate them from even venturing into the business world as they already have this inclination that they may not be

successful. In an online survey conducted among 221 women entrepreneurs, 70% of women entrepreneurs surveyed said that gender stereotypes have negatively affected their work as an entrepreneur (Cherie Blair Foundation for Women, 2021). Women were held back because, unlike men, they were encouraged to make accommodations, such as going part-time and shifting to internally facing roles, which derailed their careers. The aforementioned creates a continuous cycle whereby there is most often a lack of women mentors and investors and thus fewer women dare to enter the space. This can be proven by taking the example of venture-capital-backed tech companies in Europe with statistics showing that all-male founding teams receive 93% of the capital invested, while 5% of capital goes to mixed teams, and only 2% to all-female teams (Credit Suisse, 2022). The ideology that the tech industry is male-dominated has long persisted and led to predominately stronger male networks as women feel compelled to underperform in such an industry. With “fundraising being network-based and all about trust”, women are often left struggling to receive adequate funding. The gap in funding resulting from stronger male networks can further be explained using the *social identity theory* - a theory that studies the role of interplay between personal and social identities (Ellemers, 2019). This theory explains to a certain extent how individuals resonate more closely with others who share similar personal and social identities to them. Due to the stereotyping, men, tend to view their female counterparts as less likely to be successful in business and show a preference towards male entrepreneurs. Simply put, more male investors imply a greater percentage of funding being allocated towards companies led by men.

### The Impact of Women Not Being in Business

By having fewer women in the business world, currently, all economies globally are facing a large opportunity cost. For instance, it was found that India could boost its growth by 1.5 percentage points to 9 percent per year if around 50% of women could join the workforce (Dixon, 2018). The statistics prove the power of women in business in today’s economy. Furthermore, according to research by the International Labour Organization, advancing women’s equality in business would increase the global GDP by \$5.8 trillion by 2025 (Vazquez, 2021).

The key reason having women in business could add so much value may boil down to the different sets of skills and experiences that they possess. Research by the *Harvard Business Review* found that women outscore men in most leadership skills (Rafi, 2020). Women excel at the soft skills needed for entrepreneurship leadership. While technical skill and knowledge are fundamental to career success, CEOs consistently cite soft skills-effective communication, empathy, and self-awareness as the most desirable professional attributes. A 2016 study published by the global consulting firm Hay Group found that women outperform men in 11 of 12 key emotional intelligence competencies (Reynolds, 2017). In 2021, the University of Sydney determined that “men are more likely to make extreme choices and decisions than women - more likely to be at the extreme ends of the behavioural spectrum either acting very selfishly or very altruistically, very trusting or very distrusting”

(Styx, 2021). In line with the aforementioned, it is evident that gender diversity in leadership is good for businesses and consequently, once again, the economy. It has been reported that firms that increased their proportion of female partner hires by 10% saw, on average, a 1.5% spike in overall fund returns each year and had 9.7% more profitable exits (Kemp, 2020). Moreover, companies with a female executive are worth 64% more at first funding and 49 percent more at last funding than their all-male counterparts (Brush et al., 2014).

It is, therefore, evident that the equal partnership of women in business can positively affect not just them but also society and the economy at large. Without their exclusion, growth is stifled and meaningful progress is not achieved by countries (Sakho, Caruso and Acuña, 2020).

### **An Introduction and Critical Analysis of Microfinance**

Microfinance, also called microcredit, is a type of banking service provided to low-income individuals or groups who otherwise wouldn't have access to financial services (Kagan, 2020). Microfinance serves as an important tool as it was founded to provide resources and money to those who are financially disadvantaged, such as those who are unable to access checking accounts, credit lines, or loans from traditional banks. Moreover, microfinance may also help to provide financial services to those in remote locations where traditional financial institutions do not have operations.

#### **Accessibility**

Worldwide, microfinance loans serve almost 20 million people living in poverty. 74% of these clients are women. For instance, at the Grameen Bank, the world's largest microfinance institution, more than 90% of loan clients are women (Clydesdale and Shah, 2019). Accessing financial resources is a task that many entrepreneurs face. More particularly, it is argued that in both the developed and developing world, women entrepreneurs face additional challenges in accessing finance. Mat and Mansor (2010) studied 436 women's business establishments in the state of Terengganu in Malaysia and found that women were observed to be constrained in their access to formal bank credit as they are perceived to be risky borrowers due to a lack of adequate collateral. Women entrepreneurs are perceived as being risky borrowers as traditional financing is collateralized implying that some type of assets, including land, buildings, gold, etc. is required when taking a loan. On the other hand, microfinancing is non-collateralized and there is no need for collateral or taking small debts or loans for the poor and women, therefore more accessible to them. Today, microfinance is a global multi-billion dollar industry with operations in all continents. As a result, over the past three decades, microfinance has become inextricably linked to women's empowerment in developing countries.

### Loan Size and Terms

Microloans are issued for smaller amounts with the amount varying depending on factors like the type of business and the location. With regard to interest rates, microloans typically come at a higher interest rate but with more flexibility, especially for women entrepreneurs, as they can be paid back in smaller instalments. The reason why the interest rates are so high is that microfinance institutions borrow from banks with interest rates that range from 12 percent to 15 percent, then spend about 10 percent on high costs, 5 percent to protect against the high risk of default, 2 percent to 5 percent for supplemental support products such as insurance, and 5 percent to 10 percent for returns for investors (HUNTER, 2011). Interest collected on microloans disbursed by MFIs allows these organizations to grow and reach more communities. Overall, while an individual may pay less interest than a typical credit card, they will most likely pay higher rates than if they went with a traditional bank (Francom, 2022).

### Support Services

Micro lenders are community-based organizations that often provide business support services in addition to loans. Almost 90% of India's 90 million+ microfinance clients are women. Similarly, there are several microfinance institutions and schemes by the Government that help women from remote areas in India set up businesses (Instamojo, 2019). Microfinance assists in the supply of resources that benefit the poorest members of society. Beyond just the capital resources, such institutions have a keen interest in encouraging poor people to start their businesses - empowering them by teaching them basic skills so that they can start their enterprises and earn money. Some microfinance institutions may also offer group lending programs, weekly repayment schemes, or financial literacy programs. On the whole, it is observed that in addition to the microcredit loan itself, microfinance institutions include savings programs, training courses, insurance plans, and more.

### Impact and Sustainability

With regard to the impact of MFIs, World Bank economist Shahidur Khandker found that poverty rates decreased by more than 20% points among the earliest microfinance borrowers and that this impact was stronger for female entrepreneurs (Pradhan, 2021). As reviewed in the literature, this pattern of women being able to use microfinance to come out of poverty and potentially empower themselves through entrepreneurship can have myriad benefits for the economy, society and beyond. However, in certain societies, this pattern might come at a big cost. When female entrepreneurs possess marketable, loan-worthy skills, they often find themselves beholden to their husbands and male relatives. In almost 90 percent of cases, men control the loans that women receive, often with adverse effects (Karim, 2013). The men may simply use the money for their own purposes or they may force women to take out loans from multiple institutions leading to an accumulation of debt that they are unable to repay. In a ripple effect, women who cannot repay a loan are subjected to public

shaming by the entire community of borrowers, who are pressured hard by microfinance institutions to recover or repay the defaulted sum themselves, lest they risk losing access to future loans.

Moving onto sustainability, in the context of microfinance institutions, sustainability in a plain sense refers to the extent to which MFIs are able to meet their costs through interest income and other income generated in the process of micro-lending (Deb, 2017). Microfinance institutions continue to play an ever-increasing role in the socio-economic development of the world at large and the less developed countries in particular. Unlike conventional banks, MFIs are hybrid institutions that contain the salient features of banks (i.e., sustainable development, and customer satisfaction) and social development (i.e., poverty alleviation and beneficiaries). For such purposes, MFIs are an integral part of the domestic financial system and play an active role in poverty alleviation, economic development, women empowerment, microenterprise development, small business initiatives and social benefits.

However, that being said, it may prove challenging for such institutions to achieve sustainability while reaching the remote rural poor, especially those at the bottom of the income ladder, because of the high costs and risks involved. A microfinance movement that becomes mainly commercial might shift its focus from the poorest borrowers to relatively better-off, more conventionally safe customers. Thus, MFIs may evolve into direct competitors with conventional banks, and the special benefit for the poorest may be lost in the search for commercial sustainability (Kota, 2007). In line with this, proponents of the poverty lending approach claim focusing on financial sustainability goes at the cost of lending to the poor. Lending to poor borrowers can be very costly, which means that outreach and sustainability goals are conflicting.

### **Microfinance in Developing Countries - Case Studies of India, Bangladesh and Vietnam**

As discussed in the literature review, in general, women face more significant challenges when pursuing entrepreneurship due to the gender stereotypes and biases that prevent them from entering the business world by feeding into essential stages such as fundraising. The plight of women in developing countries is further worsened because, beyond the lack of financial resources, there is a bigger lack of societal support as well as the pressure of stereotypes and stigma of society that women generally have to face daily. While developed countries are progressing, they are taking action to fight against these backward thoughts. Unfortunately, developing countries are still a little behind in that aspect. In light of the severity of the situation in developing countries with the rural areas specifically, what has stood out is the assistance that microfinance loans can provide. On the whole, Latin America has the longest tradition of microfinance whilst in Asia and the Pacific, countries such as Vietnam and Indonesia are the most developed in the sector of microfinance in terms of the outreach of loans and saving facilities, although in India, China, Afghanistan, and Pakistan the outreach of microfinance is still emerging (Aninze, El-Gohary and Hussain, 2018). South Asia accounts for 60% of global microfinance borrowers - more than 85 million microfinance borrowers reside in South Asia, the world's largest

microfinance borrowing region by population. South Asia is also the second biggest microfinance borrower, at \$36.8 billion, or nearly 30% of the global microfinance industry (Thunstrom, 2019). As per the above statistics, this section aims to analyze the microfinance landscape in South Asian countries, including India, Bangladesh and Vietnam.

## **India**

### Socio-economic Condition

According to the World Inequality Report, in India, the top 10% of the population earns 57% of the national income. The female labour income share is equal to 18% which is significantly lower than the average in Asia [21%, excluding China] (Drishti IAS, 2021). India is considered to be a developing country as 65 per cent (2021 data) of the country's population lives in rural areas and 47 per cent of the population is dependent on agriculture for livelihood (PIB Delhi, 2023). In recent years, urbanization in India has increased at an unprecedented rate resulting in a significantly large resource divide between the rural and urban, particularly in the digital realm, still persisting. For instance, statistics show that whilst 72.5 percent of urban males and 51.8 percent of urban females have ever used the internet, only 48.7 percent of rural males and 24.6 percent of rural females qualify for this condition (Chandola, 2022). Furthermore, the divide in India does not only exist between the urban and rural or the upper and lower classes, instead, gender stereotypes are deeply embedded in the country and result in gender bias being witnessed across most elements of life. In the business world, for instance, women constitute only 13.76% of the total entrepreneurs, i.e. 8.05 million out of the 58.5 million entrepreneurs in India whereas 86% of Indian entrepreneurs are male (Jain, 2021).

### Microfinance Situation

The Reserve Bank of India (RBI) has registered 97 non-banking financial companies (NBFC) to run microfinance institutions (Rathore, 2021). Microfinance has a great reach in the country, especially among women. According to a report by the National Bank for Agriculture and Rural Development (NABARD), for instance, over 70% of the microfinance beneficiaries in India are women (Chatterjee, 2023). Furthermore, India is one of the largest microfinance markets in the world today and is therefore attracting not just domestic investment but also several foreign investors. Some of the top microfinance institutions in India are Equitas Small Finance Bank, Annapurna Finance Private Limited, etc.

### Impact of Microfinance

The results and the impact of microfinance have been remarkable. Microfinance recorded a growth of 21% in FY2023 at INR 3,51,521 crore, compared to the previous year's INR 2,89,845 crore, as per a report by Sa-Dhan (Credgenics, 2023). In terms of the impacts, microfinance has provided the poor with access to credit for income-generating activities, breaking the cycle of poverty and enabling economic mobility. Furthermore,

microfinance has played a pivotal role in bringing the unbanked and underbanked population into the formal financial system, fostering financial inclusion. Moreover, the funds from microfinance have contributed to the growth of small businesses, leading to job creation and local economic development. With regard to social welfare, firstly, improved access to credit has enabled families to invest in education and healthcare, resulting in improved overall well-being and secondly, through SHGs and community-based approaches, social cohesion and community development have been facilitated.

Evidence from self-help groups in India Microfinance programmes like the Self Help Bank Linkage Program have been increasingly promoted for their positive economic impact and the belief that they empower women. There is a significant increase in the empowerment of women in the SHG members group. More than 60 million Indian women currently hold small, collateral-free loans, impacting as many as 300 million families in the country of some 1.4 billion people, according to the MFIN (Eco-Business, 2022).

### Challenges Faced by Microfinance Institutions

Microfinance institutions in India are suffering from over-indebtedness. In India, MFI outreach is very low and amounts to only 8% compared to 65% in Bangladesh (Shrestha, 2021). One of the major challenges in India towards the growth of the microfinance sector is financial illiteracy i.e. illiteracy of the people due to which repayment issues of loans occur. These institutions give loans without collateral which increases the risk of loan default and bad debts. Late payments are almost 70% in MFIs, which further creates a hurdle for the institution's working capital and profit (Shrestha, 2021). Microfinance institutions have a low volume of transactions whereas the cost of those transactions is fixed and high. All these issues and concerns decrease the impact that such institutions have.

## **Bangladesh**

### Socio-economic Condition

Bangladesh tells a remarkable story of poverty reduction and development - from being one of the poorest nations at birth in 1971, Bangladesh reached lower-middle income status in 2015. It is on track to graduate from the UN's Least Developed Countries (LDC) list in 2026. Poverty declined from 11.8 percent in 2010 to 5.0 percent in 2022 (The World Bank, 2023). To achieve its vision of attaining upper middle-income status by 2031, Bangladesh needs to create jobs through a competitive business environment, increase human capital and build a skilled labour force, build efficient infrastructure, and establish a policy environment that attracts private investment. Bangladesh has made remarkable progress in socio-economic development, as its GDP growth rose to 8.13 per cent in 2018-19 up from 7.86 per cent the previous year. Moreover, Bangladesh is playing a leading role in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) which groups together Bangladesh, India, Maldives, Sri Lanka, Thailand, Nepal and Bhutan in a forum for multilateral cooperation (The Daily Star, 2019). Bangladesh's progress on various socio-economic indicators is enabled by

the extensive presence of small and large-scale non-government organizations (NGOs), which have led to improved access to essential services such as sanitation and water supply at village levels. This model has also led to more women's participation in public spaces and households. For instance, in 2016, the female labour force participation rate in rural areas was 38.6 percent. In 2022, it shot up to 50.89 percent, as per the latest edition of the Labour Force Survey (Zaman, 2023). A recent research study “ Bangladesh: Looking Beyond Garments ” revealed that the positive economic turnaround in Bangladesh is largely due to the rising presence of women in the workplace. However, the WEF's 2021 Global Gender Gap Report still shows a gap of 88% between the number of men and women in managerial positions. There are 7.8 million enterprises (economic activities) in Bangladesh Of which 7.3 million are male-headed and only 0.6 million are female-headed. Thus only 7.2% of the total enterprises are female-headed (Business Pathsala, 2023).

### Microfinance Situation

There are about 1000 listed microfinance institutions (MFIs) operating in Bangladesh (Monzur et al., 2016). Grameen Bank, one of the first microfinance institutions in the world, was founded in Bangladesh in the 1970s and has today expanded its operations worldwide with credit movement and more than 64 countries implementing Grameen-type schemes including a World Bank initiative. Grameen America has 19 branches in 11 US Cities and there are 2568 Grameen branches in total (Alagappan, 2020). Grameen Bank proved for the first time in history that impoverished people, especially impoverished women, were creditworthy and had much higher loan-repay rates than male borrowers – even than richer borrowers. By August 2021, Grameen Bank had 9.41 million members, of which 97 percent were female (Levell, 2015). It currently operates 2,568 branches serving 81,678 villages, covering 93 percent of villages in Bangladesh (Wang, 2022).

### Impact of Microfinance

Women have been at the center of Bangladesh's microfinance institutions - with the efforts of microfinance institutions like the Grameen Bank and BRAC, Bangladesh has made significant strides in educating girls, giving women a greater voice in the households and the public sphere. Grameen mainly served and continues to serve women as it finds that they generally repay loans on time, invest their money for productive purposes, and make expenditures to improve the quality of life of family members.

In the past three decades, microfinance has become inextricably linked to women's empowerment in Bangladesh. Credit program participation leads to women taking a greater role in household decision-making, having greater access to financial and economic resources, having greater social networks, having greater bargaining power compared with their husbands, and having greater freedom of mobility. "There is marked improvement in society's attitude toward women's asset ownership, which bodes well for women going forward," says the World Bank report - reasoning that women's economic empowerment is linked to poverty reduction as they invest more in children and communities (Mohanty, 2019).

## Challenges Faced by Microfinance Institutions

One of the biggest challenges incurred by women obtaining microfinance is the control they have over the funds. Even when they possess marketable, loan-worthy skills, women often find themselves beholden to their husbands and male relatives. Rural Bangladeshi women live in extended family structures. They negotiate complex kinship and social obligations. In almost 90 percent of cases, men control the loans that women receive, often with adverse effects (Karim, 2013). The men may simply use the money for their own purposes. When the aforementioned factor combined with others restricts the ability of a woman to repay her microfinance loan then she may be at risk of facing public scrutiny and shaming by the entire community of borrowers, who see her as breaking faith with them. This can have an adverse impact whereby social pensions are heightened instead of social solidarity being developed.

Other than not receiving timely repayments, some other challenges that microfinance institutions in Bangladesh commonly face are related to high dropout rates among clients, increasing operational expenses, cash management and cybersecurity, among others (UNCDF, 2019). Furthermore, in Bangladesh, micro-credit is linked to MFI-managed informal micro insurance to cover the risk of credit liability in case of death of the borrower or spouse. Collateral damage is not covered. In light of this, the critical issue that should be tackled in Bangladesh is extending insurance to cover the risk of property damage to poor households due to climate change (Macmillan, 2022).

## **Vietnam**

### Socio-economic Condition

Vietnam is considered to be a developing country as in 2019, around 65.6 percent of Vietnam's population resided in rural areas. According to the projection, the urban population and rural population were estimated to be even by 2030 (Statista, 2023). In 1975, Vietnam's economy was one of the poorest in the world, now the GDP is worth 408.80 billion US dollars, according to official data from the World Bank (Trading Economics, 2022). The urbanization that accompanied the country's developmental progress has created concentrated labour markets and economic activities that fostered prosperity. For instance, the average income of workers in the third quarter of 2023 was 7.1 million VND/month, an increase of 146 thousand VND compared to the second quarter of 2023 and an increase of 359 thousand VND compared to the same period in 2022 (General statistics office, 2023).

That being said, Vietnam's repetitive, prolonged war and poverty have together overshadowed gender issues. The country's economic development and socio-economic sustainability are marked by significant gender imbalances. Investment in women-led start-ups in Vietnam remains a minuscule proportion of total venture capital (only 3%) (Stephenson and Carter, 2022). This is partly because female entrepreneurs face discrimination from investors who perceive women in business to be less skilled and less knowledgeable than

men. There are limited opportunities for women entrepreneurs to network in Vietnam. Financial literacy rates are significantly lower among women entrepreneurs than male entrepreneurs, leading to their subsequent exclusion from financial markets.

### Microfinance Situation

Vietnam currently has 180 microfinance institutions offering microloans and other services to the impoverished (Access Advisory, 2021). The government of Vietnam has considered microfinance as a useful instrument for its strategy focused on poverty reduction with a need for more efforts being made to assist women in their social and economic integration. At one point, less than 1% of the population were microfinance clients and the growth has remained slow - the number of microfinance clients increased on average by only 2% from 2017 through 2019 (Lambert, 2022).

### Impact of Microfinance

In Vietnam, the central role the Vietnam Women's Union plays in MSPs and with the Vietnam Bank for Social Policies ensures that women are the primary beneficiaries of their services. Thus, microfinance has made a positive contribution to gender equality in Vietnam. Female labour force participation in Vietnam is one of the highest in the world and has remained as such for more than two decades. The past decade has also witnessed a 2.4% increase in female business ownership (Stephenson and Carter, 2022).

### Challenges Faced by Microfinance Institutions

It can be said that microfinance institutions are underperforming in Vietnam due to two factors; the first is limited access to funds and the second is a general lack of a commercial mindset among MSPs (Access Advisory, 2021). The sector's lack of funds is a symptom rather than a cause of underperformance. Funders require professional management, growth potential, and transparency, all of which are insufficient in Vietnam's microfinance sector. Furthermore, informal and political pressures keep interest rates low, which limits the capacity of microfinance programs to reach sustainability and creates an uneven playing field. The long-term sustainability of microfinance providers in Vietnam is a major issue, with the widespread use of subsidized interest rates, government-supported rural banks (VBARD and VBSP) and the lack of specialization of mass organizations and other NGO programs.

### Conclusion

Entrepreneurship plays an important role in today's economy and to be able to start a business or a company, there are many resources which are required. The main type of resource which is commonly required is capital - one which is usually raised using different fundraising methods. However, women do tend to, overall in the business world and specifically during fundraising, face the prevalence of gender bias. As a result, microfinance

loans and institutions were introduced in 1974 to provide feasible solutions to women wanting to enter the business sphere in developing countries. In line with this, this research paper aimed to discover the role of microfinance institutions in promoting women's entrepreneurship and economic independence in developing countries through case studies of India, Bangladesh and Vietnam.

As discussed in the literature review there are a variety of fundraising methods which are available to entrepreneurs, the most widely used are angel investing, crowdfunding, venture capital, bank loans and government grants. All of them have their own specific characteristics, advantages and drawbacks but overall a gender bias tends to persist in the fundraising arena in relation to almost all these fundraising methods. As analysed in this paper, the stereotype threat theory and the social identity theory can help us understand the underlying reasons why this gender bias comes into play in the fundraising landscape and consequently leads to a greater proportion of capital being made available for male entrepreneurs than their female counterparts. The lack of a level playing field in entrepreneurship, particularly symbolized by a lack of woman entrepreneurs, leads to both economic and social impacts.

With the above being said, microfinance emerged in the 1970s catering to mostly low-income and disadvantaged individuals who might not otherwise have access to financial services. This also proved to stand as a feasible solution for women, especially in developing countries, who wanted to overcome the hurdles of the traditional fundraising landscape and find a more democratized source of funding. With regard to the characteristics of microfinance loans, they tend to be small with higher interest rates but overall, in the bigger scheme, are more accessible to women than traditional fundraising methods. Microfinance also comes with a lot of support services along with the loan which presents myriad benefits.

When it comes to assessing the level of women empowerment in entrepreneurship that microfinance has enabled in developing countries the case studies of India, Bangladesh and Vietnam can be taken as have in the paper. For instance, in the case study of India, it was found that more than 60 million Indian women currently hold small, collateral-free loans impacting as many as 300 million homes in India. In Bangladesh, Grameen Bank has over 97% of borrowers as female. In Vietnam, microfinance performance has been, slowly but surely, developing in scale and number by NGOs, banks, MFIs, and women's organizations through public and private financial resources.

Overall, it can be said that microfinance institutions and loans have helped enable women's empowerment in entrepreneurship in developing countries like India, Bangladesh and Vietnam to a certain extent. There has been empowerment to a certain extent as it's been evident through the statistics but there are also certain challenges that come with microfinance loans and institutions and unique societal challenges that come with each nation which may be preventing microfinance from reaching its full potential, consequently restricting the ability of women to make the most of it as well.

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