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Microfinance and its Impact on Women: A Case Study of India, Bangladesh, and Malaysia

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Abstract

For several years, microfinance institutions (MFI) have been providing the financially disadvantaged with small loans to allow them to escape poverty. These institutions specifically target women as recipients of the loans (usually less than $100 USD) because women in developing countries traditionally do not have access to start their own business, create their own income, and advance themselves in society. However, there are arguments that this approach does not increase a woman's income or create a better living situation for the woman or her family. As every country has different microfinance policies and cultures, microfinance impacts every country differently. This paper is divided into two parts. The first part discusses several studies and outcomes regarding microfinance in developing countries in south and southeast Asia. The second part of this paper consists of critiques and possible improvements to these policies. The indicators that signify the success of microfinance are an increase in the woman's income and independence, and indications of a higher standard of living for families, such as higher levels of children's education and health. I believe that the data will indicate that certain countries have better microfinance systems and policies than others. Additionally, I believe that the cultures of certain countries have a significant impact on the level of success of microfinance in those countries regarding increasing the social and financial standing of women. I conclude with a discussion of how microfinance institutions and government policy can help women create better lives for themselves and their families.

Introduction

Before impoverished individuals had access to microfinance institutions, they relied on loans from money lenders. While in theory, this would allow individuals the opportunity to start their own business and escape poverty, money lenders charged extremely high interest rates, preventing borrowers from creating profits and even create crippling debt for the borrower. The introduction of microfinance in developing countries meant that individuals could borrow small amounts of money with little or no collateral and very low interest rates. Microloans are most commonly thought of being used to start a business, but can also be used to pay expenses such as medical bills and school expenses.

Microfinance focuses on income growth at a family or individual level as opposed to growth on a larger scale. While there are institutions that lend countries money to grow their economies, such as the World Bank and the International Monetary Fund, this is not the most efficient method to create wealth. With microloans, individuals can create businesses that fill a niche within their community that may otherwise be overlooked by a national government. Some institutions even provide financial education programs and support networks for borrowers to prevent irresponsible borrowing. While the main concept of microfinance is similar between countries and microfinance institutions, each entity has various policies, procedures, and traditions that can create mixed results in reducing poverty.

Muhammad Yunus is credited with the growth of microfinance in developing countries. As a result of liberation from Pakistan, Bangladesh endured years of extreme poverty and crippling famine (Fanconi & Scheurle, 2017). Families tried to create income by starting their own businesses, but with no credit and little to no collateral to offer, they were often taxed with high interest rates, essentially losing their profits, and even deepening their poverty (Yunus, 2008). Yunus, then a professor of economics, founded the Grameen Bank in 1983 to give small loans to these families at much lower rates (Fanconi & Scheurle, 2017). Yunus realized, despite claims by traditional banks, borrowers who offered no collateral were consistently repaying their loans (Yunus, 2008). Part of the high repayment rates is due to required group meetings. Every Grameen Bank borrower must belong to a support group (or sometimes called a self-help group) and attend weekly meetings (Yunus, 2008). The self-help group is accountable for each member to repay their loan, pressuring each borrower to not disappoint their group and loan officer (Yunus, 2008).

Many microfinance institutions target women as their borrowers. Most institutions follow this practice because women tend to be more desirable borrowers than men, as they are more responsible in their spending habits and repaying their loans (D'Espallier, Guérin, & Mersland, 2011). This method also has positive social impacts as well. When women have extra income, they are more likely to invest this money for their children's benefit, such as education, food, healthcare, or clothing (Kar, 2018). This creates more wealth for the family and gives the children opportunities to create a better future for themselves, without a need for microfinance. Additionally, when women have access to more financial resources, they typically have more access to family planning services ("*Fostering Women's Economic Empowerment*", 2011). This allows women to control how many children they have and when they will have children if they want children at all (Yunus, 2008). Giving women the ability to control their reproductive health is not only empowering, it gives them more flexibility in their time and finances, allowing the women to devote these resources to their business, generating more income for the female borrowers. Moreover, when women are able to contribute economically, the economy overall performs better (Bayulgen, 2008).

I chose to examine India, Bangladesh, and Malaysia and the approaches these countries and the microfinance institutions take regarding microfinance. I wanted to limit my research to one geographic region. Bangladesh is an apparent choice because of the country's history of microfinance and Yunus' work. India's culture has an extremely traditional view of women. For example, just last year India outlawed instant divorce, in which Muslim men could terminate his marriage by saying "talaq, talaq, talaq" (Ingber, 2018). While India, Bangladesh, and Malaysia are all in the same geographic region and considered developing countries, Malaysia eliminated extreme poverty in 2013 (World Bank, 2019).

Literature Review

Microfinance institutions often cite women as better customers because they are better at repaying their loans than men. D'Espallier, Guérin, & Mersland, (2011), conducted a study which used panel data from 350 microfinance institutions from 70 countries and found that women are in fact better borrowers. Microfinance institutions with higher proportions of female borrowers have lower risk levels. Additionally, the study found a positive association between choosing to lend to predominately women and repayment rates. However, higher repayment rates may not necessarily indicate higher social standing, as intimidation efforts for repayment may be directed towards women and more effective.

Because women traditionally have less access to resources than men, institutions have recently worked to provide women with financial aid and education. However, cultural adaption often lags, which can hinder women's progress. This slow cultural change may cause women to be less efficient than men regarding create income. Chowdhury and Mukhopadhaya (2014) argue that although microfinance institutions are more likely to grant loans to women, women are still disadvantaged in comparison to men in efficiency, core need fulfillment, and social and economic functioning. However, women have better access to general and governance information and asset building than men, which may indicate a smaller or closed gender gap due to microcredit. Although some progress has been made, the authors suggest that women should be trained in work that has traditionally been considered men's work, because they would have more opportunities to generate income.

Many microfinance institutions prefer to lend to women over men, or exclusively to women to allow women to escape poverty. Many studies show that women who are in extreme poverty experienced higher rates of financial and economic growth than women who are in moderate poverty. However, many microfinance institutions often require women to participate in weekly group meetings. Surprisingly, Al-Mamun, Wahab, Mazumder, & Su (2014) found this creates difficulty for women living in urban communities because the cultural and socioeconomic differences discourage women from meeting weekly. Amanah Ikhtiar Malaysia, a microfinance organization in Malaysia, launched the "Urban Micro Finance Program" in 2008, which allows easier access to women living in urban areas. The authors, after surveying urban Malaysian households that participated in microfinance found that households were either unlikely or somewhat unlikely to change household decision-making roles and control of resources. Before and after participating in microfinance, it was more likely that men and women were making decisions about the household and resources together. There was an improvement in women initiating discussions regarding family planning. The authors conclude that microfinance does indeed empower women, and governments should assist and promote these programs.

While many countries have some form of a microfinance institution, there are many different policies and beliefs in each country. For example, some countries reserve a certain amount of government seats and positions for women. Zhao and Wry found that this causes women in these countries to become content because they are relatively better than women in other countries. Additionally, countries with more men than women in government are less likely to create legislation to benefit women. In these countries, institutions that exist to assist women in poverty are considered unnecessary or even unfair to men. Countries with cultures that are more accepting of women outside of the home provide better environments for women that participate in microfinance to flourish. For microfinance to be the most effective it can be, cultures need to want and help women succeed.

Muhammad Yunus has a vision of a world in which the world's poor can pull themselves out of poverty. However, they cannot accomplish this feat alone. Those living in poverty, on their own, cannot accumulate the wealth and capital required to better their lives. To solve the poverty problem in his home country of Bangladesh, Yunus established the Grameen Bank. The Grameen Bank offers very small loans at very low interest rates and no collateral. This allows the poor to build a business without being trapped in a high-interest loan if the individual can get a loan at all.

With loans from the Grameen Bank, individuals are given little guidance as to what should be done with the loan. The Grameen Bank believes that everyone has the potential to be an entrepreneur, with ideas for bettering their life and the lives of others in their community and the rest of the world. The Grameen Bank also believes that if the borrower can make their own decisions, the loan will be used to the best of its abilities. The Grameen Bank also cares deeply about the outcomes of the loan and the effect it has on the entrepreneur's life. The Grameen Bank considers a loan successful if the borrower's children go to school, the borrower lives in a better house, and the borrower crosses the poverty line.

There are other institutions that want to increase the wealth of the world. The World Bank, for example, gives loans to countries to increase their development. However, the World Bank only focuses on how much money is loaned and GDP growth. Furthermore, because the loans are given to a country, individuals cannot use the loans as they see fit, leading to inefficient use of the loan. Some charity groups also have a goal of making the world wealthier. However, because the money does not have to be paid back, the donation may not be used responsibly. This also creates a dependency of the recipient on the donor. With Yunus' model, which he calls social business, investors get their money back and can invest in another entrepreneur.

While the goal of microfinance is to improve the lives of the poor by granting loans to those who are not typically considered creditworthy, not all borrowers are treated the same. Kar (2018) shadowed loan officers in India, and found that loan officers must consider each borrowers' lifestyle, class, gender, and even the way borrowers organize their home to determine the risk of the loan. For example, microfinance is often focused on women, with the goal of creating gender equality and financial independence for women. While women are often the primary borrower of a loan, it is their husbands who run the business and men must be guarantors for loans. Additionally, women who have large homes are more likely to obtain loans, as they have a location to hold group meetings and income to pay back their loans.

In India particularly, where many individuals work in the country's informal economy, few of them work in the public sector and receive their earnings from the government. This system leads the government to believe its citizens do not require supplemental income. However, many that work in the informal economy must work multiple jobs, in addition to their entrepreneurial endeavor. This survival strategy is not a long-term solution, not only because juggling multiple jobs is impractical, but also because the individual cannot accumulate resources and capital to bring themselves out of poverty. Sometimes, borrowers take out loans from microfinance institutions not to start or advance their business, but to afford the most basic of necessities.

One requirement for securing a loan from a microfinance institution is belonging to a group of fellow borrowers. Belonging to a group that meets on a regular basis encourages borrowers to make timely payments. Because of this, microfinance often boasts almost perfect repayment rates. However, these high rates typically result from high pressure from a microfinance institution staff, and from fellow disgruntled borrowers, who are afraid of the consequences of the irresponsibility of their group members. Out of fear of embarrassment and shame, borrowers do not dare to miss their payments. In the event a borrower is not present in a group meeting, her group members must pool their money to pay her share of the loan, or the loan officers must track down the borrower.

While group meetings ensure that borrowers repay their loans, the meetings are often inconvenient for group members. Women are traditionally tasked with childcare, but they cannot or will not bring their children to meetings. Some women ask their relatives to watch their children, but not every woman has that opportunity. Depending on the time of the meeting, a woman might need to drop off or pick up her child from school. Many women also take care of elderly or ill relatives, who might need constant supervision. Additionally, if the group meets in that woman's home, have a large group in the home may disturb the relative. Sometimes, the group meeting will inhibit a woman's business. If a woman must close her business for a couple of hours during the morning, she loses an opportunity to make profits. Even though the meetings are intended to benefit borrowers, they can be inefficient and time-consuming. Despite the inefficiencies, the main focus of the self-help groups are to create support networks, which is valuable enough to justify the time the meetings take.

Debt collectors also have taxing responsibilities. Because loan officers cannot live in the neighbors where they work, many microfinance institutions require their officers to live in branch offices. Officers attend several group meetings in one morning, which are often disorganized. They also travel extensively throughout their assigned region, which can be very dangerous. Loan officers are only provided bicycles by their branch, which are not ideal for travel on poorly paved, or even unpaved, roads. Because loan officers often carry large amounts of cash, they are highly susceptible to robbery. The afternoon entails recounting all the collected money and dispersing new loans. Loan officers work six days every week and are not compensated fairly. Due to the demanding nature of the job and little reward along with retaliation from malcontent borrowers, loan officers do not last long.

Microfinance Studies in India

India is the second most populated country in the world with a population of 1.339 billion and a GDP per capita of 1942 current USD (World Bank, 2019). As of 2011, 21.2% of India's population was living in extreme poverty, defined as $1.90 PPP per day by the World Bank (see figure 1) (World Bank, 2019). In 2010, India microfinance market experienced a market crisis. The average non-banking financial company only generated a 14.4% return on equity, but microfinance institutions continued to give out loans (Reille, 2010). As of 2016, India has 32.5 million microfinance clients (Statista, 2019). Microfinance is such a large industry in India, that in Kar's (2018) study of microfinance focused on women in Kolkata, she described for-profit microfinance institutions as "corporatized development" (p. 199).

In cultures that maintain traditional gender roles, women do not have many connections outside that home, excluding extended family members. However, women who participate in self-help groups have access to resources such as social connections, emotional support, and advice through members of their self-help group that they otherwise likely would not. Moreover, if a woman meets other women involuntarily rather than women that she is related to or is already acquainted with, it is likely that woman has a different socioeconomic background, offering different insight, resources, and further connections (Davidson & Sanyal, 2017). Davidson and Sanyal (2017) found that women who participated in self-help groups in Karnataka (a state in southwest India) expanded their social network and therefore their access to resources. Sahu (2014) found that women throughout India belonging to self-help groups were more financially secure and more involved in household decisions than women who did not participate. However, Sahu (2014) did not find a significant difference in autonomy in women in self-help groups. Singh and Cready (2015) point out that meetings must contain a social aspect in addition to loan collections and discussions of businesses to be the most effective for impoverished women.

Gender discrimination is not the only barrier to eliminating poverty. Class disparity frequently in India inhibits the growth of small businesses (Guérin & Kumar, 2017). If an individual owns a large business that has been in operation for some time because of the family and class, it will be difficult for low income individuals with little resources to flourish in that market. With both gender discrimination and the caste system working against the most impoverished women, they are oppressed twofold. A solution to this dilemma may lie in some amount of government involvement (Guérin & Kumar, 2016). With government support, micro-entrepreneurs can prosper without burdening themselves with debt.

While there is debate as to whether microfinance genuinely increases a woman's social standing, there is an indication that households and communities are better off after participation in a microfinance program. Singh (2014) surveyed households in Indian villages and found that households with higher income are less financially vulnerable (Singh, 2014). Furthermore, when households have higher incomes, the community tends to become more developed as well. Not only do these villages have better infrastructure, but members of that community tend to fight against domestic violence and other injustices against women (Singh, 2014).

Microfinance Studies in Bangladesh

Bangladesh has a population of almost 165 million and a GDP per capita of 1516 current USD (World Bank, 2019). As of 2016, 14.8% of Bangladesh's population was living in extreme poverty (World Bank, 2019). Bangladesh has worked hard to reduce its extreme poverty level. Thanks to the political turmoil and extreme drought in the 1970s and late 1980s, Bangladesh's extreme poverty rate rose to 37.8% in 1988 and peaked at 44.2% in 1991 (see figure 2) (World Bank, 2019). By 2030, it is estimated that Bangladesh will accomplish its Sustainable Development Goal of eliminating extreme poverty (World Bank, 2017).

Bangladesh's culture, much like India, tends to restrict women to the home and creates a dependence on the husband and his family. Again, if women are restricted in their access to resources, microfinance is not being used to its maximum potential. Aside from self-help groups, microfinance institutions typically do not consider difficulties women may face in their entrepreneurial endeavor. Chowdhury and Mukhopadhaya's (2014) study found that men are more efficient than women in turning microloans into income, assets, and wealth. While it appears microfinance institutions should disregard gender when approving borrowers, realistically, this indicates that men have more access to resources than female borrowers.

Another impediment of female empowerment and microfinance is domestic violence. If a borrower's husband fears she may become the head of household, or she may not need to depend on him financially, he may become angry with her and become violent (Murshid, Akincigil, & Zippay, 2015). According to Murshid et al., (2015) it is not the poorest women who are most likely to experience this, but the higher-income impoverished, as they are on the cusp of a new income level. In Bangladesh, there are many girls that are married young to older men. These young women are more likely to be abused and have less autonomy than women who get married later in life (Abdullah, Qureshi, & Quayes, 2015). Child brides also do not benefit economically from microfinance in the same way other married women benefit (Abdullah et al., 2015). Combined with strictly enforced policies against child marriage and domestic violence, microfinance can help these women flourish.

Microfinance institutions, while they focus on impoverished people, are always looking for more customers to increase their revenue. Extreme poverty has declined rapidly in Bangladesh, reducing the number of individuals that absolutely need microfinance services. To find more customers at higher levels of income, microfinance institutions in Bangladesh have been convincing those individuals that new commodities such as cell phones and internet access are necessary, even if they cannot afford them, so they must use microloans (Karim, 2011). While these commodities do indicate a more developed household, they do not create long term wealth, squandering their microloan and creating unnecessary debt.

<u>**Microfinance Studies in Malaysia**</u>

Malaysia has a population of about 32 million and a GDP per capita of 9951 current USD (World Bank, 2019). As mentioned previously, Malaysia has eliminated extreme poverty (see figure 3). As of 2015, 92% of the adult population of Malaysia had an account at a financial institution, indicating high levels of financial inclusion compared to other developing countries (De Luna-Martinez, 2017). With nearly all adults having access to financial institutions, this indicates that these individuals do not need assistance in affording necessities. They already have a source of income, decreasing the likelihood that those individuals need a microloan to start a small business.

Using microfinance unnecessarily can create a needless strain on borrowers. With too many microfinance institutions, lenders must reach beyond the lowest income individuals to create profits. When individuals borrow from a microfinance institution but do not create income, the borrowers cannot repay their debts and may have to borrow more funds. This might mean that a borrower and her family would have to forgo eating (Chan & Ghani, 2011). A combination of too few borrowers and too many borrowers that cannot repay loans result in high default rates and lender dependencies on government subsidies (Chan & Ghani, 2014).

While microfinance is implemented in Malaysia, several studies have found that microfinance is not as impactful on women's empowerment in Malaysia as in other developing countries. Al-Mamun, Wahab, Mazumder, and Su (2014) found from their study of women in urban Malaysia that the most impoverished women benefit the most from microfinance. Al-Mamun et al. (2014) interviewed almost 250 low-income microfinance clients regarding the client's assessment of her role in household decision-making, economic security, resource control, control over family decisions, mobility, and legal awareness, conducting interviews before and after participation in a microfinance program. Almost all indicators imply that women in urban Malaysia are empowered, and are even better off after participation in a microfinance program (see table 1). Despite the progress these women have seen, women in less developed countries are more impacted by microfinance.

Microfinance still positively impacts women in rural Malaysia. In rural and remote areas, microfinance institutions focus on impoverished women because those individuals are the most available to those microfinance institutions (Chan & Ghani, 2011). This helps women who are disadvantaged by not only gender barriers but also women disadvantaged because they lack proximity to cities with financial services. Living in a rural area also can reduce the number of potential customers and access to resources. However, because of self-help groups, borrowers can depend on each other, creating social collateral in areas sparse in typical resources.

Criticisms of Microfinance

Microloans can be abused. Because it is easier for women to receive loans from microfinance institutions, some men will make their wives or female relatives take out a loan and use the loan to start his own business (Mayoux, 1997). Because the man is not responsible for the loan, he is likely to recklessly spend the funds (Mayoux, 1997). Garikipati (2008) found that even if the borrower was a woman, assets obtained using the microloan commonly became her husband's possession. Additionally, a borrower can develop a dependency on a microfinance institution. If a borrower falls behind on a previous microloan payment or does not have the funds to purchase necessities, she may seek additional loans (Kar, 2018). Critics also argue that the small loan amounts create the dependency, because microloans are too small to create wealth (D'Espallier et al., 2011). The formerly impoverished, with the assets purchased with their microloan, are seen as more creditworthy in the eyes of traditional banks, creating more opportunities for borrowing and debt (Karim, 2011).

Some women have also reported their status is worse because of their microloan. They endure disrespect and even abuse from loan officers, bank officials, and their husbands after becoming microfinance customers. Because many developing countries are traditionally patriarchal in nature, many microfinance institutions are managed by men. Poor treatment from microfinance employees may be as seemingly insignificant from forcing female borrowers to call them "sir" (Kar, 2018). This demand implies that the microfinance employee is higher in status than the borrower, but the borrower and employee are supposed to be equal. Despite many women noting their husbands are typically less violent after their participation in microfinance, they fear being beat if they do not receive a large enough loan or their business does not perform as well as expected (Khan & Khan, 2015).

Microfinance institutions are often accused of using intimidation tactics to reap their high repayment rates (D'Espallier, 2011). If a borrower does not make her payment on time, her loan officer may be sent to her home and force her to make her payment (Kar, 2018). Direr yet is the claim that borrowers are detained by microfinance institutions for missing a single payment, causing shame for the borrower and her family (Khan & Khan, 2015). Moreover, if a woman is in custody, she is away from her business, she cannot obtain the funds to make her payment, and would likely miss her next payment. While this seems justified on the part of the lender, microfinance institutions were meant to help impoverished women, and should ideally be more understanding when women miss their payments.

In Yunus' *Banker to the Poor*, he writes of a craftswoman, Sufia Begum (now deceased), who was trapped in loans from traditional financial institutions, and the among the first of Yunus' borrowers. Karim (2011) visited her adult children in Jobra, Chittagong in 2009, and found that both daughters were impoverished beggars. According to residents of the village, Begum's family is the poorest (Karim, 2011). Begum's family and the rest of the village believe that because Begum's story was instrumental to Yunus and the Grameen Bank's Nobel Prize, the Grameen Bank can repay the family in the form of a new, more structurally sound home (Karim, 2011). Contrary to the mission of microfinance, Begum's family obviously has not prospered due to her initial microloan in 1976. Inhabitants of Jobra told Karim (2011) that Yunus exploited villages like theirs, becoming famous without increasing their income level.

Furthermore, traditionally women are more likely to be fully responsible for household duties, including cleaning, cooking, and childcare (Johnson, 1999). This restricts an entrepreneurial woman from devoting the time necessary to her new business, causing the business to perform poorly or even fail, wasting the microloan. Even if a woman is an entrepreneur, she is still likely responsible for watching her children or bringing them to or picking them up from school (Kar, 2018). This can make attending group meetings, which may be far from the borrower's home, inexpedient, especially if she has her children with her.

The self-help group structure itself can also create strain and tension on a group of female borrowers. If one woman does not make her weekly payment, her group members may have to make her payment for her (Kar, 2018). Also, in urban areas with citizens of diverse ethnicities and socioeconomic backgrounds, it may be difficult for women to form cohesive groups, compounded by the lack of community in urban areas (Al-Mamun et al., 2014). If self-help groups grow too quickly with too many inefficient members, the self-help group becomes ineffective (Swain & Wallentin, 2016). While microfinance has several beneficial aspects, there are possibilities for improvement.

Improving Microfinance

While microfinance is a powerful tool for empowering women and decreasing poverty, without proper implementation it is an ineffective mechanism. Women at the lowest income levels should receive the most financial assistance in the form of microloans. Limiting microfinance to individuals at the lowest income levels has two effects: (1) microfinance institutions can more easily control the amount of debt they hold and (2) microloans are not wasted on higher income individuals, who need larger loans to see improvement in their standard of living. Microfinance institutions should also limit their borrowers to individuals who prove to have entrepreneurial skills by having a plan of how to effectively use their loan (Bayulgen, 2008). Despite Yunus' belief that all individuals are endowed with natural entrepreneurial abilities, not everyone can or should start their own business.

Furthermore, women should be aware of what businesses are in demand and avoid creating too many of the same kind of businesses (Chowdury & Mukhopadhaya, 2014). Of 378 female borrowers operating a retail shop in Kolkata, 143 of those women-owned clothing and sari shops, far more than what there is demand for (Kar, 2018). While many microfinance institutions avoid instructing women in exactly how they should run their businesses, it appears to be beneficial for microfinance institutions to offer vocational training, especially in areas traditionally reserved for and dominated by men (Al-Mamun et al., 2014). By the same token, through women infiltrating male-dominated careers, those women will have male contacts, who have more access to resources and connections to others within the industry. With hope, this will also result in men accepting women as their equals.

Regardless of the policies and practices that countries and microfinance institutions implement, cultures must cease their oppression of women. As previously stated, simply giving a woman a loan will not automatically create a higher standard of living for her. Until women have access to all of the same resources that men do, microfinance will not be used to its full potential. I do not believe that microfinance alone will not increase the social status of women. As microfinance programs get better and women gain more equality in developing countries, those two factors will build on one another, creating a better environment for women. Of course, this change will take time, but it will be a change for the best. By lifting up the women at the lowest income levels, everyone else will be more prosperous.

Conclusion

Microfinance is not an entirely perfect solution to eliminate poverty and empower women, but with improvement, it can be. Microfinance has been found to be most effective in countries with high extreme poverty rates. If a developing country has a higher GDP per capita, small loans from a microfinance institution will not be as impactful as in a developing country with a low GDP per capita. Countries with lower poverty rates tend to have better policies for women. While there are communities in countries with low poverty rates that would, and do, certainly benefit from microfinance, lenders must be highly selective in their borrowers.

When Yunus approached traditional financial institutions to aid impoverished families, they rejected his request because they believed those families would not be profitable, or they would be incapable of repaying their loans. High repayment rates of borrowers demonstrate those individuals are creditworthy, making them potential customers of traditional lenders. This creates more opportunities for other impoverished families to become microfinance customers, allowing those families to rise above the poverty line as well.

Some microfinance institutions, even though they intend to advance women in society and the economy, do not implement foolproof policies and strategies. Sometimes, the women who need loans the most are less likely to receive them, which is counterintuitive to the mission of microfinance. Loans are often over-dispersed and used irresponsibly, which does not create economic growth or help the entrepreneur. The well-intentioned group structure creates tension among members and inconvenience for individuals. Loan officers are also under immense stress to maintain high repayment rates on their borrowers' loans, requiring them to put the institution's needs ahead of the needs of a woman and her family.

Aside from quantitative data, one must consider the opinions of the women affected by microfinance. Some women note that while their life after microfinance participation is not optimal, being allowed by their husbands to take part in surveys and interviews pertaining to microfinance indicates they are better off than before. Women also consider their life better when their children's lives are better, and microfinance customers tend to increase the standard of living for their families through their extra income. Even if a woman herself does not have a microloan or her own business, a woman can be employed by a micro-entrepreneur. If an impoverished woman is employed by a female micro-entrepreneur, she may have a more empathetic and understanding employer, as opposed to a woman employed by a large company owned by a man. Communities that participate in microfinance may also see social and structural improvement.

With better management and better structuring, microfinance can create wealth and higher social standing in developing countries now and for generations to come. Before microfinance became more mainstream, individuals in poverty stayed in poverty for generations because traditional loans were financially burdensome. With microfinance, it certainly is possible for individuals and families to rise above the poverty line. What may be the best measure of the success of microfinance is if future generations do not need the service. If families have the means to send their children to school and to keep their children healthy, their children likely will have profitable careers and futures, rendering microloans irrelevant as their mission will have been accomplished.

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Appendix

	Role in household decision-making	Control over resources	
Husband alone	11.0%	14.9	
Husband and wife	64.1	62.7	
Wife alone	25.0	22.5	
	Are you economically/ financially secure?	Do you initiate discussion of family planning/decisions?	Do you have to take permission to leave your village?
Yes	85.5	29.0	63.2
No	14.5	71.1	36.8
	Women can claim legal right over parents' property	Women can legally divorce	Women can seek legal protection
Strongly disagree	2.9	3.3	0.4
Disagree	19	20.7	2.5
Neutral	16.1	9.9	7.4
Agree	49.6	62	50.4
Strongly agree	12.4	4.1	39.3

Table 1: Result of Al-Mamun et al. survey (2014)

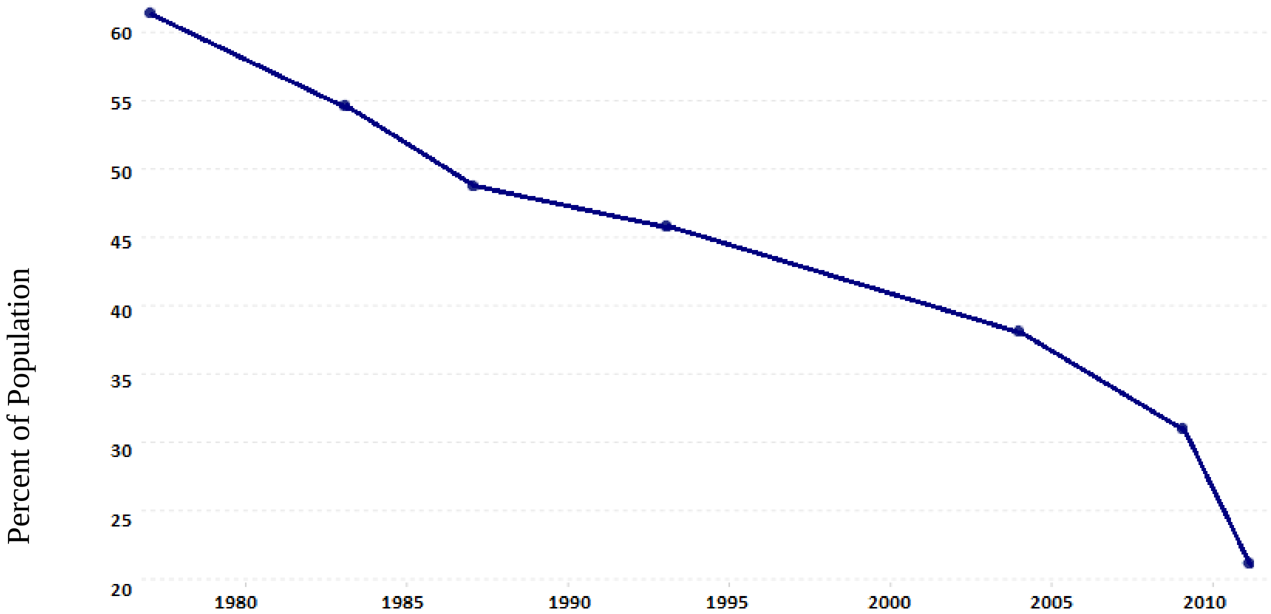

Figure 1: Extreme Poverty Rate (Percentage of Population) in India (2011 PPP) (World Bank, 2019)

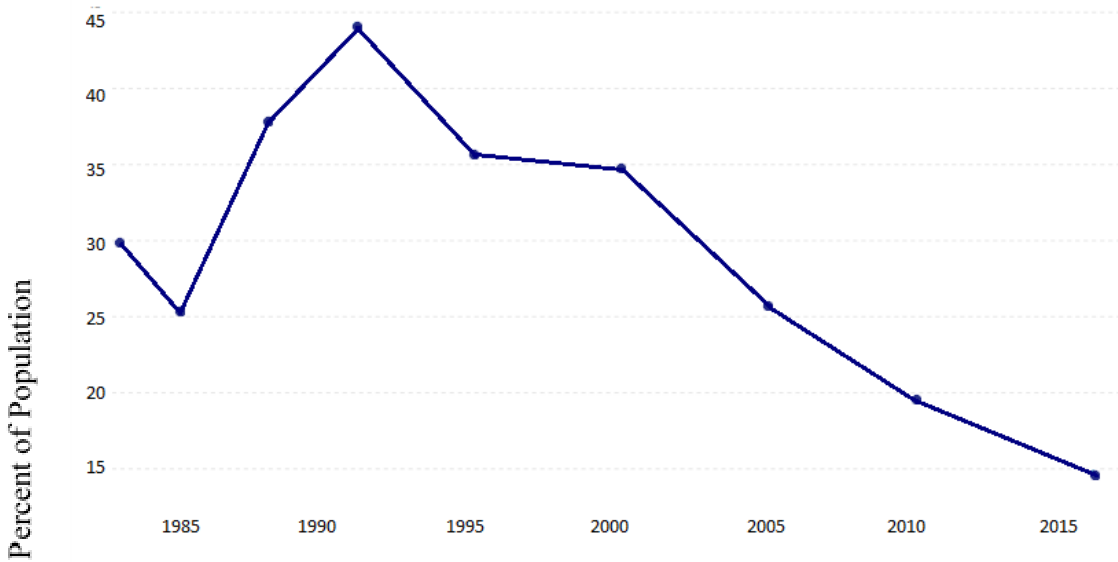

Figure 2: Extreme Poverty Rate (Percentage of Population) in Bangladesh (2011 PPP) (World Bank, 2019)

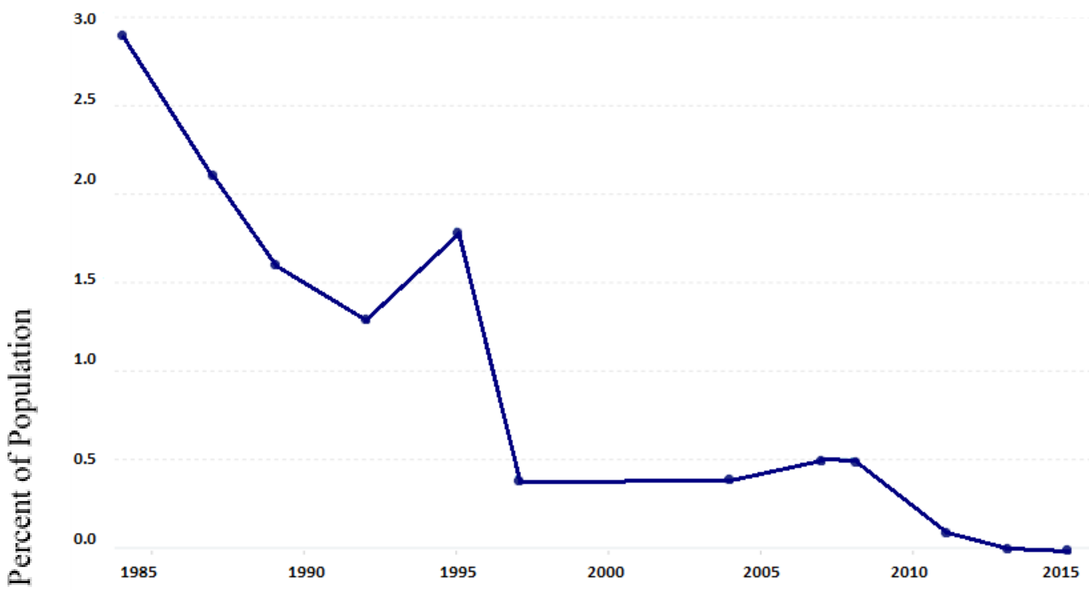

Figure 3: Extreme Poverty Rate (Percentage of Population) in Malaysia (2011 PPP) (World Bank, 2019)