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The Impact of Microfinance on Gender Equality in India

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Abstract

This paper explores the impacts of microfinance on gender equality in India by examining its effects through the framework of the United Nations Sustainable Development Goals. It begins with an overview of the history of microfinance globally and is followed by an in-depth explanation of the current microfinance landscape in India. This paper then uses a case study approach to collect qualitative data that contributes to this discussion on microfinance and gender equality. By studying the stories of four women and their experience using the services provided by microfinance institutions, the paper illustrates how microfinance contributes to the advancement of the specific targets outlined under several UN Sustainable Development Goals.

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Introduction

Inclusion is vital for a healthy society. In an inclusive world, all people are valued, empowered, and given access to the resources needed to pursue a meaningful life. The primary focus of the following discussion is financial inclusion and its role in creating a more equitable world. According to the 2021 Findex Survey conducted by the World Bank, roughly 1.7 billion adults around the globe are unbanked, meaning they lack access to traditional banking systems and services (Pomeroy, 2022). For many individuals, this means that they do not have their own savings accounts, they are unable to obtain credit cards and they do not have access to standard banking services, like taking out a loan, in addition to a host of other financial challenges. This is highly problematic, especially since the majority of unbanked adults globally are those living in rural areas, women and individuals from lower socioeconomic backgrounds and levels of education (World Bank Group, 2022). However, the fast-growing field of microfinance is working to provide greater financial inclusion to previously excluded groups of people. The services provided by microfinance institutions (MFIs) can build a person's financial literacy and independence, provide the resources to spark entrepreneurship and economic development, and promote equality and inclusion in the financial sector. Overall, this form of financing and the greater access to banking services that it provides positively contributes to gender equality and community development around the world. It is important to note, however, that the landscape in which microfinance institutions operate can vary widely depending on the country or geographic region. For this reason, in order to conduct a more in-depth analysis on the impacts of microfinance, the research needs to focus on a specific country, which will be India for this paper.

Background

What is Microfinance?

To begin, it is important to clearly define the term microfinance, and all the services that might encompass, as well as what defines a microfinance institution, or in other words, what types of organizations engage in this model of financing. Microfinance is the practice of providing a range of financial services to individuals or groups of people historically excluded from mainstream banking (Foundation for International Community Assistance, 2023). As mentioned in the introduction, this primarily includes women, those living in rural areas and individuals from lower socioeconomic statuses (Foundation for International Community Assistance, 2023). A microfinance institution (MFI) is an institution that provides these banking services to build greater financial inclusion. MFIs can come in many forms, depending on the region of the world or needs of local communities. For instance, MFIs can operate as nongovernmental organizations (NGOs), nonprofit organizations, credit unions or for-profit institutions (Hardy et al., 2002). Some well-known examples of MFIs working today are the Grameen Bank, the Foundation for International Community Assistance (FINCA), BRAC, Kiva, MicroFinance Institutions Network, ADA, ASA International and Bank Rakyat Indonesia (BRI).

Commercial banks can also operate in the microfinance sector through branches or programs as part of their larger organizational structure, although this is not as common (Hardy et al., 2002). An example of this model, however, comes from Citi Bank and the establishment of their Citi Social Finance program in 2005 (Citi, 2021). The overarching goal of this program is to provide 15 million low-income households with access to banking services by 2025 (Citi, 2022). This work is accomplished through partnerships with other MFIs, businesses, and government agencies around the globe, and as of 2021, Citi Social Finance has generated $4.21 billion in funds to support the world's most underserved communities (Citi, 2021).

There is a broad array of services included under the umbrella of microfinance. Some MFIs may provide a wider variety of services than others, as it generally depends on the needs of the community members where these organizations operate. Issuing small, individual business loans referred to as microcredit is one of the main services provided by MFIs (Foundation for International Community Assistance, 2023). These loans are typically under $1,000, with some even measuring at less than $100 and are used to build microbusiness ventures (Thunstrom, 2021). Other specific types of loans that can be issued include agriculture loans, where borrowers can put the money towards purchasing equipment, livestock or seeds and do not have to repay the loan until they harvest their products, or energy loans, where borrowers can purchase clean energy systems for their homes or businesses (Foundation for International Community Assistance, 2023). The reason these microcredit loans are so valuable is because the recipients are often considered "too risky" to be clients by most banks, as these recipients generally do not have adequate collateral for the loan (ADA, 2023). Thanks to the microcredit option, receiving loans is now more widely accessible to those "risky" clients because most don't have a collateral requirement (ADA, 2023).

Additionally, many people facing financial exclusion do not have their own savings account or safe place to store and access their money. MFIs help remedy that by allowing individuals to open their own savings accounts, therefore providing them greater financial freedom (Foundation for International Community Assistance, 2023). With more accessible banking comes the ability to authorize money transfers as well, which can help individuals expand their businesses as they continue to earn and spend money (Foundation for International

Community Assistance, 2023). Lastly, some MFIs, like FINCA, engage in a system called Village Banking. Under this model, a group of local microentrepreneurs come together as a collective to share the loans they receive and guarantee one another's loans, providing an extra layer of financial security to the group (Foundation for International Community Assistance, 2023).

History of Microfinance

While the term microfinance may be relatively new within the last fifty years or so, the concept of lending money to the poor has been around in some form for hundreds of years. Scholars Mohammad Zainuddin and Ida Md Yasmin point to historical examples of perhaps very early forms of microfinancing in their article in the FIIB Business Review. They begin their discussion with an overview of moneylenders in Asia and their practices of using their own resources to lend money to people lower on the socioeconomic scale (Zainuddin & Yasin, 2020). In India, specifically, the authors describe how after 300 AD, a guild of moneylenders eventually transformed into a caste within Indian society and the job of moneylending was assigned to the Vaishya caste, which correlated to the merchants (Zainuddin & Yasin, 2020). Over the next several centuries, these lenders continued providing loans, often at very high interest rates, and it was around the 17th century that the profession of the Mahajan was first documented (Zainuddin & Yasin, 2020). The Mahajan is a professional moneylender, and there are numerous documented stories of how people fell into debt with them because of the high interest and exploitative practices they used (Zainuddin & Yasin, 2020). Microfinance institutions today work to avoid these same harmful practices and try to position themselves as more legitimate institutions in the financial sector (Zainuddin & Yasin, 2020). Another early form of microfinance is evident in Rotating Savings and Credit Associations (ROSCAs). In an association like this, all members will routinely contribute money to a collective fund, and that money will then be given, in total, to an association member (Zainuddin & Yasin, 2020). The person receiving the collective funds will be selected on a rotating basis, hence the name of this model. ROSCAs have been implemented in over 80 countries around the world, including India, China, Bangladesh, and Indonesia (Zainuddin & Yasin, 2020).

In the world of microfinance, the 1970s is really when this field took off. The Grameen Bank is one of the most well-known microfinance institutions in the world today. Its founder is Muhammad Yunus, and he is widely considered by scholars to be the Father of Microfinance. Grameen Bank had a modest start back in 1976 in a small village in Bangladesh called Jobra (Grameen Bank, 2022). This was a small-scale project to test the effectiveness of the concept, and in 1983, their operation expanded to become a legitimate bank with the mission of using microcredit to eradicate poverty (Grameen Bank, 2022). What differentiated Grameen from other mainstream banks, though, was the fact that their clients were not required to put up collateral in order to secure a loan (Grameen Bank, 2022). To accomplish the bank's mission of reducing poverty, Grameen realized the importance of operating in rural areas of Bangladesh that typically lacked access to financial services, and Grameen also provided these services overwhelmingly to female clients to give them more power and control in local economies (Grameen Bank, 2022). Today, Grameen operates in over 80,000 villages in Bangladesh, reaching 45 million people, 98% of whom are women (Grameen Bank, 2022). Because of their groundbreaking work in this field, Grameen Bank was awarded the Nobel Peace Prize in 2006.

As scholar Widad Rahman highlights in their piece for the Ahfad Journal: Women & Change, many of the individuals and communities that lack access to traditional banking also lack access to other necessities including primary education programs and heath care services

(Rahman, 2010). The hope with microfinance is that this model of banking, and the accessibility it provides to previously excluded communities, will also increase access to these other services or help build peoples' financial means to afford them (Rahman, 2010).

United Nations Sustainable Development Goals

A key component of this broader discussion on microfinance includes the United Nations Sustainable Development Goals (UNSDGs). There are 17 primary goals outlined in this framework, each with their own subsection of more specific goals and metrics. The UNSDGs were created as part of the UN's larger *2030 Agenda for Sustainable Development*, which was adopted my UN member states in 2015. As indicated by the United Nations, the purpose of this agenda is to provide, "a shared blueprint for peace and prosperity for people and the planet, now and into the future" (United Nations, n.d.). The UNSDGs serve as a guide for countries on actions to be taken to ensure a healthy future for all people, while emphasizing the importance of partnerships in the global community (United Nations, n.d.).

Many of the UNSDGs are centered around poverty reduction as a continuation of the strategies implemented under the former Millennium Development Goals, created by UN members at the Millennium Summit in 2000. There is a key distinction between the MDGs and UNSDGs that is important to note, and that is the focus on environmental protection and sustainability, which is heavily emphasized in several of the Sustainable Development Goals and was missing under the MDGs (United Nations, n.d.).

The reason for including the UNSDGs in this paper is to ascertain how microfinance contributes to the metrics provided by goals, and the UNSDGs also provide a useful lens through which the impacts of microfinance can be analyzed. There is an inherent connection between several of the goals and this specific field of finance. For instance, Goal #1: No Poverty, Goal

#5: Gender Equality, and Goal #8: Decent Work & Economic Growth are all directly affected by the work of microfinance institutions, as are the other goals pictured in Figure 2. These connections will be explored in greater detail in a later section of this paper.

Figure 2: 5 of the United Nations Sustainable Development Goals (United Nations, n.d.)

Literature Review

Country Profile: India

As mentioned in the introduction, this paper will focus on microfinance in India. However, before data on this topic and the analysis can be presented, it is important to have a baseline understanding of the current state of the country. Since 2014, Narendra Modi has served as the Prime Minister of India; while the country does have a president as well, Droupadi Murmu, this position is mainly ceremonial without many formal, concrete powers compared to the Prime Minster. Modi pledged to make major economic reforms during his tenure as Prime Minster with lofty ambitions for the Indian economy. While there have been some challenges during his time in power, India is currently the sixth largest economy in the world and one of the fastest-growing economies globally (BI India Bureau, 2023). Their current population is about

1.4 billion people, with 909 million people living in rural areas compared to 498 million living in urban environments (Keelery, 2023).

To begin with some of the economic challenges, as displayed in Figure 3, India's GDP has decreased significantly over the last several years, especially in 2019-2020, marking the lowest it has been in over ten years at 3.1% (Inamdar & Alluri, 2021). Additionally, highlighted in Figure 4, there has been a sharp increase in unemployment, staring around 2017, reaching over 10% at times (Inamdar & Alluri, 2021).

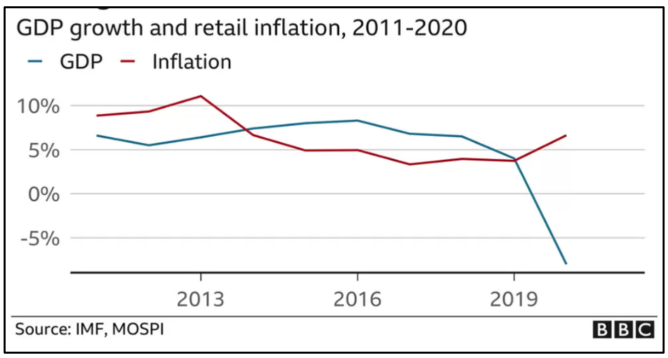

Figure 3: GDP Growth and Retail Inflation, 2011-2022 (Inamdar & Alluri, 2021)

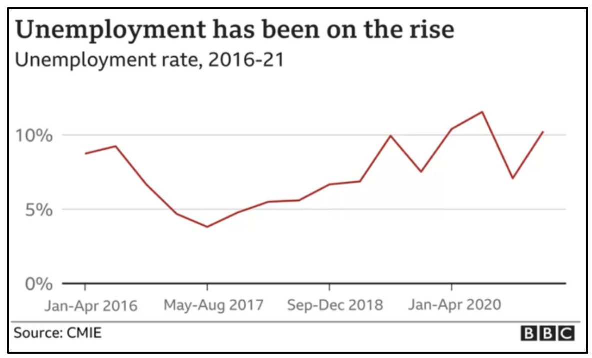

Figure 4: Unemployment has been on the Rise (Inamdar & Alluri, 2021)

Finally, Prime Minster Modi has invested significantly in public infrastructure, which is partially a positive development (Inamdar & Alluri, 2021). New highways and facilities for renewable energy are being built, sanitation is improving as millions of public toilets are being built and loans for housing are becoming more widely accessible (Inamdar & Alluri, 2021). However, this most significant challenge with these investments is that India doesn't necessarily have the money to afford these projects and their budget deficit is growing, as reflected in Figure 5 (Inamdar & Alluri, 2021).

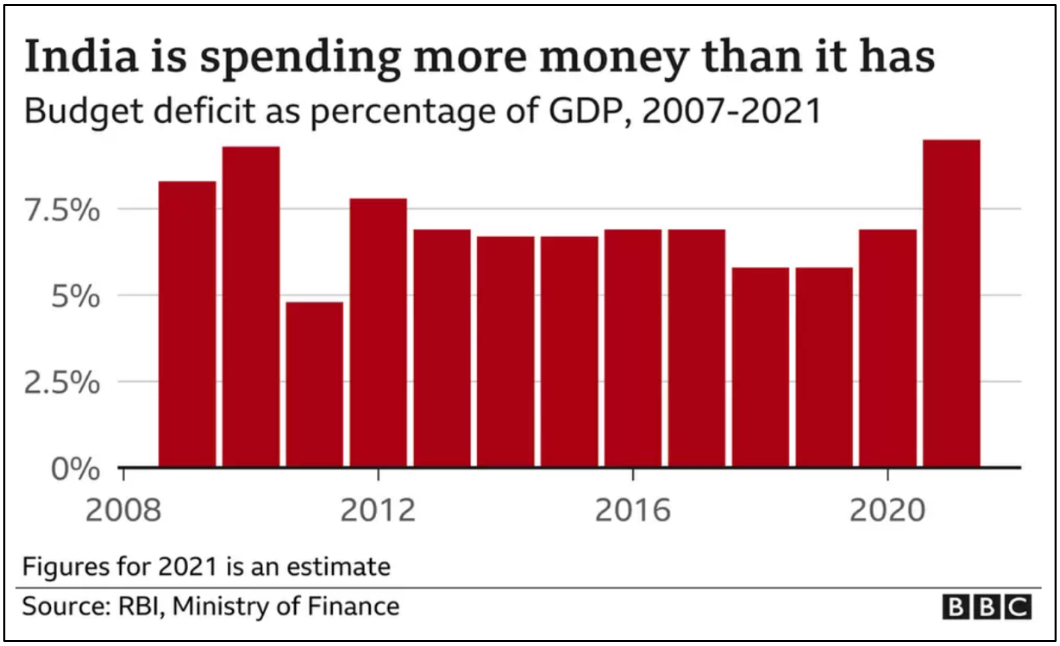

Figure 5: India budget deficit as a percentage of GDP, 2007-2021 (Inamdar & Alluri, 2021)

The United Nations Development Program (UNDP) is an agency that works in global poverty reduction and development, while promoting sustainable economic growth. Part of their work includes compiling data to produce their Gender Inequality Index (GII). The GII uses three factors to assign an overall value and rank to each country regarding gender inequality, in addition to providing data related to the core Sustainable Development Goals this work centers around (UNDP, 2022). These three factors are empowerment, reproductive health and labor market, and the SDGs included in their data are #3: Good Health & Wellbeing, #4: Quality Education, and #5: Gender Equality (UNDP, 2022). Overall, India ranks 122 out of 191 countries included in the GII, and their index score is 0.490 (UNDP, 2022). With this metric, lower index scores correlate to lower levels of gender inequality (UNDP, 2022). Furthermore, the data estimates that the current labor force participation rate for women in India is 19.2%, compared to 70.1% of men (UNDP, 2022). Regarding education, roughly 41% of women ages 25 and older have at least some level of secondary education, whereas this percentage is 53% for males (UNDP, 2022).

Microfinance Models in India

In India, some aspects of what we think of now as microfinance have been around for many years. Traditionally, though, these efforts have focused primarily on providing credit to individuals, whereas now, “microfinance” is an umbrella term that incorporates a wide array of financial services (Dasgupta & Rao, 2003). It is also viewed as an opportunity for capacity-building for the recipients of these services and a means by which people can create long-term growth (Dasgupta & Rao, 2003). When it comes to the need for financial assistance, scholars Rajaram Dasgupta and K. Dinker Rao propose that the reasons for need can be assigned to one of three possible categories. These needs include Life Cycle, Emergency, and Opportunities (Dasgupta & Rao, 2003). A Life Cycle need refers to the financing of a variety of life events such as births, education, building a home and marriage (Dasgupta & Rao, 2003). As the name suggests, emergency needs include sudden illness or loss of a job, death, war, and environmental disaster (Dasgupta & Rao, 2003). Lastly, Opportunity needs refer to assistance with starting a new business, maintaining a business, and purchasing equipment or land (Dasgupta & Rao, 2003). The services offered by microfinance institutions can help provide the financial assistance that people need to meet their needs that fall under these categories.

As displayed in Figure 6, there are many different models of microfinancing and avenues through which people can access expanded financial services. The first is through the individualistic approach, and under this model, all individuals/recipients of loans act independently from one another when engaging in microfinancing (Dasgupta & Rao, 2003). In order to explore these models in greater detail, this paper will mainly focus on the cooperation approach and the strategies it utilizes. The key differentiator with the cooperative approach is that people come together to form groups that support another to help each member meet their financial needs (Dasgupta & Rao, 2003).

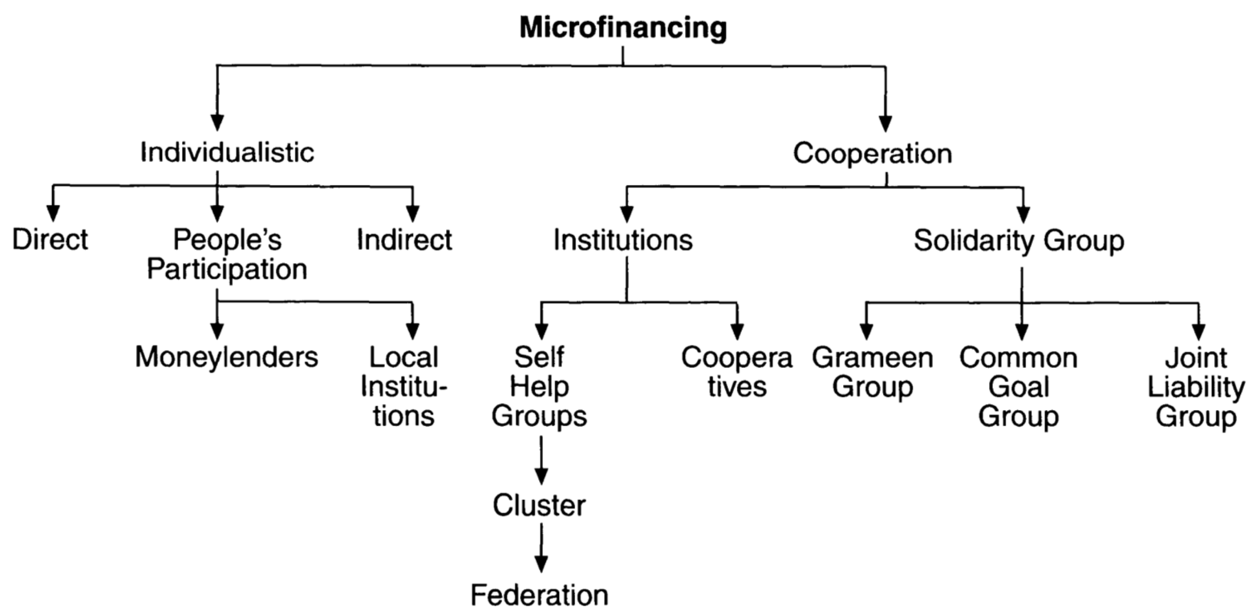

Figure 6: Microfinancing Structure in India (Dasgupta & Rao, 2003)

Self Help Groups (SHGs) are small groups of 10-15 people who share similar backgrounds that are formed through an established institution, which is why it is located under the "Institutions" arrow in Figure 6 (Bank Bazaar, 2023; Dasgupta & Rao, 2003). SHGs can be established through nonprofits, nongovernmental organizations, or traditional banks, also called formal financial institutions (FFIs) (Dasgupta & Rao, 2003). This model is very similar to the Rotating Savings and Credit Associations, discussed previously under the *History of Microfinance*, as every group member will benefit from the financial contributions of each other, while operating with under a guiding principle of group accountability. Together, groups will engage in borrowing and repaying loans, forming financial plans on how to best use the profits from their business ventures, opening bank accounts and tracking their funds, and establishing group rules that will guide their decision-making (Dasgupta & Rao, 2003). These groups are important because they empower their members, who are usually women, by providing training in financial literacy and fostering leadership development and growth. The reason SHGs prefer small membership sizes is because it tends to avoid any challenges with free riding, which is when individuals take more than they should from the group or are not contributing their fair share as everyone else is (Dasgupta & Rao, 2003).

Self-Help Groups were first implemented in India through Ministry of Rural Development's Development of Women and Children in Rural Areas Program in 1982 (Acharya, 2022; Dasgupta & Rao, 2003). Funding for this program was provided through the central and state governments of India and by UNICEF (Acharya, 2022). Not only did these SHGs engage with the financial services described above, but one of their main objectives was helping women use their increasing financial independence to access additional sources like education, childcare, health care and safe drinking water (Acharya, 2022). Initially, the SHGs in the Development of Women and Children in Rural Areas Program were only established in fifty districts in India, but because of their successes, these SHGs were implemented in every district across the country by 1995 (Acharya, 2022).

An additional defining feature of many Self-Help Groups is that they are linked to formal financial institutions to provide additional financial services to underserved communities in India. The National Bank for Agriculture and Rural Development (NABARD) established their Microcredit Innovations Department that serves as a leader in this space. This department created the Self-Help Group Bank Linkage Program, which started out with a pilot project working with

500 SHGs across the country, to now being one of the largest microfinance programs worldwide (NABARD, n.d.).

Under the Cooperation approach, there are two Solidarity Group models, as shown in Figure 6, that will be discussed. The fist is the Grameen Group Model. The structure of this approach is different from that of the Self-Help Groups, and it replicates the institutions created by the Grameen Bank in Bangladesh and other countries worldwide. To form a group, five members located in the same neighborhood or village will join together (Harper, 2002). Then, roughly five to seven of these groups located in the same geographic region unite to form Centers (Harper, 2002). Each of the Centers must have an affiliation with a microfinance institution or formal finance institution that will serve in a supervisory capacity, whereas this connection is not necessarily a requirement for SHGs (Dasgupta & Rao, 2003). With this model, group members again can access the same type of financial services as with the other models, but Grameen Groups certainly operate under a more rigid structure with more direct oversight from employees of MFIs and FFIs (Harper, 2002).

A proposed theory for why there are stricter rules of operation for Grameen Groups stems from their origin in Bangladesh, where the country was formerly governed by military rule (Harper, 2002). The 1972 Bangladeshi Constitution created a parliamentary style of government, but a coup 1975 crumbled the government resulting in rule by military (Bureau of South and Central Asian Affair, 2008). The instability created by this event lasted though the 1970s-80s, until the parliamentary system was restored in 1991 (Bureau of South and Central Asian Affair, 2008). This was the same time that the microfinance movement, led by Muhammad Yunus, was growing in Bangladesh. It's suggested that these principles of strict control and regulation were almost norms in society given that people were living under military rule which is why they translated into how Grameen Groups were set up and operated (Harper, 2002).

The Grameen Group Model is much rarer in India, compared to SHGs; only a few NGOs and FFIs and have adopted this strategy (Dasgupta & Rao, 2003). One such bank in India is the Oriental Bank of Commerce, and they created he first Grameen Groups in 1995 in only eight villages (Dasgupta & Rao, 2003). In less than seven years, over 1,600 groups had developed in 161 villages across the country with the resources to expand even greater than that (Dasgupta & Rao, 2003).

The second Solidarity Group model under the Cooperation approach is Joint Liability Groups (JLGs). JLGs are small groups as well, ranging from four to ten members, whose main characteristic mutual guarantee (Bank Bazaar, 2023). Loans are given individually to members of the group, but it is the entire group's responsibility to assist in the repayment of those loans (Dasgupta & Rao, 2003). Whereas Self-Help Groups incorporate broader goals of poverty reduction into their work, Joint Liability Groups tend to have a narrower focus on credit and receiving loans (Bank Bazaar, 2023). The creation of JLG usually begins with a microfinance institution encouraging members to form this union, rather than being driven by the people, and then the MFI will provide oversight to the group, although not to the same extent as the oversight with Grameen Groups (Bank Bazaar, 2023).

Role of the Government

While some microfinance institutions receive funding from the government or are incorporated into programs run by government agencies, the majority operate independently of the Indian government. However, in the broader context of financial inclusion and providing financial services to unbanked people, this is an impact area that the government can and has contributed to as well. In August of 2014, Prime Minister Modi launched the Pradhan Mantri Jan Dhan Yojana Program, also referred to as simply Jan Dhan, publicly accepting the government's responsibility to increase financial inclusion for all Indian citizens and ensuring equal access to critical financial services (National Portal of India, n.d.). In the first week of the Jan Dhan program being operational, 18,096,130 new bank accounts were opened (National Portal of India, n.d.). As reflected in Figure 7, the number of new accounts opened in the last several years has skyrocketed surpassing 400 million with roughly $20 billion in deposits into these accounts (Inamdar & Alluri, 2021). As it relates to gender equality and providing resources to the rural poor, as of 2022, 55.6% (250 million) of Jan Dhan accounts were held by women and 66.8% (300 million) were held by individuals living in rural environments (Times News Network, 2022). Once someone opens a bank account through Jan Dhan, that person is able to earn interest on their deposits, they won't be burdened with a requirement to maintain a set minimum balance, and they will receive a Rupay Debit card to use as they see fit (Department of Financial Services, n.d.).

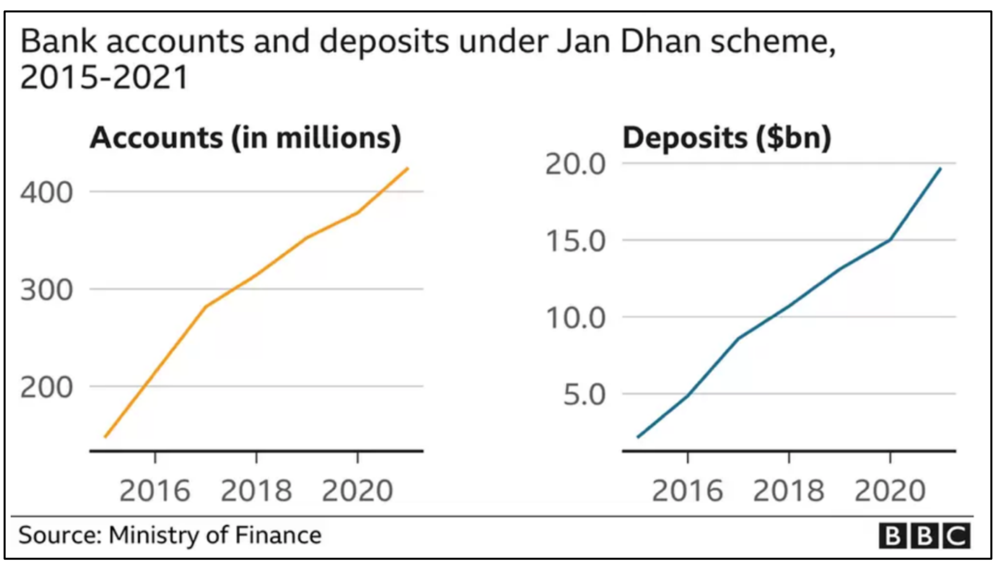

Figure 7: Bank accounts and deposits under Jan Dhan scheme, 2015-2021 (Inamdar & Alluri, 2021)

Methodology

The key aim of this research is to scrutinize the impact of microfinance institutions on gender equality in India. This will be achieved by examining how much this field has grown in India over the last two decades, from 2000 to 2022, and by using the UN Sustainable Development Goals as a framework by which to track the day-to-day impact of greater financial inclusion for women. It will study how microfinance contributes to the specific metrics outlined under several of the Sustainable Development Goals.

This paper will use a case study approach (Yin,1989) to explore the impacts of microfinance on gender equality in India by studying the experiences of four women who have received loans and other financial services through MFIs. By focusing on these four cases, the women's experiences will serve as evidence of the impact that microfinance can have in peoples' lives. Storytelling can be an extremely impactful strategy as it can humanize topics such as microfinance, and that was the motivation for using qualitative data like this to investigate what the impacts of greater financial inclusion truly look like.

The research will rely largely on qualitative data from primary and secondary sources to tell the story of microfinance on a more personal level. The four women featured in the key informant interviews were selected on the basis of increasing knowledge on the topic of microfinance and its contribution to gender equality. The women were interviewed by third party organizations, like the Thomson Reuters Foundation and the International Finance Corporation. This data was collected through in-depth online research, especially utilizing access to the Rollins College Olin Library database, and included in this paper to enhance the discussion on this topic. Data collected from the qualitative interviews was analyzed through the manual thematic approach (Basit, 2003) which helped identify the key emerging themes.

The main research question of this paper is, as stated above, how exactly the field of microfinance contributes to gender equality in India. Additional questions that guided the research include how does microfinance support the advancement of the sustainable Development Goals and how does microfinance contribute to community development in India?

This study is significant because since the inception of the Grameen Bank and subsequent microfinance institutions that exist today, billions of dollars have been invested in the field of financing. With the amount of money involved in microfinance and the global reach that MFIs have, it's critical to have a better understanding of how these MFIs can directly affect the lives of their clients. The research also serves as a means of generating greater awareness about the topic of microfinance in general to foster additional economic and social support for this field.

Data Analysis & Results

Growth of Microfinance in India

While the microfinance industry has mostly experienced positive growth, a crisis in 2010 almost collapsed the industry. At the time, there was a serious struggle getting borrowers to repay their loans, and this caused a lot of tension with banks in India because roughly 80% of the money that microfinance institutions were distributing to underserved populations was coming directly from these banks (Polgreen & Bajaj, 2010). These issues sparked a lot of backlash and Indian politicians began accusing MFIs of using unbanked people to make a profit because of high interest rates charged on some of the loans (Polgreen & Bajaj, 2010). That same year, several people in Andhra Pradesh, a region in India where a lot of microfinancing activities take place, tragically committed suicide over alleged pressure from having to repay loans they ha taken out (Polgreen & Bajaj, 2010). Vijay Mahajan, founder of BASIX, which is an inclusive financial services company, described the challenges faced by the industry by explaining that "In their quest to grow, they [microfinance institutions] kept piling on more loans in the same geographies. That led to more indebtedness" (Polgreen & Bajaj, 2010). The Director of India's Self-Employed Women's Association, Ela Bhatt, suggested that part of what contributed to this crisis was that MFIs had temporarily lost sight of the importance of skill-building and financial literacy training for borrowers, that simply providing loans was not sufficient to create sustainable changes (Polgreen & Bajaj, 2010).

However, despite the serious challenges in 2010, the microfinance industry proved its adaptability and resiliency. Responding to the unfortunate deaths in Andhra Pradesh, the Indian legislature quickly implemented a new law that would create stricter regulations for the microfinance industry in this region (Polgreen & Bajaj, 2010). In the years following the near collapse in 2010, the industry showed impressive growth (Kazmin, 2015). In 2015, the average exchange rate between U.S. Dollars and Indian Rupee (INR) was $1 per 64 INR (Exchange Rates, 2015). As shown in Figure 8, the microfinance industry experienced billions of dollars in growth over a four-year period, and in that time, more than 30 million new clients began working with MFIs across the country (Kazmin, 2015).

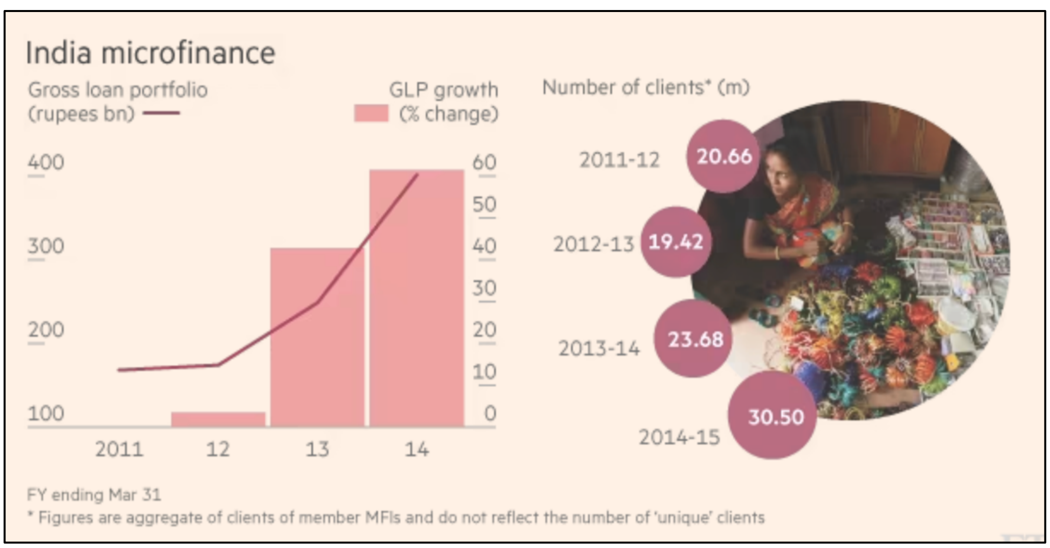

Figure 8: India microfinance (Kazmin, 2015)

Furthermore, listed in Figure 9 are the ten largest institutions providing microfinance services around the word. Four out of this group are located in India: NABARD, SKS Microfinance Ltd., SKDRDP and Share Microfin Limited (Reed et al., 2015). The data highlighted in this chart includes the number of the poorest borrower, in addition to total borrowers, working with these institutions and the growth in number of borrowers from 2012 to 2013. As reflected in the data, SKS Microfinance Ltd. and SKDRDP both experienced positive growth over this time period, increasing their total number of borrowers by 652,000 and 765,000 respectively (Reed et al., 2015).

Rank	Organization	Country	Total borrowers			Poorest borrowers		
			2013	2012	Change	2013	2012	Change
1.	NABARD	India	54,561,000	57,863,000	(3,302,000)	43,649,000	46,290,000	(2,641,000)
2.	Grameen Bank	Bangladesh	8,543,000	8,373,000	170,000	8,543,000	8,373,000	170,000
3.	ACCU	Thailand	7,707,794	9,132,971	(1,425,177)	7,251,145	8,676,322	(1,425,177)
4.	Bank Rakyat Indonesia	Indonesia	7,171,469	6,509,819	661,650	2,966,271	1,250,745	1,715,526
5.	Vietnam Bank for Social Policies	Vietnam	6,893,000	7,088,000	(195,000)	2,380,025	3,922,757	(1,542,732)
6.	SKS Microfinance Ltd.	India	4,744,000	4,091,803	652,197	948,800	818,381	130,419
7	Bandhan Financial Services Pvt. Ltd.	India	4,433,885	4,153,647	765,330	4,134,711	3,873,382	261,329
8.	BRAC	Bangladesh	4,239,936	4,193,218	46,718	2,430,000	2,470,000	(40,000)
9.	SKDRDP	India	3,049,176	1,903,316	1,145,860	2,439,341	1,706,527	732,814
10.	Share Microfin Limited	India	1,791,619	2,609,509	(817,890)	1,788,036	2,609,509	(821,473)

Figure 9: Changes among the top 10 institutions (Reed et al., 2015)

Other microfinance institutions, beyond those listed in Figure 9, have also experienced tremendous growth and expansion over the years. For instance, the Self-Help Group Bank Linkage Program, facilitated by India's National Bank for Agriculture and Rural Development works with approximately 100 million households across all regions of the country (NABARD, n.d.). Even more impressive is that 84% of the Self-Help groups in this program are specifically designated for women to provide the resources and opportunities that have historically been inaccessible to them (NABARD, n.d.)

Another example that demonstrates the growth of microfinance comes from the partnership between Citi, a global commercial bank, and CreditAccess Grameen, a leading MFI in India. This union between the two organizations began in 2008 because providing financial services to unbanked people in India was a priority for Citi but they did not have the capacity to reach these populations, whereas CreditAcess Grameen did (Chakraborty et al., 2019). Citi helped fund CreditAccess Grameen in order to advance financial inclusion initiatives, including most recently, in 2019, where Citi provided them $30 million (Chakraborty et al., 2019). With this amount of money, it’s estimated that over 75,000 women will have access to this money by potentially receiving an average loan of $390 (Chakraborty et al., 2019).

Qualitative Data

Chandrawati Rajpoot is a woman, a mother, and is one of the millions of women living in poverty in rural India who was desperate for financial assistance. Her story is reflective of the experience so many rural women have when it comes to accessing loans, which was difficult at first but ultimately led to great rewards. After unexpected medical emergency and trying to afford college tuition for her son, Chandrawati was forced to take out two loans from a local loan shark (Thomson Reuters Foundation, 2022). Unfortunately, a highly daily interest rate left her unable to repay the loan and she ultimately had to give up precious family heirlooms as a substitute for monetary repayment (Thomson Reuters Foundation, 2022). Luckily, Chandrawati was able to join a Joint Liability Group with other local women and was able to access a $367 loan (Thomson Reuters Foundation, 2022). With this extra money, she was able to start her own dairy business, after purchasing seven cows, and she started a children's clothing business as well (Thomson Reuters Foundation, 2022). These business ventures have allowed Chandrawati to triple her income in just over two years, exponentially increasing her financial freedom and setting her up for future financial successes (Thomson Reuters Foundation, 2022). She described this sense of relief by saying, "For the first time, I don't constantly worry about how to make ends meet," and her plans for the future including growing her current businesses and setting aside money so her kids will have the ability to build a business of their own one day (Thomson Reuters Foundation, 2022).

Similarly, Kiran Devi used a $611 loan to start her own tailoring business from her home (Thomson Reuters Foundation, 2022). With this money, Kiran was able to purchase equipment for her business, including two new sewing machines, plus she was able to hire an employee to assist her with the work because the demand for it had exceeded her individual capacity (Thomson Reuters Foundation, 2022). Not only was Kiran able to create a business venture for herself, but now she's able to provide a job opportunity for another community member, further contributing to the local economy (Thomson Reuters Foundation, 2022).

For Mithilesh Yaddav, a series of microloans have provided her with the financial resources needed to become a serial entrepreneur, as she currently owns a small grocery story and tailoring business and has plans to open a salon as well (Thomson Reuters Foundation, 2022). The income Mithilesh has generated through her businesses made it possible for her to buy a home and car for her family, dramatically improving their quality of life and fulfilling lifelong goals she had created for herself (Thomson Reuters Foundation, 2022). She said, "My siblings and I struggled a lot. We had to drop out of school early and help our parents with labor work. But I still have big dreams. I want to be a successful businesswoman who my children look up to" (Thomson Reuters Foundation, 2022).

Irawati Devi lives in a rural village called Harhua with her seven children. Similar to Mithilesh, she also received several small loans, none greater than $290 (International Finance Corporation, 2018). At the time, her and her family were living in a structure that did not have any walls, so when she received the money from these microloans, she built a more secure home for her kids (International Finance Corporation, 2018). After this project, Irawati used additional funds to purchase the equipment she needed to start a cooking business, which now fully financially supports her family (International Finance Corporation, 2018).

In each of the last four stories, the women have taken control over their lives and finances, creating an extraordinary amount of personal freedom, but they're also committed to providing better lives for their children and breaking out of the generational poverty traps they had been stuck in. Not to mention, all of the businesses the women have started are contributing to the development of the communities they live in by strengthening the local economies.

The microfinance industry has also demonstrated that it is a useful component of the strategy to meet the desired targets of the UN Sustainable Development Goals. For Goal #8: Decent Work and Economic Growth, Target 8.5 states, "By 2030, achieve full and productive employment and decent work for all women and men" (UN Department of Economic and Social Affairs, n.d.a). For women, especially those living in rural areas, the ability to open a bank account, get a credit card, and receive loans are all necessary items to engage in entrepreneurial activities. It was evident in the stories of the four women that the microloans they received were vital in starting their businesses, because without them, they would never have had the opportunity. In order to engage all women in the workforce, in some capacity, they need access to the tools that will help them succeed. The services provided by MFIs are those tools so the continued expansion of the microfinance industry in India is a step in the right direction towards meeting Target 8.5, and Goal # 8 in general.

Bandhan is a bank in India that originated as a microfinance institution, but now serves people from all socioeconomic backgrounds. In 2007, the bank created their Bandhan Health Program, which seeks to provide educational resources on vaccines, nutrition, menstrual health and sanitation for rural and underserved communities, pass out first-aid kits and medicine to community members, and builds water treatment plants to ensure communities have access to safe drinking water (Bandhan, 2023). These tasks are performed by volunteers, who are women from these rural villages, and they are trained for this role by Badhan (Bandhan, 2023). Since the creation of this program, it has spread to 54 districts in India, over 6,800 villages, and Bandhan employs more than 12,000 health volunteers (Bandhan, 2023). Additionally, this program has served over 22 million people in India (Bandhan, 2023). This directly connects to UNSDG #3: Good Health and Wellbeing. To address the specific targets, Target 3.1 aims to reduce the maternal mortality ratio, and one way meet this objective is to increase the number of births that occur under direct supervision of healthcare professionals (UN Department of Economic and Social Affairs, n.d.d). The Bandhan Health Program has made incredible strides to contribute to Target 3.1 as 91% of babies delivered in the villages where they operate are done so in some type of medical facility with healthcare workers present (Bandhan, 2023). Furthermore, 92% of expectant mothers in these villages complete an antenatal program facilitated by the health volunteers, and 96% of children in the villages receive at least some vaccinations (Bandhan, 2023). Although Bandhan is bank, it has a direct impact the health of millions of people, and it’s a great example that formal financial institutions and microfinance institutions can offer some much more than just financial services.

For people who come from lower socioeconomic backgrounds, education can be an extremely valuable way to lift themselves out of poverty, but for the communities living in rural areas, access to this education is not always easy. Jharkhand is the second-poorest state in India (Demont & Lapique, 2021). As describe in Figure 10, Jharkhand has a high percentage of the population living in rural areas, but it is also characterized by low school enrollment for children and long distances between villages and the nearest schools (Demont & Lapique, 2021). Lack of transportation to get children to school and the high cost of school supplies act as a barrier for many students, preventing them from receiving an education (Demont & Lapique, 2021).

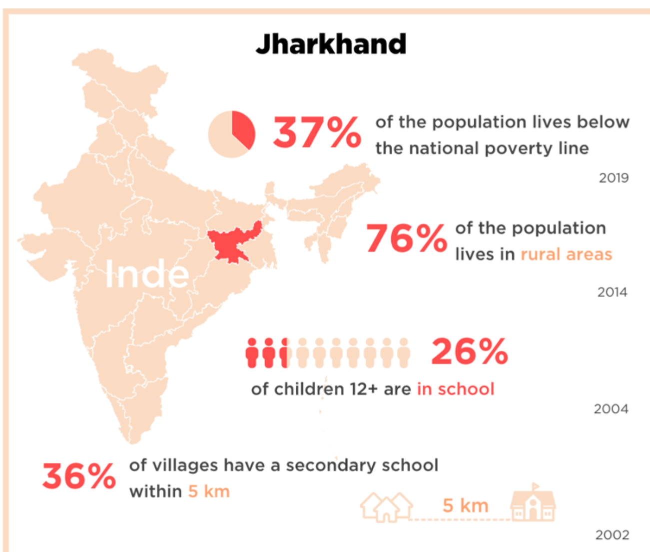

Figure 10: Jharkhand fast facts (Demont & Lapique, 2021)

Given the global rise in popularity of microfinance as a poverty-reduction strategy, economists Timothée Demont and Claire Lapique wanted to explore if there was any connection between access to education and access to microfinance. From 2004 to 2009, they observed several families in Jharkhand who were all members of Self-Help Groups, one of the many models employed by MFIs. At the end of their study, Demont and Lapique found a positive correlation between the Self-Help Group and education because by 2009, 40% more children were enrolled in secondary school than there were in 2004 and that these students had greater attendance at school as well (Demont & Lapique, 2021). One reason for this might be that as families benefit economically by being members of a Self-Help Group, their income will increase and therefore, they will have more money to spend on education for their children. However, Demont and Lapique suggest that this increase in enrollment could actually be the result of the sense of community within the Self-Help Groups (Demont & Lapique, 2021). When women come together for group meetings, it provides them a forum to discuss issues like education or challenges they're facing in their lives, and as a group whose collective responsibility is to support one another, group members may offer advice or additional support that would make the process of enrolling a child in school a little easier (Demont & Lapique, 2021).

Also related to education, Bandhan offers another great program focused on improving financial literacy. It is not enough to simply provide someone with the resources to be able to open a bank account because that account won't mean anything if people don't know what to do with it. Bandhan's Financial Literacy Program was created in 2015 and has since been adopted in over 3,000 villages and has reached about 9 million people (Bandhan, n.d.). The program's primary audience is women, and it covers topics ranging from how to manage money and debt, how to use banking services, to teaching women how to engage in financial negotiations (Bandhan, n.d.). The picture below depicts a woman named Alka who is leading a workshop on financial literacy for other women in her village of Puranapul. (Chavez, 2018).

Alka Gautam hosts a financial literacy workshop in a rural village Puranapul (Chavez, 2018).

Several of the targets included under SDG #4: Quality Education are focused on accessibility of education and literacy. In India, both the program created by Bandhan and the study conducted by Demont and Lapique show that MFIs do hold great value in the ability to create opportunities for education, especially for women.

Lastly, microfinance has a direct impact on the metrics outlined under Goal 1: No Poverty and Goal 5: Gender Equality. For Goal 1, the United Nations directly states in Target 1.4 that all people should have, "equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance" (UN Department of Economic and Social Affairs, n.d.c). Similarly, Target 5.a under Goal 5 states that the global community needs to, "undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws" (UN Department of Economic and Social Affairs, n.d.b). Through the expansion of microfinance in India, over 60 million women across the country are current recipients of collateral-free loans, and an estimated 300 million families have been reached with these financial services through MFIs (Thomson Reuters Foundation, 2022). By working with the most vulnerable populations in India, not only does microfinance have a broader aim of poverty reduction, but this field is actively working to empower women and create a more equal world for all.

Discussion

After hearing the stories of how financial services, provided through MFIs, have completely transformed the lives rural women and that the microfinance institutions themselves can help advance the targets outlined under the UNSDGs, it seems like microfinance is a strong concept that creates greater gender equality in India and around the world, in addition to aiding with global poverty reduction. Microfinance serves as an umbrella term, but there are tons of different MFI models within the industry and a host of partnerships between MFIs and other organizations. Involvement in informal sectors of economy, historically occupied by more women than men, can make it challenging to receive loans but that is where these different models of MFIs step in to bridge the gap and provide women access to those the much-needed financial services (International Finance Corporation, 2018). Also, because of the multitude of models, microfinance can meet the needs of a wide variety of people with different economic interests, priorities or socioeconomic backgrounds. But a common theme that is pervasive throughout the field is the desire and ability to not only reach underserved populations in India, but to help elevate them to improve their quality of life.

Of course, though, no system is perfect. Some issues have been discussed so far, but there are a few other challenges with microfinance that are important to note. The first is funding. MFIs can utilize funding sources such as government grants, loans from other financial institutions and donations (Bank Bazaar, 2023). But because some MFIs are highly dependent on external sources of funding, any disruption in that funding can have a devasting financial effect on the institution (Bank Bazaar, 2023). Second, most MFIs are NGOs or nonprofits, operating independently from commercial banks (Bank Bazaar, 2023). However, many traditional banks are now developing their own internal microfinance programs, thus increasing the competition and making it hard for “original” MFIs to compete (Bank Bazaar, 2023). Lastly, there is competition between MFIs; some MFIs are much larger than others or have operated for longer (Bank Bazaar, 2023). This can make it challenging for smaller MFIs to compete for the same financial resources, like bank loans (Bank Bazaar, 2023).

Conclusion

To conclude this discussion on microfinance, despite some of the challenges faced by those in the field, there is a reason this industry is growing at the incredibly fast pace that it is. Unbanked individuals around the world are finally able to access critical financial services that could dramatically improve their position in life. In India, this field absolutely has a positive impact on gender equality. For women, the benefits of microfinance include much more financial freedom and flexibility to provide for themselves and their families, it increases a woman’s autonomy, it provides the chance at an education that she might not have otherwise received, some MFIs offer healthcare services that weren’t available before, and it can break women out of the cycle of poverty and provide the opportunity to create a better future for themselves. People and organizations should continue to invest in microfinance institutions, both in India and in countries across the globe.

Given more time and resources to expand on this project, there are two areas that should be researched further. The first is the role of technology in providing services through MFIs. Technology is widely used in banking today and does play a role in the microfinance industry as well, but to what extent it should be used provide an interesting starting point for future research. The second topic is the intersection between microfinance and climate change. It's widely known that the communities who will be hit the hardest by the changing climate are those in developing countries without the economic resources or physical infrastructure to handle these impacts (like increased environmental disasters and growing levels of pollution). This group of people is very similar to the target market for microfinance services. Since many of the microloans given out by MFIs are used for agriculture, which is an industry that will be severely impacted by climate change, institutions might have to rethink how some of these services are offered.

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