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Microfinance and Women's Entrepreneurship: Driving Economic Growth in Developing Countries

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ABSTRACT: *This study aims to investigate the challenges women entrepreneurs face in accessing microloans and document the obstacles encountered by Microfinance Institutions (MFIs) when providing capital to social enterprises, particularly those led by women in developing economies. The study analyzes secondary data from various case studies, review relevant literature from academic journals focused on developing countries. Women entrepreneurs face several challenges in accessing microfinance, including lack of collateral, gender bias in loan approvals, and financial literacy gaps. High interest rates, operational costs, and regulatory hurdles further limit their access to funding. Many struggles with limited mentorship, business support services, and difficulties in building credit history. Rural women face additional barriers like low repayment capacity, poor digital literacy, and inadequate technological infrastructure. Societal norms, bureaucratic delays, and inconsistent government policies also hinder their financial inclusion and business growth. The findings helped to understand the social impact MFIs have created in recent years to improve the lives of marginalized communities and develop a policy framework to enhance the future impact of microfinance in women empowerment in developing countries. A significant gap exists in accessing microfinance between men and women entrepreneurs. Microfinancing has helped alleviate poverty, promote financial independence, and improve quality of life for millions in developing countries. Working in collaboration with various stakeholders such as governments, other organizations and individuals, social enterprise strives to create a social impact by empowering marginalized people and underserved communities to improve their lives. Microfinance includes providing access to capital, micro loans, and other business development services such as training and mentoring to social entrepreneurs. By providing innovative solutions of providing financial services to those who lack access to conventional banking services, microfinance integrates well into social enterprise.*

Key Words: *Entrepreneurship, Gender biased, Microfinance, Women empowerment.*

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1. Introduction

1.1. Financial Challenges and Women Entrepreneurship

The economic disparity between males and females is common in many male dominants societies in developing countries where women are dependent for their financial needs upon their counterpart males. Still, this is a convention in many developing countries where male is responsible for economic needs of the family while females take care of home affairs.

Conventional small business theory offers several explanations for the gender gap in entrepreneurship. One prominent factor is that women are often perceived to be more risk-averse than men, making them less inclined to choose entrepreneurship as a career path (Koellinger et al., 2013). Additionally, women typically possess less diversified social capital, having smaller and less robust networks and business contacts compared to their male counterparts. This lack of networking opportunities can hinder women's ability to pursue and succeed in entrepreneurial ventures. Another key factor is the greater demand for work-life balance among women, influenced by societal and cultural expectations, which may deter them from entering high-commitment roles like entrepreneurship (Fareed et al., 2017).

Beyond these personal and social factors, structural inequalities rooted in cultural, religious, and legal frameworks further exacerbate the gender disparity in entrepreneurship. Women often face barriers that limit their access to resources, opportunities, and legal rights, which can discourage them from pursuing entrepreneurial careers (Hussain et al., 2019; Welter et al., 2015). Interestingly, marital status also plays a role, as women who are married or divorced are more likely to become entrepreneurs than those who are unmarried, potentially due to the added financial pressures or support systems within these relationships.

However, in the last couple of decades with increased women literacy and general improvement of literacy in developing countries, women entrepreneurship has increased despite of financial challenges faced by them. It has been seen the major obstacle in starting business by women is financial constraints, especially in poor communities. To overcome these obstacles in recent past, microfinance has been shown to have a positive impact on female entrepreneurship, especially in developing countries. Studies by Attanasio et al. (2015) and Augsburg et al. (2015) found that access to group loans and microcredit helped women in Mongolia, and Bosnia and Herzegovina start businesses. Microfinance institutions have played a pivotal role in enhancing financial inclusion, particularly in regions where weak institutions and credit market frictions prevent a large segment of the population from accessing financial services (Fareed et al., 2017).

Banerjee et al. (2015) indicated that geographical access to microfinance institutions significantly increases the likelihood of individuals moving from low-income occupations like salaried work, farming, or housework to entrepreneurship. However, some researchers argue that microcredit may not always alleviate poverty due to factors like high interest rates, corruption, and insufficient loan amounts (Ali et al., 2017). These challenges can limit the potential of microfinance in empowering the poorest populations, especially women, whose assets may be disproportionately affected by emergencies such as illness or war (Quisumbing et al., 2011).

The impact of microfinance on entrepreneurship is often stronger in poorer regions, where access to financial services can make a significant difference in enabling individuals to pursue business ventures. Research shows that the relationship between microfinance and entrepreneurship is shaped by poverty levels, with a statistically significant positive interaction between the two. This suggests that microfinance is not a standalone solution but works more effectively in contexts of higher poverty, where it can have a transformative effect on individuals' occupational choices and economic mobility.

Studies have shown that microfinance can serve as a powerful tool for empowering women economically, especially in regions with limited employment prospects (Ashraf et al., 2010; Kabeer, 2001). By providing women with financial resources and fostering entrepreneurship, microfinance helps break traditional barriers, enabling them to contribute to both their families' well-being and the broader economy (Mayoux, 2000).

In this compelling context, it is crucial to understand and explore the potential of microfinance interventions as a means to empower women entrepreneurs and promote sustainable socio-economic growth. Such efforts can play a key role in reducing gender inequalities (Khan et al., 2020; Yousfani et al., 2019; Khursheed et al., 2021; Abebe & Kegne, 2023; Ali & Zardari, 2023).

Women entrepreneurs encounter a wide range of challenges at various levels. To overcome these obstacles, micro-financial support is crucial in empowering women entrepreneurs and promoting the growth of small and medium-sized enterprises (SMEs) (Benkraiem, 2016; Bernard et al., 2017; Gul et al., 2018; Younas & Kalimuthu, 2021). Resource-based theory (Barney, 1986) offers valuable insights into the essential resources needed for the success of women entrepreneurs, highlighting how effectively leveraging these resources can lead to sustainable poverty reduction through microfinance initiatives.

The main objective of this study is to focus on four key areas: first, to examine and summarize the primary challenges faced by women entrepreneurs in accessing microfinance; second, to explore the difficulties women face when starting social enterprises; third, to identify the challenges microfinance

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institutions encounter in providing microloans to social enterprises; and fourth, to develop a policy framework to support microfinancing for women-led social enterprises.

1.2. Research Approach/Design/Methodology

To achieve the objectives of this study, the paper applied the systematic review of literature. The literature review comprises of different sections keeping in focus of research objectives and towards end outline the policy framework to enhance the role and effectiveness of microfinance in women social enterprises in developing countries specifically in south Asia.

2. Literature Review

2.1. The Importance of Women Entrepreneurship

In many cultures, women's financial security has historically been tied to assets like gold, which can be sold in times of crisis. For instance, women in Palestine and Iraq often sell their gold to support their families during sanctions or conflict (Cainkar, 1993; World Bank, 2004). In South Asia, the amount of gold a woman brings in her dowry is not only a sign of wealth but also determines her status and autonomy within her affinal family (Makino, 2015). Gold, therefore, becomes a key indicator of women's economic stability in certain cultural contexts, particularly during emergencies or financial hardship.

Women entrepreneurship plays a pivotal role in the socio-economic development of South Asia, where it contributes to poverty reduction, job creation, and overall economic growth. In recent years, there has been a growing recognition of the need to empower women entrepreneurs in the region. Women's participation in business not only drives economic progress but also promotes social equity by reducing gender disparity in traditionally male-dominated sectors (Sarfaraz et al., 2014).

Despite the cultural and societal challenges, women in South Asia are increasingly entering entrepreneurship, motivated by financial independence and the desire to improve family welfare (Sharma & Dhameja, 2020). This trend has been particularly important in rural areas, where women's entrepreneurship has the potential to uplift communities by creating employment and improving living standards (De Vita et al., 2014).

Microfinance has been a key enabler for women entrepreneurs in South Asia, providing them with the financial resources to start and scale their businesses (Khalid & Sekiguchi, 2018). Additionally, government initiatives and NGOs have played an essential role in fostering a supportive ecosystem for women entrepreneurs, addressing issues like access to credit, education, and skill development (Singh, 2017). However, institutional barriers and societal norms still pose significant challenges, as women often face discrimination and limited access to business networks (Agarwal & Lenka, 2018).

Studies emphasize that encouraging women entrepreneurship can lead to sustainable development by integrating women into the formal economy, which boosts overall GDP and fosters innovation (Minniti, 2010). Furthermore, empowering women through entrepreneurship helps in breaking cycles of poverty and contributes to improved healthcare, education, and family well-being across the regions (Jamali, 2009).

2.2. Women Social Enterprises and their Challenges in South Asia

Women-led social enterprises are becoming increasingly important in South Asia, where they play a critical role in addressing societal issues such as poverty, education, and healthcare. These enterprises, often driven by a desire for social impact rather than profit maximization, offer sustainable solutions to pressing challenges in marginalized communities (Shah & Saurabh, 2020). In particular, women social entrepreneurs focus on empowering other women and underprivileged groups, creating jobs and improving livelihoods in rural and urban areas (Bhardwaj & Agarwal, 2018).

Research shows that women-led social enterprises contribute significantly to the local economy by fostering inclusivity and enhancing social capital (Dharmadhikari, 2014). In South Asia, where gender inequality remains pervasive, these enterprises provide a platform for women to assert their leadership and decision-making capabilities, thus promoting gender equity (Mukherjee & Banerjee, 2019). Moreover, women

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social entrepreneurs often address gaps in government services, particularly in healthcare and education, by delivering innovative, low-cost solutions (Srivastava, 2017).

However, despite their growing importance, women social enterprises in South Asia face several challenges. Access to capital is one of the most significant barriers, as women entrepreneurs often struggle to secure funding due to discriminatory lending practices and limited financial literacy (Khandker & Samad, 2020). Additionally, societal norms and cultural expectations restrict women's mobility and decision-making autonomy, hindering the growth of their enterprises (Agarwal & Lenka, 2018). Women also face difficulties in scaling their ventures due to a lack of access to professional networks, mentorship, and business training (Sengupta & Sinha, 2019).

Furthermore, the regulatory environment in South Asia often presents obstacles to social enterprises, as policies and frameworks are not always supportive of the unique needs of women-led ventures (Bansal, 2021). Despite these challenges, the potential of women social enterprises to drive positive change and contribute to sustainable development remains undeniable. Encouraging greater investment and creating supportive policies could help unlock their full potential, ultimately benefiting society as a whole (Sharma & Dhameja, 2020). Table 1 summarizes the challenges faced by women entrepreneurs in South Asia as described in the literature. Studies highlight that the traditional roles of women within families and society serve as major barriers to starting entrepreneurial ventures.

Table 1. Challenges of Women Entrepreneurs in South Asia.

Author(s)	Year	Country/Region	Challenges Identified
Agarwal & Lenka	2018	India	Cultural norms, lack of family support, limited mobility
Banerjee & Jackson	2017	South Asia	Lack of collateral, gender bias in lending practices
Sharma & Dhameja	2020	South Asia	Low financial literacy, lack of networking opportunities
Sarfaraz et al.	2014	Pakistan	Gender discrimination, difficulties accessing credit, limited market access
Mukherjee & Banerjee	2019	Bangladesh, India, Nepal	Patriarchal society, gender roles, resistance to women-led businesses
Khandker & Samad	2020	South Asia	Limited access to microfinance, lack of digital financial literacy
Singh & Pandey	2020	India, Nepal	Social stigma, fear of failure, lack of confidence
Srivastava & Tiwari	2019	Sri Lanka	Inconsistent policies, lack of access to government schemes, bureaucracy
Khalid & Sekiguchi	2018	Pakistan	Low educational attainment, lack of access to formal business training
De Vita et al.	2014	South Asia	Lack of access to finance, societal constraints, insufficient infrastructure

Cultural and religious norms, along with a lack of family support, often restrict women's mobility outside the home. Gender disparities in society, along with regulatory barriers in accessing startup financing, further hinder women's contributions to economic development in South Asian societies.

Due to their dependence on male partners, women often lack the collateral needed for microloans. Although some studies suggest using gold as collateral, this asset plays an insignificant role in securing microfinance for their businesses. Women's traditional roles as homemakers, with a primary focus on child-rearing and household tasks, have also contributed to low financial literacy. Their restricted mobility limits opportunities for business networking. Moreover, societal and religious norms further discourage women from pursuing entrepreneurial ventures.

Low literacy rates among women in South Asia have also left them behind in digital education and financial literacy, which exacerbates their lack of confidence and fear of failure, making them hesitant to start their own businesses. Although governments in South Asia have recognized the importance of women entrepreneurs in driving economic development, there remains a significant need to develop consistent policies and reduce bureaucratic obstacles in providing microloans to women entrepreneurs.

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2.3. Microfinance and Women Entrepreneurship (Social Enterprise) in South Asia

The role of microfinance in fostering women's social enterprise in South Asia has been extensively documented, highlighting its transformative potential in empowering women and promoting socio-economic development. Microfinance institutions (MFIs) provide access to credit, savings, and other financial services, which are critical for women who often lack collateral or formal employment (Khandker, 2005). In South Asia, where cultural and social barriers limit women's economic participation, microfinance has emerged as a tool for social change, allowing women to engage in social entrepreneurship and improve their communities (Mahmud, 2003).

Microfinance enables women to establish social enterprises that address local issues such as education, healthcare, and environmental sustainability (Datta & Gailey, 2012). These enterprises often operate within a framework of social welfare, aiming to create a positive societal impact rather than purely focusing on profit (Roy & Goswami, 2013). For instance, in Bangladesh, the Grameen Bank has played a crucial role in enabling women to launch community-based ventures, leading to improved healthcare services and educational facilities in rural areas (Yunus, 1999). Similarly, in India, the Self-Employed Women's Association (SEWA) has helped women organize cooperatives to provide essential services while promoting economic self-sufficiency (Datta & Raman, 2001). In Pakistan, for example, microfinance has helped housewives become entrepreneurs by offering them financial services that allow them to start micro-businesses from their homes, thereby contributing additional income to their households. These opportunities are particularly important in areas where formal employment options for women are limited. By empowering women economically, microfinance also enhances their household's overall welfare.

The empowerment of women through microfinance is closely linked to social capital formation. Women's participation in microfinance-led social enterprises fosters collective action and strengthens community bonds (Rankin, 2002). This collective action is essential in South Asia, where patriarchal norms often constrain women's agency. Studies have shown that women who access microfinance are more likely to take part in decision-making processes at home and in their communities, thereby challenging traditional gender roles (Kabeer, 2005). Moreover, access to financial resources helps women build networks, enhancing their capacity to mobilize resources for social enterprises (Swain & Wallentin, 2009).

Despite the success stories, there are challenges to the effectiveness of microfinance in promoting women's social enterprise. High interest rates and loan repayment pressures can sometimes lead to financial stress, limiting women's ability to sustain their ventures (Banerjee et al., 2015). Moreover, some argue that microfinance does not always leads to empowerment, as financial inclusion without supportive policies on education and skills development may perpetuate existing inequalities (Bateman & Chang, 2012). In regions where social and legal barriers persist, women may still face discrimination, limiting their ability to fully benefit from microfinance opportunities (Hunt & Kasynathan, 2002).

Nevertheless, microfinance remains a critical mechanism for advancing women's social enterprise in South Asia. As noted by Morduch (1999), the integration of financial services with social objectives creates a sustainable model for community development, with women often at the forefront of this movement. With targeted interventions and the incorporation of gender-sensitive policies, microfinance can continue to serve as a catalyst for empowering women and fostering social enterprises that address pressing societal needs in the region (Aghion & Morduch, 2005).

We have reviewed two countries Pakistan and Bangladesh from South Asia to review the role of MFI in Women Social Enterprises

2.4. Case of Pakistan

According to the findings of the Global Entrepreneurship Research Association (2022), women's entrepreneurship rates in Pakistan are significantly lower compared to men. The survey highlights a substantial gender gap in entrepreneurial activity within the country, with women making up a much smaller proportion of business owners and self-employed individuals. This disparity clearly reflects the various barriers that hinder women's full participation in entrepreneurial ventures.

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Current research and observations suggest a strong link between the availability of microfinance products and the success of women entrepreneurs. A notable research gap is the role of microfinance in predicting entrepreneurial success among women in Pakistan. Muhammad (2021) highlights the importance of microfinance components—such as micro-credit, micro-savings, micro-insurance, and micro-loans/leasing—in influencing women's decision-making, income generation, and poverty alleviation (Kaka, 2022; Khan et al., 2022).

Evidence shows that women in Pakistan face significant barriers to accessing financial resources like credit and capital, which impedes their ability to start and grow entrepreneurial ventures. Additionally, they encounter various social and cultural obstacles, including societal norms and gender biases, that hinder their participation in networks, markets, and business support services.

Pakistan has demonstrated a clear commitment to financial inclusion through the development of a strategy aimed at reaching underserved populations. However, many of these reforms fail to directly address the specific barriers faced by entrepreneurs in impoverished areas. To better promote entrepreneurship in these regions, policy measures could include enhancing access to financial services for entrepreneurs, combining targeted financing schemes with professional training, support programs, and financial literacy initiatives. Additionally, establishing a gender-neutral legal framework for businesses and improving the overall business environment would further support entrepreneurial efforts in poor regions.

2.5. Case of Bangladesh

Microfinance institutions (MFIs) have played a pivotal role in empowering women in Bangladesh by fostering the growth of women-led social enterprises. By providing small-scale loans, training, and capacity-building opportunities, MFIs help women overcome traditional barriers to entrepreneurship, including limited access to credit and social constraints (Kabeer, 2001). Organizations such as Grameen Bank and BRAC have demonstrated the transformative potential of microfinance in enabling women to establish and sustain social enterprises that address community challenges, such as education, healthcare, and poverty alleviation (Yunus, 1999; Swain & Wallentin, 2009).

One notable example is the formation of women-led cooperatives that focus on producing goods such as handicrafts or textiles. These enterprises provide income generation and employment opportunities to marginalized women in rural areas (Datta & Gailey, 2012). MFIs support these ventures by offering loans at lower interest rates, facilitating group lending models, and conducting financial literacy programs, thus fostering financial inclusion and sustainable growth (Mahmud, 2003).

However, challenges persist, such as high repayment pressures, insufficient training, and the risk of over-indebtedness, which can undermine the success of social enterprises (Bateman & Chang, 2012). Despite these challenges, women who engage with MFIs often report increased decision-making power within households and enhanced social standing in their communities (Khandker, 2005).

A significant impact of MFIs has been on social capital development, as women-led social enterprises build networks of trust and collaboration. These networks often create ripple effects in local communities, encouraging other women to pursue entrepreneurial activities and challenge traditional gender norms (Sengupta & Sinha, 2019). Furthermore, MFIs are increasingly adopting digital technologies to enhance service delivery, which is critical in reaching remote regions of Bangladesh (Sinha, 2020).

In conclusion, MFIs have been instrumental in fostering the growth of women-led social enterprises in Bangladesh. While challenges remain, their contributions to economic empowerment, poverty reduction, and gender equality are undeniable. By addressing existing limitations and scaling innovative practices, MFIs can further enhance their impact on women entrepreneurs in the region.

This demonstrates that women, particularly housewives, can transition into entrepreneurship and actively participate in the labor force when granted access to financial services through microfinance institutions. This outcome is expected, as many leading microfinance institutions in Pakistan specifically target women, particularly in areas where employment opportunities are scarce. As a result, these women often establish small businesses within their homes, enabling them to generate additional household income.

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2.6. Current Role of Microfinance Institutions in South Asia

Microfinance institutions (MFIs) play a crucial role in South Asia's economic development, especially in alleviating poverty and empowering marginalized groups. The region has seen the growth of several large and small MFIs that provide financial services to underserved populations, primarily focusing on women and rural communities (Khandker & Samad, 2020). By offering microloans, savings options, and insurance products, MFIs help individuals establish small businesses, thereby creating jobs and promoting self-sufficiency (Rai & Dulal, 2019).

One of the primary contributions of MFIs in South Asia is the empowerment of women. Women, who often face barriers to accessing traditional banking services, are now gaining financial independence through microfinance (Banerjee & Jackson, 2017). Many MFIs adopt group lending models, which not only provide financial services but also build social capital among women by fostering peer support and collective responsibility (Kumar, 2018). This model has been instrumental in enhancing women's entrepreneurship, as seen in Bangladesh’s Grameen Bank and India’s Self-Employed Women’s Association (SEWA) (Hulme, 2018).

Despite their successes, MFIs face challenges in scaling their operations and maintaining financial sustainability. High operational costs, coupled with low-profit margins, make it difficult for many MFIs to expand while remaining financially viable (Hermes & Lensink, 2019). Additionally, repayment issues and over-indebtedness among borrowers have raised concerns about the long-term sustainability of microfinance in the region (Cull & Morduch, 2017). Critics argue that while microfinance improves short-term economic outcomes, its effectiveness in driving sustainable poverty reduction remains mixed (Duvendack et al., 2014).

Moreover, MFIs are increasingly incorporating digital financial services to reach a broader client base. Mobile banking and digital lending platforms have shown promise in enhancing financial inclusion, particularly in remote areas (Sinha, 2020). These technologies help reduce operational costs and improve access to financial services, further boosting the role of microfinance in South Asia's development. However, challenges such as low digital literacy and limited infrastructure continue to hinder the full potential of digital microfinance (Singh & Bajaj, 2021). Table 2 summarizes the relevant literature on the role of microfinance in supporting women-led social enterprises.

Table 2. The Role of Microfinance Institutions in Women Social Enterprises in Developing Countries.

Author(s)	Year	Country/Region	Role of MFIs
Banerjee & Jackson	2017	South Asia	MFIs improve access to credit for women and promote entrepreneurship in social enterprises
Hermes & Lensink	2019	Multiple developing countries	MFIs contribute to poverty alleviation but face sustainability challenges due to high operational costs
Sengupta & Sinha	2019	India	MFIs can foster social enterprise development through partnerships and customized financial products
Rahman & Khan	2018	Bangladesh	MFIs have enabled women to start small social enterprises, improving family income
Sinha & Ghosh	2021	South Asia	Regulatory hurdles limit MFIs' ability to serve social enterprises effectively
Sharma & Dhameja	2020	South Asia	Digital financial platforms offer new opportunities for women to access microloans

Recent studies suggest that MFIs have empowered women to establish social enterprises and contribute to family income by improving access to microcredit, which aids in poverty alleviation. MFIs can further promote women-led social enterprises by partnering with them and tailoring financial products to enhance the impact of their microcredit offerings. Although the positive role of MFIs in women social enterprises is well-documented, regulatory hurdles limit their overall effectiveness.

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2.7. Challenges Faced by Microfinance Institutions in Offering Microloans to Women Social Enterprises in South Asia

Microfinance institutions (MFIs) play a vital role in fostering women-led social enterprises in South Asia by providing financial services that would otherwise be inaccessible. However, these institutions face several challenges in offering microloans to women social entrepreneurs. One of the major barriers is the lack of collateral, as many women in South Asia do not own property or significant assets to secure loans (Agarwal & Lenka, 2018). This lack of collateral makes MFIs hesitant to extend credit, as they perceive a higher risk of default.

Cultural and societal norms also pose significant challenges. In many parts of South Asia, women face restrictions on mobility, decision-making autonomy, and access to financial resources (Singh & Pandey, 2020). These limitations reduce the capacity of women social entrepreneurs to operate and expand their businesses, which in turn increases the perceived risk for MFIs when offering loans. Additionally, women social entrepreneurs often face difficulties in building strong credit histories, further limiting their access to microloans (Rahman & Khan, 2018).

Another key challenge is the operational costs involved in offering microloans to women-led social enterprises. The cost of processing small loans, combined with the high level of support and monitoring required for women entrepreneurs, puts a financial strain on MFIs (Hermes & Lensink, 2019). This issue is compounded by the lack of scalability in rural areas, where many women social enterprises are located, making it difficult for MFIs to achieve financial sustainability (Banerjee & Jackson, 2017).

Furthermore, the regulatory environment in South Asia is not always conducive to the needs of MFIs or social enterprises. Inconsistent policies, bureaucratic hurdles, and a lack of incentives for lending to social enterprises make it difficult for MFIs to operate effectively (Sinha & Ghosh, 2021). The absence of tailored financial products for women social entrepreneurs also limits the capacity of MFIs to meet the specific needs of these enterprises (Sengupta & Sinha, 2019).

Lastly, digital illiteracy and limited access to technology among women social entrepreneurs hinder their ability to take advantage of innovative microfinance services such as mobile banking, which could otherwise reduce costs and improve accessibility (Sharma & Dhameja, 2020). These challenges highlight the need for more inclusive financial systems and policies that can better support both MFIs and women-led social enterprises in South Asia.

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Table 3. Challenges Faced by Microfinance Institutions in Offering Microloans to Women Social Enterprises in South Asia

Author(s)	Year	Country/Region	Challenges Identified
Banerjee & Jackson	2017	South Asia	Lack of collateral, gender bias in loan approval, financial literacy issues
Hermes & Lensink	2019	India, Bangladesh, Nepal	High operational costs, lack of scalable loan models, regulatory challenges
Rahman & Khan	2018	Bangladesh	Difficulty accessing loans, gender bias in financial institutions, low trust in women entrepreneurs
Sengupta & Sinha	2019	India	Limited mentorship, high interest rates, lack of business support services
Khandker & Samad	2020	South Asia	High monitoring costs, rural outreach difficulties, limited repayment capacity in rural areas
Sinha & Ghosh	2021	South Asia	Complex bureaucratic processes, lack of supportive policies for lending to social enterprises
Singh & Pandey	2020	India	Societal gender norms, low market access, difficulty in building credit history
Khalid & Sekiguchi	2018	Pakistan	Gender discrimination, difficulty in accessing formal financial systems, lack of business training
Srivastava & Tiwari	2019	Sri Lanka	Inconsistent government policies, bureaucratic delays, lack of access to government-led funding schemes
Sharma & Dhameja	2020	India, Bangladesh	Low digital literacy, lack of technological infrastructure in rural areas, resistance to change

2.8. Policy Implications

Table 3 summarizes the challenges identified in the literature regarding the role of MFIs in providing loans to women-led social enterprises in South Asia. To improve the effectiveness of MFIs in supporting women social entrepreneurs, governments in South Asia should develop gender-sensitive lending models and promote financial literacy among women, particularly in rural areas where it remains a significant issue. The combination of low literacy rates and limited financial knowledge hampers the ability of MFIs to fully leverage mobile or digital microfinance solutions, which could reduce operational costs and improve scalability.

The literature highlights that MFIs are increasingly aware of the gender gap in access to microfinance for women. Therefore, it is essential to design tailored financial products that meet women's specific needs and to train MFI staff on gender inclusivity. Additionally, given the low levels of financial and digital literacy, establishing women’s centers for entrepreneurial training and mentorship is crucial. These centers would focus on educating women about mobile banking, digital finance, and tech-driven solutions, thus providing vital business development support and increasing the success rate of women-led social enterprises.

These centers would also foster stronger peer networks for women entrepreneurs. At the government level, investment in digital literacy and mobile banking infrastructure is needed to lower transaction costs for MFIs, streamline financial regulations, and create incentives for MFIs to support women-led social enterprises more effectively.

Based on the systematic literature review, we outline a policy framework for enhancing the role of Microfinance Institutions (MFIs) in supporting women social enterprises in developing countries. Figure 1 shows the key components of proposed policy framework.

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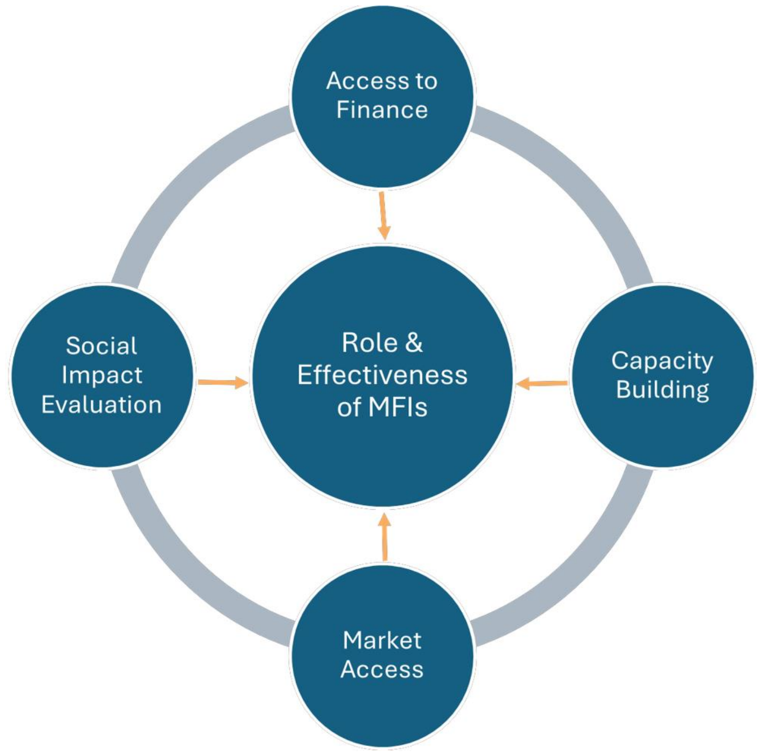

Figure 1. Policy Framework

2.9. Access to Finance

Access to finance remains a significant obstacle for women-led social enterprises. A multipronged approach is essential to empower women to obtain credit for their ventures. MFIs should develop low-interest microloan products with flexible repayment options tailored specifically for women. Additionally, providing financial and digital literacy training is crucial for enhancing the use of mobile and digital banking, particularly in rural areas. This would not only increase scalability but also reduce operational costs for MFIs. A coordinated strategy involving MFIs, local governments, and international organizations is needed to bring a significant portion of the population into the economic fold and address the gender gap in social and economic development.

2.10. Capacity Building

To ensure long-term benefits, capacity building among key stakeholders is essential. MFIs, NGOs, and educational institutions must collaborate to establish training programs that focus on financial and digital banking literacy, sustainable business models, entrepreneurship, and the technical skills needed to run a business effectively. Establishing business incubators in local colleges and universities can improve accessibility of required education, training and channelizing resources for women entrepreneurs.

2.11. Market Access

Local governments, MFIs, trade departments, and the private sector can support women entrepreneurs by facilitating access to both local and international markets. This can be achieved through the development of women's support networks, digital marketplaces, and favorable local procurement policies. Familiarity with e-commerce business models can play a pivotal role in closing the gender gap and accelerating women's empowerment. With the creation of a business webpage, entrepreneurs can transition from local to global markets, enabling customers worldwide to access their products and services. Understanding the e-business model will allow women to deliver products to a global audience.

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2.12. Social Impact Evaluation

Over time, it is vital to document and assess the social impact of women-led social enterprises in areas such as poverty alleviation, contributions to family income and GDP, women's empowerment, and economic independence in family decision-making. To facilitate this, MFIs, research institutions, and development agencies must develop gender-focused systems with comprehensive social impact metrics. These systems will help measure the broader social and economic contributions of women entrepreneurs.

The findings of this review offer significant theoretical contributions and practical insights into the field of microfinance and women's entrepreneurial empowerment. For scholars, the study highlights key avenues for future research that could provide fresh perspectives on theory, context, and methodology. For microfinance practitioners, it deepens the understanding of women's empowerment within the context of women social entrepreneurship. These insights are likely to inform the development of tailored microfinance strategies and policies, ultimately helping women entrepreneurs achieve greater empowerment.

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