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WOMEN EMPOWERMENT AND SUSTAINABILITY ISSUES IN GRAMEEN MICROFINANCE: A SYSTEMATIC LITERATURE REVIEW

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Abstract: Despite being a pioneer in microfinance in Asia, Bangladesh encounters various challenges in implementing microfinance programs, particularly in relation to women's empowerment and sustainability. This study aims to analyse and synthesise topics of women's empowerment and sustainability within the context of the Grameen Bank. We conducted a Systematic Literature Review (SLR) following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines. We used Scopus and Google Scholar databases for this review. Studies were included if they evaluated at least one aspect of women's empowerment, such as institutional, social, and financial empowerment, in relation to microfinance. The findings from 65 articles highlighted that the Grameen Bank, with its focus on women, has improved access to financial resources and increased entrepreneurial opportunities. However, these benefits are not universally experienced and can be accompanied by challenges such as over-indebtedness, high interest rates, and limited long-term sustainability, which increase vulnerability to debt, particularly among rural women. To enhance the sustainability and effectiveness of Grameen Microfinance in promoting women's empowerment and addressing broader sustainability goals, this review emphasises the need for legislative changes and collaborative efforts for successful implementation. Prioritising eligibility criteria and addressing sustainability challenges within the broader socioeconomic context are crucial to overcoming these challenges effectively.

Keywords: Grameen Bank; women empowerment; sustainability, microfinance, Bangladesh

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Introduction

Microfinance programs aim to empower poor people by involving them in income-generating activities, facilitating capital accumulation, and enhancing their living standards (You & Badertscher, 2024; Lamichhane, 2020). Moreover, microfinance has become widely recognised not only for its ability to alleviate poverty but also for its positive impact on gender issues in development (Mayoux, 2002). The introduction of microcredit aimed to offer low-income borrowers a viable alternative to exploitative loan sharks, who exacerbated their already challenging circumstances with exorbitant interest rates (Ferdous *et al*., 2020). Over the past few decades, microfinance has become increasingly popular as a tool for eradicating poverty, which is the foundation of the economy. The main goal of this project was to address poverty in Bangladesh while improving the economic status of the local community and the overall well-being of its residents (Mohamed *et al*., 2020).

According to Akhter *et al*. (2018), the provision of loans to individuals with low incomes is anticipated to yield several benefits, including increased incomes, improved access to healthcare and education, the establishment of small businesses, and, ultimately, enhanced living conditions for the less fortunate. Additionally, microfinance institutions offer a diverse array of services such as microinsurance, money transfers, micro-savings, and payments (Akhter & Cheng, 2020). This serves to address the unique needs of underprivileged individuals and provide comprehensive financial assistance (Mohamed *et al*., 2020).

The distribution of microfinance is currently global, facilitated by financial inclusion policies. International organisations, primarily from the Global North, have played a significant role in promoting compliance in the microfinance sector through their focus on financial inclusion policies and industry best practices (Cordeiro, 2019). The experience of England exemplifies how financial services can enhance the living standards of marginalised areas, particularly those lacking access to traditional banking.

Microfinance is essential for providing the necessary loans or credit to businesses, enabling unemployed individuals to establish their enterprises (Chikwira *et al*., 2022). Consequently, there has been a surge in the number of individually owned businesses and small companies operating in the country. By supporting low-income families and disadvantaged individuals through educational programs, various challenges they face can be addressed. According to the Microfinance Barometer 2018, the microfinance sector has disbursed loans amounting to more than US$114 billion to approximately 139 million financially vulnerable clients with low incomes.

While its origins can be traced back to the mid-1800s, microfinance gained prominence through the establishment of Muhammad Yunus's Grameen Bank in Bangladesh. Thus, Bangladesh has been a frontrunner in South Asia when it comes to both the proportion of borrowers it caters to and the reach of microfinance services (Laha & Kuri, 2014).

Notably, self-help groups (SHGs) in South Asia, particularly in Bangladesh and India, have broadened their scope to encompass self-entrepreneurship (Alemu *et al*., 2018; Rani & Kumar, 2023). In India, Microfinance Institutions (MFIs) promote SHGs in both rural and urban areas, and these institutions are characterised by their social entrepreneurial orientation (Samineni & Ramesh, 2020). These organisations also strive to achieve equitable returns on their investments (Babu, 2016). One noteworthy microfinance initiative is the SHG-bank linkage program initiated by the National Bank for Agricultural and Rural Development (NABARD) in 1990. This program prioritises extending loans to self-help groups (SHGs). In Pakistan, the Centre for Agriculture and Rural Development (CARD) functions as a microfinance-focused bank with a clientele of 1.8 million, aiming to enhance the financial capabilities of farmers and address credit constraints (Subramaniam *et al*., 2021).

Despite the presence of various microfinance frameworks, many Asian countries, notably Bangladesh, encounter significant challenges in implementing microfinance programs, particularly in relation to women's empowerment and sustainability. Furthermore, there is limited literature that focuses specifically on women's empowerment issues and synthesises them to explain how Grameen promotes both women's empowerment and sustainability. Women often face complex barriers within institutional, social, and economic structures that perpetuate their marginalised status, especially in emerging and economically disadvantaged countries (Muhammad, 2009). In such contexts, obtaining a small loan signifies more than just access to funds; it symbolises a fresh start and provides tangible evidence of someone believing in a woman's capabilities (Sarto *et al*., 2023).

While microfinance can offer crucial financial support, sustainable empowerment for women requires more than just access to loans. Many studies have concentrated primarily on poverty reduction and economic outcomes; however, this paper aims to understand the role of microfinance in empowering women. Previous studies have demonstrated that women make up a significant majority of microfinance borrowers worldwide (Pervin *et al*., 2023). Therefore, the objective is to identify the issues that hinder the alignment of Grameen Bank microfinance with women's empowerment in the existing literature.

The paper is organised as follows. The review method section describes the approach used. The results section presents significant findings supported by relevant data and identified patterns. The discussion section provides an

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analysis and explanation of these findings in relation to the current body of literature. The implications section consists of two parts: One highlighting the practical application of the research and the other discussing its potential influence on policies. The conclusion succinctly summarises the key points, emphasises the importance of the study, and provides concluding remarks. The section discussing the strengths and weaknesses of the study emphasises its rigour while also acknowledging its limitations. Lastly, additional recommendations provide direction for further investigation and address any remaining issues.

Review Methods

This paper used a Systematic Literature Review (SLR) method to analyse and synthesise topics of women's empowerment and sustainability within the context of the Grameen Bank. The use of the Preferred Reporting Items for Systematic Review and Meta-Analysis (PRISMA) has facilitated the implementation of systematic review protocols in this study. PRISMA provides a 27-item checklist to assist this study in effectively organising and presenting a systematic review process. By establishing the evaluation technique and criteria in advance, detailed protocols can reduce the risk of bias. The transparent structure of PRISMA has improved the clarity of the review process and reduced selection bias.

Searching for the Articles

The search strategy utilised automated search methods, drawing from databases such as Scopus and Google Scholar. These databases were chosen because these search engines are widely accepted sources of reliable information in the social sciences and population (Marzuki *et al*., 2023).

In order to conduct a relevant systematic review, the following key research question is addressed in this literature review: What are the sustainability issues that impact the empowerment of Grameen borrowers? To adhere to the PRISMA principles for systematic reviews, specific search terms were employed to streamline the research process (Page *et al*., 2021; Ivaldi *et al*., 2024). The search inquiry incorporated terms such as "Grameen Bank" or "microfinance" along with "women's empowerment" and "sustainability." These keywords were combined using Boolean operators in the article searches. Multiple keywords were combined using the Boolean operator "and" and "or". Only articles written in English were considered. Articles with peer reviews published between the year 2000 and 2024 were selected. The initial search query returned a total of 733 records (Table 1).

Data Inclusion and Exclusion Criteria

Once the initial list of articles was created, the titles, abstracts, and full texts were carefully screened according to the established inclusion and exclusion criteria. This process allowed for the extraction of data from the selected studies, which were then analysed. Both inclusion and exclusion criteria were employed to minimise potential researcher bias. Additionally, a four-point evaluation tool was developed: Papers that scored five or more were classified as strong, those with a score of three to four were considered of moderate quality, and papers scoring two or less were rated as poor. The articles were rated collaboratively by multiple authors to further reduce bias. Any discrepancies that arose were addressed through discussion.

Table 1: Search strategies in two databases

Database	Search strategy	Article
Google Scholar	"microfinance" AND "women's empowerment" OR "sustainability"	374
	"Grameen Bank" AND "women's empowerment" OR "sustainability"	119
Scopus	"microfinance" AND "women's empowerment" OR "sustainability"	195
	"Grameen Bank" AND "women's empowerment" OR "sustainability"	45

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Data Extraction

The criteria in Table 2 reduced the initially listed 733 articles to just 65 relevant articles for extracting data and conducting further analysis. The screening process was systematically conducted following a four-stage process (Figure 1).

Thematic analysis was employed during the data extraction process to merge the studies on women's empowerment and uncover the main themes to investigate the sustainability issues of Grameen microfinance. The process of thematic analysis involved three steps: Coding the text line by line, developing descriptive themes, and generating analytical themes, which are described in the result section (Thomas & Harden, 2008).

Results

A total of 65 strongly relevant studies (Figure 1) satisfied our inclusion criteria. The three-step data extraction step procedure used in the study yielded a total of 24 initial codes for the coding of text "line-by-line" step. Next, nine descriptive themes were found in the development of "descriptive themes". These can be contextualised into nine main issues that impede the effectiveness of empowering women through microfinance.

Finally, three analytical or key themes were developed in the "analytical themes" step: Financial, social, and institutional (Figure 2). The three key themes were used since these three parameters are observed to measure the success of social empowerment (Abrar & McMillan, 2019; Dhar, 2022; Memon *et al*., 2022).

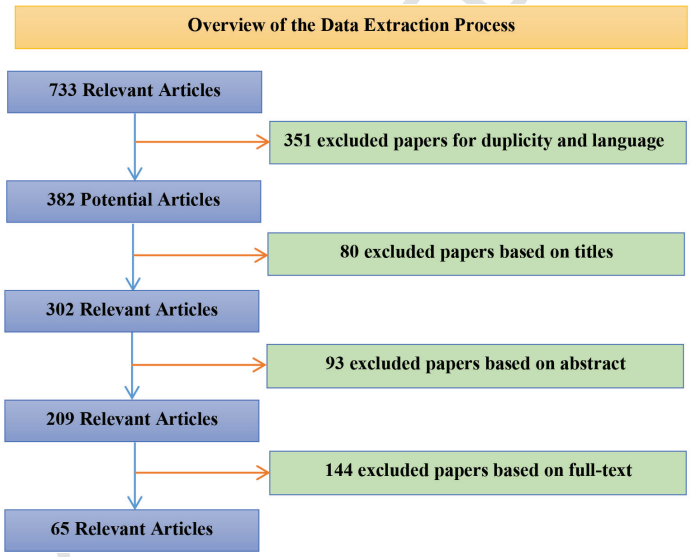

Figure 1: Data extraction process

Figure 2: Word cloud of Grameen sustainability issues

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Discussion

Grameen Microfinance's sustainability issues have been categorised into three main areas: Financial, social, and institutional. These issues have further been sub-categorised to examine the extent to which they have affected Grameen Microfinance and its borrowers.

Financial Challenges

Financial challenges include high interest rates, large outstanding balances, inflexible repayment schedules, heavy reliance on microcredit for various financial needs, and a lack of financial literacy. It is important to note that these challenges represent only a fraction of the potential issues that may arise. They have the potential to significantly hinder borrowers' access to microfinance, thereby negatively impacting their overall physical and financial well-being.

High-interest Rate

Microfinance firms typically impose higher interest rates due to the inherent risks associated with extending loans to borrowers lacking adequate funds and collateral. According to Huda (2021), microfinance entities such as Grameen Bank have been found to impose relatively significant interest rates compared to conventional financial institutions. These high interest rates can create financial difficulties for borrowers, particularly when they struggle to generate enough income to meet their financial obligations (Chowdhury, 2022). While commercial banks charge interest rates ranging from 10% to 13%, MFIs like Grameen Bank require interest rates of 20% to 35% (Huda, 2021). In the past, Muhammad Yunus has suggested that microcredit banks should aim to keep their interest rates within 5% to 10% above the commercial rate as a general guideline (Bangladesh Bank, 2006).

As a result, even though Grameen Bank provides temporary self-employment opportunities for underprivileged individuals through loans, achieving sustainability and self-reliance during economic hardships is unlikely. Financial expert Muhammad (2009) argues that Grameen Bank is ineffective in empowering women and reducing poverty, as the income status of those who have not taken loans from Grameen Bank is almost the same, if not worse, than those who have taken loans. High interest rates continue to be a significant barrier for borrowers, especially during economic and environmental crises, impacting the feasibility of microfinance programs (Varghese & Chinnu, 2019). Grameen Microfinance borrowers often struggle with exorbitant interest rates and relatively small loan amounts, making it difficult for them to repay the loans and achieve financial security.

Lack of financial literacy

The lack of financial literacy among borrowers of Grameen Microfinance institutions significantly hampers their ability to manage finances and address the challenges associated with poverty reduction. While Grameen Microfinance has been praised for empowering the less fortunate and promoting economic development, the success of microfinance programs relies on the financial literacy of borrowers. Studies have shown that many Grameen clients struggle with financial literacy such as understanding interest rates, budgeting, and saving methods (Duflo, 2003). Insufficient understanding of financial concepts can lead to mishandling money, taking on excessive debt, and perpetuating a cycle of debt among vulnerable populations (Lamichhane, 2020).

Furthermore, Grameen Microfinance clients' financial difficulties are worsened by their lack of comprehension of financial matters, which affects their decision-making regarding loan utilisation and investments. A weak grasp of basic financial principles and challenges in calculating borrowing expenses can increase individuals' financial vulnerability, resulting in higher debt and potential instability (Brugiavini *et al*., 2015). Moreover, without the essential knowledge to recognise and seize income-

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generating opportunities (Bogan *et al*., 2015), people may struggle to break free from poverty.

Grameen borrowers often encounter challenges in making informed financial choices and understanding complex loan agreements due to their limited financial expertise. According to a study by Hilary and Christian (2024), this trend often leads to borrowers taking on more debt than they can handle or resorting to questionable practices, further worsening their financial situation. Additionally, women with limited literacy and numeracy skills face difficulties in managing their finances, understanding loan terms, and gathering market data, all of which can hinder their business operations (Hassan & Islam, 2018).

Over-indebtedness

As the number of borrowers resorting to multiple loans to meet their basic needs increases, Grameen Bank is growing increasingly concerned about the issue of over-indebtedness (Rouf, 2016). This situation poses challenges for borrowers in repaying their loans, creating a cycle of debt and diminished independence (Mayoux, 2000; Khandker *et al*., 2013). Several factors contribute to the high levels of debt, including insufficient financial literacy, borrowing practices focused on consumption, and lack of transparency in loan repayment processes (Tanima & Hidayah, 2018). The consequences of Grameen Bank charging higher interest rates on loans have significant effects on poor individuals, trapping them in a vicious circle of debt, poverty, and multiple borrowings (Hassan & Islam, 2018). Despite Grameen Bank's noble efforts to empower poor women, the study shows that despite significant improvement, it remains unclear why borrowers have not been able to lift themselves out of poverty or achieve sustainable empowerment. Since borrowers can rarely repay loans from their income alone, they become trapped in a difficult-to-break cycle of debt.

According to various studies, people living in poverty continue to borrow money from microfinance institutions, becoming dependent on repeated additional loans rather than becoming self-reliant members of the community (Hassan & Islam, 2018). In practice, borrowers only pay interest when they need to take out new loans. This has led to a troubling situation where borrowers must take out additional informal loans to cover the interest on their existing Grameen Bank loan and then take out a third formal credit from the bank to cover the interest on the second informal loan.

Social Challenges

Women's empowerment in Bangladesh faces significant cultural and social barriers. These barriers encompass limited resources for education and healthcare, as well as instances of gender-based prejudice that result in acts of violence (Mayoux, 2000). Study indicates that borrowers encounter societal barriers that hinder the full success of microfinance in promoting women's empowerment (Bateman & Chang, 2009). Despite Grameen Bank's efforts to foster women's empowerment, women may still encounter resistance from their spouses or other family members who oppose their participation in microlending programs (Islam *et al*., 2018; Naz & Doneys, 2022).

Gender Discrimination

Despite Grameen Bank's efforts to improve women's access to credit, gender-based discrimination remains a significant obstacle. Factors such as lower education levels, dependence, and limited influence on household decisions may contribute to these challenges. Women often face difficulties in fully utilising loans due to limited decision-making authority and restricted access to essential resources (Nawaz, 2019; Sarto *et al*., 2023).

Although Grameen Bank has made progress in providing financial support to women, Akter *et al*. (2020) highlight that female borrowers often experience social pressure, which leads them to prioritise family responsibilities over their entrepreneurial aspirations. Women who obtain loans from Grameen Bank face difficulties such as high interest rates and

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inadequate loan amounts due to limited market knowledge and access to networks. A study suggests that microfinance institutions often guide women towards operating small-scale businesses that operate below the minimum efficient scale, making them more susceptible to cycles of debt and poverty (Garrity & Martin, 2018). The income earned from small-scale farming and manufacturing can only complement their primary source of income due to various factors in Bangladesh, including inflation, a fragile economy, rising living costs, and natural disasters. Additionally, the impact of high interest rates and immediate loan recovery worsens the situation for underprivileged women. This concern can lead to decreased profitability and an increased likelihood of loan defaults. Potential issues include limited access to education, medical services, and job prospects. The argument presented is supported by the scholarly work of Chowdhury *et al*. (2019).

The concept of a "hidden transcript" raises questions about whether the true history of Grameen Bank's profit during economic crises and the pandemic is embedded in its hidden transcript loan recovery system. The sincerity of their mission to empower women is called into question, as the hidden transcript reveals a clever way of providing loans to women instead of delivering them directly to men, making it easier for employees to conduct field operations and recover loans (Alam & Molla, 2012). Furthermore, the notion of economic equality achieved through microcredit is not always effective in achieving sustainable women's empowerment. Although women borrowers bear the responsibility for repayment, a majority of the loans made to them are directly invested by their male relatives (Naz & Doneys, 2022). Recent data and reports from the Grameen Bank project show accelerated growth and profit, thus empowering women despite a global economic downturn. However, two problematic discourses arise from this. First, like any microfinance institution, Grameen Bank emphasises high loan recovery rates as evidence of progress towards gender equality and women's empowerment (Shohel *et al*., 2022), which may not truly represent sustainable growth and women's empowerment.

Stigmatisation

The inability to repay loans is often associated with a social stigma in microfinance, which disadvantages borrowers by potentially leading to social alienation and exclusion within the community (Muhammad, 2009; Ali, 2014). At times, borrowers face difficulties in repaying their loans, resulting in potential social stigma that can impact their participation in community activities and decision-making. It is important to recognise these impacts, as they can perpetuate inequalities among community members or overlook cultural and social barriers that hinder women from making decisions and utilising their influence (Dutta & Banerjee, 2018).

Moreover, the strict requirements imposed by microfinance institutions like Grameen Bank often prevent many women from accessing microfinance services, limiting their opportunities (Dowla, 2006). This practice of setting preferences exacerbates economic inequalities and leads to social exclusion among women who do not meet the criteria (Haldar & Stiglitz, 2016). Consequently, these women are marginalised, further contributing to their financial instability. Insufficient control over loans in microfinance schemes results in the disempowerment of users. The distribution of bad loans without adequate institutional support puts the financial stability of microcredit consumers at risk. Consequently, trust within the community diminishes. When trust erodes, lending behaviour becomes more cautious, exposing borrowers to potential stigmatisation from their neighbours, strained relationships with peers, and economic and social isolation (Bayai & Ikhide, 2016).

Lack of Social Capital

Grameen Bank expands its lending to individuals through networking mechanisms to provide access to resources, information, and support for successful business ventures.

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In 2013, Hossain demonstrated how the bonds of unity and closeness within microfinance communities foster mutual understanding and emotions. Individuals connect and establish relationships to navigate challenges and benefit from opportunities through social connections. However, the existing social structure and preconceptions about gender roles shape social capital in a way that could lead to an unequal distribution of social resources by men. Discussing women's empowerment within the context of microfinance further exacerbates the issue (Nawaz, 2019).

Individuals without strong social connections may struggle to integrate into the business leadership group due to potential challenges in adapting to the corporate environment, technology issues, and complexities of business operations. As a result, their businesses may struggle to thrive in the face of intense competition, potentially undermining the basis of sustainable economic growth (Khursheed *et al*., 2021). On one hand, the lack of essential social capital might become a barrier to accessing resources such as credit, technical support, or mentoring. In microfinance contexts where collateral requirements can be minimal or non-existent, social capital may serve as a substitute indicator for assessing creditworthiness and mitigating risk (Hossain, 2013). On the other hand, individuals with minimal connections may find themselves on the edge of microfinance networks, hindering their access to financial services and other forms of essential aid for business development. Furthermore, the distribution of social capital among microfinance groups can perpetuate gender inequalities. Stereotypes around gender have hindered the distribution of social assets, often leaving women on the sidelines or outside the networks (Nawaz, 2019). Such discrimination not only restricts women's control over resources and opportunities but also reinforces societal control over women, rendering them powerless and imposing policies that limit their freedom.

Institutional Challenges

Numerous studies have identified indications of complexity and insufficient leadership in microfinance institutions, which may hinder their ability to promote women's empowerment (Ali *et al*., 2016; Lamichhane, 2020). Grameen Bank previously prioritised regular field visits, financial literacy, and entrepreneurship training to ensure the successful implementation of its programs. However, Grameen Bank's mission has gradually shifted over time, leading to changes in its operational system. As a result, borrowers may now exploit the lending system (Kamruzzaman, 2020). The study findings support the idea that microfinance institutions require closer examination, as organisational issues can sometimes hinder women's pursuit of economic sustainability through microfinance.

Mission Drift

Although MFIs have existed for a while and research generally shows a positive impact, the microfinance narrative still has some challenging and critical aspects. Scholars have raised various issues regarding microfinance, including poor outcomes, incorrect targeting, and commercialisation.

While ample data supports MFIs, Hermes & Lensink (2007a) caution against excessive enthusiasm. Concerns have been expressed by several authors such as Hulme and Arun (2011), Banerjee *et al*. (2015), and Masood *et al*. (2023). Impoverishment has not decreased, and MFI programs have led to over-indebtedness. Hulme and Arun (2011) also support this assertion. When over-indebtedness is the primary strategy in microfinance, the impact is more significant (Jacob, 2022; Rani & Kumar, 2023).

MFIs have also faced criticism for their inability to reach the most vulnerable people (Toindepi, 2016; Dhar, 2022). One potential reason for this is the mistargeting of clients. Many studies have expressed concern about this issue, particularly in Bangladesh and India. A study on Bangladesh's Grameen Bank revealed that approximately 5% of their clients were not

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eligible for their microfinance system benefits (Nobi *et al*., 2023). Razzaque (2010) found that 25% of participants in a subsequent assessment of a microfinance program in Bangladesh (PKSF) were illegitimate clients. Similar studies in India reported percentages ranging from 15% to 26%. Mistargeting is attributed to a lack of collaboration between authorities and recipients and a lack of understanding within beneficiary groups (Toindepi, 2016; Gupta & Sharma, 2021).

The final major disadvantage of microfinance is its deviation from its original goal (Kulkarni, 2017; Farooq & Anjum, 2023). MFIs have prioritised commercialisation over assisting the underprivileged (Nega & Schneider, 2014; Bhuiyan & Ivlevs, 2019;) to boost their bottom line. Gautam (2023) observed this shift in the early 2000s when providers believed that commercialisation would lead to sustainability. Unfortunately, this approach prevents the extremely impoverished from benefiting. It demonstrates how microfinance has strayed from its primary purpose (Dhar, 2022). If microfinance continues to drift and sees itself as a corporate financial institution, it may start targeting customers who are not as economically vulnerable as most subprime borrowers (Kaustav & Thapa, 2020). This could lead to MFIs becoming direct competitors of traditional banks and potentially harming the unique benefits for the poorest in pursuit of commercial viability (Navin & Sinha, 2019).

Repayment Pressure

When borrowers experience significant financial pressures, they often feel compelled to take out multiple loans to meet their various financial obligations. This can trap them in a cycle of borrowing, leading to negative consequences for their financial well-being and overall empowerment (Ali *et al*., 2016). Chowdhury (2022) further posits that microfinance institutions, in their pursuit of short-term empowerment goals, often prioritise immediate income generation over fostering sustainable asset accumulation and holistic development among borrowers. There is evidence that many Grameen borrowers turn to money lenders for help in repaying loans, which makes their situation even more precarious and economically complex for women (Armendáriz & Szafarz, 2011; Kaustav & Thapa, 2020).

Contrary to Grameen Bank's stated objective, 57% of weekly payments come from non-investment sources, most commonly loans from relatives or money lenders (Alam & Molla, 2012). As a result, efforts towards long-term asset development and socioeconomic advancement often take a backseat to those focused on enabling income-generating activities. An excessive emphasis on timely repayment rates, driven by short-term empowerment aspirations, may inadvertently encourage borrower groups to maintain unsustainable behaviours (Hossain, 2013; Quayes, 2020). There is growing concern that borrowers may prioritise short-term gains over long-term sustainability in their efforts to meet repayment deadlines. Examples of such actions include gambling or pursuing other forms of short-term gain at the expense of long-term economic growth or asset accumulation.

Relying on income rather than asset accumulation can leave borrowers even more vulnerable to economic volatility and shocks from the outside world. Without prioritising the development of resilient assets and diverse income sources, borrowers are at risk of financial instability and ill-equipped to handle unexpected obstacles or disruptions (Khursheed *et al*., 2021). Microfinance institutions may resort to exploitative or coercive tactics in their pursuit of repayment targets. Borrowers may face predatory lending practices or excessive pressure to adhere to repayment schedules (Adeel *et al*., 2023). These methods only worsen borrowers' financial situations and make it more difficult for them to achieve independence and self-sufficiency in the long run.

Lack of Institutional Support

Various studies have highlighted social and cultural barriers that prevent women from fully participating in public and economic spheres.

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However, the efforts made by Grameen Bank to promote women's engagement may not adequately address these obstacles (Kumar *et al*., 2015; Akter *et al*., 2020). Consequently, Grameen Bank has struggled to fully involve women in social and economic sectors, as mentioned earlier. In contrast to the past, there is now a wealth of information on the challenges borrowers face when seeking assistance from institutions for personal matters such as financial independence, legal aid, and healthcare (Islam *et al*., 2018; Quayes, 2020). Barua and Khaled (2023) suggest that Grameen Microfinance could establish strategic collaborations with other organisations to provide comprehensive support beyond just credit provision, which would help address the limitations.

The absence of loan utilisation monitoring by Grameen Bank staff and the lack of structural actions in the event of default significantly impact the empowerment of group members (Dhar, 2022; Chowdhury, 2022). The core of microfinance initiatives, especially those utilising group liability models like Grameen Bank, relies on the collective empowerment of individuals in impoverished communities. Firstly, the lack of monitoring creates a gap in assessing how the allocated resources, in the form of loans, are utilised within the group (Kaustav & Thapa, 2020). Without proper monitoring, borrowers are not held accountable for how they use their funds, undermining their agency. In the absence of systemic measures to address defaults, group members may be less motivated to fulfil their financial commitments (Jasmi, 2021). This violation of autonomy undermines the group responsibility model, which relies on collective accountability.

Efficiently monitoring the loan usage of all borrowers is a challenge for officials and group leaders due to the large borrower base in Grameen's microcredit programs. It has been observed that some borrowers use the borrowed money for non-profit activities or personal spending instead of income-generating activities such as starting or expanding a business (Leite *et al*., 2019). These poor market dynamics and decision-making lead to misallocation of funds and make loan repayment difficult (Mersland & Strøm, 2010). As a result, borrowers from Grameen Bank struggle to make loan payments and resort to taking additional loans from other microcredit providers to cover their expenses instead of investing the money. Grameen Bank used to prioritise frequent site inspections, financial education, and entrepreneurial workshops to ensure the effective implementation of its programs. However, mission drift over time has altered its operational system, allowing borrowers to exploit the loan system.

Conclusions

This study provides valuable insights into the role of microfinance in empowering women in rural Bangladesh. While microfinance programs such as those initiated by the Grameen Bank, are often celebrated for their potential to empower women and alleviate poverty, this study reveals that the actual outcomes are more nuanced and sometimes counterproductive.

Analysing literature on this topic reveals a growing number of works in this specific area. This review allows for the categorisation and analysis of existing literature on the broader issues of microfinance and empowerment, focusing on the case of Bangladesh and women. The study is limited to an analysis based on secondary data, with no direct involvement with individuals actively engaged in microfinance. Additionally, focusing solely on English-published papers may exclude relevant studies conducted in other languages.

The findings indicate that microfinance offers significant benefits such as improved access to financial resources and increased opportunities for entrepreneurship. However, these benefits are not universally experienced and can be accompanied by challenges such as over-indebtedness, high interest rates, and limited long-term sustainability. The study highlights the need for a more comprehensive understanding of women's empowerment, considering the diverse and complex contexts in which microfinance operates.

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To enhance the effectiveness of microfinance programs, it is essential to address the financial, social, and institutional challenges identified in this review. Tailored empowerment programs that provide ongoing support, financial education, and greater institutional oversight are crucial (Sarjiyanto *et al*., 2023). Additionally, collaboration with various stakeholders, including government and non-governmental organisations, is necessary to create an enabling environment for women's empowerment (Firdaus *et al*., 2020). By doing so, scholars and practitioners can develop more effective, inclusive, and sustainable microfinance programs that truly empower women and advance the goals of sustainable development.

Practical Implications

Our review identifies several challenges to the accessibility of microfinance for the underprivileged. The two most significant challenges are the prevalence of unofficial financing sources and the diversion of funds for other expenses. People living in poverty often choose informal sources instead of loans from microfinance institutions due to affordability. Additionally, individuals facing financial hardship are typically reluctant to borrow money, which can increase operational costs and consequently drive up interest rates (Michel & Randriamanampisoa, 2017; Idris *et al*., 2018). These factors highlight the need for MFIs to develop more affordable and flexible loan products to better serve the financial needs of the underprivileged. MFIs must also streamline their operations to reduce costs and pass on these savings to borrowers in the form of lower interest rates (Gupta & Sharma, 2023).

Moreover, MFIs should focus on providing comprehensive financial education to potential borrowers. Educating clients on financial management and the benefits of formal financial services can reduce their reliance on informal sources and improve loan repayment rates. Gupta and Sharma (2023) found that MFIs exhibit bias in their loan approval process during periods of rising interest rates, which can lead to increased payment defaults. Addressing this bias through transparent and fair lending practices is crucial to ensure that all borrowers have equal access to financial resources (Ashraf, 2019; Steel *et al*., 2021).

Additionally, Grameen Microfinance has played a significant role in supporting low-income women in rural areas, enabling them to expand their businesses, increase their earnings, and improve their social status. However, borrowers from Grameen Bank encounter challenges such as high interest rates and rapid loan repayment, which further complicate their situation (Banerjee & Jackson, 2016). Efforts are underway to address issues including gender violence, family problems, disruption of group collateral, misuse of microloans, social injustices, and overborrowing caused by high interest rates and fast loan repayment (Hulme *et al*., 2014). Practical interventions should include offering longer repayment periods and lower interest rates to make loans more manageable for borrowers.

Women's Empowerment and Economic Growth

Grameen Microfinance plays a crucial role in promoting community development by taking a creative approach to poverty reduction and the empowerment of individuals. It provides small loans, financial services, and educational materials to people facing financial difficulties, enabling personal and communal emancipation from poverty. This microfinance institution operates on the principles of social entrepreneurship, valuing self-sustainability and recognising the entrepreneurial abilities of even the most underprivileged individuals (Aslam *et al*., 2019; Del Sarto *et al*., 2023).

Microfinance projects typically target women as their main beneficiaries. The provision of credit not only helps women in poverty improve their economic situation but also contributes to gender parity, enhances their position within the family, supports their well-being, and advances their educational attainment. Husain *et al*. (2015) argue that MFIs

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and women's empowerment are highly effective in reducing poverty in emerging economies, with a particular emphasis on women.

Before accessing MFI services, poor women were more vulnerable in society as they had to resort to borrowing money through unofficial means. Microfinance participants are intelligent, creative, resourceful, and curious women who can expose the complexities and dishonest practices of the informal financial sector. They view microfinance as a tool for economic success and empowerment (Miled & Rejeb, 2015; Khursheed, 2022).

Grameen Microfinance has significantly impacted communities by providing microcredit, supporting entrepreneurship, and promoting financial literacy and social capital. The organisation's efforts have helped people and communities overcome poverty and improve their living conditions (Develtere & Huybrechts, 2002). Empowerment programs, particularly in the garment industry and other export-oriented sectors, have facilitated greater female participation in the workforce.

Policy Implications

The lack of a defined structure within microfinance organisations raises concerns about their reliability and long-term viability. Policies must be developed to establish clear guidelines and regulatory frameworks for MFIs to ensure their sustainability and accountability. Regulatory bodies should oversee MFI operations to prevent malpractices and protect borrowers from exploitation.

Microfinance plays a crucial role in addressing poverty and empowering women in financially disadvantaged rural areas (Ashraf, 2019; Steel *et al*., 2021). To enhance the impact of microfinance, policymakers should encourage the integration of microfinance programs with broader socio-economic development initiatives. For example, policies that support the development of infrastructure, education, and healthcare in rural areas can create a more conducive environment for microfinance to thrive and achieve its goals.

Moreover, the microfinance strategy employed by Grameen Bank has a limited impact on women in rural areas due to broader social and economic challenges that impede their access to resources and perpetuate gender inequality. Policies should be designed to address systemic issues that hinder women's access to financial services such as gender-based discrimination, lack of legal rights, and cultural barriers. To promote gender equality and empower women in rural areas, it is crucial to address these systemic issues through comprehensive policies that encompass important aspects such as the division of labour based on gender, power dynamics, legal rights, domestic violence, equal wages, and bodily autonomy (Nawaz, 2019; Pattnaik, 2024).

Furthermore, efforts to support individuals who would benefit the most from Grameen Microfinance must involve a careful selection process and a balance of external contributions from local initiatives (Kivalya *et al*., 2023). Ensuring a fair and competitive market for Grameen Microfinance proposals involves promoting policy statements in a critical area. Policies should also emphasise the importance of future planning and the implementation of financial training programs to improve financial literacy among potential borrowers.

Finally, policymakers should adopt a holistic strategy that considers personal, economic, social, and professional aspects to advance women's empowerment. This approach should involve analysing socio-political barriers that affect loan repayment, providing educational resources to enhance financial knowledge, and introducing alternatives to conventional bank loans (Kamruzzaman, 2020). By implementing these comprehensive policies, microfinance can be more effective in empowering women and contributing to the development of local communities.

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Future Studies

This study aims to provide an analysis of Grameen microfinance, specifically focusing on the sustainability of microfinance programs and the empowerment of women. However, in order to comprehensively comprehend the influence of Grameen microfinance on accomplishing the Sustainable Development Goals (SDGs), additional comparative studies in diverse socioeconomic contexts are required. It is crucial that these studies employ statistical analysis to examine the processes, effects, and outcomes of Grameen microfinance. More importantly, this study provides a basis for future studies pertaining to Grameen microfinance initiatives, women's empowerment, and sustainability (Figure 3).

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Conflict of Interest Statement

The authors declare that they have no conflict of interest.

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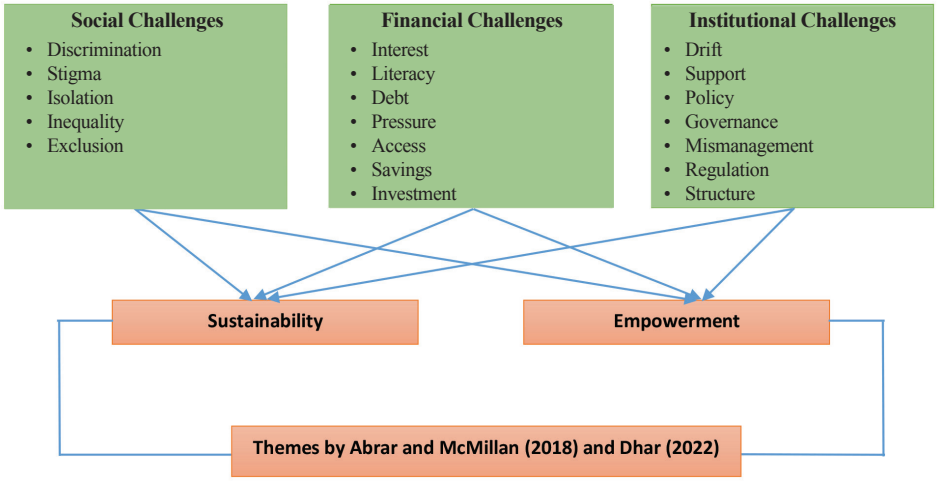

Figure 3: Grouping the frequent words into three key themes

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