



A Study on Women Entrepreneurship Financing through Microfinance and Banks

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Abstract

Women entrepreneurship has emerged as a critical driver of economic development, poverty reduction, and social transformation across both developed and developing economies. Despite their growing presence in the entrepreneurial ecosystem, women entrepreneurs continue to face substantial barriers in accessing formal financial resources. This study examines the role of microfinance institutions and commercial banks in financing women-owned enterprises, with a particular focus on accessibility, affordability, and effectiveness of financial products designed for women. Drawing on secondary data from global and regional financial reports, academic journals, and institutional databases, the study evaluates the comparative advantages of microfinance and traditional banking channels in meeting the financial needs of women entrepreneurs. The findings reveal that while microfinance has significantly enhanced financial inclusion among low-income women entrepreneurs, commercial banks remain inaccessible to many due to collateral requirements, documentation barriers, and gender biases. The paper highlights the need for gender-responsive financial policies, capacity-building programmes, and institutional reforms to bridge the financing gap. Recommendations are offered for policymakers, financial institutions, and development agencies to foster an enabling environment for women entrepreneurship.

Keywords: Women Entrepreneurship, Microfinance, Bank Financing, Financial Inclusion, Gender Gap in Finance, Access to Credit, Small Business Development



1. Introduction

Women entrepreneurship represents a vast and largely untapped reservoir of economic potential worldwide. Over the past two decades, there has been growing recognition of the role women play in driving innovation, employment generation, and sustainable economic growth. According to the World Bank (2022), women constitute approximately 40% of the global workforce and own nearly one-third of all registered businesses globally. However, access to finance remains the single most critical constraint faced by women entrepreneurs, particularly in developing and emerging economies. Microfinance institutions and commercial banks serve as two primary formal financing channels available to women entrepreneurs. Microfinance has historically catered to low-income women through small collateral-free loans, group lending models, and savings mobilization. Banks, on the other hand, offer larger credit facilities but are often perceived as inaccessible due to stringent eligibility criteria. The financing gap for women-owned SMEs in developing economies is estimated at over USD 1.7 trillion (IFC, 2023).

2. Literature Review

The literature on women entrepreneurship and access to finance spans multiple disciplines including economics, gender studies, and development finance. Researchers have consistently identified financial exclusion as the most significant obstacle to women-owned business growth. Yunus (1999) demonstrated that small collateral-free loans could enable poor women to start and grow businesses. Khandker (2005) showed that microfinance participation significantly increased women's business income and household welfare in Bangladesh. Aghion and Morduch (2020) argued that while microfinance improves financial inclusion, its impact on business growth is moderate due to small loan sizes and high interest rates. Beck et al. (2022) found that gender discrimination in formal lending remains a structural issue, with women receiving smaller loan amounts and facing higher rejection rates. Coleman and Robb (2021) highlighted that women are more likely to rely on informal finance and personal savings than institutional credit. Brush et al. (2022) noted that venture capital and bank credit remain male-dominated domains. Roomi and Parrott (2020) found that women entrepreneurs in South Asia face compounded challenges including limited mobility and lack of collateral. Naser et al. (2021) found that Islamic microfinance in Pakistan has marginally improved access to finance for rural women. Hashim et al. (2023) demonstrated that digital financial services are bridging gaps for women entrepreneurs in South and Southeast Asia. The literature broadly supports that both MFIs and banks require structural reforms to better serve women entrepreneurs (World Bank, 2023; IMF, 2022; OECD, 2021).

3. Objectives of the Study

The present study is guided by the following objectives formulated at Bloom's Taxonomy Level 3 (Application):

To examine and apply an understanding of the role of microfinance institutions and commercial banks in financing women-owned enterprises, by comparing their outreach, loan structures, eligibility criteria, and effectiveness in addressing the credit needs of women entrepreneurs across different economic contexts.

To identify, analyse, and apply knowledge of the socio-economic, institutional, and policy-level barriers that restrict women entrepreneurs' access to formal financial services, and to use this analysis to propose practical, context-specific strategies for enhancing financial inclusion and entrepreneurial financing among women.

4. Research Methodology

The present study adopts a descriptive and analytical research design based entirely on secondary data. The study relies on an extensive review of published literature, institutional reports, national and international databases, and peer-reviewed academic journals. Secondary data sources include the World Bank Financial Inclusion Database, IFC reports, IMF gender finance reports, OECD SME outlook reports, State Bank of Pakistan annual reports, Asian Development Bank gender finance publications, UN Women economic empowerment reports, and microfinance industry reports. Data pertaining to women's access to finance, loan disbursement patterns, microfinance penetration rates, and gender gaps in SME financing were extracted and systematically organised for comparative analysis. Content analysis and thematic analysis were employed to identify recurring patterns, trends, and policy implications. Quantitative data were presented using descriptive statistics, comparative tables, and graphical representations. The study period spans from 2015 to 2024 to capture recent developments in the field. No primary data collection was undertaken.

5. Data Analysis

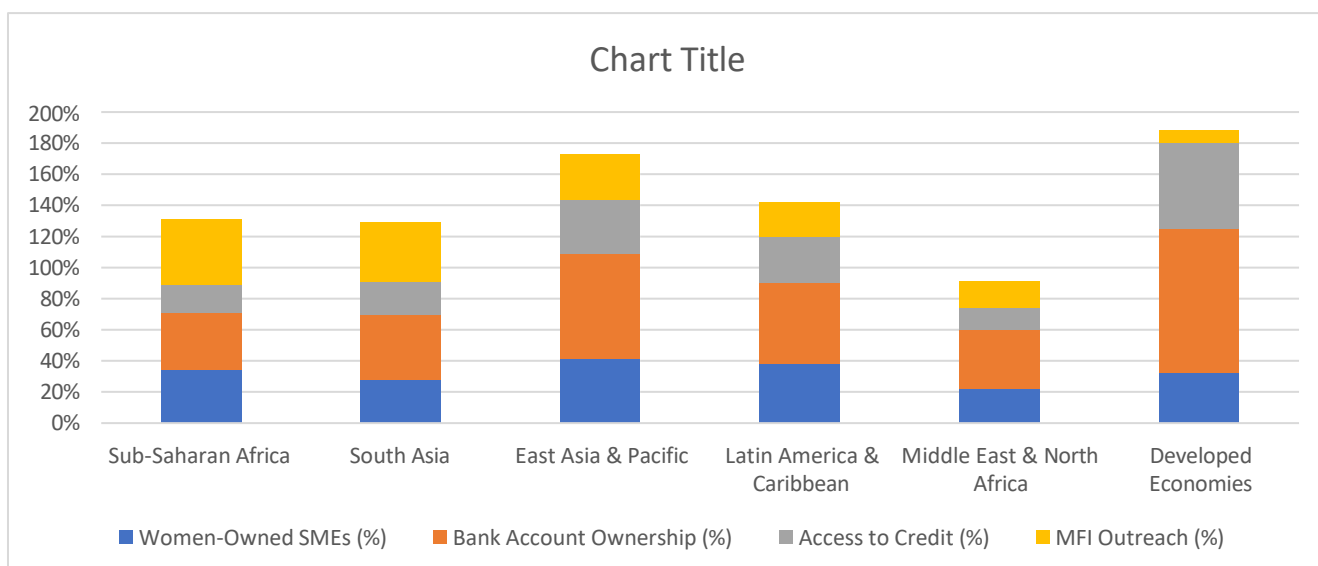
5.1 Global Financial Inclusion Gap for Women Entrepreneurs

According to the World Bank Global Findex Database (2022), approximately 1.4 billion adults globally remain unbanked, with women accounting for 56% of this population. The IFC (2023) estimates the financing gap for women-owned SMEs in developing countries at USD 1.7 trillion.

Table 1: Women Entrepreneurs' Access to Finance by Region (2022)

Sub-Saharan Africa	34%	37%	18%	42%
South Asia	28%	42%	21%	38%
East Asia & Pacific	41%	68%	35%	29%

Latin America & Caribbean	38%	52%	30%	22%
Middle East & North Africa	22%	38%	14%	17%
Developed Economies	32%	93%	55%	8%



Region

Source: World Bank Global Findex (2022); IFC Women Entrepreneurs Finance Initiative (2023).

5.2 Microfinance vs. Bank Financing

Table 2: Comparative Features of Microfinance vs. Bank Financing for Women (2023)

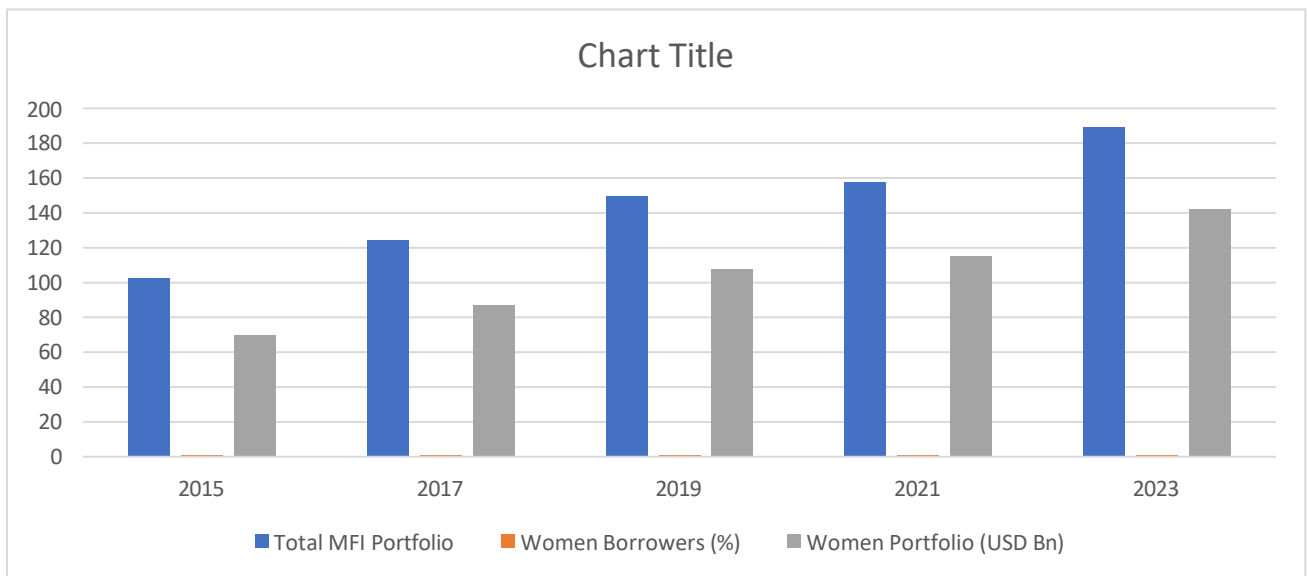
Feature	Microfinance Institutions	Commercial Banks
Average Loan Size	USD 500 – USD 3,000	USD 10,000 – USD 500,000+
Collateral Requirement	None / Group Guarantee	Formal Collateral Required
Interest Rate (Annual)	18% – 36%	8% – 18%
Loan Approval Time	1–2 Weeks	4–8 Weeks
Documentation Required	Minimal	Extensive
Target Clientele	Low-income / Rural Women	Urban / Formal Sector Women
Women-Specific Products	Common (60–70% clients)	Rare (10–15% of lenders)
Financial Literacy Support	Often Provided	Rarely Provided

Source: MIX Market (2023); CGAP (2022); IFC (2023).

5.3 Growth of Women-Focused Microfinance Loans (2015–2023)

Table 3: Global Microfinance Loan Portfolio for Women Borrowers (USD Billion)

Year	Total MFI Portfolio	Women Borrowers (%)	Women Portfolio (USD Bn)
2015	102.6	68%	69.8
2017	124.1	70%	86.9
2019	149.5	72%	107.6
2021	157.8	73%	115.2
2023	189.2	75%	141.9



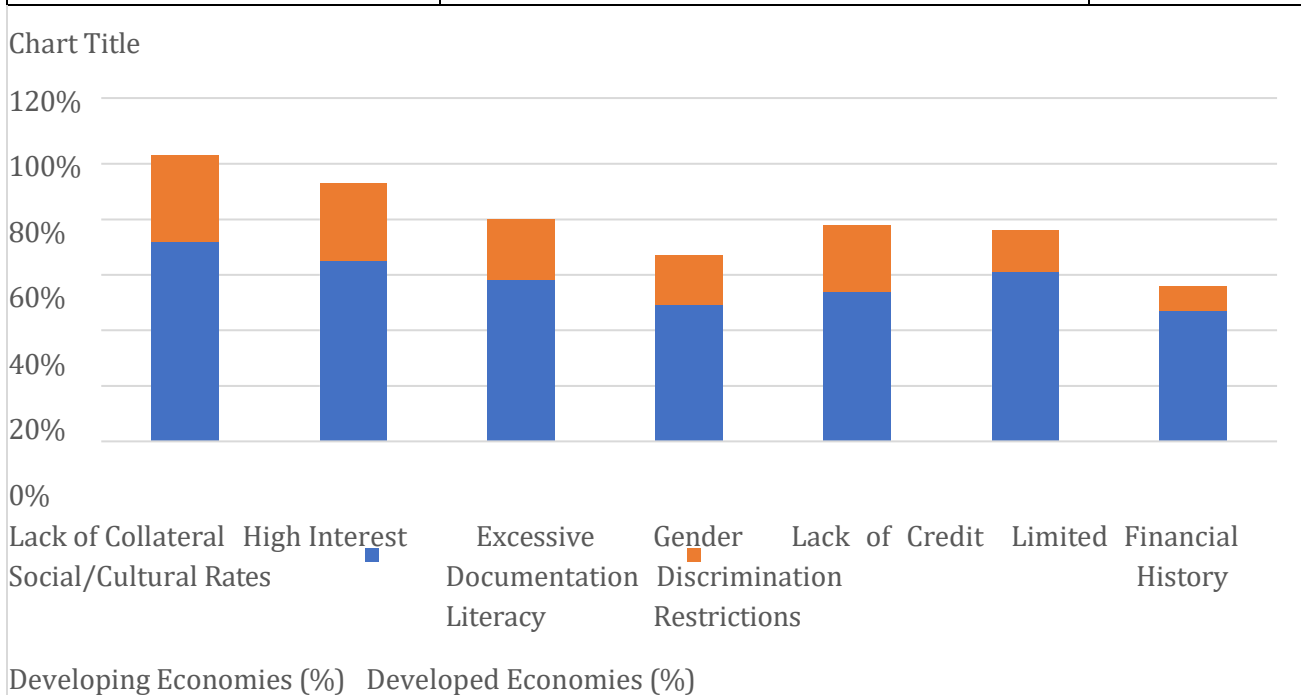
Source: Microfinance Barometer (2023); MIX Market (2023); CGAP Annual Report (2023).

5.4 Barriers to Bank Access

Table 4: Key Barriers to Bank Financing for Women Entrepreneurs Barrier

Barrier	Developing Economies (%)	Developed Economies (%)
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Lack of Collateral	72%	31%
High Interest Rates	65%	28%
Excessive Documentation	58%	22%
Gender Discrimination	49%	18%
Lack of Credit History	54%	24%
Limited Financial Literacy	61%	15%
Social/Cultural Restrictions	47%	9%



Source: World Bank Enterprise Survey (2022); IFC SME Finance Forum (2023); OECD (2023).



The data clearly demonstrate that microfinance significantly outperforms commercial banks in reaching underserved women entrepreneurs. Commercial banks remain structurally inaccessible to the majority of women entrepreneurs in developing economies due to collateral requirements, complex documentation, and cultural biases.

6. Findings

The analysis reveals that microfinance institutions have played a transformative role in extending financial services to low-income women entrepreneurs, with 75% of global MFI borrowers being women as of 2023. However, microfinance loans remain small in size and carry relatively high interest rates, limiting business scalability. Commercial banks, though offering larger credit facilities, are largely inaccessible to women entrepreneurs due to collateral requirements, gender discrimination, limited financial literacy, and complex documentation processes. The financing gap for women-owned SMEs in developing economies stands at USD 1.7 trillion, indicating systemic failure of both formal channels to adequately serve women. Policy reforms, gender-responsive financial products, and digital financial innovation are identified as critical pathways to bridge this gap effectively.

7. Conclusion

Women entrepreneurship financing through microfinance and banks remains critically underdeveloped, particularly in developing economies. While microfinance has successfully extended financial inclusion to grassroots-level women entrepreneurs, its limitations in loan size constrain business growth. Commercial banks must adopt gender-inclusive policies. A dual-pronged approach combining expanded microfinance outreach with reformed bank lending practices, backed by strong policy support, is essential to unlock the full potential of women entrepreneurship globally.

8. Limitations of the Study

This study relies entirely on secondary data, which may not fully capture the nuanced ground-level experiences of individual women entrepreneurs. The data drawn from global databases may not accurately reflect region-specific conditions, particularly in smaller economies. Furthermore, the study does not differentiate between formal and informal women-owned enterprises, which may result in broader generalisations. Rapid changes in digital finance and policy environments may render some findings less current over time.

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