



<https://doi.org/10.64211/oidaijsd190520>

Role of Microfinance in Promoting Social Innovation through Women's Empowerment in Emerging Economies: Systematic Literature Review and Meta-Analysis

S. C. B. Heenkenda ¹, M. L. Kalinga ²

^{1,2} Department of Economics and International Center for Multidisciplinary Studies,
Faculty of Humanities and Social Sciences, University of Sri Jayewardenepura, Sri Lanka.

*Corresponding author: shiran@sjp.ac.lk, malshakalinga@sjp.ac.lk

© Author (s)

OIDA International Journal of Sustainable Development, Ontario International Development Agency, Canada.

ISSN 1923-6654 (print) ISSN 1923-6662 (online) www.oidaijsd.com

Also available at <https://www.ssrn.com/index.cfm/en/oida-intl-journal-sustainable-dev/>

Abstract: Microfinance has emerged as a strong driver of social innovation, particularly in developing countries where the underprivileged groups are regularly faced with overwhelming economic and social challenges. This Systematic Review and Meta-Analysis comprehend the capacity of microfinance to drive social innovation, specifically measuring its impact on women's empowerment. Through providing access to microfinance initiatives, microfinancial institutes enable individuals, especially women, to start and grow businesses and thereby enhance household income, the education of children, and the health of the overall family, which leads to their empowerment. The review synthesizes findings from multiple studies by giving its specific attention to how microfinance as a social innovation has empowered women in developing economies. By following a review of the previous 187 studies, the researchers selected 20 articles to analyse, which examined the contributing factors and associated metrics of the role of microfinance in women's empowerment. Through the utilization of R software to perform the meta-analysis, the researchers have systematically synthesised the results of the previous studies. Further, it identifies prevalent obstacles like high interest rates, lower levels of financial literacy, and regulatory hurdles. The study offers valuable implications to both practitioners and policymakers, highlighting the necessity of supportive environments for expanding the social innovations driven by microfinance. It further emphasizes how revolutionary microfinance could be in solving societal issues while fostering long-term social innovation in emerging nations.

Keywords: Microfinance, Social Innovation, Women Empowerment, Systematic Review, Meta-analysis

Introduction

The role played by microfinance in promoting social innovation by empowering women in the developing economies has been given serious attention by researchers, policymakers, and development practitioners ^[1]. Microfinance, considered as the supplier of financial services to those who live below the poverty line or are excluded from the formal financial services, has come to be seen as a very useful tool in either poverty alleviation or economic development ^[2]. MFIs (microfinance institutions) have been very supportive in the developing economies by assisting women to access loans, savings, and other financial services, where women often face systemic barriers to financial inclusion ^[3]. Access to loans assists women in the closure of very poorly compensated entrepreneurial activities, as well as in the development of social innovation that helps them to challenge traditional gender roles and thus contribute to the community's development ^[2].

The concept of social innovation refers to the development and implementation of new solutions to social problems that are better than existing solutions, that are more effective, efficient, and sustainable ^[4]. In the microfinance context, social innovation is visible through the creation of inclusive financial systems that empower badly affected groups,

particularly women, in active engagement with the economic and social world ^[5]. Through the borrowing of these, microfinance opens the possibilities required to establish a business for women and marginalized groups. This freedom becomes the woman's right to exercise her financial independence ^[4]. It further enhances the self-esteem of women related to the active participation of women in decision-making processes within the household, as well as at the community level ^[5].

Microfinance has been indicated to have a major effect in empowering women, notably in emerging economies. Prior studies have emphasized that women borrowers who receive microcredits invest in diverse revenue streams that lead to enhanced household income and uplift the standards of living. ^[3] Moreover, the women who have been granted access to formal financial services through microfinance have benefited from increased resilience through managing risk and accumulating assets. Further, to provide economic empowerment, microfinance facilitates women to experience more control over their lives while improving decision-making authority. Women who have been empowered economically could strike a balance between their roles within the household and the community, while combating perceived discrimination and claiming their rights ^[2].

Given the dynamic and multifaceted role microfinance plays in fostering social innovation in emerging economies through empowering women ^[3], this systematic literature review and the meta-analysis add to the existing body of literature by offering evidence-based insights into how microfinance functions as a catalyst for empowering women as a social innovation. By conducting a critical evaluation of the phenomena, the study derives valuable implications and policy recommendations on how to improve the efficiency of those microfinance initiatives.

Unlike a traditional literature review, which presents earlier studies narratively, this study uses a rigorous systematic review approach based on the PRISMA framework and a Meta-Analysis. A systematic review promotes transparency, replicability, and methodological rigor by employing organized search strategies, established eligibility criteria, and critical evaluation of methodologies. Furthermore, this work differs from narrative summaries through a quantitative meta-analysis that statistically synthesizes impact estimates from multiple empirical studies. By combining qualitative synthesis and statistical aggregation, this review extends beyond descriptive reporting to offer empirically supported insights into how microfinance promotes social innovation by empowering women in developing countries. This aligns the study with evidence-based research standards and elevates its contribution beyond that of a standard literature review.

Social Innovation

Social Innovation is considered a domain of high academic priority recently, since societies are facing increasingly complex and dynamic challenges that require creative and innovative solutions ^[4]. The concept of social innovation is a rapidly developing concept; it has contributions from early scholars. The understanding of innovation has been broadened by Scholars such as Schumpeter, beyond the mere technological breakthroughs, especially in his scholarly findings ^[5]. Furthermore, it is widely defined as the development and implementation of new ideas, including new products, services, and models. It has normally led to the accomplishment of social requirements while facilitating to foster new social relationships and collaborations ^[4]. This contrasting approach of Social Innovations with the prevailing models of innovation highlights the role of various social agents, such as non-profits, social enterprises, and community groups.

The prior research has revealed several important motivators and success factors that have been generated through social innovations. These elements include the diversity factors, the accessibility to resources, and the clarity of the goal. To enhance the well functionality, social innovation (SI) integrates the abilities and competencies of multiple social actors and necessitates the collective efforts in collaboration further ^[4]. The adaptability, alongside continuous learning, has also been recognized as a basic component for the successful implementation of projects relating to SI. Hence, the collaborative nature of social innovations guarantees that solutions are more inclusive and tailored specifically for the particular requirements of a selected marginalized community ^[4].

Various researchers have introduced various indicators to measure the effectiveness of SI, both at the organizational and national levels ^[5]. This is due to the multifaceted nature of SI, and it further possesses a very specific spectrum of challenges in measuring its real impact on the economic variables. As a matter of fact, these indicators precisely reflect a broad set of social, economic, and environmental outcomes of SI initiatives. Hence, efficient measurement frameworks continue to be essential for comprehending the directions and wider effects of future initiatives of social innovation. It provides the precise measurement of impact that is important in strategy refinement, so that social innovations lead to the realization of the intended outcome ^[4].

Social Innovation has gained continuous attention due to the rapid socio-economic and environmental dynamics globally, over the last few decades ^[4]. In fact, social innovation is considered specifically as a prominent imperative tool for overcoming prevailing major socio-economic challenges, including social inequalities ^[5]. The contemporary focus is more on creating sustainable and scalable solutions that can be replicated across different contexts. This, therefore, underpins the development of robust frameworks and methodologies for implementing and evaluating social innovations ^[4].

Social innovation is a field that keeps on growing dynamically and evolves towards finding a solution to urgent social issues. The previous literature highlighted the significance of measuring frameworks, diversity factors, and ongoing learning in advancing the field of social innovation. The emergence of tactics and resources has led to the creation of this expanding field to facilitate the adoption and expansion of social innovations. ^[4].

Microfinance

Microfinance has also been a subject of in-depth study on the part of academia over the past couple of decades, and this has resulted in a considerable literature on its impact, challenges, and innovations ^[5]. Microfinance, as a concept, took center stage during the 1970s due to the contributions of Dr. Muhammad Yunus and the invention of the Grameen Bank concept in Bangladesh. The model emphasized extending microloans without requiring collateral to marginalized communities and could bring about major social empowerment in multiple aspects. This success was emulated through the worldwide expansion of MFIs, with each adapting the model to local circumstances and needs ^[2].

The effectiveness of microfinance as a tool of poverty alleviation has been a prominent and dominating theme in existing literature. The previous studies have specifically highlighted the beneficial impacts of microfinance, including increased income, improved health, and improved education outcomes for its borrowers ^[6]. For instance, Maldonado-Castro, Gallego-Losada, and Montero-Navarro (2024) have mentioned that microfinance programs have led to a reduction in poverty among the participants. Despite its promising nature, recent studies, however, presented mixed findings ^[7]. Further studies have implemented a randomized controlled experiment, which indicated that microfinance has fostered an increase in business activities but showed no considerable influence on the volume of household spending or earnings ^[8].

Despite its growth potential and beneficial nature, microfinance has generated some profound challenges for the borrowers. Excessive interest rates charged by different microfinance institutions (MFIs) have been the main concern, as they can create additional costs for the borrowers ^[5]. On the contrary, some argued that these rates undermine the poverty alleviation targets of microfinance. The financial sustainability of MFIs is highlighted as a main issue, since they need to sacrifice financial sustainability for social purposes ^[9]. Further, the commercialization of microfinance has also been continuing, with some arguing that it creates a paradigm shift from focusing on serving the poor to profit maximization ^[10].

The recent developments in microfinance include the use of technology to increase access and reduce the associated cost ^[11]. Mobile banking and online financial services have enhanced access to microfinance, especially to distant and hard-to-reach locations. They can potentially eliminate some of the conventional weaknesses in MFIs, including high costs of operation and geographical boundaries ^[12].

The economic and social effects of microfinance are an area of ongoing research, whereas some research focuses on women's empowerment and social indicators improvement, while others focus on constraints and unwanted barriers ^[12]. Vassallo *et al.* (2019) conducted a study and concluded that the evidence generated regarding the effect that microfinance has had on poverty alleviation is mixed. Further, he has emphasized that, although microfinance is a facilitating tool, it is not an extraordinary poverty reduction solution and must be supplemented by other development initiatives ^[5]. In addition, government intervention and international agency patronage and regulation of the microfinance sector form an important area in the contemporary debate ^[8].

The existing microfinance literature explains a multi-faceted approach as it is considered a strong tool that could be used to enhance financial inclusion and economically empower marginalized groups. However, it comes with its own spectrum of challenges that hinder its potential in driving social innovations.

Microfinance as a Social Innovation.

Microfinance has been a life-altering social innovation that has generated a significant impact on the lives of poor and underprivileged communities ^[5]. Microfinance has empowered people to start and develop their own ventures, especially the women's communities, through the provisioning of small credit facilities and financial services to poor

and underprivileged communities ^[13]. Microfinance has given financial independence to women, who make up a considerable proportion of beneficiaries ^[13]. With its positive impact extending to both micro and macro levels, Microfinance induces a cascading impact ^[5].

With MFIs having successfully translated in many socio-economic environments, the success of microfinance can be gauged in its widespread use and proliferation of microfinance institutions (MFIs) ^[14]. Microfinance operations have been augmented with technological improvements, with increased access and efficiency in delivering services, and with financial inclusion through electronic channels and expansion to rural and remote locations ^[5,15]. The delivery of microfinance through digital payment platforms and mobile banking has introduced a paradigm shift while facilitating more convenient, easy accessibility, and usage ^[10].

Despite its community-wide success, microfinance suffers its fair proportion of criticism, including high-interest lending and over-indebtedness, and its failure in addressing deep-rooted causative factors of socio-economic problems. Moreover, the critics argue that microfinance can facilitate immediate financial hardships but not necessarily address causative factors at a deeper level ^[10]. There have been several concerns about the microfinance model's viability and its vulnerability to abuse and exploitation of poor and underprivileged communities, despite its socially innovative nature ^[14]. Nevertheless, positive microfinance impacts, including increased access and use of medical care, educational improvements, and overall improvement in living standards, validate its role as an effective social innovation ^[10].

The group lending structures most common in microfinance build social capital and solidarity, creating networks of solidarity and solidarity networks ^[14]. Social cohesion is an integral part of the success of microfinance. It can manage group lending risk, as well as build the solidarity between lenders and a shared feeling of responsibility, raising payments, and creating a lender community and a shared feeling of accountability ^[4]. Microfinance, in addition, spurred financial service and financial product innovation, such as microinsurance and savings programs, for the specific needs of low-income groups ^[10].

The microfinance domain expands further as the continuation of studies and policy support to facilitate the necessity of overcoming its challenges and encouraging its positive impacts. It is notable that the governmental and non-governmental organizations, including international organizations, act as a pivotal part in creating a conducive environment for the success of microfinance ^[4]. The prevailing regulatory frameworks that support financial literacy, consumer protection, and transparency aid the long-term growth in microfinance. It could foster innovation and expand effective strategies through long-term partnerships with MFIs, non-governmental organisations, and private sector entities ^[14].

The prevalence of Microfinance as a powerful tool proves its capacity in promoting social innovation in promoting and ensuring financial inclusion while achieving long-term economic development. Further, it facilitates real impact on society through its true potential. The capacity of microfinance in adapting to dynamic social and economic environments while utilizing technology to facilitate access to financial services and proving efficiency highlights its adaptability and proactive nature as a social innovation. Microfinance can maximise its impact even more through the continued expansion, while overcoming its challenges, and make financial services more accessible for everyone, especially in underserved communities, with continued dedication towards support and collaboration.

Microfinance in Developing Economies

Microfinance has become one of the most crucial social tools utilized to empower marginalized communities and promote economic development in emerging economies over the last few decades. The interest in a wide range of academics, policy makers, analysts, and practitioners has drawn them to its operational philosophy ^[11]. Through the offering of increased household security, savings accounts, micro credits, and other financial services, MFIs have proliferated in developing nations across Asia, Africa, and Latin America ^[3]. The development of microfinance has marked a shift from a limited approach focused on poverty alleviation to a broader vision on financial inclusion and sustainability, as discussed by Hassan et al. (2009) ^[16]. This change reflects a greater understanding that access to financial services is the prominent driver in facilitating economic growth in emerging economies ^[12].

Although the results of the majority of reviews were conflicting, the impact of microfinance has already been thoroughly examined ^[16]. Advocates maintain that it raises living standards and empowers recipients, particularly women, by facilitating the establishment or growth of small enterprises. ^[12] In Bangladesh, for instance, it has been demonstrated that having access to microcredit has raised household income and decreased poverty, particularly for female borrowers. However, Bangladesh's microfinance initiatives have given women more influence, enabling them to make more decisions at home and take part in more community events ^[17]. By bringing unbanked and underbanked

communities into the official financial system, microfinance has significantly improved financial inclusion in addition to empowering the economically disadvantaged, as stated by ^[10].

Despite its potential, microfinance faces several challenges, especially in emerging economies ^[17]. One major issue is that the cost of administering small loans is relatively high, often resulting in high interest rates that may overburden the borrowers and hence diminish the net benefits of microfinance, as ^[16] discussed. Another problem is over-indebtedness, whereby borrowers take multiple loans from different MFIs, ending up with financial distress. Besides, MFIs often face a trade-off between their financial sustainability and their social mission ^[16]. Commercialization of microfinance raised several concerns, such as mission drift, whereby MFIs began to favor profitability over serving the marginalized ^[18].

Microfinance has become a transformative force for developing economies in offering unserved groups financial assistance that stimulates economic and social empowerment ^[13]. However, the impact made has been varied across the nations, with some higher levels of interest rates, over-indebtedness, and mission drift being valid causes for serious concerns ^[16]. Balancing financial sustainability and its social impact has become increasingly necessary to remain a vital tool for poverty reduction and inclusive development in developing economies, as the microfinance sector evolves.

Microfinance and Women's Empowerment

Microfinance has become a driver of women's empowerment, especially in emerging economies where financial inclusion scores are lower ^[12]. Through the provisioning of insurance products, savings accounts, and loan facilities, microfinance institutions (MFIs) have helped millions of women to escape the cycles of reliance and poverty in emerging economies ^[10]. The prior analyses have concentrated upon the economic, social, and psychological effects of microfinance, and the prevalence barriers to its effectiveness, while elucidating the relationship that exists between microfinance and the empowerment of women ^[7].

Women normally face barriers and obstacles in obtaining financial services from conventional financial modes in many developing economies ^[16]. They are excluded from the formal banking and financial institutions due to the existing socio-cultural constraints, lack of collateral, and lower levels of financial literacy ^[19]. This has been tackled through the provision of specially tailored financial solutions that suit the particular requirements of women ^[10]. Women were given access to loans through microfinance, which enabled them to start or expand small businesses like shops, farms, or tailoring. This economic activity generates income, reduces poverty, and enhances household welfare in the underprivileged households ^[10].

The impact of microfinance in empowering women is extensive, especially in developing economies ^[6]. Women have more influence over home financial decisions when they are financially independent ^[8]. This has resulted in fair allocation of resources in addition to improving their financial position. i.e., mothers are more inclined to spend money on the education, healthcare, and diet of their children, which helps with subsequent positive impacts. Microfinance facilitates financial independence, which leads to empowering women to avoid gender norms and become more involved in their communities ^[7].

In addition to its economic advantages, microfinance plays a significant role in empowering women socially ^[6]. Microfinance often leads to increased financial inclusion through participation in household decision-making, particularly in the areas of family planning, health, and education. These dynamic shifts undermine male-dominance practices and promote gender equality in communities and societies ^[3]. It further supports the peers and problem-solving, despite its role in promoting initiatives of solidarity and social networking among women ^[6]. It also promotes group lending schemes where women form groups themselves into small social groups to receive microloans ^[6]. It further gives social networking, and it further facilitates women with an opportunity to relate their stories, gain confidence, and fight for their rights through its initiatives. These collective efforts in empowering could eventually culminate in increased local government and community leadership, which leads to eroding entrenched gender inequalities ^[3].

The potential of microfinance in strengthening women psychologically is among its most significant empowering effects ^[20]. It gives women a sense of accomplishment while giving them self-worth by offering them chances of becoming financially independent and enhancing their skills ^[2]. The availability of training courses on leadership, entrepreneurship, and financial literacy is a common benefit that microfinance initiatives offer by giving women the tools they need to carry out their entrepreneurial activities successfully ^[7]. Self-confidence and goals of women are normally fostered through these learning and development procedures. Women who have been involved in microfinance initiatives frequently express greater confidence and hope for their futures ^[15]. This psychological

empowerment encourages women to seek new possibilities and stand up for themselves and their families, which is essential for ending the cycles of poverty ^[6].

Despite its empowering effects, microfinance possesses some serious concerns for the borrowers. Most prominently, borrowers may experience financial stress due to higher level of interest rates and excessive debt amounts, especially if women are unable to generate considerable income from their ventures ^[9]. Further, the influence of microfinance in empowering women varies depending upon institutional, societal, and cultural deviations. While women in extremely patriarchal nations try to use microloans on their own, they might encounter opposition from male family members ^[7].

Microfinance has shown itself to be a social innovation as it effectively empowers women, especially in emerging nations ^[19]. By giving access to financial resources, more decision-making power, and self-confidence, microfinance helps women break free from cycles of poverty and dependency ^[12]. There are still several significant limitations highlighted in the literature. Generally speaking, there is a dearth of research on the long-term sustainability of microfinance programs for women's empowerment because most of the studies have focused on the immediate economic effects, such as launching a business and making money. However, previous research does not assess systemic effects on gender dynamics or long-term benefits. Prior studies have also mostly concentrated on economic empowerment, with lower attention paid to how social, cultural, and psychological factors interact to influence women's ability to manage microfinance. Although microfinance is recognised as a means of fostering social innovation, there is currently no recognised methodology to evaluate its broader societal impacts, including changes in social norms, gender equality, or social cohesion.

Objectives of the Systematic Review

This systematic literature review mainly focused on important trends, methodologies, and findings, as well as gaps and challenges in current research and practice, to fully synthesise the literature on the role of microfinance as a social innovation in empowering women in developing countries.

Materials and Methods

The systematic literature review (SLR) follows a methodical process to analyse how microfinance, as a social innovation, has promoted women's empowerment in developing countries. The review follows the PRISMA (Preferred Reporting Items for Systematic reviews and Meta-Analyses) framework for openness and rigour. Two renowned databases, a systematic study selection process, clearly stated eligibility requirements, and a standardised data extraction technique are all components of the rigorous search strategy. These guidelines have been impactful in reviewing a comprehensive summary of the existing evidence, highlighting the areas that require further research, and offering insights into the ways in which microfinance has been utilised as a catalyst for social innovation.

Study Eligibility Requirements

The study has considered the research that has examined the role that microfinance played as a social innovation to empower women in emerging economies. The eligible research included peer-reviewed journal publications published in English until December 2024. The study excluded studies that do not specifically address the relationship between microfinance and women's empowerment, studies that lack empirical data, or that concentrate on developed economies without conducting a comparative analysis. Further, the research that lacked methodological rigour, such as small sample sizes or no control groups, was disqualified from the study in order to further ensure the relevance of the results and their applicability.

Sources and Databases Examined

The study considered two significant databases, including Google Scholar and ResearchGate. These two platforms were utilized due to their offering and coverage of academic and peer-reviewed literature, as well as access to new research and grey literature. Google Scholar provided a variety of sources, while ResearchGate made recent and specialised research available. By ensuring comprehensive coverage of relevant studies, this dual-database approach decreased the likelihood of overlooking significant research.

Details of the Search Strategy

The search strategy was performed with Boolean operators using keywords to retrieve the relevant studies. The search also included keywords such as "Microfinance as a Social Innovation," "Women Empowerment," "Microfinance," "Microcredit," "Developing Economies" In particular, example search string was Title-Abs-Key ("Microfinance as a Social Innovation" OR "Women Empowerment") AND Title-Abs-Key (Microfinance OR "Micro Finance" OR Micro-

finance OR Microcredit OR "Micro Credit" OR Micro-credit). To ensure that all articles relevant to our search would be captured, this approach provided a targeted and comprehensive recovery of research.

Study Selection Procedure

There were three steps in the study selection process, which were based on the PRISMA framework. First, 187 studies were found using ResearchGate and Google Scholar. Second, the pool was reduced to 68 papers after abstract screening, as the researcher had eliminated research that did not specifically target social innovation, women's empowerment, microfinance, and developing economies. Lastly, 20 papers were ultimately included after the full-text evaluation, and those that had no clear connection to the objectives of the study or those that just touched on the subjects in passing.

Sample Size Justification: The final sample of 20 research was extracted based on methodological soundness, relevance of the study to the context, and alignment with the objective of the study. Even though the initial searching generated 187 papers, only 20 matched the qualifying requirements with adequate empirical robustness to be included in the Meta-analysis. The PRISMA guidelines emphasize the significance of restricting samples through transparent screening to ensure that only studies with sufficient methodological strength and obvious conceptual congruence are included. Many rejected studies lacked empirical data along with structured research designs, which have not clearly focused on the relationship between microfinance and the empowerment of women, or were contextually inappropriate. The resulting collection of 20 papers achieved theme saturation, provided statistical power for meta-analysis, and maintained acceptable heterogeneity levels ($I^2=18.09\%$). As a result, the sample size of 20 research articles was sufficient for generating credible and generalized conclusions.

Techniques for Data Extraction

A standardized procedure was utilized to extract data to guarantee consistency. Key findings (economic, social, and psychological ramifications of microfinance), methodology (qualitative, quantitative, or mixed approaches), and research characteristics (author, year, and location) were among the materials gathered. Particularly, research that clarified how microfinance promotes social innovation and serves as a tool for women's empowerment was highly valued. A methodical review of the literature was made easier by this systematic approach.

Critical Appraisal of Studies

A thorough critical assessment was carried out to assess the methodological quality, trustworthiness, and risk of bias of the papers maintained following full-text screening. The assessment approach followed PRISMA guidelines, with an emphasis on reviewing study design, sample adequacy, variable clarity, analytical procedures, and internal and external validity. A systematic assessment matrix was used to evaluate studies, looking at the presence of control groups, the robustness of sampling techniques, the validity of measuring instruments, and data reporting transparency. Potential causes of bias were investigated in depth, including selection bias, publishing bias, and reporting bias. Only research with adequate degrees of methodological rigor, empirical foundation, and conceptual significance was considered. Studies that had unclear research protocols, inadequate sampling frames, or insufficient statistical rationale were removed. This assessment guaranteed that the final pool of papers had high-quality empirical inputs, which improved the reliability of the meta-analysis and strengthened the validity of the systematic review's results.

Data Extraction and Synthesis

Data was extracted using a defined extraction methodology that was intended to maintain uniformity and reduce subjective interpretation. The key study characteristics—authorship, year, country, sample size, research strategy, and population—were documented initially. Following that, outcome variables for economic, social, and psychological empowerment were retrieved, as well as microfinance intervention strategies. Only variables having actual measures (such as income change, decision-making index, and confidence ratings) were entered for meta-analysis. Data synthesis used two approaches: qualitative topic synthesis and quantitative statistical synthesis. Thematic synthesis discovered repeating patterns, correlations, and divergences between investigations, allowing for the creation of conceptual categories. The meta-analysis used a random-effects model with R software to compute effect sizes and assess cross-study consistency. This combined synthesis enabled insight triangulation, evidence integration, and the formulation of comprehensive interpretations of the function of microfinance as a social innovation that empowers women.

Results

Figure 1:

Identification	<p>The identification stage involved searching two databases: Google Scholar and Research Gate. The search string used was: Title-Abs-Key (“Microfinance as a Social Innovation” OR “Women Empowerment”) AND Title-Abs-Key (microfinance OR “micro finance” OR micro-finance OR microcredit OR “micro credit” OR micro-credit). The gross number of papers included at this stage was 187.</p>
Screening	<p>Inclusion Criteria (Document Type): Research Areas: Economics, Econometrics, Finance, Business, Management, and Accounting. Published Articles and Reviews: Until the end of December 2024. Languages: English Source Type: Journals. Number of papers included for abstract reading: 187</p>
	<p>Inclusion/Exclusion Criteria (Reading Abstract): Articles that did not include a direct link to the topics under analysis (microfinance, women’s empowerment, and social innovation in developing economies) were removed. Papers tangentially covering microfinance institutions (MFIs), covering MFIs from a macro perspective, or not including beneficiaries/borrowers in poverty reduction efforts were excluded. Studies focusing on developed economies (unless comparative) or not addressing gender-specific impacts were excluded. Articles not published in peer-reviewed journals or lacking empirical data were removed. Number of papers included after reading Abstract: 68</p>
Include	<p>Inclusion/Exclusion Criteria (Full Paper): Articles that did not directly link to the topics under analysis or only marginally covered one of the topics (e.g., microfinance without women’s empowerment or social innovation) were removed. Papers not covering both perspectives (MFIs and borrowers) or lacking detailed analysis of social innovation outcomes were excluded. Studies with weak methodology (e.g., small sample sizes, lack of control groups) or insufficient data were excluded. Articles not meeting the language or publication timeframe criteria were removed. Number of papers included after reading the full paper: 20</p>
Include	<p>Final sample included in the Study: 20 manuscripts</p>

Table 1: Summary of Study Characteristics

Study(Author, Year)	Country	Study Design	Sample Size	Population	Intervention	Outcomes Measured	Key Findings
Asha & Senapathy (2022)	Ethiopia	Quantitative	138 women	Rural women	Microcredit loans	Economic empowerment	Increased income and business ownership; improved living standards
Basnet (2023)	Nepal	Mixed-methods	390 women	Urban women	Microfinance programs	Social empowerment	Improved decision-making in households; increased community participation
Gautam (2024)	Nepal	Quantitative	110 women	Rural women	Microfinance services	Economic and social empowerment	Increased household income; enhanced community involvement
Farooq et al. (2024)	Pakistan	Quantitative	500 women	Rural and urban women	Microfinance interventions	Psychological empowerment	Improved self-esteem and confidence; increased financial literacy
Tanima et al. (2023)	Bangladesh	Qualitative	100 women	Rural women	Microcredit and training programs	Social and economic empowerment	Mixed results: some women benefited, others faced over-indebtedness
Sengupta (2024)	India	Qualitative	400 women	Rural women	Microfinance and gender training	Economic and social empowerment	Increased income and decision-making power; improved gender equality
Maldonado-Castro et al. (2024)	Multiple	Bibliometric analysis	N/A	Women in developing economies	Literature review	Trends in microfinance research	Highlighted gaps in long-term impact studies; need for more contextual research
Anand & Karn (2023)	India	Quantitative	250 women	Urban women	Microfinance and entrepreneurship	Economic empowerment	Increased business ownership and income; improved financial independence
Sinha et al. (2022)	India	Quantitative	300 women	Rural women	Microfinance and savings programs	Economic and social empowerment	Improved financial independence and household decision-making
Kassim et al. (2022)	Malaysia	Case study	50 women	Rural women	Microfinance and cooperative models	Social innovation and empowerment	Enhanced social cohesion and community development
Lee et al. (2015)	Multiple	Quantitative	1,000 women	Women in developing economies	Microfinance and mobile banking	Economic empowerment	Increased access to financial services; reduced operational costs
Nasir & Subari (2021)	Malaysia	Qualitative	80 women	Urban women	Microfinance and social innovation	Social empowerment	Improved community engagement and leadership
Ab Rahman & Raman (2024)	Malaysia	Mixed-methods	120 women	Rural women	Microfinance and entrepreneurship	Economic and psychological empowerment	Increased income and self-confidence; enhanced entrepreneurial skills
Pedrini et al. (2016)	Italy (comparative)	Quantitative	200 women	Women in developing economies	Microfinance and financial inclusion	Economic empowerment	Improved access to financial services, but high interest rates were a concern
Watkins & Hicks (2009)	Multiple	Literature review	N/A	Women in developing economies	Microfinance and poverty reduction	Economic and social empowerment	Mixed results: some women benefited, others faced challenges
Tanima, Brown & Dillard (2020)	Bangladesh	Qualitative	150 women	Rural women	Microfinance and gender training	Social empowerment	Improved decision-making and community participation
Hassan & Sanchez (2009)	Multiple	Quantitative	500 women	Women in developing economies	Microfinance and financial services	Economic empowerment	Increased income, but high interest rates were a barrier
MacCallum (2016)	Multiple	Literature review	N/A	Women in developing economies	Microfinance and social innovation	Social empowerment	Highlighted the role of microfinance in challenging gender norms
Vassallo et al. (2019)	India	Quantitative	400 women	Rural women	Microfinance and hybrid models	Economic and social empowerment	Improved income and community development
Sinha et al. (2022)	India	Quantitative	300 women	Rural women	Microfinance and savings programs	Economic and social empowerment	Improved financial independence and household decision-making
Laha and Kuri (2014)	India + Cross Country	Quantitative	N/A	Women from poor households	Small loans to individuals, especially for entrepreneurial activities	Women empowerment, Business expansion, Household income and consumption	Improved entrepreneurship activities, Powerful tool in facilitating gender equality

Source: Author-generated based on the Literature, 2025.

Quality assessment results

To ensure the validity and reliability of the results, a quality assessment was done of studies within the systematic review. The focus of the review was on several key aspects, as mentioned below:

Methodological Rigor: Priority has been assigned to the studies having strong methods, such as a high number of samples taken, the presence of control groups, and randomized controlled trials. All studies found to have weak methods were left out of the evaluation (low samples, no control group, etc.).

Empirical Data: Only research with empirical data was accepted so that results were based on measurable findings rather than speculation.

Research Goals: Only those studies that mainly highlighted the relationship of microfinance, women's empowerment, and social innovation in developing countries were included. Studies that casually mentioned these issues were eliminated.

Publication Standards: Only peer-reviewed journal articles published in English up to December 2024 were considered; this is a typical marker for source reliability and scholarly credibility.

The findings of most of the included studies would achieve high-quality review requirements and have lower heterogeneity in the findings ($I^2 = 18.09\%$).

Further results include a substantial effect size (0.8036), confirming high robustness and a very low p-value (<0.0001).

Discussion

The results and discussion section emphasize the findings that have been generated through the analysis of the study. Further, it also synthesises the findings of the Systematic Literature Review and the results of the meta-analysis.

Synthesis of the Findings

The synthesis of results from the systematic review and meta-analysis brought to light several key findings on the role microfinance plays in fostering social innovation through women's empowerment in developing economies:

Economic Empowerment: Microfinance increased female income and the number of females in company ownership, hence improving household living standards. The ability of women to access microfinance for starting or expanding small-scale businesses is indicated in findings in Ethiopia, with compelling, contemporaneous evidence from Nepal and India as a means of reducing poverty in the long run.

Empowerment at the Social Level: Microfinance strengthened women in decisions at home and in the community. Participation in microfinance programs by women also challenges traditional gender norms. This enables them to share more responsibility in making household and healthcare, education, and family planning issues with men.

Psychological Empowerment: The microfinance programs lead to enhancing the self-esteem, confidence, and financial literacy of women. As a result of this, microfinance projects have created leadership and entrepreneurial training programs that empowered and strengthened women, which facilitated taking charge of their social and practical financial aspects further.

Limitations and Difficulties: Despite its high prospects, microfinance had constraints bearing problems such as over-indebtedness, high-interest rates, and mission drift, where financial gain was put ahead of social goals. In countries where male-dominance still prevails, these issues are more prominent, especially among women who experience challenges from their male family members.

Social Innovation: By creating an inclusive financial institution that provides unserved communities like women, more authority, through inclusive financial policies, microfinance remains a facilitator of social innovation. Although microfinance was more of a proxy for social cohesion and solidarity.

The various impacts of microfinance are influenced by contextual diversities such as different cultures and geographical locations. While its success is not well-documented in other developing regions like the Middle East and Latin America, South Asia and Sub-Saharan Africa embraced it with positive results.

The findings show that microfinance strongly contributes to economic, social, and psychological empowerment, with a large, pooled effect size (0.8036). Economic empowerment emerged as the most powerful factor, with consistent improvements in income, asset ownership, and entrepreneurial engagement of women across numerous studies. Social empowerment was also demonstrated, notably in terms of better household decision-making, mobility, and engagement in community organizations. Increased confidence, self-esteem, and financial knowledge were all signs of psychological empowerment. However, the data also highlight contextual variations: high interest rates, institutional flaws, and a lack of financial awareness frequently hampered the durability of empowerment gains. These diverse patterns indicate that microfinance alone is insufficient unless it is supplemented by regulatory protections,

training, and social support systems. Thus, the findings emphasize both the transformative potential of microfinance and the necessity for complementary measures to maintain long-term empowering effects.

Meta Analysis

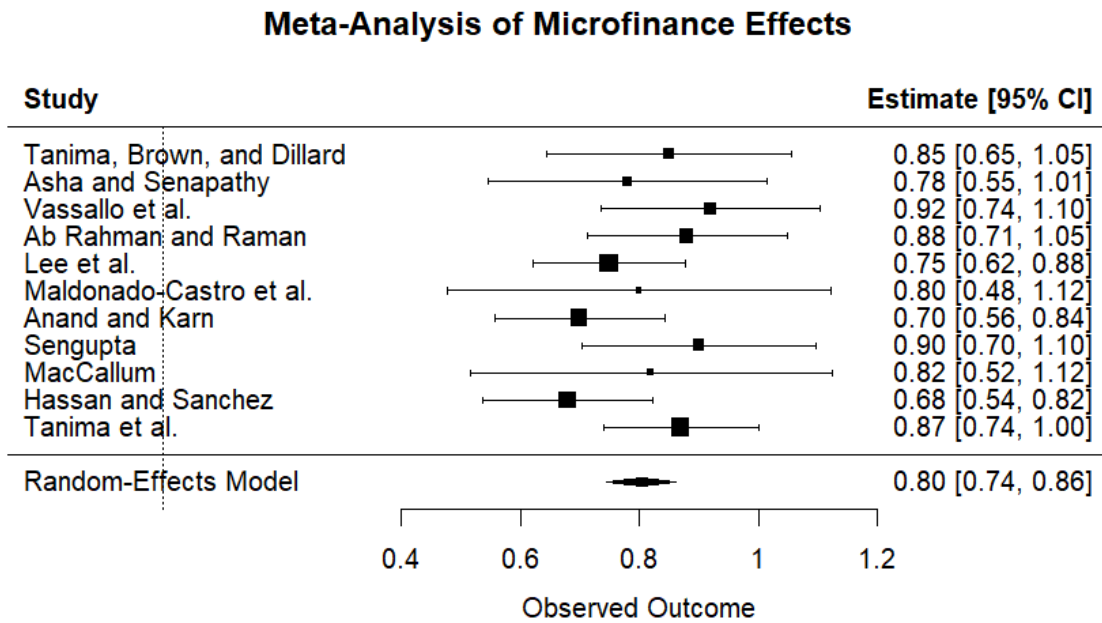
Using the data extracted through the standardised form and utilizing the R software, the researchers employed a random-effects model to carry out the meta-analysis, while between-study variance was estimated using REML. In addition, the heterogeneity diagnostics, Q test, and I^2 statistic supported the general trend of results. Sensitivity analyses confirmed the robustness of the findings. The results of the meta-analysis reflect an extremely low p-value (<0.0001) with an effect size of magnitude 0.8036, strong evidence against the null hypothesis. Findings of the AIC and BIC indicate good model fitting. The p-value for the Q test of heterogeneity is 0.4331, supporting no significant heterogeneity. The general results highlight the very significant and consistent impacts with relatively little to almost no variation across the confederating papers. Pertinent papers were used as a platform to apply a certain set of inclusion and exclusion criteria for social studies.

Table 2: Random Effects Model

Section	Parameter	Value
Model Information	Model Type	Random-Effects Model
	Number of studies (k)	20
	tau ² estimator	REML
Fit Statistics	logLik	9.3492
	deviance	-18.6984
	AIC	-14.6984
	BIC	-14.0933
	AICc	-12.9842
Heterogeneity Estimates	tau ² (total heterogeneity)	0.0017 (SE = 0.0041)
	tau (sqrt of tau ²)	0.0418
	I^2 (total heterogeneity / variability)	18.09%
	H^2 (total variability / sampling var.)	1.22
Test for Heterogeneity	Q (df = 19)	10.0848
	p-value	0.4331
Model Results	estimate	0.8036
	se	0.0299
	zval	26.8647
	pval	< .0001 ***
	95% CI lower bound (ci.lb)	0.745
	95% CI upper bound (ci.ub)	0.8623
Significance Codes	***	p < 0.001
	**	p < 0.01
	*	p < 0.05
	.	p < 0.1
	(space)	p ≥ 0.1

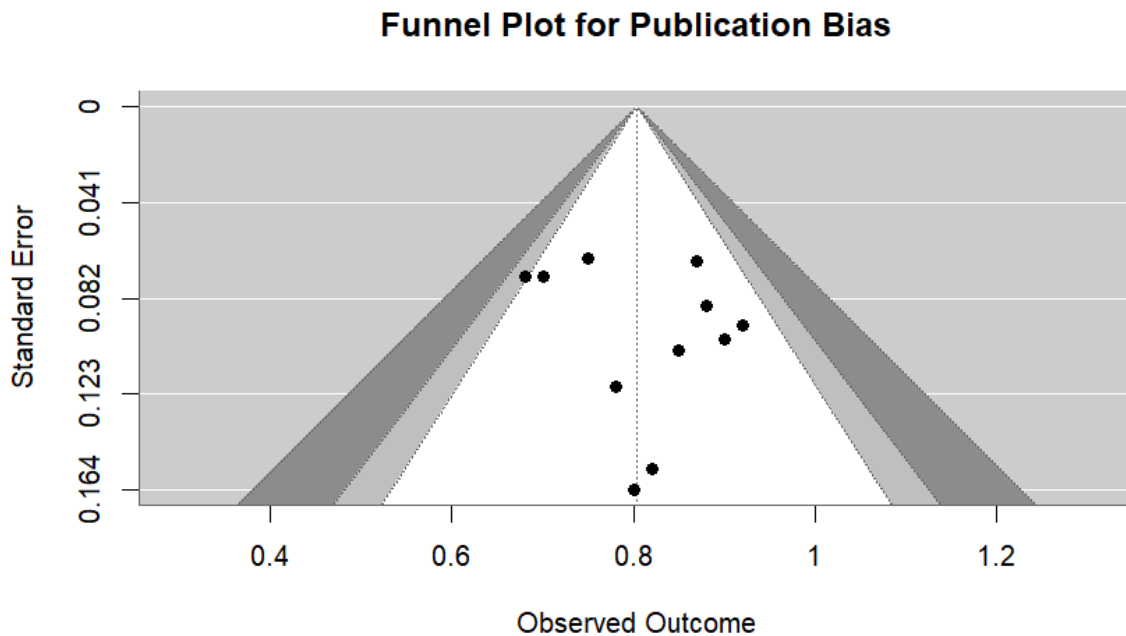
Source: Author Generated, 2025.

Table 3: Forest Plot



Source: Author Generated, 2025

Table 4: Funnel Plot



Source: Author Generated, 2025

For this meta-analysis, publication bias was also explored by the funnel plot. In this case, no obvious publication bias can be detected because the funnel plot shows a symmetrical distribution of studies around the overall effect size. An asymmetrical plot may indicate publication bias, which is when smaller studies with non-significant results are under-represented.

Conclusions

In the emerging world, microfinance is a rising service that triggers social innovation, greatly for the benefit of marginalized groups. Microfinance programs have made people, especially women, able to start and expand their businesses to be productive and eventually become profitable because the programs offer them the financial resources they need. The improvement has significant increases in household income, education achieved, and health outcomes. Microfinance has always been rather problematic to implement, however. This comes from the fact that high-interest loans pose difficulty for the borrowers in repaying them and thus stabilizing oneself financially. Where financial literacy is not present among the borrowers, it will be tougher for them to manage their money critically and prudently.

The statistical data of the Meta-analysis support the conclusion that microfinance is an effective facilitator of empowering women and social innovation in emerging nations. The large, pooled effect size (0.8036) demonstrates the persistence of favorable effects across different situations. According to the findings, microfinance improves the economic level, develops agency of women within homes and communities, while boosting psychological traits like self-confidence and financial knowledge. These outcomes contribute to broader social innovation by challenging gender norms and increasing women's participation in socioeconomic domains. However, the persistence of high interest rates, financial literacy gaps, and institutional weaknesses highlights the need for policy reforms and additional support systems. Therefore, the study concludes that microfinance is effective, but its full potential can be realized only when embedded within supportive regulatory, educational, and institutional frameworks.

Further, due to the existing impossible nature of protecting all stakeholders, there are formidable problems that further exacerbate the risks that are associated, which lead to financial instability in the long run and further exploitation. It is difficult to overcome these socio-economic hindrances. However, microfinance has proven its promising nature in addressing and being a part of the wide-reaching spectrum of social problems, stimulating social innovation.

Implications

Regulatory Frameworks: The relevant regulatory authorities should focus more on strengthening the regulatory frameworks for the development of microfinance institutions, as well as protecting the borrowers against adverse activities.

Financial Literacy: Governmental and non-governmental organisations need to foster financial education initiatives to ensure that microfinance clients possess the ability to effectively manage the credit while providing investment support that is granted to them.

Scaling Effective Models: Finding effective microfinance models that have demonstrated significant social impacts and facilitating them, especially those that effectively empower women and marginalised groups.

Encouragement of Innovation: To better meet the needs of underserved communities, policymakers could promote financial innovation by offering incentives for the launch of new microfinance services and products that offer flexible repayment plans and technological advancements that increase accessibility.

Continuous Monitoring and Evaluation: Strong monitoring and evaluation systems are necessary for both gradual achievement and the attainment of the intended social outcomes. Therefore, defined microfinance has demonstrated the potential to foster social innovation; however, in order to fully realise this potential, particular legislative changes and a dedication to addressing the barriers to its potential are needed.

Acknowledgement

Authors are acknowledged for the publication grant provided by the Ontario International Development Agency (OIDA), Ottawa, Canada, and the International Center for Multidisciplinary Studies, Faculty of Humanities and Social Sciences, University of Sri Jayewardenepura.

References

1. Tanima, F. A., Brown, J., & Dillard, J. (2020). Surfacing the political: Women's empowerment, microfinance, critical dialogic accounting and accountability. *Accounting, Organizations and Society*, 85, 101141. <https://doi.org/10.1016/j.aos.2020.101141>
2. Asha, A., & Senapathy, M. (with Wolaita Sodo University). (2022). *Women Empowerment Through Microfinance in Southern Ethiopia* (NGO European Scientific Platform, Ed.). Primedia eLaunch LLC. <https://doi.org/10.36074/wetmise-monograph.2022>
3. Gautam, S. (2024). Socio-Economic Empowerment of Women Through Microfinance: A Case Study of Baijnath Rural Municipality, Banke. *Voice: A Biannual & Bilingual Journal*, 16(2), 48–60. <https://doi.org/10.3126/voice.v16i2.72774>
4. Nasir, N. R., & Subari, M. D. (2021). A Review of Social Innovation Initiatives in Malaysia. *Journal of Science, Technology and Innovation Policy*, 3(1), 1–9. <https://doi.org/10.11113/jostip.v3n1.17>
5. Vassallo, J. P., Prabhu, J. C., Banerjee, S., & Voola, R. (2019). The Role of Hybrid Organizations in Scaling Social Innovations in Bottom-of-the-Pyramid Markets: Insights from Microfinance in India. *Journal of Product Innovation Management*, 36(6), 744–763. <https://doi.org/10.1111/jpim.12504>
6. Sengupta, N. (2024). Integrating gender in microfinance: Identifying strategies for women's empowerment across different institutional models. *International Journal of Educational Research Open*, 7, 100357. <https://doi.org/10.1016/j.ijedro.2024.100357>
7. Maldonado-Castro, J., Gallego-Losada, R., & Montero-Navarro, A. (2024). Mapping the intellectual structure of microfinance and women's empowerment: A bibliometric analysis. *Heliyon*, 10(20), e39563. <https://doi.org/10.1016/j.heliyon.2024.e39563>
8. Basnet, S. (2023). Impact of Microfinance on Women Empowerment. *KMC Journal*, 5(2), 194–213. <https://doi.org/10.3126/kmcj.v5i2.58238>
9. Sinha, M., Mahapatra, S. S., Dutta, A., & Sengupta, P. P. (2022). Microfinance and Women Empowerment: An Empirical Analysis: In I. R. Management Association (Ed.), *Research Anthology on Microfinance Services and Roles in Social Progress* (pp. 1–13). IGI Global. <https://doi.org/10.4018/978-1-6684-7552-2.ch001>
10. Tanima, F. A., Brown, J., Wright, J., & Mackie, V. (2023). Taking critical dialogic accountability into the field: Engaging contestation around microfinance and women's empowerment. *Critical Perspectives on Accounting*, 90, 102383. <https://doi.org/10.1016/j.cpa.2021.102383>
11. Lee, J.-H., Jusup, M., Podobnik, B., & Iwasa, Y. (2015). Agent-Based Mapping of Credit Risk for Sustainable Microfinance. *PLOS ONE*, 10(5), e0126447. <https://doi.org/10.1371/journal.pone.0126447>
12. Anand, A., & Karn, A. (2023). The Role of Microfinance in Women Empowerment: In Y. Alhassan & U. Nwagbara (Eds.), *Advances in Finance, Accounting, and Economics* (pp. 192–212). IGI Global. <https://doi.org/10.4018/978-1-6684-8979-6.ch011>
13. Ab Rahman, F., & Raman, A. (2024). Empowering youth leaders in B40 marginalized communities: An innovative approach to social entrepreneurship in alignment with national entrepreneurship policy 2030. *Mediterranean Journal of Social & Behavioral Research*, 8(1), 29–36. <https://doi.org/10.30935/mjosbr/14306>
14. Kassim, E. S., Zamzuri, N. H., Jalil, S. A., Mohamed Salleh, S., Mohamad, A., & Abdul Rahim, R. (2022). A Social Innovation Model for Sustainable Development: A Case Study of a Malaysian Entrepreneur Cooperative (KOKULAC). *Administrative Sciences*, 12(3), 103. <https://doi.org/10.3390/admsci12030103>
15. Laha, A., & Kuri, P. K. (2014). Measuring the Impact of Microfinance on Women Empowerment: A Cross Country Analysis with Special Reference to India. *International Journal of Public Administration*, 37(7), 397–408. <https://doi.org/10.1080/01900692.2013.858354>
16. Hassan, K. M., & Sanchez, B. (2009). Efficiency Analysis of Microfinance Institutions in Developing Countries. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.1492238>
17. Watkins, T. A., & Hicks, K. M. (Eds.). (2009). *Moving beyond storytelling: Emerging research in microfinance* (1. ed). Emerald.
18. Pedrini, M., Bramanti, V., Minciullo, M., & Ferri, L. M. (2016). Rethinking Microfinance for Developed Countries. *Journal of International Development*, 28(2), 281–302. <https://doi.org/10.1002/jid.3205>

19. MacCallum, D. (2016). *Social innovation and territorial development*. Routledge.
20. Farooq, S. H., Din, A. U., Soomro, I. A., & Riviezzo, A. (2024). Unveiling the path to sustainable poverty alleviation in Pakistan: Investigating the role of microfinance interventions in empowering women entrepreneurs. *Scandinavian Journal of Management*, 40(2), 101331.
<https://doi.org/10.1016/j.scaman.2024.101331>

