

From Financial Access to Capability Expansion: A Structured Systematic Literature Review on Women, Microfinance, and Poverty Reduction

Adzan Noor Bakri¹, Fahira Herawati² Azizah S.³

^{1,2}Universitas Islam Negeri Palopo

³Universitas Muhammadiyah Palopo

Email: adznan.noor@uinpalopo.ac.id

Keywords:

Capability Approach;
microfinance; women's
capabilities; poverty reduction;
systematic literature review

Abstract

Microfinance has long been promoted as a pathway to women's empowerment and poverty reduction, yet the empirical literature remains fragmented across financial access, empowerment outcomes, and welfare effects. Much of the existing evidence documents changes in income, savings, household decision-making, and livelihood conditions, but fewer studies explain how access to financial resources is translated into substantive freedoms and valued ways of living. This study aims to synthesize empirical research on women, microfinance, and poverty reduction through the lens of Amartya Sen's Capability Approach. Using a structured systematic literature review, this article reviews peer-reviewed empirical studies on women's participation in microfinance, self-help groups, and related community-based financial mechanisms. The findings indicate that microfinance is associated with positive changes in income stability, household welfare, mobility, access to public services, social participation, and decision-making. However, these outcomes are neither automatic nor uniform. Their realization depends on a range of conversion factors, including household power relations, socio-cultural norms, institutional design, training opportunities, and infrastructural conditions. The review further shows that while the literature is rich in empowerment indicators, it remains relatively weak in explicitly capability-based analysis. This article contributes a capability-oriented synthesis that explains not only whether microfinance matters for women's poverty reduction, but also how financial access is converted into capabilities, valued functionings, and uneven development outcomes. The study implies that microfinance policies should be assessed beyond outreach and repayment rates, with greater attention to capability expansion and the enabling conditions that allow women to transform financial access into meaningful well-being.

INTRODUCTION

Women's poverty cannot be reduced to a simple lack of income. In many low- and middle-income settings, women's deprivation is more fundamentally tied to restricted access to productive resources, limited mobility, weak bargaining power, and unequal participation in social and public life. For that reason, poverty reduction initiatives directed at women should not be assessed merely by the volume of loans disbursed or by short-term gains in earnings. A more meaningful assessment must ask whether such interventions expand women's real opportunities to pursue the kinds of lives they value. This concern is closely aligned with the Capability Approach, which shifts attention from resource possession to substantive freedoms and quality of life. Anand, Saxena

(Anand et al., 2019), for instance, explicitly position women's self-help groups within a broader human development framework and argue that capability expansion offers a stronger evaluative lens than narrow financial poverty measures alone.

Within this broader debate, microfinance has become one of the most prominent instruments for addressing women's poverty and exclusion. Through microcredit, self-help groups (SHGs), group lending, savings schemes, and other community-based financial mechanisms, microfinance is expected to enhance women's access to capital, strengthen household welfare, and support empowerment. Yet the literature does not support a simplistic success narrative. Anand et al. (2019) found that women's self-help group participation in Northern India was associated with higher capability indicators and better quality-of-life outcomes in several dimensions, especially among historically disadvantaged groups. Their study is important not only because of its findings, but also because it demonstrates that women may join and remain in microfinance-related programs even when nominal income effects appear modest, precisely because the programs generate broader human development gains.

Other studies show that the influence of microfinance may extend well beyond household income. Kumar, (2018) demonstrated that SHG membership in India was associated with greater political participation, stronger awareness and use of public entitlement schemes, wider social networks, and greater mobility. Their findings are significant because they show that financial groups can serve not only as channels of credit access but also as platforms for expanding women's interaction with public institutions and improving their capacity to claim social rights. Similarly, Cheek and Corbett (2024) showed that collective decision-making in women's SHGs in West Bengal enabled women to build legitimacy, organize around community issues, and challenge patriarchal norms in the public sphere. Together, these studies suggest that microfinance-related group structures may foster collective and political capabilities, not merely individual financial inclusion.

A comparable pattern appears in studies that examine women's empowerment more directly. Khan et al., (2020) reported that participation in women's self-help groups in Kashmir Valley produced positive, though moderate, effects on economic, political, and psychological empowerment, while the effect on social empowerment was smaller and more ambiguous. Were and Kimaru-Muchai (2021) likewise found that self-help groups in Kenya expanded women's access to credit, diversified income sources, improved confidence, and strengthened their ability to make major decisions in their lives. In Ethiopia, Wondimu, Terefe, and Melkamu (2023) found that microfinance services improved the social condition of married women and contributed to positive changes in women's empowerment, although those gains remained constrained by transportation shortages, limited personnel, and cultural attitudes. These findings indicate that microfinance may affect multiple domains of women's lives, including livelihood resilience, social participation, and agency.

At the same time, the literature also makes clear that the effects of microfinance are uneven and sometimes contradictory. Alemu et al (2018), studying women's self-help groups in highland Ethiopia, found positive and significant impacts of SHG participation on community-level empowerment, particularly in enabling women to share information, raise awareness of their rights, and negotiate more room to maneuver in the community. However, they also identified negative effects at the household level, including more conflictive relations between spouses and a possible backlash effect from husbands over control of household resources. Ndilito (2025) similarly found that microfinance loans in Tanzania contributed to business expansion, higher incomes, asset

acquisition, and women's ability to finance food, education, shelter, and health care, but also showed that these benefits were constrained by loan diversion, repayment pressures, small loan sizes, and weak business sustainability. Such evidence suggests that financial access alone is insufficient; what matters is whether women are actually able to convert that access into durable and meaningful improvements in well-being.

This is precisely where the Capability Approach becomes analytically valuable. Rather than treating loans, group membership, or savings access as outcomes in themselves, a capability perspective treats them as resources whose value depends on the conditions under which they are converted into real opportunities. Anand et al. (2019) make this point most clearly by arguing that capability indicators offer a stronger basis for assessing women's empowerment than measures restricted to household decision-making. Kumar et al. (2018) show that microfinance-related group participation can widen women's public engagement, networks, and mobility. Alemu et al. (2018) demonstrate that such gains may simultaneously provoke intra-household tensions. Wondimu et al. (2023) show that institutional and cultural barriers may prevent women from fully benefiting from credit services. Taken together, these studies indicate that the effects of microfinance are mediated by a range of conversion factors, including social norms, institutional support, group design, household relations, and the broader local environment.

Despite these contributions, the literature remains conceptually fragmented. Many studies discuss women's empowerment, livelihood improvement, welfare gains, or social participation, yet only a small subset explicitly interprets these outcomes through the Capability Approach. Much of the empirical literature documents what changes after women access microfinance, such as higher income, stronger confidence, greater mobility, or improved participation, but does not adequately explain how those changes are translated into substantive freedoms or why that translation remains partial across contexts. In addition, most studies remain cross-sectional, while deeper qualitative evidence on the valued functionings women themselves prioritize is still limited. This fragmentation creates a conceptual gap between financial access, empowerment outcomes, and poverty reduction.

Against this background, the present article asks: **How is women's access to microfinance translated into real capabilities, valued functionings, and poverty reduction outcomes?** More specifically, this review examines three related issues. First, what forms of poverty-related outcomes are most commonly associated with women's access to microfinance? Second, what forms of capability expansion appear most clearly in the literature? Third, what conversion factors enable or constrain the transformation of financial access into meaningful well-being?

Accordingly, this study aims to synthesize empirical research on women, microfinance, and poverty reduction through a structured systematic literature review informed by the Capability Approach. Its novelty lies not in simply restating whether microfinance "works," but in offering a capability-based synthesis of a literature that has often remained divided between financial access, empowerment indicators, and welfare outcomes. By tracing the pathway from financial access to capability expansion, valued functionings, and uneven poverty outcomes, this review seeks to provide a more integrated explanation of how microfinance may expand women's freedoms, why such expansion is often partial, and what this implies for future research and policy.

METHODS

This study employed a structured systematic literature review to synthesize empirical research on women, microfinance, and poverty reduction through the lens of the Capability Approach. The review was designed to move beyond a descriptive summary of prior studies by identifying recurring empirical patterns, conceptual blind spots, and the pathways through which financial access is translated into capability expansion and poverty-related outcomes. A structured review design was considered appropriate because the literature on women and microfinance is extensive, methodologically diverse, and conceptually fragmented across financial inclusion, empowerment, welfare, and poverty reduction.

The review focused on empirical journal articles examining women's participation in microfinance-related mechanisms, including microcredit, self-help groups (SHGs), revolving funds, group lending, savings-based collective finance, and related community-based financial interventions. The analytical concern of the review was not limited to whether such mechanisms improved economic indicators, but also whether and how they contributed to women's agency, mobility, livelihood security, access to services, public participation, and other dimensions relevant to substantive freedom and well-being. In this sense, the review treated financial access as an initial resource and examined the conditions under which it was, or was not, converted into meaningful capabilities and valued functionings.

The literature search was conducted using [insert final databases/search platforms used]. The search process covered publications from [insert start year] to [insert end year], in order to capture recent empirical developments while retaining studies sufficiently relevant to current debates on women's empowerment and poverty reduction. The search terms were organized around four main clusters: women, microfinance, poverty-related outcomes, and capability-related concepts. The principal keywords included combinations of "microfinance," "microcredit," "self-help groups," "revolving funds," "group lending," "women," "women's empowerment," "poverty reduction," "livelihood," "well-being," "capability approach," "capabilities," "functionings," and "agency." These terms were used in different combinations to identify studies that addressed both financial mechanisms and broader human development outcomes.

To ensure analytical focus, the review applied explicit inclusion and exclusion criteria. Articles were included if they met the following conditions: first, they were peer-reviewed empirical journal articles; second, they examined women's access to or participation in microfinance-related schemes; third, they reported outcomes related to poverty reduction, livelihood, empowerment, welfare, or social participation; and fourth, their findings could be meaningfully interpreted in relation to capabilities, functionings, agency, or conversion factors. Studies conducted in developing-country contexts were prioritized because the links between women's poverty, financial exclusion, and structural disadvantage are particularly pronounced in such settings. Both qualitative and quantitative empirical studies were considered eligible, although greater analytical weight was given to studies that moved beyond narrow income measures and discussed broader dimensions of women's lives.

Articles were excluded when they were purely theoretical, editorial, commentary-based, or non-empirical in nature. Studies were also excluded if they focused only on the financial performance of institutions without examining women's outcomes, if they duplicated other records, or if their relevance to women's poverty reduction was only marginal. Where full-text

access was unavailable or the article did not provide adequate methodological and substantive detail, the study was not included in the final synthesis.

The screening process was carried out in four stages: identification, preliminary screening, full-text assessment, and final inclusion. In the identification stage, all potentially relevant records retrieved from the search process were collected. Duplicate records were then removed. In the preliminary screening stage, titles and abstracts were reviewed to determine whether the studies matched the thematic focus of women, microfinance, and poverty-related outcomes. Articles that appeared relevant were then assessed in full text. Only studies that directly addressed the review question and offered sufficient empirical depth were retained for the final corpus. The final manuscript will report the numerical flow of this process as follows: [insert number] records identified, [insert number] duplicates removed, [insert number] titles and abstracts screened, [insert number] full-text articles assessed, and [insert number] studies included in the final synthesis.

For each included article, data were extracted systematically into an analytical matrix. The extracted information covered: author and year, country or regional context, study design, type of financial intervention, sample or unit of analysis, main findings, poverty-related outcomes, empowerment or capability-related dimensions, identified constraints, and stated limitations. This extraction process enabled comparison across studies not only in terms of reported outcomes, but also in terms of how each study conceptualized women's change, agency, and well-being. It also helped distinguish studies that treated microfinance merely as access to credit from those that provided richer insight into livelihood transformation, collective participation, or substantive freedoms.

The analysis employed thematic synthesis. Rather than summarizing each study one by one, the selected articles were read comparatively and coded into recurring analytical themes. The synthesis was guided by the main concepts of the Capability Approach, especially the distinction between resources, conversion factors, capabilities, agency, and functionings. Through this lens, the review first identified how microfinance was positioned in the literature as a resource or enabling mechanism. It then examined the personal, household, socio-cultural, institutional, and infrastructural conditions that shaped the conversion of financial access into actual opportunities. Finally, it traced the kinds of valued functionings most frequently reported in the literature, such as livelihood improvement, household welfare, access to education and health, stronger decision-making power, mobility, and public participation. Based on this process, the final synthesis was organized around several core themes: microfinance as financial access, capability expansion through agency and participation, valued functionings and poverty outcomes, and the conversion factors that explain uneven results across contexts.

Because this study relied exclusively on published literature and did not involve direct interaction with human participants, formal ethical clearance was not required. Nevertheless, the review was conducted with careful attention to transparency, accurate representation of prior studies, and conceptual consistency in interpreting empirical findings. This was particularly important given the tendency of the literature to conflate financial access, empowerment indicators, and capability expansion. By applying a structured selection process and a capability-oriented thematic reading, this study aimed to produce a synthesis that is both methodologically transparent and substantively meaningful.

RESULT

1. Financial Access Does Not Automatically Become Real Freedom

Table 1 summarizes the empirical coverage of the reviewed studies that are most relevant to the first concern of this review, namely the question of whether women's access to microfinance is actually converted into substantive freedom rather than remaining a mere financial input.

Table 1. Empirical evidence on why financial access does not automatically become real freedom

No.	Study	Context and Design	Form of Financial Access	Main Reported Gains	Evidence That Access Alone Is Insufficient
1	Anand et al. (2019)	Northern India; large survey of around 6,000 women; propensity score matching	Women's self-help group program with savings, enterprise training, health and nutrition education, and political participation	Higher capability indicators and quality-of-life dimensions among SHG members; stronger gains for disadvantaged groups	The study argues that income-centered evaluation is too narrow and that empowerment should be assessed through capability changes, not only household decision-making or nominal income
2	Kumar et al. (2018)	Five Indian states; survey with matching methods	Women's self-help groups	Greater political participation, wider social networks, greater mobility, and higher awareness and use of public entitlement schemes	SHGs cannot be assumed to improve access to public services automatically; deliberate external support is still required to translate group participation into entitlement use
3	Khan et	Kashmir	SHG-based	Positive but	Social

	al. (2020)	Valley, India; quasi-experimental design with treatment and control groups	microfinance	moderate gains in economic, political, and psychological empowerment	empowerment remained weaker and more ambiguous, showing that financial participation does not generate uniform empowerment across all domains
4	Alemu et al. (2018)	Highland Ethiopia; cross-sectional survey with propensity score matching	SHGs in apple production	Stronger community-level empowerment and greater room to maneuver in the community	Household relations became more conflictive and the study identified a potential male backlash effect, indicating that empowerment gains may be offset by household tensions
5	Wondimu et al. (2023)	Ethiopia; qualitative study using interviews, focus group discussion, and life histories	Microfinance services through ACSI	Improved social condition of married women and positive changes in social empowerment indicators	The institution faced transport limitations, staff shortages, and cultural barriers, all of which constrained the extent to which credit access could improve women's lives
6	Were and Kimaru-Muchai (2021)	Kenya; descriptive survey with questionnaires,	Self-help groups using savings and credit	Better access to credit, diversified income	The study recommends continued training,

		KIIs, and FGDs		sources, improved confidence, and stronger life decision- making	market access, and infrastructural support, implying that credit access by itself is not enough for durable empowerment
7	Atieno et al. (2024)	Kenya; questionnaire- based study with correlation analysis	SHG participation strategies linked to micro-credit and household livelihood activities	Education and entrepreneurial training, partnerships, networks, and bookkeeping skills were linked to stronger livelihood sustainability	The findings indicate that participation quality and support strategies matter; access to group finance without these enabling conditions is unlikely to sustain household livelihoods
8	Ndilito (2025)	Tanzania; case study with questionnaires and interviews	Microfinance loans through the National Microfinance Bank	Higher incomes, better asset ownership, and improved ability to finance food, education, shelter, and health care	Loan diversion, deceit, late repayment, and small loan sizes limited business expansion and reduced the overall poverty- eradication effect of the loans

The table shows that the reviewed evidence covers multiple developing-country settings, especially India, Ethiopia, Kenya, and Tanzania, and includes both quantitative and qualitative designs. The studies also cover different forms of financial access, ranging from self-help groups and savings-based collective finance to formal microfinance loans. Across this evidence base, the data do not merely report credit access; they document outcomes related to quality of life, mobility, public participation, livelihood sustainability, household welfare, and social empowerment. At the same time, the data repeatedly show that these outcomes are mediated by

institutional support, household relations, cultural norms, and the broader enabling environment.

Three major patterns emerge from the data. First, microfinance generates gains that extend beyond income, including improvements in capability, quality of life, mobility, entitlement access, confidence, and livelihood diversification, indicating that financial access may broaden women's well-being rather than simply increase cash flow. Second, these gains tend to be stronger when financial access is embedded in wider collective or institutional arrangements such as training, political participation, social networks, partnerships, and organizational support, suggesting that money alone is insufficient without an enabling system that helps women convert access into practical achievements. Third, the outcomes remain partial and uneven, as empowerment gains may coexist with household conflict, cultural resistance, institutional weakness, repayment problems, and limited loan design, showing that formal access to finance does not automatically translate into real freedom in practice.

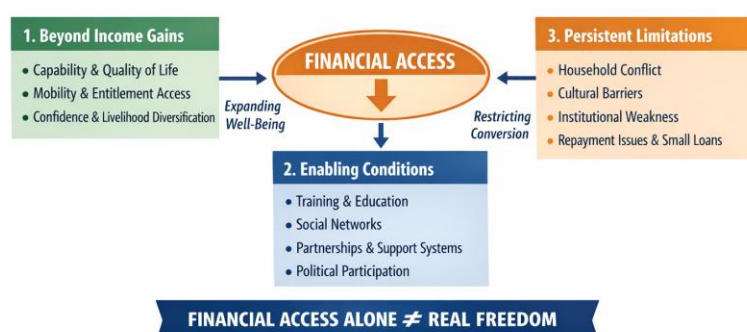


Figure 1. Financial access, conversion factors, and the limits of real freedom

This figure summarizes the first major finding of the review: financial access should be understood as a resource rather than as freedom itself. The reviewed studies show that microfinance may generate gains beyond income, including improvements in capability, quality of life, mobility, entitlement access, confidence, and livelihood diversification. However, these gains become more meaningful when financial access is embedded in enabling conditions such as training, education, social networks, partnerships, support systems, and political participation. At the same time, the literature also reveals persistent limitations, including household conflict, cultural barriers, institutional weakness, and repayment-related constraints, which may restrict the conversion of financial access into real freedom. The figure therefore emphasizes that financial access alone does not automatically translate into substantive well-being or durable poverty reduction.

Taken together, these studies make one central point clear: financial access should be understood as a resource, not as freedom itself. Women may receive loans, join self-help groups, or participate in collective savings mechanisms, but such access does not automatically expand their real ability to live better, participate more fully, or reduce poverty in durable ways. As Anand et al. (2019) suggest, the more important question is not whether women obtain financial access, but whether that access expands their genuine opportunities. This conversion is highly relational

and contextual. Kumar et al. (2018) and Atieno et al. (2024) show that financial access becomes more meaningful when it is supported by social networks, mobility, training, partnerships, bookkeeping skills, and stronger institutional linkages. By contrast, Alemu et al. (2018), Wondimu et al. (2023), and Ndilito (2025) demonstrate that household conflict, patriarchal norms, institutional weakness, limited loan size, and repayment burdens can obstruct the translation of access into well-being. In this sense, microfinance contributes to poverty reduction only when financial access is successfully converted into substantive capabilities, such as the capability to move, participate, produce, claim entitlements, manage resources, and secure household welfare; where this conversion is enabled by collective organization, training, and institutional support, the outcomes are broader and more durable, but where it is constrained by weak social and programmatic conditions, financial access remains thin and may fail to become real freedom.

2. Empowerment Is Real, but Often Partial and Can Also Generate Pressure

Table 2. Empirical evidence on empowerment gains, uneven outcomes, and emerging pressures

No.	Study	Context and Design	Reported Empowerment Gains	Evidence of Partiality, Tension, or Pressure
1	Khan et al. (2020)	Kashmir Valley, India; quasi-experimental design with treatment and control groups	Positive but moderate gains in economic, political, and psychological empowerment among women SHG members	Social empowerment remained weaker and less consistent, indicating that empowerment gains were not evenly distributed across domains
2	Were and Kimaru-Muchai (2021)	Kenya; descriptive survey with questionnaires, KIIs, and FGDs	Improved confidence, better access to credit, diversified income sources, and stronger life decision-making capacity	The study still emphasized the need for training, market support, and awareness, implying that empowerment gains remained dependent on external support structures
3	Alemu et al. (2018)	Highland Ethiopia; cross-sectional survey with propensity score matching	Stronger community-level empowerment, greater room to maneuver, and better collective awareness of rights	Household relations became more conflictive and the study identified a potential male backlash effect, suggesting that empowerment gains could generate

				domestic pressure
4	Wondimu et al. (2023)	Ethiopia; qualitative study using interviews, FGD, and life histories	Positive changes in women's social condition and empowerment indicators after access to microfinance services	Cultural attitudes, transportation shortages, and staffing limitations constrained women's ability to fully benefit from microfinance services
5	Kumar et al. (2018)	Five Indian states; survey with matching methods	Greater political participation, stronger social networks, and improved public entitlement access among SHG members	The authors note that group participation alone is not enough without deliberate external efforts to strengthen women's knowledge and use of public schemes
6	Anand et al. (2019)	Northern India; large survey with propensity score matching	Higher capability indicators and better quality-of-life dimensions among SHG members	The findings imply that empowerment cannot be captured through narrow indicators alone and that progress may remain partial if structural causes of disadvantage persist

The table shows that the reviewed literature consistently reports empowerment gains, but those gains are multidimensional and uneven. The data cover community participation, mobility, confidence, political engagement, social condition, and quality of life, but they also reveal that empowerment outcomes may remain partial, depend on institutional support, or generate tension within the household and the wider social environment.

Three important patterns can be identified from these studies. First, empowerment gains are clearly present, especially in economic confidence, participation, public visibility, and decision-making. Second, these gains are not balanced across all dimensions, since some studies show stronger improvements in economic, political, or psychological empowerment than in social empowerment or household-level transformation. Third, empowerment may generate pressure rather than stability when women's expanded agency confronts pre-existing gender norms, unequal household authority, or weak institutional support. In other words, the data suggest that empowerment is not a uniform or frictionless process; it is often multidimensional, incomplete, and shaped by resistance.

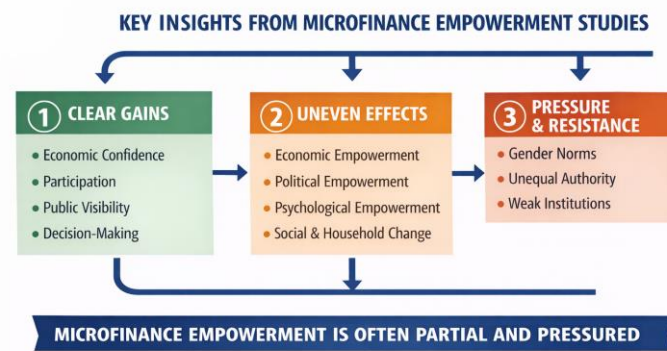


Figure 2. Patterns of Women’s Empowerment Outcomes in Microfinance

This figure illustrates three dominant patterns emerging from the literature on women’s empowerment in microfinance programs. First, microfinance generates clear gains in areas such as economic confidence, participation, public visibility, and decision-making. Second, these gains are uneven across dimensions, with stronger improvements in economic, political, and psychological domains compared to social and household-level transformation. Third, empowerment processes may generate pressure and resistance, as women’s expanded agency interacts with gender norms, unequal authority structures, and weak institutional support. The figure highlights that empowerment is not a linear or uniform outcome, but a multidimensional and contested process shaped by both enabling and constraining conditions.

The evidence indicates that empowerment through microfinance should not be interpreted as a linear movement from exclusion to autonomy. Instead, it is better understood as a negotiated and often unstable process in which women gain new capacities while also encountering social and relational constraints. Khan et al. (2020) suggest that empowerment can grow unevenly across domains, while Alemu et al. (2018) demonstrate that community-level gains may be accompanied by tension inside the household. Wondimu et al. (2023) reinforce this point by showing that even when women benefit from microfinance services, the expansion of their agency may be restricted by cultural norms and institutional shortcomings. Thus, the second major finding of this review is that microfinance can indeed support women’s empowerment, but that empowerment is frequently partial, domain-specific, and vulnerable to backlash, meaning that progress in agency does not automatically produce security, harmony, or full social transformation.

3. The Literature Is Rich in Empowerment Indicators, but Weak in Explaining Conversion Factors

Table 3. Empirical evidence on empowerment indicators and the limited explanation of conversion factors

No.	Study	Main Empowerment / Poverty-Related Indicators Reported	Evidence of Limited Explanation on Conversion Factors
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1	Anand et al. (2019)	Capability indicators, quality of life, safety, freedom of expression, family support, and life satisfaction among SHG members	Strong on capability measurement, but less explicit in tracing the full causal process through which specific program elements are converted into sustained capability expansion across contexts
2	Kumar et al. (2018)	Political participation, awareness and use of public entitlement schemes, social networks, and mobility	Demonstrates important public and collective gains, but also notes that SHGs alone cannot generate entitlement access without deliberate external support, implying that conversion conditions are acknowledged but not fully theorized
3	Khan et al. (2020)	Economic, social, political, and psychological empowerment	Reports multidimensional empowerment outcomes, but provides less conceptual explanation of why some domains improve more strongly than others and why social empowerment remains weaker
4	Were and Kimaru-Muchai (2021)	Confidence, access to credit, diversified livelihoods, and major life decision-making	Identifies positive socio-economic gains, yet emphasizes the need for training, market access, and awareness, suggesting that enabling factors matter but are not fully integrated into a broader explanatory framework
5	Wondimu et al. (2023)	Social empowerment indicators, improved social condition of married women, and greater public participation	One of the few studies that clearly identifies transport shortages, staffing limitations, and cultural attitudes as barriers, but the findings remain more descriptive than fully capability-theorized
6	Atieno et al. (2024)	Household livelihood sustainability through education, entrepreneurial training, bookkeeping, partnerships, and networks	Shows that participation quality and organizational support influence outcomes, but focuses more on livelihood sustainability than on how these enabling factors shape women's substantive freedoms in capability terms
7	Ndilito (2025)	Higher income, asset ownership, and improved access to food, shelter, health care, and education	Explicitly identifies loan diversion, late repayment, and small loan size as limits, but does not fully connect these constraints to a broader model of conversion from financial access to capability expansion

8	Alemu et al. (2018)	Community-level empowerment, awareness of rights, and room to maneuver	Clearly reveals backlash and household tension, but the study is stronger in showing contradictory outcomes than in systematizing the full set of mediating conversion factors
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The table indicates that the literature is rich in reported outcomes such as agency, mobility, confidence, entitlement access, participation, and household welfare, but comparatively weaker in explaining the mechanisms that enable or obstruct the transformation of financial access into those outcomes. Most studies identify what changed; fewer studies explain in a systematic way why the same intervention yields broader gains in one context and thinner results in another.

Three important patterns emerge from the data. First, the reviewed studies are generally strong in documenting outcome indicators such as empowerment, mobility, livelihood improvement, household welfare, and participation. Second, they are comparatively weaker in explaining the mediating conditions that shape whether financial access is successfully translated into these outcomes. Third, when conversion-related factors do appear, they often remain scattered across different studies as separate issues—such as training, institutional weakness, social norms, household conflict, or financial design rather than being integrated into a coherent explanatory framework. As a result, the literature is empirically rich but analytically uneven.

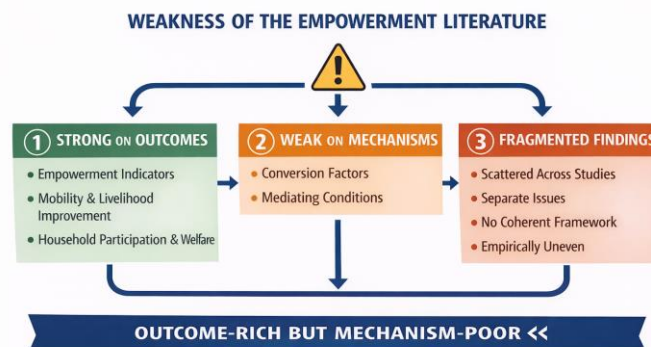


Figure 3. Outcome-Rich but Mechanism-Poor Pattern in the Empowerment Literature

This figure summarizes the third descriptive pattern identified in the review. The literature on women, microfinance, and poverty reduction is generally strong in reporting outcome indicators, including empowerment, mobility, livelihood improvement, participation, and household welfare. However, it remains comparatively weak in explaining the conversion factors and mediating conditions through which financial access is translated into those outcomes. In addition, these explanatory elements often appear in fragmented form across studies, such as social norms, household dynamics, training, institutional support, and financial design, rather than being integrated into a coherent analytical framework. The figure therefore illustrates the central limitation of the literature as empirically outcome-rich but analytically mechanism-poor.

The evidence suggests that one of the main weaknesses in the literature is not the absence of empowerment outcomes, but the limited explanation of how those outcomes emerge. Many studies successfully show that women experience gains in confidence, mobility, political participation, livelihood, or household welfare after joining microfinance-related programs, yet far fewer studies explain the conditions under which access to credit, savings, or group membership becomes real capability expansion. This is why the Capability Approach is crucial for the present review. It provides a framework for understanding that financial access is only an initial resource, while the actual expansion of freedom depends on conversion factors such as household power relations, cultural norms, training opportunities, institutional support, market access, and financial design. Read in this way, the literature does not simply reveal that microfinance produces empowerment; it reveals that empowerment outcomes are filtered through contextual mechanisms that are often acknowledged empirically but insufficiently theorized. Therefore, the third major finding of this review is that the literature remains outcome-rich but mechanism-poor, and that a capability-based synthesis is needed precisely to connect empowerment indicators with the conversion factors that make them possible, partial, or blocked.

DISCUSSION

This study set out to formulate a poverty reduction model using the Capability Approach by synthesizing evidence from the microfinance and women's empowerment literature. The findings show that while microfinance consistently provides women with access to financial resources and generates observable gains in income, participation, confidence, and livelihood activities, these outcomes do not automatically translate into real freedom or sustained poverty reduction. Instead, the review reveals three central insights: first, financial access functions primarily as a resource rather than an outcome, and its impact depends on whether it can be converted into substantive capabilities; second, empowerment outcomes are real but often partial, uneven across domains, and may even generate social and household-level tensions; and third, although the literature is rich in reporting empowerment indicators, it remains limited in explaining the conversion factors that determine why similar interventions produce different outcomes across contexts. Based on these findings, the study concludes that effective poverty reduction through microfinance requires a capability-based model that explicitly integrates financial access with enabling conditions such as social support, institutional capacity, training, and contextual factors that shape the conversion of resources into meaningful freedoms.

The findings of this review suggest that microfinance should not be interpreted as a direct pathway to empowerment or poverty reduction, but rather as an initial entry point into a more complex process of capability formation (Alemu et al., 2018; Anand et al., 2019; Basak & Chowdhury, 2024; Gubhaju, 2023; Islam & Brahmachary, 2025; Wondimu et al., 2023). In line with the Capability Approach, financial access represents a form of resource that only becomes meaningful when it is effectively converted into real opportunities to achieve valued functionings such as improved health, education, mobility, voice, and livelihood security.

Evidence from women's self-help groups and microfinance programmes in India, Ethiopia, Nepal, Kenya, Tanzania, and Nigeria shows that the impact of microfinance is inherently conditional and mediated by conversion factors including household power relations, social norms, institutional support, and programme design. Positive changes in income, assets, decision-making, and social participation are often reported, but are uneven and sometimes

accompanied by intra-household tensions or limited to economic domains only [234568117](#).

The observed variation and partiality of empowerment outcomes indicate that capability expansion is not automatic, but negotiated within specific social and structural contexts, where patriarchal norms, cultural attitudes, and weak service provision can restrict women's ability to translate loans into substantive freedoms. Therefore, the results imply that microfinance interventions operate less as standalone solutions and more as components within a broader ecosystem of support—including training, social mobilisation, political engagement, and access to public schemes—where the presence or absence of enabling conditions determines whether financial inclusion leads to genuine empowerment or remains confined to surface-level socio-economic improvements

The logic of these findings becomes clearer when placed within the broader context of women's lived realities in developing-country settings. The reviewed studies consistently show that microfinance outcomes are shaped by interacting personal, household, socio-cultural, institutional, and programmatic factors rather than by financial access alone. At the personal and household levels, women's ability to benefit from microfinance depends on their confidence, skills, business capacity, and bargaining position within the family; this is why some studies report gains in confidence and decision-making while others reveal household conflict or male backlash. At the socio-cultural level, gender norms, unequal authority structures, and cultural attitudes influence whether women's expanded agency is accepted or resisted. At the institutional level, outcomes are shaped by training opportunities, staffing, transport access, bookkeeping support, social networks, and links to public services, all of which affect whether women can turn credit into sustainable livelihood gains. Finally, at the level of financial design, loan size, repayment schedules, and the risk of loan diversion directly influence whether microfinance supports productive use or instead creates new pressure. In this sense, the review shows that poverty reduction through microfinance is best understood as the result of layered and interacting factors: financial access may open the door, but the actual expansion of capabilities depends on whether the surrounding social, institutional, and programmatic environment enables women to convert that access into meaningful and durable well-being.

The implications of these findings are substantial for both scholarship and policy. At the theoretical level, the review indicates that poverty reduction through microfinance cannot be adequately explained by outreach, loan uptake, or repayment performance alone; it must instead be assessed in terms of whether financial access expands women's substantive capabilities and valued functionings. This means that future research will need to move beyond counting empowerment indicators and begin tracing the mechanisms through which women convert financial resources into mobility, public participation, livelihood security, and household well-being. At the policy level, the findings imply that microfinance programs that focus narrowly on credit provision are likely to produce only partial and uneven results, while programs that integrate training, collective organization, institutional support, and enabling local conditions are more likely to generate broader and more durable poverty-reduction outcomes. In practical terms, the projected consequence of the current evidence is clear: where conversion factors are strengthened, microfinance can become a pathway to meaningful empowerment and resilience; where they are neglected, financial inclusion may remain superficial, fragile, and even pressure-inducing.

In terms of action, the findings suggest that policy should move from a credit-centered model toward a capability-centered model of women's poverty reduction. First, microfinance

schemes should be redesigned as integrated interventions that combine finance with entrepreneurial training, bookkeeping support, market linkage, and access to public services, since these factors repeatedly appear as conditions that strengthen outcome conversion. Second, group-based programs should be used not only to channel credit but also to build women's mobility, information access, political participation, and collective problem-solving capacity, as these are important pathways to capability expansion. Third, policymakers and implementing institutions need to address the risks identified in the literature by improving loan design, moderating repayment pressure, expanding supervision and mentoring, and anticipating household-level backlash through gender-sensitive support mechanisms. Fourth, evaluation systems should no longer rely only on repayment rates or loan distribution, but should incorporate capability-oriented indicators such as decision-making space, service access, livelihood resilience, and women's ability to transform financial access into stable well-being. In short, the "so what" of this review is that microfinance policy should no longer ask only whether women receive credit, but whether the surrounding system enables them to convert that credit into real freedom and sustained poverty reduction.

CONCLUSION

One of the most important and somewhat unexpected findings of this review is that microfinance does not fail because women lack access to finance, but often because access itself is too quickly assumed to be empowerment. The literature repeatedly shows that women may receive loans, join self-help groups, and even experience visible improvements in income, participation, confidence, or mobility, yet these gains do not necessarily mature into durable freedom or stable poverty reduction. What is especially striking is that empowerment can coexist with strain: women may gain public voice while facing household conflict, access financial services while remaining constrained by institutional weakness, or improve livelihoods while still being exposed to repayment pressure and fragile business conditions. This means that the real issue is not simply whether microfinance reaches women, but whether the surrounding social, household, and institutional context allows financial access to be converted into substantive capabilities and valued functionings. In that sense, the most important finding of this review is that microfinance is not inherently empowering; it is conditionally empowering.

The scientific contribution of this article lies in its capability-based synthesis of a literature that has largely remained fragmented across financial access, empowerment indicators, and poverty outcomes. Previous studies have generated rich empirical evidence on women's income, decision-making, mobility, livelihood, and social participation, but they have not sufficiently integrated these outcomes into a coherent explanation of how financial access becomes real freedom. This review contributes novelty by repositioning microfinance as an initial resource rather than an endpoint, and by showing that the key analytical issue is the conversion process through which resources become capabilities, capabilities become valued functionings, and only then potentially contribute to poverty reduction. By organizing the literature around this sequence, the article offers a more precise model of women's poverty reduction through microfinance—one that highlights conversion factors such as household relations, gender norms, institutional support, training, and financial design as central explanatory mechanisms. What is new here, therefore, is not merely the conclusion that microfinance can help women, but the argument that its poverty-reducing power depends on a capability-centered ecology of support rather than on financial access alone.

This study also has several limitations that should be acknowledged clearly. First, the reviewed literature is heavily concentrated in South Asia, especially India, and is strongly dominated by self-help group models, which means the findings cannot be generalized too broadly across all forms of microfinance or all regional contexts. Second, although the review includes both qualitative and quantitative studies, the methodological diversity of the corpus makes direct comparison uneven. Third, only a limited number of studies explicitly employ the Capability Approach, which means that part of the contribution of this article lies in reinterpretation rather than in synthesizing a large pre-existing capability-based literature. Fourth, many of the reviewed studies are cross-sectional or short-horizon, so the long-term trajectory through which women convert financial access into sustained well-being remains insufficiently understood. For these reasons, future research should move in at least three directions: first, more longitudinal studies are needed to trace the durability of capability expansion over time; second, more comparative studies are needed across regions, microfinance models, and socio-cultural settings; and third, future work should more directly investigate women's own valued functionings, rather than relying mainly on externally selected empowerment indicators. Such research would deepen our understanding of not only whether microfinance changes women's lives, but how, for whom, and under what conditions those changes become meaningful and lasting.

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