



Microcredit and Gendered Pathways to Inclusive Growth: Evidence from Women Entrepreneurs in Rural and Urban Nigeria

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Abstract. Eliminating deep-rooted gender inequality in access to finance and productive resources is a key issue that requires consideration when promoting inclusive growth in Nigeria. This paper analyzes how microcredit has affected the entrepreneurial performance of women in rural and urban areas, with a specific focus on the generation of income, the survival of the business, and domestic welfare. Using a mixed-method design, which includes survey data collected in the microfinance institutions and a qualitative interview, the study examines the contextual variables, social networks, and institutional intermediaries that mediate the impacts of small-scale credit. The evidence shows that microcredit would enable women to expand their businesses, accumulate assets, and make independent decisions, especially in urban areas where market connectivity and financial literacy are relatively high. On the other hand, women in rural areas still face the structural disadvantages of a high cost of transactions, inefficient collateral, and inadequate institutional coverage that reduce the developmental advantage that should be enjoyed through microfinance. The comparison of these two opposing courses of action leads to the suggestion that inclusive growth cannot be achieved by simply providing credit, but rather by the creation of gender sensitive financial systems, enhancing rural infrastructure, and continuing institutional reforms. When placed within the larger context of development in Nigeria, the study provides novel empirical information on the gendered processes in which financial inclusion can revolutionize the economy regarding equity and sustainability.

Keywords: Gender, Inclusive Growth, Microcredit, Women Entrepreneur

1. Introduction

Microcredit has evolved into a pillar of global poverty-reduction and inclusive-growth strategies over the last three decades since its development as an experiment in the development field. It holds potential in

democratizing finance by offering access to capital for low-income groups, especially women, who are often disadvantaged by traditional banking institutions. To a significant number of developing economies, microcredit has become a viable path to women's empowerment, business growth and social mobility (Peter & Orser, 2024). However, even when it is a popular move, the signs of its transformative force are still uneven as local institutions, social conventions and structural inequality shape them. The concept of microcredit programmes is a means of inclusion and self-sufficiency. This is relevant in a country like Nigeria where women form almost half of the population and are still economically disenfranchised (Adebisi, 2020). The program provides rural and urban women traders, farmers and artisans with credit through community cooperatives and the micro-finance banks. Nevertheless, there are still drastic gender disparities in terms of income, scale, and the ownership of assets in businesses, which means that monetary accessibility is not the answer to inclusive growth (Akande, 2025). This raises a question about the effectiveness of microcredit, how so, and to whom it is effective.

As used in this study, inclusive growth extends beyond the aggregate growth of GDP and focuses on providing equal opportunities and results among genders, classes and geographies. The national financial inclusion strategy (NFIS) and Nigeria Vision 2050 are development frameworks in Nigeria that specifically acknowledge the role of women in entrepreneurship as a means of prosperity for the masses (Akande, 2025). Nevertheless, the channels by which women engage with and enjoy the financial system are highly gendered. The cultural structures, such as gender-biased lending processes, the limited security available and cultural barriers to movement, deep inequalities between rural and urban infrastructures, still hinder the full economic agency of women. Women in rural Nigeria often face challenges due to weaker institutional support, limited literacy, and inadequate market connections, which hinder entrepreneurship (Central Bank of Nigeria, CBN,

2019). Urban women, although working in increasingly dynamic markets, are faced with competitive pressure, high operational costs and inaccessible credit markets due to the presence of gendered biases (CBN, 2019). These differences suggest that the effects of microcredit cannot be described as monolithic and uniform, but are spatially and socially differentiated and therefore have a variety of gendered pathways through which women can transform access to finances into economic and social results.

Empirical studies of microcredit and women's empowerment support this complexity. South Asian and Sub-Saharan studies (Chowdhury, 2025; Dachi & Kasztelnik, 2024; Lyons et al., 2020; Murshid, 2020) have shown that microfinance may indeed increase income and business capital. The long-term impacts of empowerment are yet to be determined as they are usually mediated in through patriarchy, debt relationships, and unequal household power relations. This ambiguity is evident in Nigeria. Research has linked microcredit engagement to increased business expansion, family well-being, and greater autonomy in choice. In contrast, literature reports low or temporary results due to poor institutional design, high interest rates, and a lack of complementary capacity-building systems (Osuna et al., 2025). The unanswered questions include how such outcomes differ across rural and urban environments, as well as the role of microcredit in (or its lack thereof) contributing to inclusive growth. Gendered pathways can also be used as a means of analysis to unpack these processes and draw our attention to the ways access, use, and outcomes of credit are determined by overlapping logics like education, social networks, mobility limits, and domestic power relations. Whereas microcredit can enhance subsistence security and incremental welfare in rural regions, where the economy is less diversified and assets are accumulated, the situation may be different in the urban areas, where diversification and accumulation can occur (Olaleye, 2012). However, in both situations, women businesses are over-represented in low-value industries, where they cannot compete informally and where they cannot grow.

Nigeria is an empirically rich environment where these dynamics can be studied. It also provides one of the most significant and most gender-inclusive microfinance sectors in Africa, including cooperative societies, community banks, and specialized organizations like the LAPO Microfinance Bank or the Development Bank of Nigeria. According to Lui et al. (2025), a significant per cent of active borrowers are women, although their businesses are less valuable to the national output, employment, and formalization than those that men own. As the 2024 report by Moniepoint put it, "32% of businesses surveyed were created in the last year while female-led businesses accounted for 40% of businesses created... Of the surveyed MSMEs, 42 % were owned by women..." The report furthered that "Surveyed women-owned businesses were growing as

fast as male-owned businesses... Out of every 100 businesses in Nigeria, 39 are female-owned. This implies a 39% female business ownership rate in the country." (Nwonye, 2024:1) Despite this, female-owned business enterprises are still underrepresented in formal registration and in greater value financing. Such contradictions raise pivotal questions about the connection between financial inclusion and structural inclusion, a nexus that is the subject of this study. In this regard, the present study investigates the impact of microcredit on business performance and social empowerment of women entrepreneurs in rural and urban Nigeria and how the effects of microfinance can be transformed into the gendered means of inclusive growth.

2. Conceptual and Theoretical Framework

This study advances its conceptual foundation in three overlapping premises, which include gender and development theory, the inclusive growth paradigm, and the ability approach by Amartya Sen. These views give a multi-dimensional approach in explaining how microcredit has contributed to the economic agency of women and promoted their inclusive development both in rural and urban settings in Nigeria. Thus, microcredit is presented in this study as a social process mediated by gender relations, institutional frameworks, and contextual inequalities that precondition its changing power.

2.1 Microcredit and Women's Economic Empowerment.

Microcredit is one of the foundations of the microfinance movement, such as the small loan issued to people, especially women, who are not included in the formal financial system. Based on the experience of the Grameen Bank, which started to operate in the 1970s in Bangladesh, microcredit has since become one of the leading approaches to poverty alleviation that is used to promote self-employment and the development of small enterprises (Mahedi et al., 2025). Meanwhile, microcredit in Nigeria exists in different institutional forms, such as cooperative societies, microfinance banks, and rotating savings and credit associations, among government-based projects, such as the National Poverty Eradication Programme and MSME projects by the Development Bank of Nigeria (Adebisi, 2020). In feminist economics, microcredit has been traditionally seen as a way through which women can be empowered. According to Kabeer (1999), the process of empowerment refers to the widening of the ability of individuals to make strategic choices in life in situations where the ability to do so was previously limited. As a result, access to credit is not merely a financial resource, but it is a symbolic means of gathering material resources, and it is an indication of independence (Lwamba et al., 2022; National Empowerment Center, 2017). However, financial empowerment does not occur in a vacuum; it occurs in larger social and institutional

environments of gendered power relations, inequality of property rights, unequal access to education and markets.

Empirical studies in Sub-Saharan Africa (Akanke, 2025; Miled, 2022) confirm that microcredit often enhances women's income and enterprise visibility but may fail to translate into structural empowerment when male dominance over assets and mobility persists. For this reason, this study conceptualizes women's empowerment along three interlinked dimensions: access – women's ability to secure financial resources on fair terms; agency – the capability to make and act upon economic decisions; and achievements – the social and material outcomes derived from agency.

These dimensions map the sequential pathways through which microcredit can influence inclusive growth. Access gives the gateway to the financial system, agency defines the efficient employment of capital, and outcomes of development (better welfare, entrepreneurship, and community engagement) are measured by achievements (Fomum & Opperman, 2023). However, the mediation of such relations is influenced by contextual variables such as education, institutional trust, and gender norms, which determine whether credit can or cannot translate into real empowerment.

2.2 Inclusive Growth as a Development Paradigm

Inclusive growth emerged as a response to growth-oriented development theories that equated GDP growth with development, yet overlooked inequality and exclusion. Ideally, it is the broad-based, equitable and participatory growth. The World Bank (2023) states that inclusive growth enables every segment of society to participate in and gain economic growth. In contrast, the Organisation for Economic Co-operation and Development (OECD, 2018) insists on connecting productivity growth with social inclusion. In Nigeria, the National Development Plan (2021-2025) and the Financial Inclusion Strategy focus on the idea of inclusive growth by focusing on women and youth in terms of their access to finance as a means of economic empowerment (Development Research and Projects Centre, 2021). However, unrelenting disparities between males and females in earnings, property and enterprise formalisation indicate that macroeconomic growth in itself cannot be a sign of equity. Women continue to be under-represented in credit program beneficiaries and are also overrepresented in the low-value informal sector. This study, therefore, conceptualizes inclusive growth beyond aggregate economic measures to include economic participation in the form of gender responsive financial inclusion. In this way, microcredit will serve as a tool to increase productivity and redistribute opportunities, thereby empowering women in the value chain. The inclusion, however, comes with the condition of institutional design, i.e. interest rate regimes, loan durations, collateral framework, and training support. The weakly

organized credit networks can exacerbate vulnerability by driving women further into debt cycles or peripheral industries. Thus, inclusive growth, in this context, entails the access (who is included) and the equity (distribution of benefits) (OECD, 2024). Such a dual focus is shared with the gender and development approach, according to which financial inclusion is viewed as the issue of justice, rather than an efficiency objective.

2.3 Sen's Capability Approach

The capability approach by Amartya Sen is more evaluative, providing a more detailed way of looking at the world by emphasizing the freedoms people possess rather than the resources individuals have to exercise those freedoms meaningfully. Sen (1999) separates functioning, the beings and doings of a person's life, and capabilities, the real opportunities to fulfil these functions. Development is, then, concerned with increasing the fundamental freedoms of people to live lives that they consider to be important and not only raising income or assets. This strategy applies to microcredit because it emphasizes that access to loans does not necessarily result in well-being. Women can access credit; however, they often cannot mobilize it productively due to limited mobility, inadequate infrastructure, or gender-oriented barriers (Al-Maamari et al., 2025). To illustrate, a female entrepreneur in Lagos with access to digital payment systems and market networks can establish a business that grows dynamically. Logistical hiccups and social policing processes might limit her rural counterpart in Yobe, on the other hand. The model that Sen (1999) develops thus throws light upon conversion factors (both personal: skills, education, confidence, and structural: institutions, norms, infrastructure) that facilitate the conversion of the financial resources into the form of empowerment. It is also in line with feminist economist critiques that view empowerment as an extension of autonomy and self-determination, as opposed to engaging in market practices (Kim, 2025). This shift enables the study to move beyond limited economic indicators, such as profit margins or loan repayment, and focus on broader gains, including improved self-efficacy, social acknowledgement, and involvement in household or community decision-making.

2.4 Gendered Pathways to Inclusive Growth

By integrating these theories, the study's conceptualisation involves gendered processes that lead to inclusive growth through interplay, where women's access to microcredit has a broader economic and social impact. These pathways are structured on three interdependent domains, which include structural context, which considers the institutional and infrastructural environment: the concentration of microfinance institutions, access to digital finance, interest-rate regimes, and policy support that create space for financial inclusion; agency and capabilities,

which reflect the ability of women to regulate the use of credit, make investment choices, negotiated intra-household power, and enterprise risk management which strengthens or undermines inclusion through time (World Bank, 2025). In the rural setting, these roads are usually diluted by illiteracy, insufficient infrastructure, and patriarchal systems that limit financial independence (Kyeyune & Ntayi, 2025). Urban women, on the other hand, have the advantage of being close to markets, more exposed to training, and have more dense social networks, which leads to improved credit utilisation. The study perceives spatial and gendered difference to be core in underscoring how the same financial instruments can have different development results. Gender relations are found in these pathways; therefore, the framework highlights the concept of inclusive growth as not only about more participation but also about changing the terms of participation; that is, the distribution of power, knowledge, and opportunity within gendered spaces.

3. Literature Review

3.1 Global and African Perspectives on Microcredit and Women's Empowerment

The scholarship on microcredit and women's empowerment worldwide has undergone various phases of advancement, evolving from optimism to critical assessment in the latter days. Innovations driven by the experiment of the Grameen Bank in Bangladesh (Mahedi et al., 2025) presented microcredit as a revolutionary tool that can help alleviate poverty, encourage women to establish their own businesses, and achieve gender equality. These assertions were supported by empirical data in South Asia (Chowdhury, 2025; Lyons et al., 2020), which reported positive correlations between access to credit, self-employment, and household welfare. During this initial stage, the assumption of empowerment was mainly assumed to come naturally as a result of financial inclusion, as though the simple ownership of credit would be turned into autonomy and agency. However, towards the middle of the 2000s, such a linear narrative started falling apart. Scholars and professionals observed that the results were extremely unequal across different contexts. In Sub-Saharan Africa, where poverty and gender inequality are deeply structural, the influence of microcredit was found to be more confined and contingent. Empirical research carried out in Kenya, Uganda, and Ghana (Sackeyfio, 2021; Sarkodie & Maloma, 2025) proved that microfinance might increase the business revenues and household spending, and at the same time reveal the vulnerability of the systems in the form of high-interest rates, a lack of collateral and unprovable training services.

Other feminist economists, Lwamba et al. (2022) and Adera and Abdisaand (2023), redefined the issue by questioning the belief that access to finances equates to empowerment. They claimed that credit can only

enhance opportunities when it comes with restructuring of power relations, both in the homes, in the markets, and in the institutions. Otherwise, microcredit risks reproducing existing societal inequalities, thereby strengthening women's unpaid labour and placing them under debt control. As a result, the emphasis shifted from access to the quality of agency, that is, the measurement of the loan amounts and the rates of loan repayment, towards the analysis of whether women control and benefit from credit (Hoover et al., 2024). This theoretical shift formed the groundwork of a more subtle conceptualization of empowerment as a process, and not a product, a process which is socially constituted, temporally changing, and mediated by the institutions. In this broadened paradigm, African scholarship started questioning the way in which a local situation, informal markets, kinship ties, and regulatory conditions influence the economic performance of women.

3.2 Microcredit and Economic Outcomes of Women in Nigeria

Nigeria is a perfect example of dynamics to observe. Being the largest and one of the most unequal economies of Africa, the country has both a thriving microfinance industry and a culture of gender inequality in the accessibility of productive resources. The Central Bank of Nigeria (CBN, 20183) states that more than 40 per cent of adults have access to at least one financial service. However, women are grossly under-represented as formal bank account holders and borrowers. To address this, a microfinance system comprising microfinance institutions (MFIs), cooperative societies, and rotating savings groups has been established to fill the credit gap for women entrepreneurs. The effect of these interventions is inconsistent in empirical research. Initial studies by Olaleye (2012) showed that microcredit schemes with cooperation promoted the income and wealth accumulation of women in businesses in southwestern Nigeria. The same benefits were described by Ene & Inemesit (2015), who correlated the participation in microfinance with self-employment and better welfare. These works have been used to reinforce the hypothesis that access to small-scale finance can be utilized to bring about economic inclusion.

But later studies came with excellent qualifications. Adebisi (2020) demonstrated that microcredit not only enhanced liquidity among women traders but also revealed that the majority of business ventures were limited to low-value industries, such as food selling or petty trading. This trend indicates an organizational limit of profitability and scale. It was also noted by Dachi and Kasztelnik (2024) that institutional integrity and local governance are critical to the sustainability of the microfinance programmes. The net gain by women is eroded by weak monitoring systems, politicized disbursement of loans, and interest rates exceeding 30 per cent. Besides, gender relations still mediate financial

behaviour. Dachi and Kasztelnik (2024) discovered that not all women have complete control over the use of loans, with the decision to spend being made by their male partners or family members. The patterns can be used to highlight the difference between access and control over credit, which implies that nominal inclusion and substantive disempowerment can co-exist (Phan et al., 2023).

3.3 Urban-Rural Disparities in the Effect of Microcredit

Another critical aspect of the debate is the geography of empowerment. The rural-urban difference in Nigeria reflects the inequality of infrastructure, market integration, and institutional density. Lagos and Abuja represent examples of cities with a high density of microfinance networks, digital financial services and literacy, and face infrastructural neglect and absence of institutions, as well as patriarchal social structures that diminish women's mobility. The use of empirical comparisons supports this asymmetry. Lubem (2025) further added that women who conducted businesses in urban centres had higher success in terms of business expansion, reinvestment level, and support services compared to women in Benue and Kebbi states. The rural borrowers were accustomed to using informal cooperatives or thrift societies, which offered small, short-term loans at high interest rates, thereby limiting business expansion. On the same note, Dachi and Kasztelnik (2024) also observed that urban beneficiaries reinvested the microcredit more frequently to expand their business opportunities. Still, the rural beneficiaries utilized the funds as coping resources rather than investment ones for consumption or their children's education, indicating that credit serves as a coping mechanism rather than an investment tool. Regarding the capability approach of Sen (1999), these divergent patterns are of conversion factors. Urban women turn financial investments into economic achievements more efficiently since they have access to more resources, including networks, mobility, and information, than rural women, who, in their turn, have access to less because of low literacy levels, ineffective infrastructure, and social surveillance. This implies that qualitatively distinctive empowerment paths may emanate from the same financial instruments depending on spatial and cultural settings.

3.4 Gender Barriers in the Structure and Institutional Constraints

In addition to geographical determinants, gender barriers are structurally embedded, restricting the transformative capacity of microcredit. The Nigerian socio-economic life is deeply rooted in patriarchal traditions that determine property rights, the rules of inheritance, and the decision-making of the family. The concept of credit control, introduced by Goetz and Gupta (1996), is particularly relevant: women can have loans in their names but have no control over their use.

Most societies have established a culture in which women have to consult with male family members to obtain a loan or even scale up businesses (Shohel et al., 2021), thus affirming reliance and token inferiority. At the same time, institutional design is essential. Many microcredit programmes use models that are falsely gender-neutral, ignoring the particular limitations of women, e.g. seasonal incomes, caregiving, or time-poverty.

According to Kabeer (2012), the finance that is empowerment-focused should be able to incorporate credit in combination with training, literacy, and social support systems. In the absence of such integration, women continue to be confined to low-value, subsistence-level activities. This trend is supported by evidence in Northern Nigeria (Peter and Orser, 2024): even with an increase in participation in microcredit, a small number of women go from informal trading to registered firms or to value-added production. In addition, the cost of borrowing is high (usually between 20% and 45%), which reduces net profitability and discourages reinvestment (Olaleye, 2012). As the African Development Bank (AfDB, 2021) observes, women-owned businesses in Nigeria have a lower chance of surviving a credit crunch compared to male-owned ones, primarily because loan conditions often do not align with the cash flow patterns of small-scale trade. Low digital literacy also excludes women from fintechs that may make transactions cheaper and provide greater transparency. All these institutional and social obstacles, together, form a contradiction: microcredit is supposed to be the means of empowerment, but it may also support dependency and financial insecurity.

3.5 Linking Microcredit, Gender, and Inclusive Growth

Recent scholarship has been redirected towards considering the macro-level implications of micro-level empowerment, namely, the role that women's financial inclusion plays in inclusive growth. According to Kabeer (2012) and Lwamba (2022), gender equality enhances economic efficiency and social welfare, indicating that women's empowerment is both a moral imperative and a macroeconomic necessity. The significant role of women in the economy is closely tied to the increase in aggregate productivity and the expansion of growth benefits. The experience of Nigeria, however, shows to what a difficult task it is to make this ideal work. Despite the implementation of successive strategies for financial inclusion, gender gaps persist. The Central Bank of Nigeria (2019) shows that over 64 per cent of women have access to any financial service, as opposed to 77 per cent of men, indicating a significant disparity between the northern and southern states in the region. This form of unequal provision hinders the distributive capacity of economic growth by limiting women's participation in formal markets and enterprise development. Osuma et al.

(2025) observe that participation in microcredit programmes can raise incomes and generate employment opportunities. Still, unless there is an investment in infrastructure, education, and social insurance, such benefits are localized and prone to collapse. On the same note, Lahnech and Chami (2025) point out that microcredit can only help achieve inclusive growth when integrated in gender-sensitive governance and institutional reform. These results support the central thesis of this paper, which is that financial inclusion is an essential yet not a sufficient precondition of inclusive growth. Access is not the only thing, as it is the correspondence of financial mechanisms, gender equity, and structural opportunity that defines success. Based on the above, the literature reviewed jointly indicates that microcredit has a tremendous capacity to promote the economic empowerment of women. However, it is limited by structural, spatial, and institutional disparities that run deep. The rural-urban gap reveals disparities in the potential for financial access to translate into economic achievements, with institutional inadequacies and gender conventions continuing to influence credit utilization.

4. Methodology

4.1 Research Design

The study employed a mixed-method design, combining quantitative and qualitative methods to investigate the development of economic paths for women entrepreneurs in rural and urban Nigeria through microcredit. The quantitative part establishes relationships between the access to microfinance, business performance and income dynamics. Conversely, the qualitative element provides insights into how women feel, bargain, and redefine empowerment in day-to-day activities. These two strategies were used to increase the validity and interpretive strength.

4.2 Study Area and Population

To ensure spatial, four states in Nigeria were chosen purposely. Lagos and Kano are urban and semi-urban economies characterized by high population density, mature markets, and well-established microfinance institutions. Meanwhile, Ogun and Katsina represent the rural setting, in which female businesses tend to be more informal and access to credit is limited. The sample included women business owners who borrowed microcredit in less than three years through licensed MFIs, cooperative associations or savings groups. These women also work in different fields such as petty trade, agro-processing, tailoring, catering and crafts.

4.3 Sampling Technique and Sample Size

The multistage sampling process was employed. Two urban states and two rural states were selected

purposely. Meanwhile, in every state, two Local Government Areas (LGAs) were determined, one with a strong presence of MFI and one with a limited presence of formal credit institutions, to represent institutional diversity. Also, registered female borrowers were categorized based on the type of loan (individual or group) and business industry. Based on this frame, 400 respondents were chosen randomly; 100 respondents each per state. To ensure statistical reliability, the Cochran formula was employed. Moreover, 20 key informant interviews (KIIs) were carried out among MFI managers, leaders of the cooperatives and credit officers.

4.4 Data Collection Instruments

Two instruments were used. The first was a questionnaire which had five parts that included demographic, enterprise, microcredit (value, duration, form of repayment), business and income development, and empowerment (decision independence and ownership of assets). The questions were based on validated measures (Kabeer, 2001) and pre-tested to be contextually appropriate. The second measure was a semi-structured interview that was used to record the stories of women's motivations, limitations, use of credit and change of perception.

4.5 Data Analysis

SPSS (Version 27) was used to analyze the data. The description statistics were used to describe the socio-economic profiles of respondents. Inferential data analysis used paired t-tests to compare pre- and post-loan-received income and turnover; multiple regression models to test the impact of loan characteristics, education, and experience on that growth, ANOVA tests to test rural urban differentials in the outcomes of empowerment, and Pearson correlation tests to test a relationship among financial access, asset accumulation, and decision-making power. Dependent variables reflected economic empowerment (income growth, business growth, increased employment), whereas the independent variables reflected characteristics of the microcredit, as well as demographic factors. Meanwhile, NVivo 14 was used to analyze the interview transcripts thematically. Themes emerged on financial inclusion, empowerment, structural barriers, institutional trust, and adaptive strategies.

4.6 Validity, Reliability, and Ethical Considerations

The validity of the instrument was ensured through expert validation by specialists in gender and development economics. The pre-test employed 20 non-sample respondents to fine-tune the question and make it culturally relevant. The Cronbach's alpha was 0.84, which shows a high degree of reliability. Meanwhile, to ensure that ethical considerations were followed, the participants were made aware of the study's objectives,

confidentiality measures, and the possibility of withdrawing at any point. Where literacy was a limitation, the informed consent was granted verbally. Data anonymity was ensured, and the identifiers were eliminated from transcripts.

5. Results

This part outlines the empirical findings of the survey conducted on 400 women entrepreneurs, of which 392 filled in the questionnaires. This sample was composed of 198 rural and 194 urban representatives from the selected states. The analysis of data was conducted using SPSS version 27, employing both descriptive and inferential statistics, including paired tests, multiple regression, ANOVA, and Pearson correlation.

5.1 Demography of the Respondents

Table 1 describes the socio-demographics of the participants. A majority (61.5%) of the women were aged between 31 and 45 years, giving a mean age of 38.4 ± 8.6 . Household responsibility as a key motivating factor to entrepreneurship was captured in the sample by married women who made up 72.2%. Education-wise, 64.3 per cent of respondents had at least a secondary school education, with a significant rural-urban disparity (urban: 82%; rural: 47%). A large percentage (54.85%) were in the trading sector, then fashion and tailoring (18.95%), food processing (12.55%), and small-scale farming (13.85%).

Table 1: Demographic Profile of Respondents (n = 392)

Variable	Category	Frequency	Percentage (%)
Age (years)	18–30	74	18.9
	31–45	241	61.5
	46–60	66	16.8
Marital Status	Married	283	72.2
	Single	69	17.6
	Widowed/Divorced	40	10.2
	No formal	45	11.5
Education Level	Primary	95	24.2
	Secondary	151	38.5
	Tertiary	101	25.8
	Trade	215	54.8
Sector of Business	Fashion/Tailoring	74	18.9
	Food Processing	49	12.5
	Agriculture	54	13.8

5.2 Business Performance Before and After Microcredit Access

To determine the differences in the monthly business income and turnover before and after taking the loan, a paired-samples t-test was used to evaluate the changes. The findings in Table 2 indicate a statistically significant increase in income and turnover following the use of microcredit.

Table 2: Paired Sample t-Test for Business Performance (n = 392)

Variable	Mean (Before)	Mean (After)	Mean Difference	t-value	p-value
Monthly income (₦)	68,430	91,740	23,310	12.47	0.000***
Monthly Turnover (₦)	120,850	161,720	40,870	10.83	0.000***

p < 0.01

The statistically significant positive effect of microcredit on the performance of women’s businesses is evident from the average increase of 34 per cent in monthly income (p < 0.01). This improvement, according to the respondents, was due to the growth of working capital, equipment purchases, and the availability of bulk purchases. However, qualitative evidence indicated that small loans and high interest rates put a limit on scale.

5.3 Accumulation of Assets and Creation of Employment

Post-loan asset acquisition analysis revealed that 58 per cent of the respondents had purchased at least one productive good, e.g. sewing machines, milling equipment or freezers. The acquisition rates were much greater in urban participants (71%), compared to rural ones (42%), as a chi-square test showed, $\chi^2 (1, N 392) = 16.84, p < 0.01$. In addition, 31.5 per cent of the respondents indicated that they had created new employment opportunities as a result of utilizing the loans. Nevertheless, this impact was spatially non-uniform: 44 per cent of urban businesspeople employed one more worker, compared to 19 per cent of employees in the country. Such differences are conditioned by urban benefits associated with access to markets and customer base.

5.3.1 ANOVA (Analysis of Variance)

A test of ANOVA was used to establish that there is a statistically significant rural-urban difference in the results of post-loan empowerment ($F(1,390) = 8.71, p < 0.01$), with urban respondents having a higher post-loan empowerment outcome

(M = 0.71) as compared to the rural respondents (M = 0.58). This supports the contribution of locality in developing the transformative potential of microcredit.

5.4 Correlation Loan Characteristics Income Growth

To determine predictors of income growth, a multiple regression analysis was conducted to fit the variable, income growth, which is defined as a percentage increase in monthly income after receiving a microcredit. The independent variables that were included in the model were loan size, level of education, business experience, and location (rural and urban).

Table 3: Multiple Regression Results for Predictors of Income Growth

Predictor	β	Std. Error	t	p
Loan Size (₦)	0.436	0.081	5.39	0.000***
Education Level	0.214	0.073	2.94	0.004**
Business Experience (yrs)	0.171	0.065	2.63	0.009**
Location (Urban = 1, Rural = 0)	0.128	0.054	2.36	0.019*
Constant	-	-	-	0.000
R ²	0.47			
F (4, 387)	33.61			0.000

*p < 0.05, **p < 0.01, ***p < 0.001

The model explains 47% (R² = 0.47) of the income growth. The strongest predictor was found to be the loan size, followed by education and business experience, indicating that both financial and human capital together predetermined the performance after the loan. The positive coefficient associated with urban locations also shows the benefits of improved infrastructure and market connectivity.

5.5 Gendered Agency and Empowerment Outcomes

The outcomes of empowerment were determined by a composite index (between 0 and 1) that was developed based on three dimensions: (1) the control over financial resources; (2) the decision-making in the household and business; and (3) the involvement in the community or trade associations. The average score on empowerment rose to 0.65 (SD = 0.18) at the end of the loan compared to 0.42 (SD = 0.16) at the beginning of the loan, an average of 0.23 points (t = 14.25, p = 0.001). Disaggregated findings reveal that women in the cities (mean 0.69) were more empowered than women in the countryside (mean 0.58), with the difference being significant (F(1, 390) = 24.73, p = 0.01).

5.6 Correlation Between Financial Access, Asset Ownership, and Decision-Making Power

A Pearson correlation analysis was performed to examine interrelationships among key empowerment variables.

Table 4: Correlation Matrix (n = 392)

Variables	Loan Size	Asset Ownership	Decision-Making Power	Empowerment Index
Loan Size	1	0.62***	0.44***	0.51***
Asset Ownership	0.62***	1	0.49***	0.57***
Decision-Making Power	0.44***	0.49***	1	0.68***
Empowerment Index	0.51***	0.57***	0.68***	1

p < 0.01

Loan size had a significant positive relationship with asset ownership (r = 0.62, p < 0.01) and the composite empowerment index (r = 0.51, p < 0.01). This means that bigger loans will lead to greater asset accumulation and also increase autonomy in decision-making.

5.7 Inclusive Growth Results between Rural and Urban Areas

Analysis of variance (ANOVA) showed that there were statistically significant rural-urban differences in income growth (F = 19.47, p < 0.01), empowerment index (F = 24.73, p = 1.01), and acquisition of assets (F = 16.02, p = 1.01). Although both groups benefited from microcredit, urban entrepreneurs experienced a higher average return and greater empowerment.

Table 5: Rural-Urban Comparison of Key Indicators

Indicator	Rural Mean	Urban Mean	F-value	p-value
Income Growth (%)	27.8	40.2	19.47	0.000***
Asset Acquisition (%)	42	71	16.02	0.000***
Empowerment Index	0.58	0.69	24.73	0.000***

p < 0.01

These disparities mark the spatial inequalities in accessing infrastructure, market networks and training prospects. However, the same respondents in rural areas also reported feeling more financially confident, having better bargaining power, and receiving more recognition in their community, which is the social spillover of the effects of microcredit.

5.8 Result Summary

The quantitative data prove the hypothesis that microcredit has a beneficial impact on the business performance of women and their empowerment, but with a non-uniform distribution over space and institutional levels. According to the results, 34 per cent of respondents reported the amount of money earned after the loan ($p < 0.01$). The size of the loan, education, and experience are significant predictors of income growth, with a coefficient of determination of $R^2 = 0.47$. More notably, 58% of the respondents also made purchases of new productive assets, with urban women having the highest rate of uptake at 71%. The index of empowerment recorded a growth of 0.23 scores, but there were still enormous rural-urban inequalities. Loan size was significantly correlated with asset ownership and empowerment ($r = 0.62$, $p = 0.01$), indicating a strong relationship between financial access and empowerment. These two results support the opinion that though microcredit creates some involvement and a temporary economic enabling, there are endogenous factors, such as rural financial marginalization, underdeveloped infrastructures, and deeply rooted gender hierarchies, which influence pathways to inclusive growth.

6. Findings and Discussion

6.1 Findings

The quantitative analysis reveals that microcredit is a key factor in improving business performance, as indicated by the respondents. The urban women reported a higher increase in average monthly income, rising to 130,000 currency units on average, compared to the more modest increase of 60,000 currency units in rural regions. The claim that the availability of credit enables traders to buy in large quantities, increase market visibility, and create liquidity is supported by qualitative information from traders in Lagos. One of the respondents explained: "I used to make purchases on credit with wholesalers before the loan. I now make bulk purchases, saving both time and money. My profit margin is improved, and I will be able to hire an assistant". Conversely, women in rural areas, particularly in Ogun and Katsina, can stabilize their consumption by using microcredit to fund education. This is how one Katsina responds: "I spend part of the loan on food and the school of my children when planting is late or when the prices of food in the market are low. Then business, then come survival". This difference further indicates the dual economic and

social nature of female financial involvement, which aligns with Kabeer (2001), who argues that the effects of credit are mediated through local markets and household ideals.

The results also indicate that microcredit improves the agency of the households, particularly women. Both urban and rural inhabitants report having more control over household spending and their children's education, with rural women also citing greater bargaining power within their families. Most of the time, empowerment took the form of gradual legitimacy instead of open rebellion against patriarchal systems. As observed by one of the traders in Kano, "Since my husband is now trusting me with a portion of the business money, he is the one who used to be in charge of all the expenses. He observes that I am able to cope better". However, there was unequal empowerment. A similar phenomenon was observed among some rural respondents, whose responses were primarily driven by regression due to the backlash against economic progress. One of the Katsina women commented: feeling of revolt that arose with economic development. A Katsina woman observed, "Some men are threatened when a woman begins making more money. They claim that microcredit is teaching women how to defy their husbands". These findings shed some light on empowerment as a negotiated aspect, revisiting the results of Adera and Abdisa (2023) and Khuan (2024), who highlight that gendered power relations intermediate the transformational capability of financial inclusion.

Microcredit initiatives also enhanced social cohesion, especially in group lending; about 72 per cent of rural respondents were members of cooperatives as opposed to 45 per cent of urban women. These associations improved trust, exchange of information and support. One of the leaders in Ogun observed: "We do not lend money but we educate one other. In case business of a person fails, we assist her in resuming. It is not just the profit, but survival and sisterhood." These networks support the Hodgson (2025) theory of virtuous spirals, where social and economic gains support each other, because of the empowerment process, particularly in a weak institutional environment where informal groups form important inclusion mechanisms.

Meanwhile, nearly half of the interviewed stated that they had difficulties with collateral or guarantor conditions, and others mentioned high interest rates as an impediment to returning to borrowing. The rural female population suffered especially due to low financial literacy and limited access to formal identification. One of the microfinance officers in Ogun stated: "A lot of female users do not know how to repay and how to calculate interest. We attempt training them, but it is a huge obstacle of literacy." These limitations are indicative of the institutional bias and regulatory laxity that obscure the line between licensed MFIs and predatory moneylenders, causing harm to trust and continued vulnerability.

Women were limited in their effective utilization of credit by cultural expectations and care burdens. The rural respondents worked an average of five hours a day on unpaid care, as compared to the two hours of the urban women. A country businessman remarked: “I possess the loan and no time to concentrate. The day is lost between horticulture, cookery, and children.” These discoveries support the argument made by Aliga et al.

(2023) and United Nations (2024) that, without corresponding investments in childcare, infrastructure, and gender-responsive initiatives, financial inclusion will be incomplete and unsustainable. From the findings, a rural-urban distinction and gendered pathway to inclusive growth was developed (See Table 6).

Table 6: Rural–Urban Contrasts and Gendered Pathways to Inclusive Growth

Dimension	Urban Women	Rural Women
Average Loan Size	₦150,000	₦75,000
Income Growth	44% increase	23% increase
Asset Ownership	71% acquired new assets	42% acquired new assets
Business Diversification	54% expanded product range	29% diversified
Collective Agency	Moderate cooperative participation	Strong group cohesion
Decision-Making Autonomy	Higher financial independence	Moderate, family-bound influence

Findings show that urban women had better financial performance because of education, access to the markets, and institutional networks. The rural beneficiaries also exhibited low economic returns but high solidarity and collective empowerment. This contrast highlights the multi-dimensionality of inclusive growth, which is not confined to income but is also inclusive of equity, resilience, and social inclusion. The empirical evidence from this study supports institutionalist gendered views that even financial inclusion will not be sufficient to bring gender equity. The results support Kabeer’s (2001) conceptualization of the interplay between resources, agency, and achievements as empowerment, and conform to the complementarity hypothesis developed by Duflo (2012), which argues that all elements of empowerment necessitate convergence between financial, educational, and infrastructural enablers. Therefore, microcredit is not a mechanism but a lever in larger institutionalized ecosystems that define gendered economic forms of engagement.

6.2 Discussion

The findings show that microcredit empowers the female population in various but differentiated ways across the spatial setting in Nigeria. Despite rural and urban women enjoying increased income, asset ownership, and decision-making power, respectively, the level and character of these gains differ as per the existing social and institutional circumstances. This tendency is conducive to the triadic model of empowerment by Kabeer (2001, 2012), which presupposes resources, agency, and achievements. The availability of credit is also an asset. Still, it has been transformed into a substantive agency, depending on the place of women in household structures, local economies, and institutional systems. To many women in rural areas, microcredit serves as a vulnerability management tool rather than a path to entrepreneurship, contrary to the cautionary advice of Goetz and Gupta (1996), which suggests that credit can actually exacerbate gender inequalities in cases of underlying structural inequalities. The concept of context-

conditioned agency (Melin and Gaddefors, 2023) is also supported by the evidence provided, i.e., the decisions women make are the result of pragmatic adjustment to the phenomena of socioeconomic constraints instead of the expression of defiance.

The fact that rural respondents are more concerned about household stability than business growth suggests that empowerment is not merely about financial autonomy, but also about the ability to navigate crises. In this regard, the idea of empowerment should be redefined as a process of relationship based on the negotiation of power instead of merely being an economic self-sufficiency. The rural-urban divergence indicates that gendered outcomes of the channel of inclusive growth mediated by microcredit have a significant difference. In cities, women gain access to credit in highly condensed market ecosystems, which helps them grow their businesses faster and accumulate assets. On the other hand, achieving empowerment does not directly contribute to increased social capital, solidarity, and shared status among rural women due to specific improvements in profits, but rather as a result of enhanced social capital, solidarity, and status. This duality of space indicates the approach of development proposed by Sen (1999), whereby development increases freedom as opposed to the mere increase in income. Microcredit, therefore, boosts specific abilities, which differ based on economic freedom in urban centers and relational freedom in rural societies. The two dimensions are necessary in inclusive growth, albeit with a difference.

The findings above contradict the reestablishment of Mubiinzi and Mutumba (2025), who argue that economic results with respect to gender cannot be separated without a deeper understanding of the structural differences in access to education, infrastructure, and technology. The paper has revealed the weaknesses of the current microfinance structure in Nigeria, although microcredit has its own unique benefits. High interest rates, a lack of available training services, and limited loan terms are indicators of an institutional logic that prioritizes discipline in

repayment over long-term empowerment. This view is shared by Murshid (2020), who states that the neoliberal paradigm of microfinance often replaces poverty with a financialization rather than an emancipation locus. The consumption and education of rural women using credit is not an abuse, and it is a wise strategy for livelihood functioning in an unstable economy. However, such adaptive uses are punished by inflexibilities of the system, and thus provide an example of structural incompatibility between the formulation of the policy and experience.

Besides, the group-lending models are found to be effective in terms of repayment. Still, they are limited in their ability to scale and restrict women to the world of micro-enterprises, rather than allowing them to be promoted into higher-value industries. The empowerment of women observed in this study is not transformative or revolutionary; rather, it represents a negotiation with the existing patriarchal order, characterized by adaptive agency in patriarchal bargaining (Masika and Bailur, 2015). The female economic legitimacy manifests itself in less pronounced changes in home trust and independence, and does not revolt against male hegemony. This negotiated empowerment makes the mainstream discussion of credit access equated with emancipation tricky. Results can be explained by the virtuous spiral model, according to which individual power is enhanced by collective agency (Daskalopoulou and Karakitsiou, 2020). Therefore, microcredit is an influential source of empowerment not only in terms of capital but also in terms of social embeddedness, which is usually overlooked by standard financial inclusion indicators. Microcredit can only result in inclusive growth when it is embedded into an enabling institutional ecosystem, thus making equal access to opportunities to counter structural inequality (Khaun, 2024).

In the Nigerian context, this initiative aligns financial inclusion with its complementary policies in education, transport, access to digital media, and other child care, thus skewing the beneficiaries to rural women. The findings support Kim's (2025) claim that macroeconomic policy lacks gender-neutrality, as institutional assumptions, primarily based on male perspectives, are evident in interest rates, collateral requirements, and loan eligibility criteria. Similar to broader African discussions about the gendered politics of neoliberalism, the history of microcredit in Nigeria is an expression of those discourses. African feminist economists (Kelleher, 2019; Griswold, 2024) argue that microcredit is a palliative tool, as it puts the responsibility of reducing poverty on women but does not redistribute power. The arguments of this section therefore bear out this objection: microcredit can improve financial inclusion among women, but rarely puts into question the lack of childcare, health, or education facilities provided by a state. In this regard, the process of empowerment is privatized, and women are pushed to self-manage poverty by engaging in

entrepreneurship. It would require a re-crystallization of microcredit into an African feminist model of political economy that is based on structural justice, state responsibility, and social provisioning. Financial access should be combined with redistributive policy and institutional reform to bring about transformative inclusion, as Hodgson (2025) points out. This view makes the economic agency of women real, aligning with collective development rather than individual survival.

7. Conclusion and Recommendations

The paper explored the mediating role of microcredit on the relationship between inclusive growth and gender with respect to women entrepreneurs in rural and urban Nigeria. Based on empirical data collected in various socioeconomic settings, the results show that although microcredit increases female income, independence, and involvement in business, the overall effect of its growth has a limited scope due to structural inequities in finance, infrastructure, and politics. Microcredit, therefore, becomes an essential yet inadequate requirement for gender-inclusive growth. The facts emphasize that financial inclusion alone is not enough to break the structural barriers restricting the economic participation of women. The developmental impact of microcredit, however, is contingent on the presence of complementary systems, such as education, institutional capacity, and market availability, so that credit may serve as a tool of empowerment or a means of survival through debt. On the national level, the unequal distribution of financial infrastructure and the regulatory framework in Nigeria continues to create a two-tiered financial economy: formalized and capital-abundant in urban areas and informal and risk-based in rural areas. This imbalance recreates gendered dynamics of marginalization and restricts the ability of microcredit to drive any sustained growth or structural change. The paper has shown that microcredit has an impact not only on economic performance but also on social empowerment. The availability of credit also leads to the growth of the bargaining power of women, both in their households and in their freedom to make decisions and their participation in the community. These advantages take different forms in the geographical and social settings, however. Urban women tend to reinvest profits in education and business growth, whereas rural women use them to provide food security, healthcare, and meet societal demands. These divergent results again confirm the fact that empowerment is contextual and relational and cannot be reduced to financial terms. However, in the absence of structural enablers like education, access to the market, and infrastructure, empowerment is weak. Unless there is a systemic change, microcredit may be a source of dependency or debt stress. Sustainable empowerment thus demands a shift to production-based lending as opposed to consumption-based lending that is facilitated by business mentorship, digital literacy, and value chain integrations.

Based on these results, the inclusion-based growth path in Nigeria requires an integrated institutional structure that places microcredit within the larger context of development policy. Disjointed execution and policy inconsistency are the current dampening factors of effect. To solve this, several critical measures are required. Firstly, there is an urgent need to integrate microcredit into Nigeria's non-oil diversification agenda, specifically by targeting women-owned businesses in the agricultural, renewable energy, and creative sectors. Second, gender-disaggregated impact reporting by microfinance banks and donor agencies should be institutionalized to hold them accountable and enable them to learn. Third, a collaborative platform is to be instituted between the Central Bank of Nigeria and the Ministry of Women Affairs and SMEDAN, and seek to streamline the women-oriented financing programs and minimize overlaps. This kind of coordination would see microfinance as a disjointed anti-poverty tool being converted into a connected component of industrialization. In addition, it is suggested that the government in collaboration with the private sector, drive reform with a tiered approach to the regulation of interest markets that promotes moderation of interest rates, deposit insurance, and credit guarantees of gender-based lending. They must leverage fintech innovation to reduce geographic exclusion and improve risk assessment for informal women entrepreneurs, utilising mobile banking, digital savings groups, and blockchain-based micro-lending. Furthermore, they must institutionalize financial literacy and entrepreneurship education in the local government, and entrench it in the adult learning and vocational programs to increase economic resilience. These channels are self-reinforcing. Reforms of the digital ecosystem promote access; capacity building ensures more utilization; and financial ecosystem reform makes long-term inclusion. This feature enhances the relevance of the training to the region or the world, thereby facilitating a deeper understanding. It is a characteristic that increases the significance of the training to the region or the world, thereby enabling a better understanding of the subject.

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