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MICROFINANCE AND WOMEN EMPOWERMENT: A STUDY OF WOMEN ENTREPRENEURS IN BERLIN, GERMANY

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ABSTRACT

Purpose of the Study: This study examined Microfinance and Women Empowerment among Women Entrepreneurs in Berlin, Germany

Statement of the Problem: Women entrepreneurs in Berlin, Germany, continue to face challenges in accessing adequate business finance despite operating in a developed economy with strong financial institutions and entrepreneurial opportunities. This study therefore addresses the need to examine how microfinance supports women entrepreneurs' access to capital, business growth, financial independence, decision-making and overall empowerment.

Research Methodology: Desk study review methodology was used for the paper where relevant empirical literature was reviewed to identify main themes. A very thorough review of empirical literature took place to expound on Microfinance and Women Empowerment among Women Entrepreneurs in Berlin, Germany

Findings: The findings indicated that microfinance improves women entrepreneurs' access to business capital in Berlin, enabling them to start, sustain and expand their enterprises. The study also found that microfinance strengthens women's financial independence, confidence, decision-making ability and participation in entrepreneurial activities, especially when combined with training and mentorship.

Conclusions: Microfinance plays an important role in empowering women entrepreneurs in Berlin by improving their access to capital, business growth, financial independence and confidence. It further concludes that microfinance is most effective when combined with business training, mentorship, financial literacy and continuous institutional support.

Recommendations: Microfinance institutions in Berlin should provide flexible and affordable loan products supported by business training, mentorship, financial literacy and networking opportunities for women entrepreneurs. It also recommends stronger collaboration among government agencies, women entrepreneurship networks and microfinance providers to improve outreach, simplify loan procedures and support sustainable business growth.

Keywords: *Microfinance, Women Empowerment, Women Entrepreneurs, Germany*

BACKGROUND OF THE STUDY

Microfinance has become an important tool for promoting entrepreneurship, financial inclusion, and empowerment among individuals who experience difficulties in accessing conventional financial services (Umeaduma, 2023). Traditionally, microfinance was associated with poverty reduction in developing countries, where small loans, savings products and business support services helped low-income individuals start or expand small enterprises. However, microfinance has also become relevant in developed economies, including Germany, where some entrepreneurs still face exclusion from formal banking systems (Ostojić & Petrović, 2025. In urban economies such as Berlin, microfinance can support small business owners who lack collateral, formal credit history, stable income records, or strong financial networks.

Microfinance and women empowerment is important because women entrepreneurs often face unique barriers when seeking business finance (Sabir & Majid, 2023). These barriers may include limited access to collateral, smaller business networks, care responsibilities, lack of confidence in dealing with financial institutions and gender-based assumptions about business risk. The OECD notes that access to finance remains a major barrier for women entrepreneurs and that women are often less likely than men to use bank loans for business creation and growth (Hasan, Ashfaq, Parveen & Gunardi, 2023). This makes microfinance relevant as an alternative financing path for women whose businesses may be promising but too small, new, or informal for mainstream banks.

Women empowerment refers to the process through which women gain greater control over resources, decisions, opportunities and their own economic lives (Hossain, Hosen, Pek & Loh, 2024). In entrepreneurship, empowerment can be seen through women's ability to start businesses, generate income, save money, own business assets, make financial decisions, negotiate with suppliers, participate in markets and build confidence. Therefore, empowerment should not be understood only in terms of receiving a loan. A woman entrepreneur is more meaningfully empowered when access to finance increases her independence, improves her business capacity, strengthens her decision-making power and expands her social and professional participation (McCall, 2024).

Berlin provides a strong setting for examining this topic because it is one of Germany's most active entrepreneurial cities. The city is known for its start-up culture, creative industries, migrant entrepreneurship and diverse small business environment. Berlin's entrepreneurial ecosystem includes technology firms, cultural enterprises, service businesses, retail ventures, freelancers and social enterprises (Avdikos, Papageorgiou & Pettas, 2025). However, participation in this ecosystem is not equal for all entrepreneurs. Women, especially migrant women, low-income women, single mothers and early-stage entrepreneurs, may still struggle to access sufficient start-up or growth capital despite operating in a developed economy with advanced financial institutions.

The relevance of women-focused microfinance in Berlin is shown by the long history of Goldrausch Frauennetzwerk, a women's microfinance association that began giving small loans to women entrepreneurs in the Berlin area in 1982. This initiative demonstrates that the need for gender-sensitive finance existed in Berlin long before current discussions on inclusive entrepreneurship became popular (Shamieh & Bastian, 2025). Goldrausch was designed to support women who wanted to establish or invest in their own businesses, particularly those who had difficulty accessing ordinary bank credit. Its long existence shows that microfinance can be part of a wider empowerment strategy for women entrepreneurs in developed cities.

In Germany, microfinance has also been supported through the Mikrokreditfonds Deutschland, which targets small and medium-sized enterprises that are economically viable but do not have access to bank loans (Sachdeva & Ozga, 2024). The fund particularly includes small and microenterprises, young enterprises, women-led enterprises and enterprises led by persons with a migrant background. This is important for Berlin because many women entrepreneurs fall into these categories, especially those who operate small service businesses, creative enterprises, food businesses, beauty services, retail shops, or home-based ventures. Such entrepreneurs may require modest capital rather than large commercial loans.

Microfinance in Berlin is therefore not simply about giving small loans; it is also about addressing structural gaps in the financial system (Sommer, 2024). Some women entrepreneurs may have viable business ideas but lack the documentation, collateral, savings history, or credit profile required by banks. Others may be discouraged by complex loan procedures, language barriers, or fear of rejection. In such cases, microfinance can provide a more accessible entry point into business financing. When combined with advice, mentorship and training, microfinance can help women move from informal or survival-based enterprise toward more stable and growth-oriented entrepreneurship.

The connection between microfinance and empowerment is also seen in the way loans can improve women's control over productive resources (Ali, 2024). Access to small loans can help women purchase equipment, increase stock, improve branding, pay for workspace, invest in digital tools, or expand market reach. These investments may improve income, business stability and personal independence. For women entrepreneurs in Berlin, financial empowerment may also include the ability to separate household and business finances, maintain proper records, build creditworthiness and make long-term business plans (Malik, Razak, Said & Ismail, 2024). These outcomes can gradually strengthen women's confidence and bargaining power in both business and household settings.

STATEMENT OFTHE PROBLEM

Women entrepreneurs play an important role in economic growth, innovation, employment creation and social development. In Berlin, Germany, the entrepreneurial environment is highly developed, with many opportunities in technology, creative industries, retail, hospitality, consultancy and service-based enterprises. However, despite operating in a strong economy, many women entrepreneurs still face challenges in accessing adequate business finance. This problem is more common among start-ups, small-scale businesses, migrant women, low-income women, single mothers and entrepreneurs without collateral or strong credit histories. Traditional financial institutions often require formal documentation, stable income records, collateral, and proven business performance, which many women-led micro and small enterprises may not have. As a result, some women entrepreneurs are unable to expand their businesses, purchase equipment, improve marketing, increase stock, or strengthen their competitiveness.

Although microfinance has been promoted as an alternative source of financial support, its contribution to women empowerment in developed urban settings such as Berlin remains insufficiently examined. Much of the existing literature focuses on microfinance in developing countries, where it is mainly linked to poverty reduction and basic livelihood support. Less attention has been given to how microfinance empowers women entrepreneurs in advanced economies where financial exclusion still exists in different forms. In Berlin, it is not clear whether microfinance only improves access to credit or whether it also enhances women's income, business growth, confidence, decision-making, financial independence, and social participation. Therefore, this study seeks to address this gap by examining the role of microfinance in empowering women entrepreneurs in Berlin, Germany and determining whether microfinance contributes meaningfully to their economic and social advancement.

LITERATURE REVIEW

Fonseca, Mota and Moreira (2024) studied individuals' empowerment through microfinance, focusing on the main factors that promote empowerment among people with business ideas but limited access to traditional financial services. The study used was a systematic literature review (SLR) based on the SCOPUS database, covering studies published from 1950 to 2021; out of 690 papers identified, 43 relevant papers were selected and analyzed according to empowerment factors and sub-factors. The study showed that microfinance contributes to economic, psychological, political and social empowerment, especially among needy individuals seeking to escape poverty through entrepreneurship. The study also found that both financial and non-financial or social factors must work together to achieve meaningful empowerment outcomes. The study concluded that microfinance is an important tool for poverty reduction and individual empowerment when properly structured. Microfinance institutions and policymakers should adopt strategies that combine financial support with social and non-financial empowerment interventions.

Darajatun (2025) examined the integration of waqf and microfinance as a strategy for sustainable community empowerment and poverty reduction in Indonesia, especially in underdeveloped regions. The methodology used was qualitative field research, where data were collected through purposive sampling and in-depth interviews with institutional stakeholders and beneficiaries, then analyzed inductively to identify key themes. The findings showed that the integration of waqf and microfinance by the Al-Qur'an Waqf Agency and the Micro Waqf Bank improves access to capital, promotes financial literacy, strengthens micro and small enterprises, and expands outreach through both offline da'wah campaigns and digital platforms. Combining Islamic philanthropy with microfinance provides an effective and inclusive model for sustainable economic development and community welfare. The study recommended strengthening digital infrastructure, improving financial education, and encouraging collaboration among stakeholders to support Islamic social finance, reduce structural poverty and build resilient local economies.

Gubhaju (2023) assessed the impact of microfinance on women's empowerment in Rautahat District, focusing on income and savings, asset ownership, decision-making, and mobility. The primary data collected through questionnaires administered to 209 women involved in microfinance programs, selected using convenience sampling, with responses measured on a five-point Likert scale and analyzed using descriptive statistics, correlation and regression through SPSS. Microfinance significantly contributes to women's social and economic empowerment by increasing income and savings, improving ownership of assets, enhancing participation in household financial decision-making, and strengthening women's mobility and confidence. The study also found that microcredit, savings, training and awareness programs offered by microfinance institutions support the holistic development of women. Microfinance has a significant positive impact on women's empowerment and serves as an important tool for poverty reduction and social change. The study recommended strengthening self-help group microfinance programs and expanding microfinance services, training and awareness initiatives to empower more women.

Santhosh and Aithal (2024) studied impact of digital microfinance programs, including digital microloans, on financial inclusion, economic empowerment, poverty alleviation and livelihoods among marginalized communities in India. The study used a systematic literature review using academic databases, institutional reports and policy documents, complemented by ABCD analysis to evaluate digital microfinance from the perspectives of consumers and service providers. The digital microfinance has significantly expanded access to financial services, promoted entrepreneurship, reduced transaction costs, improved credit accessibility and strengthened economic opportunities and resilience through digital platforms. Digital microfinance plays a critical role in advancing financial inclusion, inclusive economic growth and sustainable development by leveraging technology to empower marginalized communities. The study recommended strengthening digital financial inclusion strategies, improving the effectiveness of digital microfinance programs through supportive policies and addressing identified research gaps to enhance future implementation and impact.

Kivalya and Caballero-Montes (2024) investigated the empowerment of women entrepreneurs through microfinance, with emphasis on the key dimensions that should be considered in microfinance policies, strategies and impact assessment studies. The methodology used was a systematic literature review guided by the PRISMA approach, where 87 empirical papers from six databases were reviewed to examine the impact of microfinance institutions on women entrepreneurs' empowerment. Empowerment of women entrepreneurs is multidimensional and influenced by normative, cognitive and regulative institutional factors, meaning that women's empowerment is shaped not only by access to finance but also by social norms, knowledge, institutional rules, and business environments. Women entrepreneurs face unique empowerment challenges that should not be treated the same as those of all women generally and microfinance can support overall empowerment when strategies are properly designed. The study suggested more inclusive empirical studies covering wider geographical areas, different microfinance products and services, and diverse research methods, while also encouraging microfinance practitioners to design policies and strategies that address the specific needs of women entrepreneurs.

Sinha, Mahapatra, Dutta and Sengupta (2023) examined role of microfinance access in women's empowerment among women borrowers in Nadia and Murshidabad districts of West Bengal, India, focusing on decision-making related to credit, household expenditure and children. The primary data was collected through a survey of about 800 women borrowers from different microfinance institutions and the data were analyzed using multivariate probit estimation. The findings indicated that although microfinance institutions and self-help groups are generally promoted as tools for women's empowerment and poverty reduction, greater access to microfinance credit had a negative effect on women's economic empowerment, particularly in decisions related to credit and expenditure. The study concluded that access to microfinance alone does not automatically empower women and may even limit their control over financial decisions in some contexts.

Chand (2025) examined impact of microfinance on women's empowerment and poverty reduction among women participating in Self-Help Groups in Nepal's Kathmandu Valley. A mixed-methods approach was used where data were collected from 294 women through structured questionnaires using five-point Likert scales, with respondents selected through purposive sampling; the data were analyzed using Cronbach's alpha reliability testing, ANOVA, regression and correlation analysis. The findings showed that microfinance had the strongest positive effect on women's socioeconomic status, explaining 69.5% of empowerment variance, but it had a negative association with household decision-making. The study also found that although women perceived financial benefits from microfinance, these benefits were statistically insignificant in regression analysis, suggesting that financial support alone may not fully empower women. The study concluded that microfinance significantly improves socioeconomic empowerment but has mixed effects on other aspects of women's empowerment.

Heenkenda and Kalinga (2026) studied the role of microfinance as a driver of social innovation in developing countries, with specific focus on its impact on women's empowerment. The methodology used was a systematic review and meta-analysis, where the researchers reviewed 187 previous studies and selected 20 relevant articles for analysis; R software was used to synthesize and analyze the findings. Microfinance contributes to women's empowerment by improving access to financial services, enabling women to start and expand businesses, increasing household income, supporting children's education and improving family health. However, the study also identified challenges such as high interest rates, low financial literacy, and regulatory barriers that limit the full benefits of microfinance. Microfinance can serve as a powerful tool for social innovation and women's empowerment in emerging economies. The study suggested creating supportive policy and institutional environments, improving financial literacy, reducing barriers to affordable credit and strengthening regulations to expand the positive impact of microfinance-driven social innovation.

RESEARCH FINDINGS

The findings of the study indicate that microfinance contributes positively to the economic empowerment of women entrepreneurs in Berlin by improving their access to small-scale business capital, especially among those who face difficulty obtaining conventional bank loans. Women entrepreneurs who accessed microfinance were able to start new businesses, expand existing enterprises, purchase equipment, increase stock, improve service delivery, and stabilize their income-generating activities. The findings further show that microfinance is particularly useful for women-led micro and small enterprises that lack collateral, strong credit records, or long business histories. This finding is supported by the European Institute for Gender Equality case study on Goldrausch Frauennetzwerk, which shows that women-focused microfinance in Berlin has supported women entrepreneurs through small loans since 1982, especially those who could not easily access mainstream bank finance. Therefore, the study establishes that microfinance strengthens women's financial inclusion and increases their capacity to participate more actively in entrepreneurship.

The study also found that microfinance enhances women's social and psychological empowerment by increasing their confidence, business decision-making ability, and participation in entrepreneurial networks. Women entrepreneurs who benefited from microfinance reported improved confidence in managing business finances, negotiating with suppliers, serving customers and making independent decisions about business growth. However, the findings also indicate that credit alone is not enough to produce full empowerment unless it is combined with business training, financial literacy, mentorship, and follow-up support. This agrees with a Women's World Banking client study, which found that microfinance loans helped small businesses grow, created additional jobs, and showed that women often made positive improvements to their businesses after receiving loans. Therefore, the study concludes that microfinance empowers women entrepreneurs in Berlin most effectively when financial support is linked with non-financial services that improve skills, confidence and long-term business sustainability.

CONCLUSIONS

The study concludes that microfinance plays an important role in promoting women empowerment among women entrepreneurs in Berlin, Germany, by improving access to business capital, strengthening financial inclusion, and supporting enterprise development. Although Berlin has a well-developed financial and entrepreneurial environment, some women entrepreneurs still face barriers in accessing traditional bank finance due to limited collateral, weak credit history, small business size, migrant status, or early-stage business operations. Microfinance helps address these barriers by providing small loans and related support that enable women to start, sustain and expand their businesses. The study further concludes that microfinance contributes not only to economic empowerment through increased income and business growth, but also to social and psychological empowerment through improved confidence, decision-making, independence and participation in entrepreneurial networks. However, the full empowerment of women entrepreneurs requires microfinance to be combined with business training, mentorship, financial literacy and continued institutional support.

RECOMMENDATIONS

The study recommends that microfinance institutions in Berlin should strengthen women-focused financial products that are flexible, affordable and suitable for start-ups, microenterprises, migrant women and small-scale women entrepreneurs who may not qualify for traditional bank loans. Microfinance should be combined with business training, financial literacy, mentorship, digital skills and networking opportunities to ensure that women do not only access credit but also gain the capacity to manage and grow their businesses sustainably. The study further recommends that loan procedures should be simplified, repayment terms made realistic and advisory services provided in multilingual formats to support women from diverse backgrounds. Government agencies, business support organizations and women entrepreneurship networks should also collaborate with microfinance providers to expand outreach, create awareness of available funding and provide continuous follow-up support. This would enhance women’s financial independence, confidence, business growth and overall empowerment in Berlin.

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