

# **Microfinance for Women and Khawaja Saras in Pakistan: Opportunities and Limitations**

By

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## Abstract

Microfinance is a powerful tool for poverty alleviation and economic development, challenging traditional banking systems and relying on communal power. While previous research primarily focuses on women, microfinance has expanded its reach to marginalized communities like Khawaja Saras in Pakistan. This study aims to explore the impact of microfinance on women and Khawaja Saras in Pakistan through 14 semi-structured interviews and 2 focus groups. My key findings include that microfinance contributes to the lives of women and Khawaja Saras in a limited manner. I argue that marginalized communities of women and Khawaja Sara create resistance and agency, build skill sets and relationships that support their lives through microfinance loans. However, the impact is constrained by personal and structural factors. Personal constraints include lack of qualifications, limited mobility, timing issues, and religious beliefs. Structural constraints encompass social stigma and discrimination against Khawaja Saras and the influence of gender norms and patriarchy on women's lives. I also analyze my internship experience at Yunus Center AIT, a think tank and capacity-building institute focused on microfinance and entrepreneurship and present the case study of Wedu which demonstrates a successful entrepreneurial initiative empowering young female leaders through leadership, mentoring, and funding, to address structural inequalities. I conclude with the recommendation that microfinance institutes adopt a comprehensive approach by providing training, services, and flexible timing and repayment options based on clients' future income. This approach can enhance the effectiveness of microfinance programs in empowering marginalized communities. By addressing personal and structural constraints, microfinance can contribute more significantly to women's and Khawaja Saras' lives, fostering inclusive economic development and challenging gender norms and patriarchy.

**Keywords:** women, Khawaja Saras, microfinance, opportunities, and limitations

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Amina Noureen

02/06/2023

# Declaration

I hereby declare that this thesis is the result of original research; it contains no materials accepted for any other degree in any other institution and no materials previously written and/or published by another person, except where appropriate acknowledgment is made in the form of bibliographical reference.

I further declare that the following word count for this thesis are accurate:

Body of thesis (all chapters excluding notes, references, appendices, etc.): 23,390 words

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Amina  
05/06/2023

Signed: Amina Noureen

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# Chapter 1: Introduction

Entrepreneurs play a vital role as growth engines in socio-economic development, fostering education, economic freedom, and social progress (Nasir, 2019). In recent years, there has been a significant increase in women's participation in micro, small, and medium enterprise sectors, driven by improved education and greater economic opportunities. However, the entrepreneurial prospects for transgender individuals in Pakistan, known as Khawaja Saras, remain limited, as they often find themselves engaged primarily in begging and dancing work, facing multifaceted socio-economic, cultural, financial, and legal challenges (Roomi & Parrott, 2008). This disparity stems from various factors, including social-cultural norms, education, experience, personal circumstances, and financial constraints, all of which influence their growth potential in Pakistan.

Women in Pakistan encounter barriers to social mobility due to prevailing stereotypes, while Khawaja Saras face physical harassment and discrimination due to their non-confirming gender identity. Additionally, both groups encounter challenges in accessing capital to support their entrepreneurial ventures. A lack of access to finance stands out as a significant limitation for their enterprise growth (Niethammer, 2007), hindering their ability to attain independence. Therefore, increasing financial access is crucial in supporting women and Khawaja Saras to expand their services and ventures.

In developing countries, including Pakistan, microfinance institutions bridge this gap by encouraging female entrepreneurs to pursue their aspirations and overcome economic and social challenges. By providing collateral-free loans through simple procedures, microfinance institutions empower women to take control of their financial future (Morrison et al., 2007). Research indicates that credit provided to women entrepreneurs has a transformative impact

on households, benefiting the overall welfare of families and enhancing women's social participation (Pitt and Khandker, 1998).

However, scholars such as Goetz and Gupta argue that microfinance has had limited success in significantly changing the status of women within households, as men often retain control over household incomes and may misuse the loans obtained (Goetz & Gupta, 1996). Consequently, it is imperative to examine whether microfinance truly empowers women, fights poverty, and improves decision-making, assets, and quality of life. Furthermore, understanding the long-term impact of microfinance loans on women and Khawaja Saras, specifically in the context of Pakistan, through a gendered lens is crucial. This study aims to address these critical questions by exploring the opportunities that microfinance loans offer to women and transgender individuals in Pakistan, while also investigating the roadblocks that hinder the effectiveness of microfinance programs for these marginalized groups.

To ensure a comprehensive analysis, this research adopts a triangulation method, combining participant observation, interviews, and focus groups involving women and transgender individuals. There has been comprehensive research on microfinance programs for over several decades in developing countries. However, the current literature predominantly focuses on women, and I extended my focus to minority communities such as Khawaja Saras, contributing further to the literature on microfinance.

My key findings include that microfinance contributes to the lives of women and Khawaja Saras in a limited manner. I argue that marginalized communities of women and Khawaja Saras create resistance and agency, build skill sets and relationships that support their lives through microfinance loans; however, the contribution of microfinance in the lives of women and trans persons is limited because of the personal and structural constraints. Personal constraints are categorized into lack of qualifications, lack of mobility and suitable



timing, and prevalent religious beliefs, particularly about interest on loans. On the other hand, structural constraints consist of social stigma and discrimination against Khawaja Saras and gender norms and patriarchy limiting women's life.

My interest in learning about microfinance developed in 2017 when I met fellows from Yunus Center AIT (YCA) in my first year of university in Thailand and learned about the work of Dr. Yunus through his books. Later, I worked with YCA as a volunteer while I was pursuing my bachelor's in Social Entrepreneurship in Thailand. During my involvement with a conference organization, I had the opportunity to meet Dr. Yunus and feel the passion of his work. Later, I also supported YCA in marketing and outreach for the Yunus Professional Master's in Social Business at Asian Institute of Technology. All this inspired me to choose microfinance as a topic for my master's thesis. As I have explored this, I am enlightened about its potential and ecosystem needs for it to work best.

## **1.1 Roadmap**

This thesis consists of 8 chapters. The first chapter provides an overview of the research topic, highlighting the significance of studying microfinance in relation to women and Khawaja Saras in Pakistan. It sets the context for the subsequent chapters and presents the research questions that will guide the study. The theoretical framework in the second chapter explores the intersection of gender, empowerment, and development by examining three key theoretical concepts. The first concept, inspired by Audre Lorde, emphasizes that using the same tools as the dominant power structures will not lead to true dismantling of those structures. The second concept, influenced by Judith Butler and Saba Mahmood, views agency as both a desire and a capacity to act, shaped by existing norms, culture, and practices within a given context. The third concept, proposed by Deniz Kandiyoti, focuses on women navigating patriarchal systems and bargaining for power within those systems. These

theoretical perspectives provide a framework for analyzing the complex narratives and debates surrounding gender, empowerment, and development in academic discourse.

Third chapter provides a comprehensive review of the existing literature on microfinance and its impact on women and transgender individuals. It examines the opportunities for poverty alleviation and women's empowerment, as well as the limitations and challenges arising from internal conflicts and structural barriers. Next, the methodology chapter outlines the research approach and design employed in this study. It discusses the use of decolonial writing as a framework and presents the research methods used, including participant observation, interviews, and focus groups. Additionally, the researcher's positionality in conducting the study is acknowledged.

Chapter five, six and seven are the analytical chapters of the thesis. Chapter five explores the specific ways in which microfinance impacts the lives of women and Khawaja Saras. It examines their agency and decision-making abilities, the development of their skill sets, and the relationships they form within the microfinance context. Chapter six focuses on the challenges and constraints faced by women and Khawaja Saras in accessing and benefiting from microfinance; this chapter delves into both personal and social limitations. It discusses factors such as limited qualifications, lack of mobility, religious beliefs, and suitable timing, as well as social stigma, discrimination against Khawaja Saras, gender norms, and patriarchal structures.

In chapter seven, I have analyzed my internship experience at Yunus Center at Asian Institute of Technology (YCA) which is a think tank and a capacity building institute. Even though the system that YCA exists in is still patriarchal and racially biased, the center works to train and equip young people to become potential social Entrepreneurs. A case study of Wedu has been explored that works to empower young leaders through leadership, mentoring

and funding initiatives in order to create a ripple effect and train more people to deal with structural inequalities. The funding initiatives focus on providing finance to women to attend higher education with flexible repayment options.

In the last chapter, I have concluded with recommendations for microfinance institutes to utilize a comprehensive approach, offer training and services and flexible timing and repayment options depending on the future income of their clients.

Overall, this thesis aims to contribute to the understanding of the opportunities and limitations of microfinance for women and Khawaja Saras in Pakistan, shedding light on their experiences and the potential for sustainable change in their lives.

## **1. 2 Context and Background**

Pakistan is situated in South Asia bordering the states of India, Afghanistan, Iran and China. As per 2023 estimate, Pakistan is a developing country with 240 million people based on Worldometer elaboration of the latest United Nations data which is equivalent to 2.83% of the total world population and makes Pakistan the 5th populous country by population in the world (Worldomeeter, 2023). In 2018, the poverty rate in the country was recorded at 39.8 percent. However, as we look ahead to 2023, it is expected to slightly decrease to 37.2 percent. It's important to note that despite this decline, the overall number of individuals living in poverty has increased due to population growth and economic disparity. Specifically, there are nearly 3 million more people living in poverty in the country compared to the figures from 2018 (Global POVEQ PAK, 2023). In addition to concerns about increasing poverty, the region is experiencing instability due to political insecurity, sectarian conflicts, and growing inflationary pressures. During the summer of 2022, Pakistan faced an extraordinary deluge of rain, resulting in severe consequences (Anees, 2022).

Women and Khawaja Saras are among the most vulnerable populations in Pakistan, facing social, economic, and political marginalization. To break this vicious cycle, multiple interventions are developed, and microfinance is one such tool to help women and transgender people build financial strength to peacefully exist in society. It has been widely used in Pakistan to address poverty and economic inequality. However, its impact on women and Khawaja Saras has yet to be fully understood. In comparison to the global market, the microfinance sector in Pakistan exhibits a relatively modest scale, yet it retains a notable degree of significance and influence. As of June 2022, the aggregate gross loan portfolio of microfinance providers in the country grew to PKR 449 billion (USD 2.0 billion) (MicroCapital, 2022). The impact assessment of Pakistan microfinance sector is plagued by a lack of data about microfinance borrower profile and inconsistency in recording of their respective loan profile.

In Pakistan, 12 million women are out of school, and girls are more likely to be out of school than boys due to poverty (Baron & Bend, 2023). Women workforce participation rate is only 20% in Pakistan which is one of the lowest in South Asia (World Bank, 2022). Women are often not given their fair share in inheritance and the right to own property that makes them oftentimes permanently and majorly dependent on their male family members, such as fathers, husbands, brothers, sons, or uncles (Khan, 2015). Low quality education, barriers to mobility and gender norms are the main barriers that keep them from entering and sustaining in the formal workforce. This leads to women also having limited access to financial services; for example, only 8% women have access to formal financial services compared to 20% men in Pakistan (World Bank Report, 2018). Barriers that women's entrepreneurs face in Pakistan are due to gender stereotypes leading to limited social mobility and challenges of accessing capital (Roomi & Parrott, 2008). Due to limited quality education, less access to financial services, little to no personal assets, and permanent

dependence on their male family members, women have been prone to more structural violence, low quality of life, access to resources and opportunities of growth that contributes to their low social status which further influences their financial growth (Hussain & Hameed, 2019). It is a never-ending vicious cycle.

Khawaja Saras are a gender minority that is even more marginalized than women in modern day Pakistan. They are people who are neither male nor female or biologically male but living as females or vice versa; they are individuals who might not often fit into western labels of gender and sexuality (Nanda, 1999). Khawaja Saras have been considered members of third gender in South Asia for more than 3000 years, playing a unique role in the Mughal Empire that remained in power from 16th to 19th century (Zwilling & Sweet, 1996). They were historically known as Khawaja Saras which means ‘Aaqa’ or ‘Sardar’ in Urdu meaning ‘Lord’ or ‘Master’ in English (Sloves, 2022). Ruth Vanita (2012) notes that they were seen as respectful and confident people in the society who were contributing positively to the society for they had important responsibilities in the community, military and royal economy and worked as advisors, landowners, statesmen, and military mediators. They were also dancers and singers in royal courts and temples which was not seen as a bad thing, until the British colonized the subcontinent. Khawaja Saras are not considered binary gender, their sexual relations are considered kind of same sex and "unnatural" sodomy (Gichki, 2020). Therefore, when East India Company colonized the Indian subcontinent in 1857, the British colonial state restricted the dancing and singing practices in the name of public decency by announcing ‘obscene acts and songs’ a crime. In 1860, they added a section 377 into the new Indian Penal Code which criminalized sodomy called ‘Unnatural Offenses’ as the state considered it against ‘the order of nature’ and penalized those who have carnal intercourse. It reads as follows:

Whoever voluntarily has carnal intercourse against the order of nature with any man, woman or animal, shall be punished with imprisonment for life, or with imprisonment of either description for a term which may extend to ten years, and shall also be liable to fine. (The Penal Code, 1860)

The British Colonial state did not stop there, but further inserted them into Criminal Tribes Act 1871 to restrict the mobility and nomadic lifestyle of Khawaja Saras to better manage them and to ensure that they could be surveyed and controlled and could not pass on their inheritance to their disciples. By imposing a binary gender system, which categorized individuals into male and female genders, thereby excluding the Khawaja Saras from social, economic, and political participation (Hinchy, 2019). To survive, they were reduced to sex workers, dancers, singers or beggars from reputed status of administrators, advisors and meditators. Shahnaz Khan (2017) mentions that the British failed to eliminate Khawaja Saras as these people still exist in the society, which I agree with; however, they were successful in damaging the social fabric of society to the extent that people from their own families often decide to reject them.

The current situation of Khawaja Saras in Pakistan is characterized by a complex and multifaceted landscape. While there have been positive developments in terms of recognizing and including Khawaja Saras in society, significant challenges and ongoing debates persist. The Supreme Court of Pakistan played a crucial role in 2009 by issuing a landmark judgment that acknowledged the rights of Khawaja Saras and directed the government to ensure their protection and equal opportunities (Khaki, 2009). Subsequently, in 2018, Pakistan introduced the Transgender Persons (Protection of Rights) Act, which aimed to promote the well-being, protection, and empowerment of transgender individuals. However, despite these legal advancements, Khawaja Saras continue to face discrimination, marginalization, and violence in various aspects of their lives. They encounter obstacles when it comes to accessing education, employment, healthcare, and housing. Discrimination and social stigma

significantly impact their interactions and relationships within society. As a result of limited opportunities and societal prejudices, many Khawaja Saras are compelled to engage in begging, dancing, or sex work.

Debates surrounding the rights and inclusion of Khawaja Saras in Pakistan are ongoing. Advocates argue for greater societal acceptance, improved legal protections, and increased access to education and employment opportunities. Activists and organizations call for comprehensive policies that specifically address the unique needs and challenges faced by Khawaja Saras, encompassing healthcare, social welfare, and legal support. Although the government and civil society organizations have made efforts to address the issues faced by Khawaja Saras, concerns remain regarding the implementation and effectiveness of these policies. There is a pressing need for more robust and inclusive policies that consider the distinctive needs and vulnerabilities of Khawaja Saras, ensuring their equal rights and opportunities are safeguarded. Continued efforts from various stakeholders are required to promote inclusivity, combat discrimination, and enhance the overall well-being and empowerment of Khawaja Saras in Pakistan.

To deal with inequalities and support marginalized communities, particularly women and Khawaja Saras, Microfinance is employed as an intervention. It has been recognized as an important tool for poverty alleviation and economic development in developing countries (Coleman, 2005). It has always been in South Asia in informal ways such as money lending, or ‘Qarz-e-Hasna,’ a loan without interest. However, it was formally introduced in 1978’s drought after the separation of Bangladesh from Pakistan to improve the economic situation of people in rural areas of Bangladesh by social entrepreneurs (Ledgerwood, 1998). During this time, Dr. Muhammad Yunus became the face of microcredit by providing small loans, savings, and other financial services to poor people who did not have access to formal banking services (Coleman, 2005). Martin Ravallion (2016) notices that microfinance has its

roots in the Grameen Bank, which was founded in Bangladesh in the 1970s by Dr. Muhammad Yunus. Dr. Yunus joined the Department of Economics at Chittagong University in 1972, shortly after the country gained independence. It was during his time as a professor of economics that Dr. Yunus became involved in the fieldwork and research that eventually led to the establishment of Grameen Bank and the development of the microcredit concept. His experiences and observations of rural poverty and the struggles faced by the poor in accessing financial services inspired him to create a financial system that would provide small loans to the underserved population, leading to the birth of the microfinance movement. The overall purpose was to lift the community up from poverty and contribute to their social mobility.

The history of microfinance in Pakistan traces back to the early 1970s when the government initiated various programs to alleviate poverty and promote economic development (Muhammad et al, 2012). One of the key milestones in the development of microfinance in the country was the establishment of the National Rural Support Programme (NRSP) in 1991, which aimed to provide financial services to the rural poor (Muhammad, 2010). In the 1990s, non-governmental organizations (NGOs) and microfinance institutions (MFIs) began to emerge and play a significant role in expanding access to financial services for the underserved population. Organizations such as the Kashf Foundation and the Orangi Pilot Project started offering microcredit to women entrepreneurs, recognizing the potential of empowering women through financial inclusion. The microfinance sector in Pakistan gained further momentum in the early 2000s with the advent of the microfinance bank model. The government introduced the Microfinance Ordinance in 2001, paving the way for the establishment of specialized microfinance banks (Siddiqui, 2014). The first microfinance bank, the Khushhali Bank, was established in 2002, followed by other banks such as the Tameer Microfinance Bank and the NRSP Microfinance Bank.



Over the years, the microfinance sector in Pakistan has witnessed substantial growth and diversification. Various financial products and services, including microcredit, microsavings, microinsurance, and remittance services, have been introduced to cater to the diverse needs of the target population (Rauf et al, 2009). The sector has also benefited from policy support and regulatory frameworks that promote financial inclusion and consumer protection. The State Bank of Pakistan, as the central bank, has played a crucial role in regulating and supervising microfinance banks and ensuring the stability and transparency of the sector. The sector in Pakistan also faces challenges such as improper regulations, competition, and limited management capacity. The microfinance sector's growth is primarily driven by a small number of institutions that are not sustainable in terms of operations or finances, which has hindered its growth in recent years and will likely continue to affect its performance unless additional funding is provided (Rauf et al, 2009).

Even though limitation exist, microfinance institutions in Pakistan continue to expand their outreach and impact, particularly targeting women entrepreneurs and marginalized communities such as Khawaja Saras since the sector has demonstrated its potential in contributing to poverty alleviation, women's empowerment, and economic development by providing access to financial services, fostering entrepreneurship, and enabling income generation. Due to increasing poverty levels, microfinance presents opportunities for growth, including economic stimulation, women's empowerment, and expanding microfinance services (Mohammad, 2010).

## Chapter 2: Theoretical Framework

My theoretical framework addresses the gender, empowerment and development narratives and debates within academia through the lens of three theoretical concepts: first, master's tool will never dismantle master's home by Audre Lorde; second, agency as a desire and capacity to act which is shaped by the existing norms, culture and practices and embedded in the context by Judith Butler and Saba Mahmood; and third, women in patriarchal systems bargaining with patriarchy to claim some power for themselves by Deniz Kandiyoti.

### 2.1 Gender and Development: Empowerment Rhetoric

In this section, I discuss Gender and Development rhetoric referring to the language and discourse used in discussions, policies, and initiatives related to gender and development. Key themes in Gender and Development rhetoric often include gender equality, women empowerment, intersectionality, and gender mainstreaming. This empowerment narrative in microfinance refers to the belief that providing access to financial services, particularly microloans, can empower individuals, particularly women, by enabling them to start or expand their businesses, generate income, and improve their socioeconomic status. Proponents of microfinance argue that it can help break the cycle of poverty, enhance women's agency and decision-making power, and contribute to women's empowerment (Mahmood, 2011; Pitt and Khandker, 1998; and Weber & Ahmad, 2014).

However, feminist critiques of the empowerment narrative in microfinance highlight several concerns and limitations. Firstly, feminists argue that the empowerment narrative often focuses on individual-level changes and overlooks the structural and systemic factors that contribute to gender inequality (Yeboah, 2015). For example, it places the burden of empowerment on individual women without addressing broader issues such as unequal power

relations, discriminatory social norms, and limited access to resources and opportunities. Secondly, studies argue that microfinance programs tend to reinforce traditional gender roles and expectations (Isserles, 2003). Women are often targeted as microfinance recipients based on stereotypes that assume they are more reliable borrowers and better at managing small-scale enterprises. This approach may inadvertently reinforce existing gender hierarchies and limit women's choices and opportunities. In this way, it contributes to the reproduction of gender norms. Also, the current idea of empowerment can be problematic for women as it tends to treat them as objects rather than active participants in their own empowerment, thereby overlooking their struggles for liberation (Parmar, 2003). Thirdly, opponents argue that the impact of microfinance on poverty reduction has been overstated. While microfinance can provide short-term financial support, it may not address the structural causes of poverty or result in sustainable, long-term poverty alleviation (Amin et al, 2013). The focus on individual entrepreneurship may divert attention from broader systemic issues that perpetuate poverty and gender inequality. Lastly, there is a lack of social transformation, for example, feminist critiques question the extent to which microfinance programs contribute to broader social change and challenge gender norms and power dynamics. They argue that true empowerment requires addressing deeper-rooted inequalities and engaging in collective action to challenge and transform patriarchal structures and systems.

## **2.2 Master's Tools will Never Dismantle Master's House**

Audre Lorde, a prominent writer, feminist, and civil rights activist, coined the quote "Master's tools will never dismantle master's house" (Lorde, 1979). The essay was originally delivered as a speech at the "Learning from the 60s" conference at New York University in 1979. It has since been published in various collections of Lorde's works, including "Sister Outsider: Essays and Speeches" and "The Penguin Classics Book." Her work critiques the

reliance on existing systems and tools created by those in power for social change and liberation of marginalized communities. Lorde argues that utilizing the tools and methods provided by dominant power structures only perpetuates inequality and reinforces the status quo. Instead, she emphasizes the importance of marginalized groups challenging and dismantling oppressive systems from within, using their own voices, experiences, and alternative approaches. Lorde's work serves as a call to action, urging marginalized communities to create their own tools and frameworks for liberation, rather than depending solely on methods imposed upon them by those in power. It challenges individuals and communities to question and transform the existing systems that sustain inequality, injustice, and discrimination.

In the context of microfinance, which was designed by Dr. Yunus and his colleagues to challenge the capitalist system and reduce poverty, it is important to note that while microfinance is not a tool of the powerful, such as local political powers or colonial powers, since it originated in Bangladesh by Dr. Yunus, it still operates within the system and conditions created by those in power. Consequently, its effectiveness may be diminished. Expanding on Lorde's argument, I propose that tools designed by local people under the conditions of the powerful may achieve success at a lower rate. This is because the underlying systemic and structural issues that perpetuate poverty and discrimination remain unquestioned and unchallenged. In countries like Pakistan, where women and Khawaja Saras face significant social and economic marginalization, relying solely on financial tools like microfinance may not effectively address the root causes of inequality and exclusion. Instead, alternative approaches are needed that challenge the existing power structures and enable women and Khawaja Saras to attain sustainable empowerment and financial inclusion. By integrating principles of social justice, gender equity, and community empowerment into

microfinance programs, this theoretical framework aims to facilitate meaningful transformation and foster social change.

### **2.3 Agency and Bargaining with Patriarchy**

The concept of agency, as developed by scholars like Judith Butler and Saba Mahmood, along with the notion of bargaining with patriarchy, provides valuable insights into how women and Khawaja Saras navigate microfinance as a means to improve their circumstances. Judith Butler, a renowned feminist philosopher, delves into the concept of agency within the framework of gender and identity. Although Butler's work does not specifically address microfinance, her theories can be applied to understand agency in the context of microfinance programs for women and Khawaja Saras. Butler challenges the notion of agency as an individual's fixed and autonomous attribute, instead emphasizing the role of social and cultural forces in shaping one's sense of self and potential for action.

According to Butler, agency is not predetermined or inherent but is continually performed and constructed through social interactions, norms, and discourses. Gender, specifically, is viewed as a performative act, where individuals embody and enact societal expectations and norms associated with their gender identity. Agency emerges through the repetition and reiteration of these performances within specific social contexts. In the context of microfinance programs, agency for women and Khawaja Saras can be understood as their ability to navigate and negotiate the economic, social, and cultural constraints imposed upon them. It involves actively engaging with and challenging gender norms and expectations, redefining their economic roles, and striving for economic empowerment and autonomy within their unique circumstances. Butler's perspective underscores the significance of acknowledging the performative nature of agency and recognizing how societal norms shape and limit gendered identities. It calls for an understanding of agency as an ongoing process of

resistance and subversion, as individuals navigate and challenge the gendered power structures within microfinance programs.

Building on Butler's insights, microfinance programs can facilitate agency for women and Khawaja Saras by creating spaces that challenge traditional gender norms. This entails supporting initiatives that promote economic autonomy and empowerment and providing opportunities for individuals to contest and reshape gendered identities and roles within economic spheres. Recognizing the performative nature of agency, the programs can foster an inclusive and empowering environment that allows for the fluidity and transformation of gender identities and economic practices.

Saba Mahmood, an influential scholar focusing on women's experiences within religious and cultural settings, builds upon Judith Butler's concept of agency. Although Mahmood's work also does not directly address microfinance, her insights can be applied to understanding the agency of women and Khawaja Saras within microfinance programs. Mahmood challenges the conventional understanding of agency as individual autonomy and instead emphasizes that agency is deeply embedded in social and cultural contexts, echoing Butler's argument. According to Mahmood, agency is not solely about personal decision-making or resistance against societal norms; rather, it emerges through the negotiation of social norms, cultural values, and religious beliefs. It is shaped by the intricate interplay between individuals and their social environments, taking into account the constraints and possibilities within these contexts.

In the specific context of microfinance programs for women and Khawaja Saras, agency can be understood as their ability to navigate and make choices within their cultural, social, and economic circumstances. This encompasses their capacity to exercise control over their financial decisions, engage in economic activities, and exert influence within their

communities. However, it is crucial to acknowledge that this agency is not independent of the broader power structures and the constraints imposed by patriarchal systems. Mahmood's perspective emphasizes the need for a nuanced understanding of agency that considers the complex dynamics of culture and religion in shaping women's choices and actions within microfinance programs. It calls for the creation of inclusive spaces that respect and accommodate religious and cultural values, promote collective agency and community participation, and support initiatives that challenge patriarchal norms and structures. By incorporating Mahmood's insights, microfinance programs can facilitate agency for women and Khawaja Saras by acknowledging and engaging with the cultural and religious dimensions that influence their decision-making processes.

Mahmood's perspective underscores the importance of considering the cultural and religious contexts in which women and Khawaja Saras participate in microfinance programs. It emphasizes the need for a nuanced understanding of agency that acknowledges the complex negotiations and possibilities for action within these contexts. The approach encourages recognizing diverse forms of agency, which may involve resistance, adaptation, negotiation, and collective action, rather than solely focusing on individual empowerment. By incorporating Mahmood's insights, microfinance programs can foster agency for women and Khawaja Saras by acknowledging and engaging with the socio-cultural dynamics that influence their decision-making processes. This involves creating spaces that respect and accommodate their religious and cultural values, promoting collective agency and community participation, and supporting initiatives that challenge patriarchal norms and structures.

Similarly, "Bargaining with Patriarchy" by Deniz Kandiyoti is an influential essay that explores the strategies employed by women in patriarchal societies to negotiate their roles and seek limited forms of agency within existing power structures. Kandiyoti argues that women engage in a complex process of bargaining, making strategic compromises and using available

resources to navigate oppressive systems and secure some level of autonomy. Kandiyoti's analysis provides insights into the ways in which marginalized communities negotiate their participation in these programs. Women and Khawaja Saras, facing social and economic marginalization, often find themselves operating within patriarchal systems that limit their agency. Kandiyoti's framework can shed light on the bargaining strategies employed by these individuals as they navigate the opportunities and constraints presented by microfinance.

Drawing on Kandiyoti's work, I argue that women and Khawaja Saras engage in a process of bargaining within microfinance programs as well as their gendered roles and status in the society. They navigate the expectations and norms imposed upon them, strategically leveraging available resources to challenge gender roles and seek economic empowerment. By incorporating Kandiyoti's framework into my analysis, I suggest that microfinance programs intersect with patriarchal systems and provide insights into the ways in which women and Khawaja Saras navigate these contexts. It enhances the complexities and challenges faced by marginalized communities, while also emphasizing the agency and resilience demonstrated by individuals in their pursuit of economic empowerment and autonomy.

To summarize, feminist critiques of the empowerment narrative in microfinance emphasize the need to go beyond individual-level interventions and address the structural and systemic factors that perpetuate gender inequality. They call for a more nuanced and comprehensive approach that challenges existing gender norms, addresses power imbalances, and promotes social transformation alongside economic empowerment. I agree with the debates partially that microfinance is not dealing with structural issues; however, I believe it is a tool that contributes to supporting marginalized communities of women and Khawaja Saras in a limited manner. By providing them with agency in their social context which needs to be acknowledged, no matter how limiting it is. Therefore, I tried to avoid empowerment



rhetoric and, I have consciously chosen a different narrative, for example, microfinance contributing to the lives of women and trans people. However, I could not completely avoid it and I would like to acknowledge it in my theoretical framework.

## **Chapter 3: Literature Review**

In this section, I present the literature on microfinance divided into two categories: opportunities and limitations. The opportunities offered by microfinance are explored first, focusing on the potential benefits for women and Khawaja Saras. The second section reviews literature on the limitations of microfinance.

### **3.1 Opportunities Offered by Microfinance**

Microfinance presents opportunities for growth that can be categorized into two main aspects. Firstly, it plays a crucial role in alleviating poverty by promoting economic betterment. Secondly, it contributes to the empowerment of women and minority groups by fostering their financial and social inclusion in society.

#### **3.1.1 Poverty Alleviation**

Poverty remains a significant global challenge, impacting millions of individuals and communities worldwide. It can be defined in various ways, including a lack of financial means to meet basic human needs such as shelter, clothing, and nutritious food (Doyal & Gough, 2007). Additionally, poverty can manifest as a deprivation of essential human capabilities, exclusion from societal processes due to discrimination and powerlessness (Sen, 1999; Nussbaum, 2000), and a lack of access to fundamental social and economic rights (Nickel, 2005; Shue, 1996). In the fight against poverty, different approaches have been employed, with microfinance emerging as a promising tool for poverty alleviation.

Microfinance contributes to poverty alleviation in several ways, primarily through income generation. It plays a crucial role in rural development and poverty reduction (Pitt and Khandker, 1998). Unlike providing one-time loans for productive assets, which may not lead to sustained income, microfinance offers small loans more frequently. This frequent

availability of small loans enables individuals to meet credit needs for various purposes at shorter intervals, helping them diversify their income and improve their livelihoods when coupled with financial discipline (Vatta and Singh, 2001). Although microfinance may not be the sole instrument for poverty reduction, it serves as a valuable tool to empower the poor in their fight against poverty by providing opportunities for income diversification (Chen, 1992).

Numerous studies have shown the positive impact of microfinance interventions on poverty alleviation. For example, a study conducted in Pakistan analyzed a sample of 384 customers from four microfinance institutes and revealed significant positive effects on education and household expenditure (Noreen, 2011). Similarly, a study conducted in Bangladesh during the 1990s on credit programs found that for every 100-taka lent to a woman, her household's annual expenditure increased, and as many as five percent of clients managed to lift themselves out of poverty (Pitt and Khandker, 1998). Another study was conducted on 300 households from Khushhali Microfinance Bank Limited to investigate the impact of microfinance on poverty reduction in Sargodha, Pakistan (Tasos et al, 2020). The results showed that microfinance plays a crucial role in eradicating poverty, as the poverty level decreased from 42.67% in comparison households to 29.33% in households participating in the microfinance program. The study also found a negative relationship between the provision of microfinance and the poverty level of households. Furthermore, the study utilized a Logistic Regression model to analyze the data. The results indicated that the duration of microfinance, education level, and the presence of a local market had a negative association with poverty. On the other hand, family size and gender of the respondent showed a positive correlation with poverty. The availability of microfinance facilities for the poor has significantly reduced the poverty rate, demonstrating the importance of microfinance in poverty eradication. The study's findings suggest that the duration of microfinance, education,

and the presence of a local market are important factors in reducing poverty, while family size and gender of the respondent can have a negative impact on poverty levels.

While some methodological concerns were raised regarding these studies, subsequent randomized control studies have aimed to provide more conclusive evidence on the poverty-alleviating effects of microfinance. However, it is important to consider concerns regarding potential negative effects on inequality, as some studies suggest that microfinance may contribute to greater inequality, highlighting the need for careful consideration and comprehensive approaches to poverty alleviation.

### **3.1.2 Women Empowerment**

Microfinance institutions play a crucial role in empowering low-income individuals, particularly women, through the provision of small loans that enable them to start and expand their businesses. This financial support is argued to contribute to women's empowerment by fostering financial independence and enhancing their decision-making abilities. Samia Mahmood highlights that microfinance institutions in developing countries bridge the gender gap by encouraging females to pursue entrepreneurial careers, helping them overcome economic and social challenges through collateral-free loans and simplified procedures (Mahmood, 2011). Numerous scholars, including Lakshmanan (2001), Pitt and Khandker (1998), and Weber (2014), have emphasized the significant impact of credit provided to women entrepreneurs on overall household welfare and the enhanced social participation of women.

A study conducted in Ghana on the impact of microfinance on women's empowerment revealed a positive relationship between microfinance and women's economic and social empowerment (Addai, 2017). Furthermore, access to credit and financial services has been shown to enhance women's decision-making power within their households and increase their

participation in economic activities. Asim (2008) conducted a study in Pakistan to assess the impact of microcredit on women's empowerment, specifically in the household decision-making domain. Another study suggested that microcredit interventions play a significant role in empowering women in decision-making, including purchases related to household goods, house repairs, and property transactions, which are traditionally considered male domains in Pakistani society (Muhammad, 2011). Beyond decision-making related to household, microfinance programs also contribute to women's agency in decisions related to their children's education, marriage, and overall well-being, leading to stress release and increased mobility (Adnan, 2015). In a study conducted in the Multan district of Pakistan, a quantitative approach was used to compare the empowerment levels of microfinance loan participants (200 women) and non-participants (100 women). The findings revealed that women who took microfinance loans were more empowered in decision-making, mobility, control over money, income, asset ownership, and property reduction compared to non-participants (Malik, 2020). Although the study methods were questioned and considered biased, subsequent studies applied trial and error methods to demonstrate the effectiveness of microfinance.

Besides, there has been a lack of research examining the impact of microfinance on Khawaja Saras in Pakistan, primarily due to the recent availability of microfinance loans for this marginalized group. However, it is reasonable to assume that microfinance loans have the potential to empower Khawaja Saras, similar to the impact it has had on women. This research aims to address this gap in the existing literature by exploring the effects of microfinance on the economic and social lives of Khawaja Saras in Pakistan.

### **3.2 Limitations of Microfinance**

While there are opportunities, there are also challenges. There are two main themes that emerged as I reviewed the literature for the negative side of microfinance: the internal

conflict and mission drift challenges within microfinance industry, and the challenges of women and trans people to productively utilize microfinance loans due to gender norms and permanent inability of microfinance to resolve structural challenges.

### **3.2.1 Mission Drift in the Microfinance Industry**

The mission drift in the microfinance industry is a complex dilemma that arises from the tension between impact and sustainability. Initially, microfinance was intended to alleviate poverty, but many institutions have shifted their focus towards profit-making (Shylendra, 2006). In Pakistan, for example, microfinance has transformed into a business industry with 10-15 banks operating in the sector, deviating from its original purpose of helping people out of poverty (Zulfiqar, 2014). Critics have raised concerns about credit misuse, the risk of corruption, and the indebtedness of women associated with microfinance (Sulaiman et al., 2012). There have been reports of suicides linked to microfinance loans, with microfinance institutions being blamed for profiting excessively from the vulnerable population (Polgreen and Bajaj, 2010). Dr. Jason Cons and Kasia (2013) argue that romanticized perceptions of poverty and rural life contribute to the flawed implementation of microcredit interventions. Another study in a rural village in Bangladesh highlights how the strategies employed by many microfinance institutions not only fail to address the real-life challenges but also exacerbate the problems they claim to resolve (Bateman, 2010).

The premature expansion of microfinance can result in over-indebtedness among borrowers who lack the necessary financial literacy and business skills to effectively manage their loans. Rahman (2000) examines the experiences of women borrowers in Bangladesh and asserts that the rapid growth of microfinance has trapped many borrowers in a cycle of debt, as they take out new loans to repay old ones. Mersland and Strøm (2010) suggest that microfinance institutions need to strike a careful balance between the interests of different

stakeholders to achieve both social and financial objectives. To address these issues, it is crucial to establish regulatory frameworks and structures that ensure fair and less exploitative practices by microfinance institutions towards the poor (Sane et al., 2013). Implementing mechanisms to enhance microfinance efficiency and efficacy is also essential. By carefully considering the interests of all stakeholders, including borrowers and the broader community, microfinance can effectively navigate the challenges associated with mission drift and maintain its social impact while pursuing sustainability.

### **3.2.2 Patriarchy, gender norms and inequality**

Patriarchy, deeply entrenched gender norms, and pervasive inequality pose significant hurdles to the effective utilization of microfinance loans by women and trans individuals. Despite the promise of microfinance, its impact on transforming the status of women within households has been limited, as men often retain control over household incomes and can potentially misuse the loans obtained (Goetz & Gupta, 1996). Moreover, the physical distance separating borrowers from microfinance institutions, as observed in cases like Colombia, introduces agency costs and challenges in monitoring the true impact of microfinance interventions (Presbitero, 2013). In addition to structural barriers, the lack of adequate training on microfinance for women entrepreneurs acts as a formidable barrier to their ability to make the most of the loans extended to them, particularly in contexts like Pakistan (Mahmood, 2011). This knowledge gap impedes their capacity to navigate financial systems, effectively manage resources, and maximize the potential benefits of microfinance. Furthermore, it is crucial to acknowledge that microfinance, while providing access to credit and financial services, often falls short in addressing the underlying factors that perpetuate poverty (Elahi, 2004).

It is essential to critically examine the efficacy of microfinance interventions. Scholar Jason Hickel (2015) raises concerns about the potential ineffectiveness and even harm caused by microfinance, noting that while it may support specific individuals in certain situations, it may fail to benefit people on average, leaving them caught in a cycle of consumption and dependency on microfinance institutions. Simply focusing on individual empowerment without considering the broader structural and macroeconomic issues that fuel inequality may inadvertently perpetuate systemic barriers (Alsop, 2005). Microfinance, although providing opportunities for women and Khawaja Saras individuals to access credit and financial services, may not adequately address the deep-seated structural inequalities and social barriers they face. To break free from the vicious cycle of precarity, it becomes imperative to confront and dismantle the patriarchal systems, challenge gender norms, and address the systemic factors that contribute to persistent inequality. Only by tackling these complex issues can microfinance truly become a catalyst for transformative change and sustainable empowerment.



## Chapter 4: Methodology

In my research, I adopted an interdisciplinary approach to investigate the impact of microfinance on women and Khawaja Saras in Pakistan. This interdisciplinary approach allowed me to produce a comprehensive and diverse body of work, offering new knowledge, instruments, and perspectives (Aldrich, 2014). Drawing inspiration from Susan Stanford Friedman's concept of traveling between my political and disciplinary home bases (2001), I navigated between Microcredit and Entrepreneurship Studies as my disciplinary home and gender studies/feminist theory as my political home. Within Microcredit and Entrepreneurship Studies, I gained specific knowledge and insights into the role of microfinance in supporting women entrepreneurs. Meanwhile, my political home in gender studies/feminist theory provided me with a framework to critically examine power dynamics, identify social privileges, and recognize individual agency. By traversing between these two perspectives, I was able to explore various facets of microfinance, such as its impact on mobility, decision-making, and poverty alleviation. This combination of feminist and economic theories helped me comprehend the position of women entrepreneurs within the global capitalist economy and the empowering potential of microcredit.

In my thesis project, I incorporated the concept of intersectionality, recognizing its significance within feminist research. Leslie McCall (2005) addresses the limitation of considering gender as a universal category of analysis and highlights how the introduction of intersectionality has contributed to addressing this complex issue. Intersectionality, a term coined by Kimberlé Crenshaw in the 1980s, refers to the interplay between gender, race, and other categories of difference in individuals' lives, social practices, institutional arrangements, cultural ideologies, and the resulting power dynamics (as cited in Davis, 2008, p. 68). Building upon this framework, Kathy Davis emphasizes that intersectionality unveils the

diverse positions occupied by women in everyday life and the power relations that shape these positions (Davis, 2008, p. 70). Thus, I adopted an intersectional approach in my research, aiming to understand the agency of women and recognize their unique challenges rather than relying solely on single-category analysis, which can be limiting. Furthermore, I specifically examined the intersecting identities of women, including their gender, family position among siblings, socioeconomic class, and rural/urban location. By exploring these dimensions, I aimed to gain insights into how these factors impact women's access to and utilization of financial resources and loans.

## **4.1 Decolonial Writing**

To write my thesis, I have utilized the decolonial writing process. It is an intellectual and political framework that challenges the dominant narratives, perspectives, and methodologies in academia, particularly those rooted in colonial and Eurocentric ideologies. Using this approach, I seek to dismantle oppressive systems and promote inclusive knowledge production. One influential voice in decolonial writing is bell hooks, a renowned feminist scholar, activist, and cultural critic. In her work, hooks challenges dominant systems of power, colonialism, and oppression by advocating for the decolonization of knowledge and the dismantling of hierarchical structures that perpetuate inequality (hooks, 1990). hooks advocates for the decolonization of education and knowledge production. She emphasizes the significance of challenging and deconstructing oppressive systems, engaging with intersectionality, amplifying marginalized voices, and decolonizing knowledge production. Through her scholarship and activism, hooks has made a significant contribution to decolonial theory and has inspired many to critically examine and transform the structures of power and privilege that perpetuate injustice.

I have employed decolonial writing to enhance the quality and transformative potential of my thesis for the following reason. Firstly, it helps to question dominant paradigms through examining the power dynamics between researchers and participants. Secondly, it rejects the notion of objectivity and acknowledges that knowledge is situated within specific social, cultural and historical contexts and focuses on marginalized voices and experiences. Incorporating the perspectives of marginalized communities helps to challenge dominant power structures and fosters a more comprehensive understanding of the research topic. Thirdly, it encourages us to embrace intersectionality that recognizes multiple dimensions of identity, such as race, class, gender, and sexuality, intersect and shape individuals' experiences as I have incorporated for my research mentioned earlier in the mythology. By applying decolonial writing principles, I, as a researcher, aim to explore the interconnectedness of these identities and their impact on knowledge production. By acknowledging and analyzing intersectional dynamics, my thesis seeks to provide a more comprehensive analysis of social phenomena. Fourthly, it has helped me to engage in self-reflexivity to critically reflect on my own positionalities and biases. I tried to acknowledge my subjectivity and engage in a more accountable and ethical research process. Lastly, it has a transformative potential within academia and beyond since it challenges the oppressive systems, centers marginalized perspectives, and contributes to the creation of knowledge that is more inclusive, more just, and emancipatory. Other important aspects that I kept in mind to decolonize my academic writing are my thesis project included giving voice to authors from the south, using terminologies such Khawaja Saras instead of queer or transgender, and using accessible language.

## 4.2 Research Methods and Design

I used the triangulation method of research which included participant observation through field visits, interviews and focus groups of women and transgender people. I developed a questionnaire on themes including basic information, opportunities offered by microfinance and limitations. I developed further 5-6 questions to dig deeper into the insights. To conduct these interviews, I traveled to three cities of Pakistan to get a holistic overview of my thesis research topic. Lahore is the capital of Punjab Province and a major cultural hub of the country; Multan is a major cultural, religious, and economic center of Southern Punjab situated on the bank of the Chenab River; and Khewra is a comparatively smaller town in Northern Punjab famous for the second biggest Salt Mine of the world. These three cities are different in terms of socio-economic environment, number of people, and economic activities. Khewra is a small town where I met small scale rural women entrepreneurs, Multan is a relatively more prosperous area where I spoke to the minority groups such as rural Christian women. It was Lahore, the capital of Punjab, where I was able to connect with transgender people who migrated to find acceptance and economic opportunities in the big city and took microfinance loans. In Multan and Lahore, the major organization that helped me connect with people was Akhuwat, the main microfinance institution in Pakistan. In Multan, there were other organizations that I spoke with as well such as Kashf and NRSP Bank. The selection of the aforementioned locations was based on their convenient accessibility, especially Multan and Khewra. Lahore was based on the need that I wanted to expand my scope of research to Khawaja Saras because it was not possible to talk to them in Multan and Khewra, perhaps because it was not safe for them to be visible in smaller cities. Therefore, I decided to move my research to a bigger city. These locations are not representative of the whole Pakistan but Punjab province of Pakistan, which is the largest in terms of population.

My participant focus expanded as I progressed through the research process. Initially, I interviewed women entrepreneurs who were more accessible in smaller cities such as Khewra and Multan where I interviewed 3 small scale women entrepreneurs in Khewra and in Multan, I conducted one focus group of 3 people and 5 individual interviews in March and April 2022. My interviewees were middle aged mostly Muslims with the exception of two participants who identified as Christians. Due to personal interest and curiosity, I later got more interested in Queer Entrepreneurship as there is not a lot done in this field yet but there is a lot of potential and it is important for the inclusion to conduct research beyond gender binary. As I interviewed people, I learned about the Akhuwat Khawaja Saras program and I decided to travel to Pakistan in July 2023 to include them in my research as well. My intention behind this step was that there has not been a lot of research done on queer and trans community in Pakistan especially in relation to Entrepreneurship and microfinance. Therefore, I reached out to them to connect with participants in Lahore. As I changed my goal to include transgender people accessing microfinance, I was worried to be unable to connect with participants or find out that organizations do not provide loans to such people due to many reasons. However, I was able to talk to people at Akhuwat who engaged transgender people in their projects and allowed me to interview 8 trans people as well as organize one focus group consisting of 3 transpersons for my research project during the month of July 2022.

The sampling procedure involved the random selection of female users and Khawaja Saras who frequented the microfinance provider site office for the purpose of returning loan installments for women and came to pick up stipends offered for Khawaja Saras. Voluntary participants were guaranteed the preservation of their confidentiality and anonymity. The questionnaire was administered using an interview format within a secluded room at the home of the participant, home of the gatekeeper and microfinance office, where the researcher was

present to aid illiterate respondents in completing the questionnaires, as well as to offer clarification and translation when necessary. To avoid microfinance provider bias, an equal number of respondents were interviewed from two banks (The First Microfinance Bank and Khushhali Bank Ltd.), two institutes (Kashf and Akhuwat) and National Rural Support Program.

To conduct my interviews, I used a semi-structured questionnaire, and I took mostly oral consent and audio recorded it for the sake of transparency. Originally, I planned to get consent from my respondents, so I prepared a consent form. However, I faced an ethical dilemma when I requested them to sign it, many of the initial participants hesitated. Most of them were not educated and signing seems something official and something that could be problematic in future. Therefore, I took oral consent in my audio recordings instead for the next participants. In my analytical chapters, I ensured that my stories and quotes are shared with pseudonyms. Even though it was challenging to analyze my data as I included Khawaja Saras at a later date, I tried my best to do justice to their voices. To analyze my interview, I used a qualitative data analysis software called NVivo. The access was given to me by my university. I used the software to organize my interview data into themes and arrange my quotes to develop and support my argument.

### **4.3 A Note on Positionality**

As I engaged in the field research, I benefited because of my privileges, and I was equally exposed to compromised situations. My identity as a university student in Austria and ability to speak English was seen with the eyes of respect as well as inspiration. In terms of the objective of the research, I informed my research participants that the research was focused on understanding their experience and exploring if microfinance was contributing positively to their lives and how. I was talking with rural women, most of whom were not

much educated, they did not doubt my intentions of carrying out this research; however, sometimes, they were hesitant to speak freely, especially those who were connected to me by the microfinance institute. Their responses were blurred and influenced because of these perceived external barriers. I realized that they saw me as a researcher and felt obliged to give me a positive response so that they could continue receiving loans from the institutes in the future. This itself shows their reliance on loans and their eagerness to receive them in future. However, this was not true for all the respondents and there were people who critically engaged with the topic and provided deeper insights on the impact of microfinance and their experience with the organization and how things could be improved in the future.

# **Chapter 5: Microfinance Supporting Lives of Women and Khawaja Saras**

In Pakistan, gender inequality is deeply ingrained in the norms and structure of society. In recent years, microfinance has emerged as a promising approach to improve life conditions for women. In this section, I will argue that microfinance positively contributes to the lives of women in many important manners but here I will cover three major ways. First of all, it helps women and Khawaja Saras to have more agency to deal with challenges of life due to increased financial freedom. Secondly, when women and trans people engage in small scale entrepreneurial activities using microfinance loans, it contributes to their skill sets. Lastly, I will argue that when women take microfinance loans to engage in business activities to support their families, it contributes positively to their personal and communal relationships. Drawing upon the empirical data collected for this research, this section will provide evidence that microfinance has improved the lives of women in Pakistan in the above-mentioned ways.

## **5.1 Importance of Microfinance Loans in the Lives of Women and Khawaja Saras**

In Pakistan, cultural norms can limit women's access to education and economic opportunities, which contributes to their reliance on microfinance institutions. Women are expected to fulfill unpaid traditional roles, such as staying at home to care for children, cooking, cleaning, washing, and taking care of elderly people. Women hold these various responsibilities, which also impact their experiences with microfinance institutions. However, access to microfinance helps them step out of the traditional roles and improve their financial conditions. For example, Saifa, a 32-year-old female participant from Multan, took a loan of Rs. 50,000 PKR from Akhuwat to set up a wood business. She sells wood and saves around



Rs. 3000-5000 PKR that are helpful for her in case of crisis. In her words: “Everyone takes loans here!! And mostly everyone benefits from them.” Saifa acknowledged that mostly every woman in her community takes loans, and it benefits them since these loans helped her and women in her community to improve their financial situations. This quote also highlights the importance of microfinance institutions like Akhuwat in empowering many women in Pakistan. These microfinance institutions play a role in challenging gender inequalities and supporting women economically.

Another example that highlights the significance of micro loans for women will be Majida, a female participant residing in rural Multan, who operates a grocery store and sells clothing for men and women. She reveals that she obtained a loan to renovate her home, particularly to fix a non-functional door. Recognizing the challenges faced by her sister-in-law and another distant cousin, who are both widowed and responsible for supporting their children, Majida recommended microfinance to them as a means of survival. She mentions:

I took out a loan for renovating my home as my home door was not working. I recommended my sister-in-law and another cousin microfinance because they are alone at their home. She has five children and her husband passed away. Her in-laws also passed away. Her children are as old as mine. This is crucial for them to survive. (Majida, 35 years old, Multan)

Stressing the significance of the loan for the livelihoods of her family members, Majida specifically suggests Akhuwat loans to others facing similar circumstances. By sharing her personal experience and advocating for microfinance, Majida underscores the crucial role financial assistance plays in empowering individuals and ensuring their well-being in challenging situations.

Momo, another participant who is Khawaja Sara, took a loan of Rs.25,000 PKR. She bought an embroidery machine from the loan. Momo’s shares her reasoning of taking a loan from a microfinance institution instead of a bank to buy an embroidery machine. She

highlights some of the challenges faced by women and trans entrepreneurs in accessing traditional forms of finance. She mentions that bank loans need property and guarantors, and these requirements are difficult for women and trans people to fulfill, given the cultural and societal barriers they face. She mentions that:

Bank loans have limitations such as property and guarantors. A drowning person needs the support of microfinance loans. Microfinance is a ray of hope (Umeed ki Kiran). (Momo, 34-year-old Khawaja Sara, Lahore)

Momo's comment that "a drowning person needs a support of microfinance loans" which she also calls "*Umeed ki kiran*" meaning "a ray of hope" reflects the important role that microfinance institutions like Akhuwat can play in providing support to those who may not have access to traditional sources of finance such as bank loans. For women and Khawaja Saras, microfinance loans provide a much-needed source of capital to start or expand their businesses, which can in turn lead to greater economic empowerment and independence. Momo's reference to microfinance as a "ray of hope" (Umeed ki Kiran) also suggests that these loans can provide a sense of hope and optimism for women and trans people who may face significant challenges in accessing traditional sources of finance.

Overall, most of my target participants' experiences highlight the important role that microfinance institutions play in promoting enhancing agency, gaining skill sets and improving relationships by providing access to finance that may not be available through traditional channels.

## **5.2 Microfinance, Decision Making and Agency**

Microfinance has given women and Khawaja Saras persons in Pakistan greater decision-making agency over their own lives. Traditionally, women and trans communities in Pakistan have been expected to conform to strict gender roles and cultural norms, which limit their opportunities for education, work, and financial independence. However, with access to

microfinance loans, a few women and trans people are able to start their own businesses and become financially self-sufficient. This not only improves their economic well-being, but also enhances their social status and increases their ability to make decisions about their own lives.

Microfinance positively contributes to the lives of women and trans persons by enhancing their power to make decisions and hence have more agency in their lives. Judith Butler and Saba Mahmood's concept of agency helped me examine the dynamics of microfinance programs contributing to women's agency and the agency of Khawaja Saras individuals in decision-making processes. As Butler argues that agency is not preexisting but emerges through performative acts, it is evident that microfinance contributes to the redefinition of subjectivity for women and Khawaja Saras by providing them with opportunities to develop new skills, gain knowledge, and engage in decision-making processes related to their economic activities. Similarly, Mahmood's concept of agency reveals that the realization of women's agency within microfinance is not solely determined by economic factors, instead, it requires an analysis of the social and cultural context in which these programs operate (2001). I propose that microfinance programs by providing women and Khawaja Saras with access to financial services and loans enhance their agency and decision-making power, and that agency and decision-making power operates within the social cultural context those people live in. In this case, it would be Pakistan.

The experience of participants who took loans highlight the important role that microfinance institutions like Akhuwat play in enabling them to take charge of family needs such as family needs and equally have the confidence and agency to start their own businesses. Javed is a 44-year-old Khawaja Sara who goes by the name Diya Ji. She is involved with Akhuwat Foundation for the last 12 years and connected to a 300 community of transgender people in Lahore where Akhuwat provides them with stipends, medicines and free healthcare. She shares that:

When I turned 30 years old, my father passed away. I took microfinance loans for my younger sister's marriage. I took a loan of 1.5 lakhs Pakistani Rupees [500 euros]. I also started my clothes business taking a loan from Akhuwat, it is the best because it is without interest. I am also taking a textile design course supported by Akhuwat. They had a laptop application and I learned through my computer. (Diya Ji, 44-year-old Khawaja Sara, Lahore)

This quote highlights how people in the face of adversity could support their families using microfinance loans as she took out microfinance loans to fund her younger sister's marriage, amounting to 150,000 PKR which is equivalent to 500 Euros. This loan gave her the agency to make decisions and support siblings in their life. Diya's experience also highlights the importance of access to education and vocational training in empowering marginalized communities. The fact that Akhuwat is supporting Diya's textile design course suggests that the institution recognizes the importance of building skills and capacities that can lead to greater economic empowerment and independence. Overall, Diya's experience with Akhuwat Foundation highlights the challenges faced by marginalized communities in accessing traditional finance and the important role that microfinance institutions play in contributing to agency and decision-making abilities of marginalized communities.

From surviving to thriving, Dolly's story is an example of how microfinance can enable trans people to pursue their dreams and take control of their lives. Dolly is a 56-year-old person who took a loan of Rs. 50,000 (160-170 euros) to start her clothes business. She later took another loan of about 200,000 (650-660 euros), which enabled her to expand her business and hire more people. Through her business, Dolly has been able to gain economic independence and autonomy, which has in turn enhanced her decision-making power and agency. She has been able to pursue her passion for sewing and embroidery and turn it into a successful business, which has given her a sense of purpose and fulfillment. In her words:

I took a loan of Rs.50,000. I started my clothes business with it and then I took out a loan of about 2 lakhs. I enjoy sewing and embroidery. It's a four-

person business. Microfinance has helped me to live a respectful life, support my family members and myself. Now, I do not have to depend on anyone or dance on the signals. I also can enjoy what I like. (Dolly, 56-year-old Khawaja Sara, Lahore)

Moreover, as a business owner, Dolly shared that she has the power to make important decisions regarding her business, such as pricing, marketing, and expansion. Her story illustrates how microfinance can provide Khawaja Saras with the financial resources and support their need to pursue their dreams and take control of their lives. By enabling them to start their own businesses and generate income, this evidence proves that microfinance can increase their decision-making power and agency, which can have a transformative impact on their lives and the lives of their families.

Similarly, Dholna's story demonstrates how microfinance can enable individuals to pursue entrepreneurship and avoid physical labor which they do not like. Dholna is a 35-year-old Khawaja Sara who I interviewed in Lahore. By taking a loan of Rs.25,000, he was able to invest in a sewing machine and start a profitable business. He highlights:

I took a loan of Rs.25,000 and I bought a sewing machine, and it is quite profitable. I also avoid manual physical labor such as construction. I have also taken a loan and started a shop. I have 5 siblings; I have married them all using loans and return my loans as well. (Dholna, 35-year-old Khawaja Sara, Lahore)

Microloans not only provided him with a source of income but also allowed him to avoid physically demanding work. Additionally, Dholna mentions that he used microfinance to start a shop, indicating that access to credit has allowed them to expand their business ventures. The ability to pursue entrepreneurship has enhanced his agency by giving him more control over his economic life and enabling him to support his siblings and feel that he could carry out responsibilities.

Overall, all these people's experience highlights the importance of microfinance in providing individuals with opportunities to pursue their goals and improve their quality of life. The loans do not only provide an agency to live a better life but also avoid situations that are horrible and compromised. For example, Dolly who is a 56-year-old Khawaja Sara from Lahore mentioned that: "My first loan was Rs.25,000 [80 Euros] and the 4th one was Rs. 80,000 [260 Euros]. I started cosmetics business so that I don't have to beg or dance, and I could work independently" which shows the transformative impact of microfinance on the lives of transgender individuals. By taking loans from Akhuwat, they were able to start a cosmetics business and become financially independent, without having to resort to begging or dancing. This newfound economic agency, stability and prestige also allowed Dolly later to work for an NGO in Kasur and advocate for the rights of transgender individuals in different workplaces. Their story also demonstrates how microfinance can provide a pathway for marginalized groups, such as transgender individuals, to overcome social and economic barriers and attain a greater sense of decision making and agency.

Similarly, Daali is a 50-year-old Khawaja Sara old who left education after the 5th grade. Daali took a loan from Akhuwat to start a business at home, which allowed her to work independently and not solely rely on their job at Fountain house. She shared:

I work for the Fountain house, an organization that hosts mentally challenged people in Lahore. They provide different activities for them such as painting, tailoring and other activities. I am a tailor here and also since I wanted to work at home. I took a loan from Akhuwat to get all the equipment at home. The benefit of the loan is that now I can work at home, I do not have to solely rely on my job at Akhuwat. Since I never wanted to dance or beg, I was always motivated to work. I did not have much family support and I belong to a very poor family. I have worked independently due to rejection by society. Due to some transgenders who have to beg and dance to earn their living, our reputation is tarnished. This microfinance provides a way out of begging and dancing. (Daali 50-year-old Khawaja Sara, Lahore)

This decision to lean on microfinance loans not only gave Daali more agency and control over their life but also challenged the societal norms that limit the employment opportunities for transgender individuals. It shows that microfinance can be a powerful tool in offering the power of choice, in other words, agency to make different choices. For example, with a machine at home, she is not required to work for an employer and can manage her business independently.

The participants in my study consistently emphasized the significance of starting businesses through microfinance loans during times of crisis. They explained that this approach not only provided them with increased agency in their daily lives but also garnered them respect within their communities. By stepping up and offering support during challenging situations, these individuals experienced a notable boost in their social standing, allowing them to have more influence and control over their own lives. For example, Majida, who has education till 10th grade, runs a grocery store and sells clothes for both men and women. She highlights the importance of loans for emergency situations:

I took out loans to run my grocery shop which has been working for the last five years. My mother-in-law had a paralysis attack three years ago. From my business, we ran the household and my husband's salary paid for the health expenses. After I supported and took care of home when my husband supported my mother-in-law's health costs, I feel my voice has more value when I speak about our children's future, family planning and day-to-day life. (Majida, 35 years old woman, Multan)

This shows that Majida's income has been a source of financial support for her family, especially during times of crisis such as her mother-in-law's health emergency. By running her own shop and providing for her family's needs, Majida acknowledged that she has gained a greater level of respect, mobility and independence, which has allowed her to take care of her household responsibilities while also earning an income. This is an example of how microfinance can contribute to women's agency by providing them with the means to start

and run their own businesses, support families in emergencies which in turn leads to greater decision-making power and agency in their lives and lives of their children, family, buying of assets and future planning.

Another participant named Samina who is a 65-year-old woman from Multan had a similar experience when she supported her daughters' education and upbringing using microfinance loans. She faced economic challenges as a single mother and elaborated that:

I have three daughters that I have raised by doing business using microfinance loans. My husband left when I was in my twenties. It was difficult and I did not have any support from anyone. I had to do everything on my own and these small loans helped. Now, I am free, I have educated my daughter, I used my savings from my small-scale business that I started using the microfinance loan to send both of my daughters to college and now I have also married them. They take tuition in the evening. (Samina, 65-year-old woman, Multan)

This is a common experience for many women who are left to raise their children on their own, as they often face significant barriers in accessing financial resources and opportunities. Her husband leaving her when she was in her twenties highlights the vulnerability that women often face in patriarchal societies. Women are frequently subjected to discrimination and violence, and their status within the family and society can be precarious, particularly in the absence of a male protector. However, microfinance loan is a support that has helped her and many other women and trans people in similar vulnerable situations to set up business, support education for the children, save for emergency situations and realize their full potential, thereby, offering them the power to make different choices to support themselves and their families.

While the concept of agency in microfinance can be seen as empowering for women and marginalized communities like Khawaja Sara, there are certain critiques and counter arguments that I discussed in my theoretical framework such as the individualistic nature of microfinance, and limited scope of transformation with reproduction of inequality. However, I



argue through my evidence that microfinance creates a positive impact even though it might not be revolutionary or completely life changing. It has given my participants limited agency in their social environment to deal with their immediate circumstances, and survive, if not thrive, by slowly building and rebuilding their lives.

## **5.2 Microfinance and Developing Entrepreneurial Skill Sets**

This section will discuss the evidence of microfinance contributing to the entrepreneurial skill sets of women and transgenders in Pakistan. Microfinance has been a critical tool in promoting entrepreneurial skill sets among women and Khawaja Saras in Pakistan. Microfinance has helped women in Pakistan to develop entrepreneurial skills, which can have positive effects on their economic and social status. By starting their own businesses, women are able to generate income and contribute to their families' well-being. They also become role models for other women in their communities, inspiring them to pursue their own entrepreneurial endeavors. Moreover, running a business equips them with skill sets and a sense of independence and achievement, which can boost their confidence and self-esteem.

Women entrepreneurs frequently encounter various obstacles when attempting to establish their own businesses, such as restricted access to financial resources, educational opportunities, and training (Roomi & Parrott, 2008). Despite herself not being highly educated, Fahima recognizes the importance of prioritizing her children's education. Her experience underscores the tendency of women to prioritize family obligations over their individual personal and professional growth. However, engaging in business ventures supported by microfinance presents a viable solution for women with limited formal education and employment prospects, offering them a pathway towards economic

empowerment and greater opportunities. Fahima, a 32-year-old woman from Multan, exemplifies this trend:

When you get married, it is difficult to continue your education. After getting married, you get children. You leave your education and start focusing on the education of your children. In my mother's family, everyone is educated. I am less educated compared to all other people in my family. My husband wants me to continue education but then I must manage home affairs. There is no time. Because I cannot do an office job due to less education, therefore, a microfinance loan is important for me to do something such as a clothes business. Doing clothes business, I have learned to manage purchasing, communication and budgeting. I have learned to use a mobile phone. (Fahima, 32 years old woman, Multan)

Fahima's story illustrates how getting married and having children poses a significant challenge to continuing education for women. While Fahima's family values education, she herself is less educated due to the difficulties of balancing home responsibilities with pursuing education. She touches on the issue of time constraints, where she mentions not having enough time to focus on education due to managing household affairs. This is a common challenge faced by many women who juggle multiple responsibilities, including childcare, housework, and other familial obligations. However, due to her education level, she feels limited in her job options and sees microfinance loans as an important opportunity to start her own business, such as a clothes business. She shares how she has gained many important skills by managing her business which can help her to get a better position in the family and have a better quality of life. These skills are not commonly known by women because of lack of education but starting a business with microfinance has given her an opportunity to learn these skills. She has mentioned that she improved her business management skills as she purchased items and had to ensure the quality and expectations of her customers besides managing the pricing and repayments of the installments.

Similarly, Majida shares that microfinance has enhanced her skillsets related to technology management, customer engagement and helped her diversify her income sources.

When I started business with microfinance loans. First, I did a clothing business. I am still pursuing it. I also stitch clothes for both ladies and gents and also sell them. Mobile phones contribute to ease. I can order things online with convenience. (Majida, 35 years old, Multan)

Majida's statement highlights the ways in which microfinance has contributed to her economic empowerment, particularly in terms of her ability to engage in business activities and take advantage of new technologies. Her ability to start and maintain her own clothing business using microfinance loans is significant. Majida belongs to a rural area in Multan. She shared that in her community, it is not seen with respect to have a mobile phone. But she has it for business. This could be seen as freedom to communicate by gaining the skill sets to use the phone for a business purpose. By providing Majida with the necessary capital, microfinance enabled her to pursue her entrepreneurial aspirations and develop valuable business skills. Furthermore, Majida using mobile phones to order supplies and facilitate deliveries highlights the important role that technology can play in promoting women's economic empowerment. Access to digital tools and platforms can help women overcome traditional barriers to entrepreneurship, such as limited mobility and social networks. By enabling Majida to engage in online transactions and deliveries, mobile phones have allowed her to expand her business and reach new customers. Overall, Majida's experience underscores the importance of supporting women entrepreneurs with access to finance and technology via microfinance. By providing women with the necessary resources and tools to pursue their entrepreneurial aspirations, microfinance institutions can help promote skill sets and technological development as women operate their own business.

Saifa is another participant, who is 32 years old from Multan. As I talked with her, I realized how she has developed a range of business skills that have allowed her to create a sustainable source of income. By taking out loans for both buying clothes and wood to sell, Saifa also seems to diversify her sources of income and create a safety net for herself in case

of emergencies. Overall, her experience highlights the importance of empowering women through access to finance and business development services. By providing women with the tools and resources they need to start and grow their own businesses, microfinance institutions play a critical role in promoting entrepreneurial skill sets such as financial, inventory and customer management among women. Saifa further shared that:

I started a clothing business on installments. Women from my community buy clothes from me on installments and it is difficult to recover installments. Sometimes it's late, I have given them a deadline of the 10th of the month. They have not sent me the installment. Sometimes, they have an urgent need, then I give them a two-month deadline. They manage. I also know how difficult it is for women at home. My husband got a manual job in the army, and he is transferred there now. I am alone at home with kids, so it's more challenging. Then I give them time of two-months. (Saifa, 32 years old, Multan)

The quote from the interview with Saifa highlights the role of microfinance in enabling her to start a clothes business and develop her entrepreneurial skills. By providing her with access to installment loans, microfinance has allowed her to finance her business and build a customer base within her community. This has also helped her develop valuable business skills such as customer relationship management, inventory management, and financial management. It is interesting to note here that she might not know these fancy names, but she has developed these skill sets by running her own business. However, her experience also highlights the challenges of managing a business and recovering installment payments from customers. This required Saifa to develop communication and negotiation skills to effectively manage her business and maintain good relationships with her customers. Additionally, Saifa's mention of providing customers with flexible repayment options highlights the importance of empathy and understanding in developing customer relationships. This ability to put herself in her customers' shoes and provide support when they face urgent needs demonstrates her strong customer service skills and commitment to building long-term relationships. Finally, her mention of facing personal challenges such as caring for her children while managing her

business underscores the importance of developing resilience and adaptability skills in the face of adversity. Through her experiences, she seems to have developed skills such as communication, management, leadership, and problem-solving, which are critical for any entrepreneur. Overall, interviews from my participants highlighted the important role that microfinance can play in developing entrepreneurial skills.

To summarize, microfinance has been a driving force in empowering women, providing them with access to financial resources and helping them develop their entrepreneurial skills. Microfinance institutions have played a significant role in supporting women to develop their entrepreneurial skills and pursue their aspirations. By providing financial support and business development services, microfinance institutions support women to overcome traditional barriers to entrepreneurship, such as limited access to finance, education, and training. By providing women with access to credit and other resources, microfinance institutions help empower women to start and grow their own businesses, thereby contributing to their entrepreneurial skill sets and an overall development of their communities.

### **5.3 Microfinance and Relationships**

Microfinance contributes to building personal and communal relationships among women and transgenders in Pakistan. Microfinance institutions often bring them together in groups, where they can share ideas, support each other, and build social networks. These relationships can be valuable in providing emotional support, access to information, and opportunities for collaboration. From my research data, this has been evident from the testimonies of the women and transgender individuals who have taken microfinance loans and have been able to set up their own businesses.

Microfinance also has the potential to improve familial relations and social connections. This is evidenced by Nadia who is a 30-year-old woman from Multan: “My husband does not have any issues with my business. We go shopping together for purchases. This is the season, that’s why all our stock has ended. And now Eid is coming so we will renew the stock.” Nadia’s business has allowed her to form deeper connections with husband and other women in her community and contribute to the local economy. On the other hand, Sania highlighted the communal aspect of microfinance. “If there is someone who is sick and not coming to community meetings to return installments or he/she is unable to repay the installment. We all get together and repay for him/her then.” Evidence from Sania’s interview, who is a 40-year-old woman from Multan highlights the role of collective responsibility and community support. She mentioned that when someone is unable to repay the installment, the community comes together to repay it. This kind of mutual support and responsibility is a testament to the positive impact of microfinance in promoting cooperation and social cohesion.

It does not only provide better relations between families, spouses and communities but also fosters intercommunity relations. As one of my participants, Samina, a 36-year-old woman who identified herself as Christen shared that:

When we go for weekly meetings to return microfinance loans, it does not matter whether you are Hindu, Christen or Muslim. All sit together. It is not like that this is a Christen or Hindu so he cannot sit here in the mosque. They have a great brotherhood system. (Samina, a 36-year-old woman, Multan)

Samina highlighted the inclusiveness of microfinance programs and how it promotes a sense of sister/brotherhood among individuals of different religions. The practice of gathering individuals from different religious backgrounds during the weekly meetings to repay microfinance loans showcases a positive example of inter-religious harmony. This inclusive

approach highlights that irrespective of one's religious affiliation, be it Hindu, Christian, or Muslim, all participants are treated equally, and discrimination based on religion is absent, or at least less visible, contrary to the overall social structure in Pakistan where religious divides are very prominent, especially in middle class society. This demonstrates a commitment to fostering unity and cooperation among diverse religious communities, promoting an environment of mutual respect and understanding.

This shows that microfinance can not only help individuals financially but also promote social harmony and inclusivity. Microfinance has emerged as a powerful tool for enhancing agency for women and trans people and strengthening their relationships by providing them space to connect with different stakeholders, develop connections to support each other. The testimonies of my participants highlight the positive impact of microfinance on the development of relationships skill sets among women and transgender individuals. It also shows that microfinance programs promote cooperation, social responsibility, and inclusivity.

In conclusion, microfinance has emerged as a promising approach to empower women in Pakistan. As I discussed above, evidence from my interviews suggests that microfinance contributes to improving the lives of women in three ways by giving them decision-making agency, fostering entrepreneurial skills, and building personal and communal relationships. While there are still challenges to be overcome in scaling up microfinance and addressing gender inequality in Pakistan, the evidence suggests that microfinance can be an effective tool in improving the life conditions of women.

# **Chapter 6: Factors Reducing Effectiveness of Microfinance Programs in Pakistan**

My research shows that microfinance is a powerful tool for increasing women's and Khawaja Saras' agency, enhancing their skill sets and relationships. However, economic and political instability make it difficult for microfinance programs to operate effectively. Economic downturns such as recession and inflation, political instability and natural disasters, like floods lately, can exacerbate poverty and limit the ability of microfinance programs to provide sustainable economic opportunities. While these macroeconomics conditions of the country affect most people in the country financially, several personal and structural constraints further limit the effectiveness of microfinance programs in eradicating poverty and supporting the poor.

## **6.1 Personal constraints**

### **6.1.1 Lack of Qualifications**

The qualification of women and Khwaja Saras indeed have a crucial impact on the effectiveness of microfinance loans in Pakistan. As of July 2022, the gender disparity in entrepreneurial participation is stark in Pakistan, with only 1% of women engaging in such activities compared to 21% of men (Khalid, 2022). This discrepancy can be attributed, in part, to the lower female literacy rate of 48% as opposed to 70% among men (Khalid, 2022). Further, the literate person defined by Pakistan's Ministry of Education as one who can read a newspaper and write a simple letter in any language (Latif, 2009). Furthermore, the education system faces significant challenges, as approximately 22.5 million children, primarily girls, are deprived of schooling. Alarmingly, by grade nine (age 14-15), a mere 13% of girls remain enrolled. In addition to educational barriers, financial exclusion is prevalent, with at least 82% of women in Pakistan lacking access to banking services (Khalid, 2022). It is widely



recognized that women in Pakistan face significant challenges in accessing education due to various socio-cultural, economic, and systemic barriers. This includes issues such as gender discrimination, early marriages, cultural norms prioritizing male education, lack of infrastructure and resources, safety concerns, and limited opportunities for higher education and vocational training (Kazi, 1995). There is no data on literacy rate for Khawaja Saras who also encounter significant obstacles to education and face marginalization and discrimination. Trans people often experience social exclusion, stigma, and violence, which negatively impact their educational opportunities. Discriminatory social attitudes and lack of acceptance contribute to their limited access to formal education.

Women in Pakistan, especially those from marginalized communities, often have limited access to education, particularly financial education. The lack of formal education hinders their ability to understand financial concepts, manage businesses effectively, and make informed decisions regarding microfinance loans. Limited literacy and numeracy skills may make it challenging for women to keep accurate records, understand terms and conditions of the loan, or implement sound financial practices. For example, Majida shared that,

After I got married, I could not continue my education, I had children. I left my education and started focusing on the education of my children. In my mother's family, everyone is educated. I am less educated compared to all the other people in my family. I took a microfinance loan, but my limited education impacts the growth of my business. (Majida, 35-year-old woman, Multan)

Similarly, low levels of financial literacy among women and Khwaja Saras can hinder their understanding of the terms and conditions of microfinance loans. This lack of knowledge may lead to poor financial management, improper utilization of funds, and difficulties in loan repayment. Financial literacy programs need to accompany microfinance initiatives to ensure

that borrowers understand the loan process, interest rates, repayment schedules, and the importance of maintaining good credit history.

Furthermore, lack of formal education can restrict business opportunities since the qualification and skills of women and Khwaja Saras are crucial for income-generating opportunities. Traditional gender roles and societal biases channel women and transgender individuals into certain low-skilled and low-income sectors such as clothing, sewing and dancing. This restricts access to diverse economic activities and can impact their ability to utilize microfinance loans effectively for business expansion or diversification. Similarly, the lack of technical skills and training can hinder women and Khwaja Saras from effectively managing and growing their enterprises. Access to vocational training and capacity-building programs becomes essential to equip them with the necessary skills for successful entrepreneurship.

To summarize, the lack of educational and vocational training opportunities for women and transgender people contributes to limited effectiveness of microfinance loans. While microfinance can provide them with the capital, they need to start a business, it does not necessarily equip them with the knowledge and skills needed to succeed in their ventures. In other words, while microfinance can help women and transgender people improve their economic situation in the short term, it does not necessarily address the root causes of poverty and inequality.

### **6.1.2 Limited Mobility, Unsuitable Timing, and Limiting/Religious Beliefs**

Lack of mobility for women in Pakistan is another big constraint for them to even avail the microfinance without the permission and presence of a male family member. For example, women rely on their male family members to accompany them to microfinance

institutions to apply for loans, but their availability does not always match the opening hours of the institutions. Saba Akram is 28-year-old women who has clothes business shared that:

There are a lot of meetings and sometimes the timings are not suitable. I cannot ask my husband or brother to take a leave. They work on daily wages. The time to meet a microfinance institute officer is also in the daytime. Saturday and Sunday are free, but the institute has a holiday. It is a big challenge to find a suitable time. Whenever they go for a loan, they have to skip work. (Saba, 28-year-old woman, Multan)

It shows how microfinance institutions often require borrowers to attend meetings or visit their offices during specific hours, which can be difficult for men who work on daily wages and come from extremely less affluent areas. The lack of suitable timing or scheduling between clients and microfinance institutions can indeed reduce the efficiency of microfinance programs. Microfinance institutions typically operate during regular working hours, which pose challenges for clients, especially those engaged in informal or irregular employment. Evidence from my research suggests that many of the microfinance clients have limited flexibility in their schedules which makes it difficult for them to access the services conveniently. This results in missed opportunities or delays in loan applications, disbursements, repayments, and other necessary interactions. Furthermore, my participants shared that they have multiple responsibilities and time commitments, such as family obligations, household chores, and work engagements. Engaging with microfinance institutions during their limited available time entails significant opportunity costs. For instance, taking time off from work and neglecting other essential responsibilities to visit the institution may have negative consequences, affecting their overall productivity and well-being. While women's mobility is often limited, inconsistency in terms of the needs of the clients and the services offered by microfinance institutions further adds to the issue.

Women's restricted mobility coupled with some prevalent limiting beliefs about women's abilities also often limit their growth and overall effectiveness of microfinance.

Maryam, a 35-year-old woman participant from Multan highlights a religious perspective in the microfinance industry, which is the belief that women are not safe outside, but they should do business with other women and not men. In her words,

Women are not good for business because the environment is not good outside. But it is a good thing that women do business with women. They also give loans only to women. If 3 women come together, then only they give loan. (Maryam Habib, a 35-year-old woman, Multan)

The quote suggests that there may be reservations about women engaging in business activities outside the confines of their immediate social environment due to concerns about the external environment not being conducive or safe for them. However, the statement also highlights a positive perspective on women doing business with other women. This viewpoint acknowledges the potential benefits and support that can arise when women collaborate and conduct business transactions among themselves. It implies a sense of empowerment and solidarity within a female-centric business network. Furthermore, the microfinance institute indicates a preference for providing loans exclusively to women. This aligns with the concept of promoting women's economic independence and empowerment by facilitating their access to financial resources. The condition of requiring a group of three women to come together to receive a loan might reflect a belief in the collective strength and support that can be fostered among women when they collaborate. It is important to note that these beliefs are specific to the religious and cultural contexts and may not represent the views of all Muslims or the entirety of Islamic teachings. Religious beliefs and cultural norms can vary widely, and interpretations of religious texts can also differ among individuals and communities.

The most important limitation is the religious interpretations of interest. Islamic religious beliefs encompass diverse interpretations regarding the acceptability of interest, *riba* in Arabic or *sood* in Urdu. While many microfinance institutions in Muslim-majority countries like Pakistan offer Sharia-compliant financial products, 80% of my interviewees

still hold reservations or concerns regarding the concept of interest. These reservations lead to hesitancy or reluctance among potential clients, particularly those who seek alternative means of financing. In the words of Shamim, 38-year-old woman from Khewra:

I prefer Akhuwat. They take Atia but it is on us how much we give, there is no pressure. Akhuwat is the best. I do not want to take a microfinance loan from Asha. They charge an interest which is against Islam. (Shamim, 38-year-old, Khewra)

This poses a challenge for microfinance institutions that offer loans with interest rates, as they are not acceptable to some clients. To address this issue, some microfinance institutions in Pakistan have introduced Shariah-compliant products that follow Islamic financing principles. For example, instead of charging interest, they charge “*Attia*” (donation), a small gift amount which is not obligatory but encouraged.

Religious beliefs play a significant role in shaping societal norms and attitudes, which impact the effectiveness of microfinance loans for women and Khawaja Saras in Pakistan. Religious and cultural norms impose restrictions on women’s mobility, limiting their ability to travel, interact with microfinance institutions, and access resources necessary for successful business management. This lack of mobility hinders their engagement with microfinance services, leading to reduced opportunities for economic empowerment. This limits their access to information, financial resources, and networking opportunities, hampering the effectiveness of microfinance interventions.

## **6.2 Structural Constraints**

There are many structural constraints that impact the effectiveness of microfinance in Pakistan. However, in my research interviews, the following themes occurred more frequently, and I will cover them only in this paper: stigma, culture, gender, patriarchy and colonial past. I have divided them into two categories, the first focuses on social stigma and

discrimination against Khawaja Saras while the second concentrates on gender norms and patriarchy limiting Women.

### **6.2.1 Social Stigma and Discrimination against Khawaja Saras**

Pakistan's patriarchal and conservative societal norms have long impeded the economic advancement of women and transgender people. While microfinance programs can act as catalysts for change, overcoming deeply ingrained attitudes and beliefs takes time. The discriminatory laws imposed during British colonialism had a significant impact on the Khawaja Sara community, excluding them from social, economic, and political participation by imposing a binary gender system (Gichki, 2020; Hinchy, 2019). These historical injustices continue to hinder the Khawaja Saras' access to microfinance programs and other economic opportunities. Stigma, rooted in negative attitudes and beliefs surrounding gender and identity, creates formidable barriers to accessing resources, including microfinance loans (Wilson, 2021). Stigmatization is a complex phenomenon influenced by various disciplines and factors. The perception of difference plays a pivotal role in generating stigma, often associating certain characteristics like age, gender, and skin color with "natural" categories of difference (Smith, 2002). Stigma manifests as negative attitudes and beliefs towards individuals based on their gender, sexuality, or socioeconomic status, resulting in social exclusion, discrimination, or marginalization (Wilson, 2021). This occurs when these differences are linked to undesirable traits, creating a distinction between "us" and stigmatized out-groups. The problematic nature of these attitudes and beliefs lies in the barriers they create for accessing resources and opportunities, including microfinance loans. The cycles perpetuated by stigma further reinforce stigmatized status, as discrimination and disadvantages diminish resources and increase disability.

Khawaja Saras face significant challenges, such as limited job opportunities, reliance on sex work, and discrimination when starting businesses. The lack of social acceptance and discrimination they face leads to isolation, reduced networking possibilities, and limited access to markets or customers for their businesses. This stigma makes it difficult for transgender people to access financial services and limits their ability to start and run successful businesses. Dolly who is 56-year-old Khawaja Sara based in Lahore faced challenges due to social stigma towards transgender individuals in Pakistan. Additionally, the stereotype that transgender individuals are only suited for certain types of work also limit job opportunities. The stigma associated with gender and sexuality in Pakistan also presents a significant challenge to the success of microfinance programs. As Dolly highlighted:

Social stigma is the main challenge here. I opened Khawaja Sara hotel taking microfinance loans and then people did not come because I am Khawaja Sara and they looked down upon me. I had to close it eventually. (Dolly, 56-year-old Khawaja Sara, Lahore)

Transgender individuals in Pakistan, for instance, face a tremendous amount of stigma, including verbal abuse, harassment, and even physical violence. These experiences can make it challenging to access microfinance loans, which are often critical for starting and expanding small businesses. Dolly, who opened a restaurant, was met with a lack of customers and eventually had to close her business, demonstrating the negative impact of stigma on the success of businesses owned by transgender individuals.

Similarly, Dholna, who is 35-year-old Khawaja Sara based in Lahore acknowledges her mental health issues due to her identity and stigma by society hinder her productivity in her business. She shared that she took a loan from the microfinance institute, Akhuwat, to start her tailor shop, which is not running smoothly, and she is worried. Her main problem is marketing, and she faces problems with customers because people just don't want to engage with her due to her identity. This reflects the gendered societal norms and beliefs that limit

Khawaja Saras access to education and job opportunities. Their limited access to education and job opportunities makes it difficult for them to access and productively utilize microfinance loans and succeed in their businesses. Moreover, the negative perceptions of transgender individuals among society can also limit the effectiveness of microfinance programs.

Another participant, Nafisa, a 55-year-old Khawaja Sara (transwomen) who goes by the name of Malka Trandum and describes herself as a colorful girl, shares similar negative impact of social stigma and discrimination against Khawaja Saras in Pakistan. Nafisa comes from an educated family as her father is a medical doctor, and she herself has a B.A in Political Science. It is important to note her family background because not all Khawaja Saras come from poor backgrounds which is a prevalent belief; however, their access to education, employment and basic life facilities is systematically restricted that leads to begging, dancing and fewer life opportunities which affects their mental health significantly. Nafisa shared:

I am depressed and mentally upset. I am nourishing two orphans; education is my dream for my children. They should achieve their dreams. The thing is it is easy to take loan, but life is difficult as a trans person. (Nafisa, 55-year-old Khawaja Sara, Lahore)

Many transgender people are forced to engage in sex work in order to make a living, due to the limited job opportunities available to them. This creates a vicious cycle of stigma and poverty, as transgender people are often denied access to education and other opportunities that could help them break out of this cycle. In addition, transgender people who do start businesses face discrimination from customers or other business owners, which limits their ability to succeed such as being denied contracts and difficulty finding suppliers willing to do business with them.

In conclusion, the historical context of Pakistan, including its long history of colonialism, and social stigma has limited the impact of microfinance programs on the lives of transgender people. While microfinance programs can be a catalyst for change, it takes time



to overcome deeply ingrained societal attitudes and beliefs, particularly those that have been reinforced by colonialism. It is crucial to recognize the impact of historical factors when designing and implementing programs to support marginalized communities, including women and transgender people, in their economic empowerment. Social stigma and stereotypes contribute to the failure of transgender-owned businesses, perpetuating cycles of poverty and limited economic mobility. Overcoming deeply ingrained attitudes and historical legacies is crucial for the success of microfinance programs in empowering marginalized communities.

### **6.2.2 Gender Norms and Patriarchy Limiting Women**

Culture, gender, and patriarchy significantly limit the effectiveness of microfinance initiatives. In patriarchal societies like Pakistan experiencing development and social transformation, the dynamics of gender politics can exert significant influence and power (Moghadam, 1992). Pakistani society is deeply rooted in patriarchal values, which establish women's subordinate position through the patriarchal control reinforced through institutionalized restrictive norms, gender segregation, and an ideology that links family honor to female virtue (Hadi, 2017). Deep-rooted discriminatory socio-cultural values and traditions pose significant barriers for women to access critical resources such as capital, land, business premises, information technology, training, and agency assistance (Roomi & Parrott, 2008). The underutilization of the economic potential of female entrepreneurs is due to limiting patriarchal attitudes prevalent in society, asserting male superiority, and emphasizing women's role as homemakers engaged mainly in reproductive care work of cooking, cleaning, taking care of children and elderly, which is mostly considered to be unproductive, further exacerbating the challenges (Goheer, 2003). Furthermore, inadequate encouragement from male family members contributes to restricted spatial mobility and a scarcity of social capital for women entrepreneurs (Roomi & Parrott, 2008).

These cultural norms and gender roles contribute to risk aversion among women. Some women are forced to surrender their loans or earnings to male relatives, hindering their ability to make independent choices regarding their businesses or investments. Social and economic exclusion leaves them with limited access to vital resources such as land, technology, and training. Without these resources, women in Pakistan struggle to establish and expand their businesses, rendering microfinance less effective in achieving its intended goals. Societal expectations further discourage them from engaging in entrepreneurial ventures, fearing failure or backlash. Consequently, some women do not fully utilize the financial opportunities provided by microfinance programs. For example, Najma Khan, a 35-year-old woman, shared that she took a microfinance loan for a grocery store for his father-in-law in Pakistan. This shows that she was used as a tool to negotiate loans, and men often controlled how the funds were used. This agrees with a study conducted in Bangladesh which reveals that MFIs predominantly view women's empowerment in terms of increased financial participation, mobility, and household decision-making (Shohel et al, 2022). However, despite the MFIs' claims of success, the study finds that patriarchal gender norms prevalent in rural Bangladesh result in men primarily controlling and benefiting from microfinance loans (Ibid).

Furthermore, men also have a say in how the income generated from microfinance is used. For example, Salima Ali, a 38-year-old woman from Multan said that "I use most of the income for household expenses. Sometimes, my husband takes away my income for his personal needs, such as drugs and illegal gambling." This shows how the income is utilized for wrong expenses instead of health, education and long-term investment in her businesses leading to limited betterment and reduced agency for women. Similarly, Maryam, 35-year-old women participant from Multan highlights a common gender limitation in the microfinance industry, which is the belief that women are not as capable as men in business. In her words,

Women are not good for business because the environment is not good outside. But it is a good thing that women do business with women. They also give loans only to women. If 3 women come together, then only they give loan. (Maryam Habib, a 35-year-old woman, Multan)

Maryam's statement, "the environment is not good outside," reflects the limited acceptance of women in the public sphere and the consequent restrictions on their presence there. Instances of physical harassment and eve teasing further constrain women's engagement in public life. Pakistan exhibits significant gender mobility disparities, with women having limited travel opportunities, being half as mobile as men, and often relying on walking as their primary mode of transportation (Adeel et al., 2017). These mobility gaps stem from societal and cultural contexts that portray women as private, secluded, and tied to family honor. Factors like age, household income, and marital status also contribute to diminished mobility levels among women. Maryam's acknowledgment of the unfavorable environment for women in business implies that societal conditions and attitudes in the public sphere hinder their success (Roomi & Parrott, 2008). Venturing into public life poses significant challenges and obstacles for women, highlighting a broader issue of gender inequality and the unsafe environments they often encounter beyond their private spaces. However, Maryam's statement also suggests a potential solution. The idea of women engaging in business with other women and providing loans exclusively to women presents a means to create a safer and more supportive environment for women entrepreneurs. By fostering networks and collaborations among women, some of the challenges faced in the public sphere could be mitigated. Thus, the statement highlights the dual nature of women's experiences in the public and private spheres. It acknowledges the existing limitations and dangers they encounter in the public domain while proposing a strategy for empowerment and support through women-led initiatives and networks.

Most of the female participants in my study who took microloans in Pakistan were predominantly involved in home-based businesses. This choice is influenced by their lack of skills and the flexibility such businesses provide in case of childcare or household emergencies. Women often engage in businesses related to cooking, sewing, clothing, and other traditional fields, negotiating within the patriarchal system to secure their survival and growth. However, this bargaining also limits their ability to fully utilize the potential of microfinance. Kandiyoti's framework suggests that women may make strategic choices within oppressive systems to achieve limited gains, such as negotiating gender roles and depending on male partners for limited autonomy, thereby reproducing patriarchy (Kandiyoti, 1988). Despite their efforts to navigate and overcome these structural challenges, it is important to recognize that these problems still persist and require resolution.

Microfinance programs offer women opportunities to challenge traditional gender roles and engage in income-generating activities, thereby challenging the notion that their roles are confined to the domestic sphere. However, this negotiation often remains limited to the economic realm, as women are still expected to fulfill traditional gender responsibilities such as caregiving and household chores. Additionally, women's access to resources and decision-making power is often contingent on the support and consent of male relatives. This dependency on men restricts their agency and perpetuates gender inequalities. Furthermore, women who participate in microfinance programs tend to choose traditional fields to avoid additional risks and vulnerabilities. Despite their cautious approach, they may face resistance, backlash, or violence from their communities or family members who view their economic activities as a threat to established gender norms and perceive it as neglecting their familial roles. To navigate these situations, women make strategic compromises, limiting the scope of their economic activities to the home or conforming to traditional gender expectations, thereby reinforcing the existing patriarchal order. They may seek permission, guidance, and

advice from their spouses as they engage in economic pursuits. These dynamics contribute to women's limited autonomy due to cultural and social norms. However, it can be argued that microfinance loans offer women a degree of economic independence and bargaining power within the patriarchal system. Women leverage these loans to contribute to household income and gain some control over financial decision-making, albeit within the confines of broader patriarchal structures that govern their lives.

The culture, gender, and patriarchy prevailing in Pakistan pose significant barriers to the success of microfinance programs. Women often lack the autonomy to make independent financial decisions, as men exert control over their lives and have power over resources and decision-making within households. Women navigate within the constraints of patriarchy to gain limited social autonomy, which hampers the effectiveness of microfinance initiatives. It is essential to understand these dynamics to design interventions that address the structural and systemic barriers faced by women and Khawaja Saras in patriarchal contexts like Pakistan. To overcome these limitations, complementary strategies should be implemented alongside microfinance programs. These strategies should focus on promoting gender equality, challenging patriarchal norms, providing financial education, and creating an enabling environment for women's economic empowerment. By considering the broader socio-cultural context, interventions can be developed to challenge gender inequalities, promote women's agency, and foster inclusive economic development.

In summary, there are various barriers that hinder the utilization of microfinance loans by women and Khawaja Saras. These include personal constraints such as lack of qualifications, limited mobility, timing constraints, and religious preferences. Social factors such as social stigma, discrimination against Khawaja Saras, and patriarchal norms also contribute to the challenges faced by women. Personal choices are influenced by societal and social influences, and these factors interact with each other without clear boundaries.

However, all these factors collectively reduce the efficiency and impact of microfinance and create challenges for women and Khawaja Saras in effectively utilizing microfinance loans for their betterment.

## **Chapter 7: Yunus Center leading change from Microfinance to Social Business**

In 2017, during a startup presentation at my university, I had the opportunity to meet Andres Parraguirre, the Program Manager at Yunus Center AIT (YCA). We discussed the work of Dr. Yunus, and he introduced me to Dr. Yunus' books, which greatly contributed to my understanding of the social business world. Intrigued by our conversation, I decided to visit the center and discovered that the head of Yunus Center was from Pakistan, which further motivated me to learn and stay connected. As someone from Pakistan myself, seeing individuals from my country in senior management positions was uplifting. YCA played a significant role in my personal and professional development during my undergraduate degree in Social Entrepreneurship in Thailand. Over the course of four years, I volunteered and contributed to their research and public initiatives. One of my responsibilities as a volunteer was promoting the Yunus Professional Master's Program in Social Business and Social Entrepreneurship.

When it came time to pursue my master's program, I faced uncertainties regarding my location due to visa processes. Consequently, I opted for an online internship track, allowing me to do a remote internship with YCA in Thailand. Given my previous experience in fundraising, I was tasked with raising funds for master's students to attend the Yunus Master's Program at AIT. Although I did not achieve the initial fundraising target, I developed a strategy encompassing a social business plan, a list of organizations, conferences, and high-net-worth individuals crucial for networking and fundraising. I also created a budget for implementing the social business plan. This experience pushed me outside my comfort zone, enabling personal growth through facing the fear of failure and learning from it.

In addition to the fundraising and strategic planning project, I conducted 10 ethnographic interviews as part of the Internship Analysis seminar to explore the organizational culture of Yunus Center. The interviewees, who were staff members, volunteers and interns from diverse countries and backgrounds, provided valuable insights into the work of Yunus Center, the experiences of volunteers and interns, the challenges faced, and the opportunities available for personal growth and professional development.

This chapter is divided into three sections. The first section discusses Yunus Center's role as a research and capacity-building institute. The second section addresses the institutional, structural, and financial challenges that the center faces as a think tank. Lastly, the third section highlights the opportunities that Yunus Center offers to the world, with a particular focus on Wedu, an organization dedicated to empowering women leaders, as a success story.

## **7.1 Yunus Center: A Research and Capacity Building Institute**

The first main branch of Yunus Center is in Dhaka, Bangladesh and the second branch outside Bangladesh was established in Asian Institute of Technology (AIT), Thailand in 2009. Yunus Center AIT (YCA) used to provide research services, training and networks contributing to Social Business and Entrepreneurship both in Thailand and at the Global level. The aim of YCA is to promote the vision of Dr. Yunus with a focus on Social Business. Alongside, it believes in the principles of Entrepreneurship, Microfinance, Gender Equality and Climate Action. Since 2012, YCA has been led by Dr. Faiz Shah as the director of the Yunus Center AIT who also now serves as the President of the Yunus Thailand Foundation. In Dr. Shah's words:

YCA focuses on impact driven responsible business and ESG (Environmental, Social, Governance). YCA Thailand was founded in 2009 as a joint venture with Muhammad Yunus with the aim of developing a new



generation of changemakers motivated to harness the power of social business to create a poverty free world. We are the first outreach center founded and chaired by Dr. Yunus, the Nobel Peace Prize laureate, outside Bangladesh that provides a model for 98 Yunus centers worldwide. We offer the first Master's in Social Business and the first master's [degree] specializing in Environmental, Social, and Governance (ESG). We provide consulting and advisory resources drawn from 35 countries. YCA offers one-step resort to globally acknowledged expertise in CSR, ESG, and social business and impact driven social design. It offers reporting and specialized training in Social Business, entrepreneurship and ESG. (Yunus Center AIT, 2022)

Yunus Center AIT emerged as a result of the partnership between Professor Muhammad Yunus, a renowned figure recognized for his remarkable contributions to society, and the esteemed Asian Institute of Technology. As the first center established in association with an academic institution outside Bangladesh, YCA symbolized a significant milestone in the advancement of social business. Dr. Rowena Alcoba who managed the Learning Portfolio at YCA in initial years and later research projects and interns mentioned that YCA was pioneered by someone else, but a team led by Dr. Shah revitalized the Yunus Center in 2010-2011. The overarching vision of YCA was to combat poverty and foster socio-economic development through the power of social business. It operated by harnessing the collective wisdom and research capabilities of the Asian Institute of Technology, a revered academic institution known for its intellectual prowess and innovative thinking. This collaboration enabled YCA to tap into a vast reservoir of knowledge and expertise, amplifying its potential for creating meaningful and sustainable change.

Yunus Center AIT is driven by a commitment to capacity building, research, and collaboration. They leverage their global research network, facilitated by the Asian Institute of Technology, to access diverse perspectives, innovative ideas, and cutting-edge research. This multidimensional collaboration empowers the centers to develop comprehensive strategies and solutions for poverty eradication and social development (Yunus Center AIT, 2023). By engaging individuals and organizations from various countries, YCA draws upon a

wealth of expertise, fostering an exchange of ideas and best practices from different socio-cultural contexts. This inclusive approach strengthens YCA's capacity to design and implement effective social business models.

The capacity-building focus of Yunus Center AIT is reflected in its projects, partnerships, research initiatives, conferences, and training programs. These initiatives enhance the knowledge, skills, and abilities of individuals and organizations. As a volunteer, I have personally experienced the profound impact of YCA's capacity-building efforts on my personal and professional growth. Through collaborative projects, research initiatives, conferences, and training programs, YCA facilitates collaboration, knowledge exchange, and social impact. These opportunities equip individuals with practical skills and specialized education in social business and entrepreneurship. My involvement with YCA has allowed me to contribute to research projects and gain valuable experience. For example, I have participated in research on startups working in Telemedicine in Pakistan, which deepened my understanding of social issues, research skills, and analytical writing. I have also contributed to projects in collaboration with the World Bank, addressing the need for sustainable and socially responsible business practices. Participating in conferences and training programs has exposed me to diverse perspectives and expanded my knowledge and networking.

Yunus Center AIT offers valuable capacity-building opportunities for individuals from around the world, including staff, volunteers, and interns. Through meaningful involvement in various projects and programs, volunteers and interns acquire practical experience, develop new skills, and cultivate an entrepreneurial mindset. The involvement of individuals from different countries enriches learning and collaboration within YCA. It serves as a catalyst for capacity building, benefiting individuals from diverse backgrounds. Through projects, partnerships, research initiatives, conferences, and training programs, YCA empowers participants with the knowledge, skills, and networks necessary to become potential

entrepreneurs and agents of positive change. By fostering a culture of learning, collaboration, and social impact, YCA contributes to the broader goal of creating a sustainable and inclusive world.

## **7.2 Systematic, Structural and Financial Constraints**

Microfinance, while hailed as a potential solution to alleviate poverty and promote economic empowerment, faces inherent limitations in tackling deeply embedded issues such as sexism and racism on institutional level. Patriarchy, a significant social phenomenon manifesting at various levels, persists even within organizations dedicated to dismantling inequalities. As bell hooks (1990) describes, patriarchy operates as a social disease and political system that perpetuates male dominance and superiority, often through psychological terrorism and violence. Within Yunus Center, patriarchy remains largely invisible yet influences narratives surrounding wages and undermines the contributions of women. Consequently, women frequently harbor low expectations regarding financial remuneration. One interviewee shared her experience, stating, “Growing up seeing my mother as a chef, cleaner, and caretaker, I had low wage expectations from the workplace. Negotiating with workplace patriarchy, I accepted what was given, even if it was unfair.” The issue of low wages compounded by gender disparities reveals how women are expected to work more diligently while being compensated unfairly, highlighting an unsustainable system that undervalues care-related work and women’s work.

Gender norms, left unchallenged, permeate office spaces and informal meetings at Yunus Center as well. Another participant recounted instances where staff members were assigned tasks based on gender, such as women being tasked with serving coffee or charging phones. Whether rooted in seniority or perpetuating gender stereotypes, such practices draw attention to the prevalence of gendered assumptions. This account resonated with my personal

experience of witnessing a misogynistic remark at YCA. This incident was shocking, prompting reflection on how workplace jokes at the expense of others can be emotionally draining, devaluing years of dedication and effort. It is essential to recognize that the issue lies not solely with hegemonic masculinity, which erroneously individualizes structural problems as a result of poorly raised men (Harrington, 2020). The concept of toxic masculinity, when used analytically, benefits already privileged men by focusing on marginalized men's "toxic masculinity," diverting attention from the systemic, institutional, and structural nature of the problem. This approach individualizes the issue by attributing it to specific men's character flaws, disregarding the hidden institutional and structural advantages enjoyed by men. Therefore, understanding patriarchy embedded in organizational cultures necessitates an analysis of systemic structural issues rather than attributing it solely to individual men's attributes.

In addition to patriarchy and gender norms, white hegemony pervades organizational dynamics. One female participant noted, "A senior-level expert from the UK would brainstorm revenue-generating projects, while my role was limited to executing ideas proposed by higher officials. Consequently, his inputs appeared more valuable, reasonable, and sensible compared to mine." This exemplifies the division of labor based on gender, with men assuming significant responsibilities and long-term thinking, particularly white men, while relegating women to mundane, day-to-day tasks. In a capitalist system where CEOs earn higher salaries and newcomers receive inadequate compensation, these working conditions underscore the interviewee's observation. Yunus Center operates within a broader social structure that still exhibits embedded sexism and racism. However, the desire is to have a merit-based environment. In my interview with Dr. Shah, he emphasized that YCA operates on merit. Regardless of this desire to operate on merit, the deep-rooted broader intersections of power and oppression still exist. These deep-rooted biases permeate various aspects of

organizational dynamics and practices. Women often face discriminatory treatment and gender-based expectations based on their intersectional identities, while individuals from marginalized racial or ethnic backgrounds encounter prejudice and limited opportunities for growth. Such systemic challenges obstruct the full realization of equality and hinder the organization's working to foster equality and opportunities to create an inclusive and empowering environment for all individuals.

Besides systematic challenges, there are also technicalities like funding that obstruct the functioning of some projects and their implementation. YCA hires interns but they are often unpaid due to the scarcity of funding resources, irrespective of gender, like most of the organizations. The reliance on unpaid interns hinders the organization's ability to attract and retain diverse talent, as it excludes individuals who may require financial compensation or support. The utilization of unpaid interns engenders several challenges within the organizational framework. Firstly, the intermittent presence of interns, who come and go as part of their temporary engagement, creates a disruptive pattern for ongoing projects. One of the talent management experts from the Yunus Center highlighted this problem mentioning that the lack of continuity and stability often impedes the seamless progress of initiatives. Additionally, the absence of financial compensation for interns could be seen to limit the organization's ability to attract a diverse range of talented individuals who may possess the necessary expertise and perspectives to contribute meaningfully to its mission. However, I have seen that Yunus Center uses this limitation as an opportunity to build the capacity of the volunteers and interns. Yunus Center under Dr. Shah's leadership has given many volunteers an opportunity to run their independent projects and develop skill sets as the interest and passion of the volunteer. The work environment is flexible and encourages volunteers to go into the ocean of learning depending on their interest while knowing there is support in case of need.

### **7.3: Organizational Culture of Creating Opportunities**

Yunus Center AIT has established a culture that fosters growth, learning, and support among its staff and volunteers. Inspired by the principles of Dr. Muhammad Yunus, the center promotes an environment where individuals are encouraged to step out of their comfort zones, embrace flexibility, and work together in pursuit of shared goals. This dedication to personal and professional growth is evident in the provision of various training programs and workshops, equipping individuals with new skills and knowledge to excel in their fields. For instance, entrepreneurship development programs empower participants to explore innovative business ideas and cultivate their entrepreneurial potential.

Yunus Center AIT prioritizes a culture of growth and learning, promoting personal and professional development among its participants. Through comprehensive training programs and initiatives, the center empowers individuals to acquire new knowledge, skills, and perspectives. Participants have shared how YCA offers not only internship opportunities but also encourages them to step out of their comfort zones, take on leadership roles, and organize conferences and partnerships with various organizations. This immersive experience has helped them grow immensely and even inspired some to start their NGOs in other parts of the world. At YCA, learning is embraced as a lifelong journey. The center recognizes the importance of continuous learning and offers resources and opportunities for ongoing personal and professional development. Collaborative partnerships with universities, industry experts, and mentorship programs provide volunteers with valuable learning experiences.

Mentorship, coaching, and collaboration are crucial elements of the culture at Yunus Center AIT. The center organizes collaborative projects that encourage teamwork and mutual support, where participants from diverse backgrounds come together to work on social and business initiatives (Yunus Center AIT). This collaborative spirit fosters a nurturing environment that supports personal and professional growth. Additionally, YCA actively

engages with local communities, forging strong bonds and establishing a sense of togetherness. Through community outreach programs, participants have the opportunity to contribute to social causes and make a positive impact, further reinforcing the culture of support and collective effort in bringing about meaningful change.

In summary, Yunus Center AIT has cultivated cultures that prioritize growth, learning, and collaboration. Through training programs, mentorship, and community engagement, participants are empowered to expand their horizons, develop their skills, and contribute to positive change in society.

## **7.4 A Success Story: Wedu - Creating Women Leaders**

In a conversation with Dr. Shah, I learned that Wedu was conceived in the Yunus Center, a social enterprise that acts as a catalyst for women's leadership development with a goal to have woman as half of the world leaders in all different countries. Leveraging the center's capacity-building initiatives, Wedu has thrived and expanded its impact under the leadership of Mario Ferro, who was an entrepreneur in residence at YCA from 2013-2014 where he contributed to the development of WEDU and Yunus Center, cultivating an environment that nurtures and fosters the growth of female leaders. The Yunus Center, renowned for its commitment to poverty eradication through social business, has provided fertile ground for projects like Wedu to flourish by offering comprehensive capacity-building programs. The center equips individuals with the necessary skills, knowledge, and networks to drive positive change, particularly in the case of Wedu, where the emphasis lies in developing women leaders who possess the vision and resilience to address pervasive structural inequalities.

Wedu is a women's network and social enterprise that empowers and supports women in their leadership development journey. The organization offers a range of programs and

initiatives designed to equip women with the skills, resources, and networks necessary for leadership success. The Introduction to Leadership (ITL) is a two-part online program that aims to assist young women in clarifying their leadership development goals and initiating self-reflection on their personal and professional aspirations. Participating in ITL serves as an entry point to join the Wedu Leadership Community for young women leaders, known as Rising Stars (RS), which provides access to various additional opportunities. This includes lifelong mentorship through the Rising Stars program and educational funding through the FISA program (Find Focus into your Leadership Development, 2023).

FISA stands for Future Income Sharing Agreements (FISAs), providing financial assistance for young women to pursue higher education. During a zoom webinar titled "Feminist Futures: How ISAs are shaping women's education across Asia," Claire Naylor-Trein, the Executive Director at Wedu Global, mentioned that in the past year, Wedu has successfully supported 70 women from South Asia and Southeast Asia in overcoming financial obstacles to pursue their higher education. These programs have flexible repayment schemes based on future income, removing financial barriers, and enabling access to education (Feminist Futures: How ISAs are shaping women's education across Asia, 2023). Wedu's Future Income Sharing Programs (FISAs) offer remarkable opportunities for young women to finance their education. These programs provide more flexibility than traditional loans by linking repayment to the future income of women leaders. This innovative approach to financing education is seen as a progressive strategy for enhancing women's capacity building within the constraints of capitalist and patriarchal systems. The support from the Yunus Center in facilitating Wedu's development amplifies the potential for growth and expansion. Moreover, there is an interest in extending this model to fund the Yunus Master's Program, potentially implementing Future Income Sharing Agreements.



Although the Future Income Sharing Programs (FISAs) have numerous benefits, they also pose inherent challenges. The introduction of loans and debts raises concerns about financial burdens, instrumentalization of women and repayment obligations (Feminist Futures: How ISAs are shaping women's education across Asia, 2023). However, FISAs provide women with a viable opportunity to invest in their education, leading to improved employment prospects, entrepreneurial ventures, and the development of leadership skills and independence. One of the RS of Wedu from Philippines who is interested in Human Rights Advocacy and lifelong learning shares her experience of taking FISA support from Wedu:

With FISA, I feel financially free, and mentally stable to put my mind and heart into my studies. FISA has been a way to overcome inter-generational financial restrains, and it is a convenient process with support. I share the value of paying it forward with Wedu since it is not a charity in the mainstream sense, but rather an intergenerational solidarity. What I like about Wedu is that offers validation and accepts my unique style of learning and I am treated as a co-advocate and a partner in mission. As we work for intergenerational solidarity, benefits and growth, something that is long due, I continue to grow in terms of scientific knowledge and expertise because of my program. I am on my way to become a mediator, in terms of ecology, environment, and in terms of bringing people indigenous communities to the table for negotiation. (FISA Recipient from Philippines)

By enabling women to pursue higher education, FISA loans contribute to their overall capacity building and gender equality. Wedu's FISA programs, in particular, have emerged as a tool to express intergenerational solidarity by building sustainability and exceptional opportunities for young women to finance their education, offering a more flexible repayment structure based on future income (Feminist Futures: How ISAs are shaping women's education across Asia, 2023). Despite existing challenges such as loans, debts, and systemic discrimination, these programs enhance women's ability to invest in their education, leading to increased employment opportunities, entrepreneurial pursuits, and the cultivation of leadership skills and autonomy.

Future Income Sharing Agreements (FISAs) complement microfinance loans for educational purposes, offering a more flexible approach. These agreements link repayment to the borrower's future income, distinguishing them from traditional microfinance loans. FISAs are provided by third-party entities and support marginalized communities seeking educational opportunities. The flexibility of FISAs allows borrowers to repay based on their future income, easing immediate financial pressures and adapting to changing circumstances. While FISAs offer advantages, managing repayment agreements based on future income requires careful consideration and robust systems. However, FISAs provide individuals with the freedom to pursue their educational goals while effectively managing financial obligations. Further research is needed to understand their effectiveness and impact.

The concept of Future Income Sharing Agreements (FISAs) as a complement to microfinance loans for educational purposes highlights the evolution and flexibility within the field of microfinance. While FISAs offer a distinct approach, they share a common objective with microfinance: to support marginalized communities and individuals in accessing financial resources for their specific needs. Microfinance has traditionally focused on providing small loans and financial services to entrepreneurs and low-income individuals who are excluded from traditional banking systems. Similarly, FISAs address the financial challenges faced by individuals seeking education, particularly in underserved communities. By incorporating the innovative element of linking loan repayment to future income, FISAs introduce a more dynamic and adaptable approach compared to traditional microfinance loans. This flexibility aligns with the principles of microfinance, which seek to empower borrowers by providing them with financial tools that suit their unique circumstances. Microfinance programs, including FISAs, recognize the importance of tailoring financial products and services to the specific needs and capacities of borrowers, enabling them to achieve their goals while managing their financial commitments effectively.

In the context of educational funding, FISAs offer an alternative to conventional microfinance loans by acknowledging the significance of future income potential in assessing borrowers' repayment capacity. This approach allows individuals to invest in their education without immediate financial burdens, as the repayment obligation is tied to their future income. "Microfinance and FISA loans may have their differences in structures and purposes, but they share important similarities such as financial inclusion, non-traditional financing, risk-sharing, social impact, and flexible repayment options," stated Suzana Salim, former FISA and communication coordinator at Wedu (2019-2021). She emphasized, "FISA loans offer greater flexibility by considering future employment prospects of the Rising Stars, and the repayment options can be redesigned to better suit the needs of the young women leaders." By reducing the financial barriers associated with education, FISAs contribute to capacity building, empowerment, and improved employment prospects for marginalized individuals, particularly women. Therefore, the emergence of FISAs as a complementary approach to microfinance demonstrates the ongoing evolution and adaptability within the field. Both microfinance and FISAs aim to provide individuals with the necessary financial resources to pursue their goals and improve their livelihoods, whether through entrepreneurial ventures or educational pursuits. By embracing innovative models like FISAs, microfinance institutions and initiatives continue to expand their impact and address the diverse needs of underserved population.

In conclusion, the Yunus Center, through its partnership with Wedu and other initiatives, is at the forefront of capacity building for women's leadership, working towards a more equitable society. The center's support and resources have created an environment where Wedu and similar projects can thrive and make a substantial difference. Together, they are shaping a future where women leaders are actively addressing structural inequalities and driving sustainable change. Dr. Shah, with his leadership and work ethics, has been

instrumental in the success and longevity of the Yunus Center during his tenure at the Asian Institute of Technology. As he approaches retirement, the center is undergoing a transition. Anticipating the potential challenges after his retirement, Dr. Shah took proactive measures to ensure the sustainability of the institute. In 2019, he along with his colleagues established an independent Yunus Thailand Foundation, which not only provided employment opportunities but also secured the continuity of the center's work. Currently, the focus is on the Yunus Professional Master's in Social Business and Social Entrepreneurship, a legacy project that aims to preserve the vision and legacy of Dr. Shah and Dr. Yunus, the renowned pioneer of microfinance. This initiative serves as a testament to their lasting impact and commitment to promoting social entrepreneurship and addressing societal challenges.

## Chapter 8: Conclusion

In this thesis, I have explored the opportunities that microfinance provides to women and transgender people, while also acknowledging its limitations. The study was divided into eight chapters, with three chapters dedicated to analyzing the role of microfinance in the lives of women and Khawaja Saras in Pakistan. Chapter five delved into the specific impacts of microfinance on women and Khawaja Saras, focusing on their agency, skill development, and relationships within the microfinance context. This chapter highlighted the positive changes that microfinance can bring to the lives of marginalized individuals. Chapter six addressed the challenges faced by women and Khawaja Saras in accessing and benefiting from microfinance. These challenges included personal and social limitations shaped by qualifications, mobility, religious beliefs, stigma, discrimination, gender norms, and patriarchal structures. By examining these barriers, the chapter shed light on the complexities that need to be addressed to ensure the effectiveness of microfinance programs. In chapter seven, I reflected on my own internship experience and explored the inequalities that exist in terms of wages, value, and gender-based division of work within the microfinance sector. This analysis emphasized the need to address these inequalities in order to create a more equitable and inclusive environment.

Chapter Seven examines my internship experience at Yunus Center at Asian Institute of Technology (YCA), a think tank and capacity building institute. Despite the challenges of a patriarchal and racially biased system, YCA is committed to training and supporting young individuals as social entrepreneurs, focusing on merit and enabling them to pursue their passions. The case study of Wedu was explored, showcasing its efforts in empowering young leaders through mentoring, funding, and leadership initiatives to address structural

inequalities, particularly by providing flexible repayment options for women pursuing higher education.

It is important to recognize that microfinance alone cannot resolve structural inequalities, as highlighted by Amin et al. (2013). Therefore, in the conclusion, I will offer suggestions to enhance the efficiency of microfinance programs and maximize their impact. Overall, this thesis has provided insights into the potential of microfinance to empower marginalized communities, while also acknowledging the existing limitations and challenges. By addressing these issues and implementing the suggested enhancements, microfinance programs can become more effective tools for promoting economic empowerment and social change. To enhance the efficiency of microfinance programs, certain key areas should be addressed:

A comprehensive approach is necessary, encompassing programs that challenge the gendered societal norms and beliefs that restrict women and Khwaja Saras from accessing education and job opportunities. By promoting positive perceptions of women and transgender individuals within society, the effectiveness of microfinance programs can be enhanced. Moreover, microfinance programs should strive to understand cultural, gender, and patriarchal boundaries in order to design interventions that address not only individual empowerment but also the structural and systemic barriers that limit the impact of microfinance programs in patriarchal contexts like Pakistan. By considering the broader socio-cultural context, interventions can be developed to challenge gender inequalities, promote women's agency, and foster inclusive economic development.

Training programs are essential to equip women and Khawaja Saras with the knowledge and skills needed to succeed in their ventures. By providing training opportunities,

microfinance institutions can empower their clients and enhance their chances of success. Yunus Center AIT and Wedu provide great examples of the success of capacity building besides the financial support. Besides capacity building trainings, microfinance institutions should consider offering a wider range of financial products beyond microcredit. This could include services such as microinsurance, savings accounts, and remittance services. Diversifying financial products will cater to the diverse needs of clients and enable them to better manage risks and build assets. To accommodate the availability of a diverse range of clients, microfinance institutions need to adopt flexible working hours or extend their operations during evenings or weekends. This flexibility allows clients with other commitments to access services without significant disruptions to their daily routines. Actively involving clients in decision-making processes and seeking their input on service delivery can help address timing preferences and scheduling concerns, ensuring that services are effectively tailored to meet their needs. By addressing timing-related challenges, microfinance institutions can enhance client satisfaction, improve operational efficiency, and ultimately maximize the impact of their services on poverty alleviation and economic empowerment.

Due to the limitations imposed by societal stigma perpetuated by patriarchal norms, gender and colonial history, as well as personal factors such as religious preferences, qualifications, and timing, microfinance programs must incorporate a holistic overview and challenge the traditional gender norms to enhance its potential to support marginalized communities. Through fostering resistance and agency, building skill sets, and creating supportive relationships, microfinance programs positively impact the lives of marginalized individuals. Further research is needed to explore the potential of microfinance in challenging the traditional banking system and the capitalist economic model, promoting financial

inclusion of marginalized communities. It is important to re-conceptualize the goals and purposes of microfinance, as access to credit alone cannot fully resolve structural inequalities.



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