

Effects of Microfinance on Poverty Alleviation in North America and Latin America

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ABSTRACT

The paper examines the roles of microfinance in poverty alleviation in North America and Latin America based on recent empirical research and policy analyses of the region. Since its introduction in the 1970s, microfinance has been promoted as a development tool defined as the provision of small-scale financial services to underserved populations. Although microfinance has been adopted in both North and Latin America, institutional structures, socioeconomic factors, and outcomes differ substantially. This paper also examines the performance of microfinance in enhancing income, psychological well-being, entrepreneurship, and social inclusion. Further, it investigates the integration of complementary services such as technical training, healthcare, and conditional cash transfers. Evidence from nations such as Mexico, Brazil, Bolivia, Peru, and the United States indicates that microfinance has the capacity to alleviate multidimensional poverty, especially when programs incorporate education and complementary support services. Nonetheless, system-wide transformative effects appear limited unless policies are coordinated across sectors and interventions are appropriately targeted. The discussion underscores the need for context-sensitive design, intersectional inclusion, and subnational financial support. The conclusion is that microfinance, when deployed as part of a multisector development strategy focused on institutional cooperation, financial inclusion, and the empowerment of disadvantaged communities, yields the strongest results.

Keywords: Microfinance; Microcredit; Poverty; Inclusion; Empowerment; Entrepreneurship; Training; Alleviation

INTRODUCTION

Microfinance, generally defined as the facilitation of small-scale financial services like microloans, savings accounts, insurance, and financial-literacy training for underserved populations, has become prominent

in efforts to reduce poverty and enhance economic empowerment. Microfinance gained prominence in the 1970s through Muhammad Yunus and the Grameen Bank of Bangladesh to provide capital to low-income entrepreneurs excluded from formal financial services and to stimulate grassroots economic development (1, 2). Microfinance has become a global development process over the last several decades, and it has been embraced not only in the Global South but also across Latin America and North America. However, microfinance is marked by a central tension: it promises economic inclusion and empowerment, but critics warn

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that it can lead to debt traps, slow income growth, and only limited improvements in poverty reduction. This paper argues that microfinance is not a universal solution but can be effective when designed with accountability, inclusivity, and long-term development strategies in mind. Even though microfinance has been adopted in both the Latin and North American regions, there are broad differences in sector architecture, target populations, and outcomes. In North and Latin America, MFIs (Microfinance Institutions) are often organized as nonprofits that emphasize women's empowerment through financial literacy and entrepreneurial growth (3, 4). Grameen America is among the most widely recognized, adapting the Grameen model to U.S. urban conditions (5). Conversely, the microfinance sector in Latin America is much more diversified, where, in addition to commercial microfinance banks, like BancoSol in Bolivia, the landscape also includes NGOs such as Pro Mujer, which combine health and education services with microfinance (6). This diversity reflects the complex socioeconomic dynamics of the region, with large parts of the population employed in the informal sector and unable to access traditional banking services. Across both regions, microfinance operates within broader contexts of inequality and exclusion. Poverty in Latin America is deep and structural in nature; it can be characterized by land inequality, unsupportive social safety nets, and gender inequality. Microcredit serves as a source of livelihood to many households, providing a means of smoothing consumption in households or informal businesses; however, critics argue that microfinance alone cannot address the root causes of poverty. In North America, and especially in the United States and Canada, microfinance often targets low-income women, immigrants, and socially marginalized groups whose efforts to access mainstream financial institutions can be hampered by low credit ratings, absence of collateral, or discriminatory lending habits. In these settings, economic inclusion is accompanied by goals related to dignity, independence, and social mobility. However, according to Rojas Valdes *et al.* (7), microfinance holds promise for reducing poverty, but the evidence is mixed. The critics cite excessive amounts of debt, slow income growth, and the possibility of microcredit causing a debt trap. Accordingly, this paper examines the impact of microfinance on poverty reduction in North America and Latin America through a comprehensive review of recent scholarly literature, policy papers, and institutional evaluations. It highlights detailed case

studies in both regions, examines the methodologies applied, findings, and implications. With a comparison of these contexts, the paper draws lessons about what can and cannot work in various institutional, economic, and cultural settings. Finally, this paper contends that microfinance is not a cure-all but can be effective in alleviating poverty under a deliberate approach that emphasizes accountability, inclusivity, and long-term development strategy.

METHODS AND MATERIALS

This paper employs a qualitative synthesis of 22 peer-reviewed academic studies and policy analyses published between 2015 and 2025. Sources were selected based on their empirical focus on microfinance programs in North and Latin America, with particular attention to multidimensional poverty outcomes, regional contexts, and program design. Sources were retrieved from academic databases such as Google Scholar, JSTOR, and ProQuest to ensure broad coverage of relevant research. To maintain focus, only peer-reviewed studies or policy reports published during 2015–2025 that examined microfinance in North America or Latin America were included. Papers limited to other regions, lacking data or clear evaluation methods, or consisting primarily of opinion pieces were excluded. When multiple papers from the same team overlapped, the most recent or the most comprehensive study was retained. As a result, the 22 studies reflect research that is both methodologically reliable and directly tied to the regions examined. The synthesis process involved identifying recurring themes, comparing different methodological approaches, and grouping findings under shared dimensions such as regional differences, multidimensional tools, and policy implications. Table 1 summarizes the foundational and regional studies included in the review, outlining authors, geographic focus, methodologies, and principal findings that provide the conceptual baseline for the synthesis.

RESULTS AND DISCUSSION

Regional Differences

North America

Microfinance in North America has evolved in a contrasting institutional and economic environment from that of Latin America (4). Microfinance in the

Table 1. Foundational and Regional Studies on Microfinance

Author/Year	Region/Focus	Methodology	Sample/Scope	Key Findings	Notes/Implications
Mia <i>et al.</i> (2019)	Bangladesh/Global	Historical life cycle analysis	Evolution of Grameen model	Traces microfinance origins; grassroots to global	Serves as baseline for adaptation studies; shows how institutional context shapes outcomes
Jabbar (2024)	Bangladesh	Historical critique / book	Founder & Grameen Bank	Yunus' reputation decline; challenges of scale	Demonstrates risks of founder-centered models; warns against symbolic reliance
Reyes & Fattori (2019)	Colombia (post-conflict)	Policy analysis / case study	Women borrowers in post-conflict areas	Mixed empowerment vs. managerial poverty control	Importance of aligning microfinance with structural reforms in fragile contexts
Cozarenco & Szafarz (2019)	Global North	Comparative policy analysis	North American MFIs	Nonprofit orientation; empowerment focus	Adaptation to welfare-state contexts; integration with broader safety nets
Barua & Khaled (2023)	Global North (US)	Case study	Urban MFIs in U.S.	Adapted Grameen to US context	Shows need for urban tailoring; stresses intermediary institutions
Guessed (2025)	West Africa & Latin America	Comparative empirical study	Women borrowers	Strong psychosocial & empowerment gains	Calls for mixed metrics beyond income; non-financial poverty alleviation focus
Rojas Valdes <i>et al.</i> (2022)	Mexico (Oaxaca)	Field experiment	Low-income women	Boosts hope, aspirations, belonging	Psychological empowerment as overlooked poverty dimension
Banerjee <i>et al.</i> (2015)	Global (6 trials)	Randomized evaluations	Six RCTs	Limited economic impact; supports entrepreneurship	Need for credit-plus models; microfinance not transformative alone
Meager (2019)	Global (7 trials)	Bayesian hierarchical analysis	Pooled 7 RCTs	Impacts small, fragile, short-lived	Suggests institutional reform needed to sustain gains
Miled & Rejeb (2015)	Global	Review & synthesis	Cross-country evidence	Poverty reduction linked to regulation & infrastructure	MFIs succeed when embedded in strong institutions and decentralized governance

Summary of selected foundational and regional studies that form the conceptual baseline for this literature review. The table outlines authors, geographic focus, methodology, sample or scope, and principal findings, along with notes on their implications for understanding how microfinance outcomes vary across institutional, cultural, and regulatory contexts. These works provide historical grounding (e.g., Bangladesh origins), comparative analyses in North America and Latin America, and global randomized evaluations, allowing synthesis of both structural limits and enabling conditions for microfinance success.

United States and Canada is usually performed by nonprofit organizations or social enterprises, which serve the economically disadvantaged populations, such as immigrants, women, and racial minorities (3, 4). Grameen America, which is an adaptation of the Grameen Bank's model of Bangladesh, has emerged as one of the most recognized microfinance organizations (MFIs) in the U.S. (5); compared with the Global South, where microfinance is often the sole source of finances and often the only option, North American microfinance generally co-exists with other financial aid or welfare schemes (4). Consequently, North American MFIs frequently combine microcredit with social services, including financial literacy, mentorship, and in some cases even healthcare referrals.

Randomized evaluations of existing programs of Grameen America indicate that access to group-based microloans in urban settings, such as in New York and Los Angeles, has resulted in measurable improvements in business ownership, perceived control, and confidence among women (8). Yet the economic outcomes remain modest. Meager's Bayesian hierarchical analysis of multiple randomized trials demonstrates that in relatively developed markets like the U.S., microfinance seldom generates transformative changes in income or consumption (9). Instead, the effects are small, fragile, and often short-lived, suggesting that while microloans may support micro-entrepreneurship, they rarely lift households out of poverty on their own (8). This evidence challenges the more optimistic narratives and underscores the structural limits of microfinance in advanced economies (10).

Another characteristic that distinguishes microfinance in North America is its focus on empowerment and social integration, especially among women (3). Support networks have the benefit of creating a community and sense of solidarity, which can be particularly significant for recent immigrants and women of color who might experience culture-or-language-related barriers when they utilize mainstream services (11). The impact of these programs on psychological and interpersonal well-being is significant, although hard to measure, supporting emotional resilience, reducing social isolation, and encouraging civic participation (7). However, some critics argue that these psychosocial gains can mask the absence of measurable poverty reduction, and that microfinance risks being celebrated more for symbolic empowerment than for material improvement (8).

Furthermore, fintech innovations and digital

technologies play an increasingly important role in the spread of microfinance access in North America (4). Technology helps cut costs and overcome geographic limitations through mobile applications for loan tracking and AI-based programs for credit scoring. Nevertheless, even with this development, the socioeconomic disparity in housing, health, and education limits the capacity of microfinance to lift households out of poverty (7, 8). Therefore, microfinance in North America functions as a complement to public and nonprofit support systems rather than a substitute (4, 12, 13). Recent studies in the U.S. also suggest that the non-financial benefits of microfinance are meaningful, particularly for immigrant women, who report stronger networks, higher self-confidence, and greater social integration through group-based lending programs (5, 7).

Latin America

Latin America offers a far more fragmented and differentiated microfinance environment compared with North America (6, 10). In this case, microfinance has become embedded since it has reached out to large proportions of economic informality, rural isolation, and historically low access to financial services. The region is served by a broad spectrum of MFIs, including nonprofit initiatives such as Pro Mujer and FINCA, commercial banks, and some hybrid organizations with both social and financial objectives (6, 12). The populations benefiting from these institutions include women, smallholder farmers, indigenous communities, and the urban poor, reaching millions. Microfinance in Latin America is broader in scope than in North America, with many institutions providing integrated services including microinsurance, technical training, health services, and legal support (6, 11, 14). Table 2 presents applied case studies from Latin America, highlighting diverse institutional models and the multidimensional outcomes of microfinance programs, including effects on income, health, social well-being, and entrepreneurship.

For example, Pro Mujer integrates financial services with preventive healthcare and education, since economic empowerment alone is not enough in a place where structural inequality and poor public infrastructure exist (6, 11). However, the increasing involvement of commercial banks and for-profit lenders has also raised concerns about mission drift, where the financial sustainability of MFIs takes precedence over their social impact. Critics argue that commercialization can lead to higher interest rates, reduced service to the

Table 2. Applied Case Studies of Microfinance in Latin America

Author/Year	Region/Focus	Methodology	Sample/Scope	Key Findings	Notes/Implications
Hamad & Fernald (2015)	Peru	Cross-sectional study	Women borrowers	Improved mental health; little physical health change	Microfinance indirectly reduces poverty through psychosocial health; gaps remain
Valls Martínez <i>et al.</i> (2021)	Global North & South	Ethical banking review	Comparative frameworks	Ethical vs. poverty-alleviation banks differ	Shows need for localized, mission-driven finance
World Bank (2019)	Mexico	Policy financing analysis	National financial reforms	Expanded access; persistent inequality	State-led inclusion insufficient without structural reforms
Cecchini (2021)	Latin America	Policy analysis	Conditional Cash Transfers	CCTs complement microfinance	Demonstrates synergy; expands resilience
Garcia <i>et al.</i> (2022)	Bolivia	Mixed-method evaluation	Dairy farmers (Sembrar Sartawi)	Credit-plus ↑ income & productivity	Bundled technical assistance effective; scaling needed despite higher costs
van Gameren <i>et al.</i> (2024)	Mexico (rural)	Policy evaluation	Formal & informal lenders	Both reduce poverty; informal reaches poorest	Informal fills gaps but risky; need balance between outreach & protection
Bettoni <i>et al.</i> (2023)	Brazil	Quantitative study	Small firms	Microcredit ↑ investment & inclusion	Credit stimulates entrepreneurship; supports SME growth
Ramezanali & Assadi (2018)	Brazil	Case analysis	National programs	Mixed results on poverty alleviation	Shows heterogeneity; weak regulation reduces effectiveness
Radics <i>et al.</i> (2023)	Latin America	Policy/finance report	Subnational fiscal relations	Weak decentralization limits MFI impact	Reinforces need for fiscal decentralization
Kundu & Gupta (2024)	G20 nations	Policy framework	Multinational context	Joint action reduces poverty & inequality	Situates microfinance in global agenda
Adenutsi (2023)	Low-income economies	Theoretical econ analysis	Entrepreneurship models	Job creation drives poverty alleviation	Frames microfinance as catalyst for broader structural transformation
Lindsay <i>et al.</i> (2025)	Global	Scoping review	Disability-focused programs	Inclusive microfinance supports disabled groups	Pushes for intersectional approaches; disability-sensitive financial policy

Overview of empirical studies and policy reports assessing the multidimensional outcomes of microfinance across Latin American contexts. The table presents the authors, region or program focus, methodology, scope, and key findings, highlighting impacts on income, health, entrepreneurship, and psychosocial well-being. It also emphasizes the role of integrated “credit-plus” models (e.g., technical training, healthcare), the importance of fiscal decentralization, and the balance between formal and informal lending. Together, these studies illustrate how diverse institutional models and contextual factors shape the poverty-alleviation potential of microfinance in the region.

poorest clients, and prioritization of loan repayment over empowerment (10, 12).

Empirical evidence also shows how microfinance can be used as a multilateral instrument for reducing poverty in Latin America. According to a study of the Sembrar Sartawi program in Bolivia conducted by Garcia (15), when technical assistance (including the provision of agronomic and veterinary training to dairy farmers) was bundled with microloans, participants had significant increases in milk production and monthly income. Similarly, van Gameren *et al.* (16) discovered that in rural Mexico, both formal and informal credit were associated with reductions in income poverty and multidimensional poverty. Comparable evidence from Brazil shows that microcredit can support small firms and poverty reduction (17, 18), suggesting that while informal lenders can reach highly vulnerable groups, sustainability and borrower protection remain concerns (13, 15–18).

Literature, such as that of Hamad and Fernald (11), shows improvements in mental health indicators in women borrowers in Peru, and similar findings are reported elsewhere: Rojas Valdes *et al.* (7) document gains in hope and aspirations in Mexico, while Guesed (6) and Lindsay *et al.* (22) highlight empowerment and inclusion for women and marginalized groups across Latin America. Yet physical health outcomes and sustained economic returns remain elusive, largely because MFIs alone cannot overcome broader infrastructural and institutional deficits, such as lack of access to hospitals, inadequate school systems, or volatile labor markets (19). Without government support and stronger service ecosystems, microfinance's impact is inherently limited, especially in rural or underserved areas (13).

Comparative Analysis of North and Latin America

When comparing North and Latin America, several differences stand out. The microfinance institutions in North America are highly nonprofit, heavily concentrated in urban areas, and are surrounded by a system of social services (4). In contrast, Latin America has more of a pluralistic network consisting of commercial MFIs together with diverse urban and rural markets (12). Although North America tends to have stronger technological integration and regulatory infrastructure (13), Latin America is more diverse in its institutions and grassroots innovation (6). Microfinance, in the two regions, has also demonstrated promise in enhancing psychological well-being, entrepreneurial

activity, and financial inclusion (7, 11). However, these tools do not operate in a vacuum; their impact is shaped primarily by the social, economic, and institutional context in which they are deployed. In North America, strong welfare systems and urban concentration limit the transformative scope of microfinance, while in Latin America, structural inequality and weaker public infrastructure restrict long-term gains even when services are more diverse (19). The decisive insight is that the same microfinance model can yield very different outcomes depending on its surrounding environment. Nevertheless, complementary services, biases of the borrowers, and institutional backup significantly determine the quality and sustainability of the poverty-reducing impacts. As such, the tool is similar, but according to the regional context, results are strongly shaped by local institutions and conditions.

MULTIDIMENSIONAL TOOLS

Health Integration

One of the strongest demonstrations of microfinance's multidimensionality is its integration with health services (6). Organizations such as Pro Mujer in Latin America can provide basic care coupled with loans to address the mutually reinforcing problems of poverty and illness in settings with limited public health coverage; such practice is critical in underdeveloped regions and rural communities where there is no or very poor public health infrastructure (14). This integration model is particularly prominent in Bolivia, Nicaragua, and parts of Peru, but remains less common in other Latin American countries where MFIs operate independently from health providers. The research conducted by Hamad and Fernald (11) in Peru demonstrated that longer participation was associated with greater perceived control among women, higher level of social support, and lower depressive symptoms (11). Although the study did not reveal positive changes in physical health outcomes, such as cancer screening or use of contraception, the study still demonstrates the effect that access to financial services might have on mental health, which is often overlooked in economic evaluations. More recent studies reinforce this point: Rojas Valdes *et al.* (7) found that access to microfinance in Mexico boosted hope and aspirations, while Guesed (6) highlights empowerment and psychosocial gains for women across Latin America. One likely reason for the lack of measurable physical health gains is that access alone does not guarantee usage; barriers such as travel

distance, healthcare costs, cultural stigma, or limited quality of local facilities can prevent participants from translating financial and informational access into actual health improvements (11, 14).

Technical Assistance & Training

Providing technical training and support to borrowers is another important aspect of effective microfinance; credit alone can open opportunities, but often it may not be enough to succeed over time. This is especially true with first-time borrowers who may have little or no education or experience in running a business. Bolivia provides an illustrative case study through the Sembrar Sartawi initiative, which provided dairy farmers with credit-plus agronomic and veterinary training, which led to higher productivity and income. Garcia *et al.* (15) indicate that these advantages were statistically and economically significant, with credit-plus models outperforming credit-only approaches. Despite these successes, the credit-plus model is no more widespread in the region because it requires substantial upfront investment in staff, training facilities, and follow-up services, which many MFIs cannot afford without external funding. When implemented well, however, the model can be cost-effective and scalable, as the combination of skills training and credit improves loan repayment rates, strengthens borrower businesses, and reduces default risk over time, creating a cycle of reinvestment that sustains program operations. This process is especially useful in rural areas where implementation is difficult due to information gaps, supply chain constraints, and logistical isolation.

Formal vs. Informal Credit

Informal lending is a crucial component in the monetary system in most of Latin America, particularly rural Mexico and the Andean highlands. Although criticized as exploitative, informal lenders occasionally satisfy the needs of those communities that formal institutions overlook. According to Van Gameraen *et al.* (16), formal and informal credit decreased multidimensional poverty in Mexico, but the effects of formal credit were more homogeneous; informal credit, on the other hand, reached poorer but high-risk customers, usually being the sole source of financing in agricultural inputs or emergency needs (16). While these poverty-reducing effects are notable, concerns remain that some informal lending practices can be predatory, with high interest rates and aggressive repayment terms that may trap borrowers in cycles of debt (13). Overall,

formal credit tends to deliver steadier, more predictable benefits, whereas informal credit, although riskier, can provide critical short-term lifelines in areas that formal systems cannot reach. Balancing these options depends on whether immediate access outweighs potential long-term financial strain, a trade-off that varies widely by community and borrower circumstances. This contrast underscores a broader issue: credit markets must be assessed not only in terms of legality but also in terms of accessibility, flexibility, and responsiveness to community needs (10).

Psychological & Social Impact

Most assessments of microfinance have paid more attention to financial aspects, but recent assessments have concentrated on the psychological and social aspects of microfinance. Rojas Valdes *et al.* (7) identified increases in hope, aspirations, and social belonging among borrowers in Oaxaca, Mexico. Similar evidence comes from Peru, where Hamad and Fernald (11) report gains in perceived control, while Guesed (6) highlights empowerment and solidarity networks across Latin America, and Lindsay *et al.* (22) emphasizes inclusion for people with disabilities. The effects are particularly pronounced among women and indigenous populations (3). Likewise, perceived control and social support were found to rise in Peru, even after controlling for socioeconomic status (11). Recent work has also broadened this evidence. Guesed (6) shows that empowerment and solidarity networks tied to microfinance are particularly significant for women, and Lindsay *et al.* (22) emphasize that inclusive microfinance policies improve social participation for marginalized groups such as people with disabilities. However, the durability of these effects remains unclear, as most studies measure short-term outcomes and may not capture whether improvements persist once loan cycles end (8). Moreover, these gains appear highly context-dependent, often strongest in close-knit communities or where social cohesion is already present. Some scholars also caution that measuring psychological change is inherently difficult, with results sensitive to survey design, self-report bias, and cultural interpretation of concepts like empowerment or control.

Macroeconomic & Structural Context

On the macro level, microfinance benefits from integration with broader development policies to achieve scale and sustainability (10). The cross-national study by Miled and Rejeb (10) showed that

higher microfinance penetration correlates with lower poverty and higher per-capita income. Yet these effects are strongest when accompanied by robust regulation, fiscal decentralization (19), and coordinated policy action (20), highlighting that institutional environments are as critical as program design. Valls Martínez *et al.* (12) distinguish between ethical banks in advanced economies and poverty-alleviation banks in the Global South. They emphasize that the development of the financial institution should be local. Fiscal decentralization is a central issue in Latin America, which is described in the report by the Inter-American Development Bank (2023) about subnational public finances (19). Microfinance programs may be underfunded, mismanaged, or ill-distributed without proper coordination of the activities of the central and local governments. In practice, this means that well-designed programs can still fail if they operate in environments without reliable public infrastructure, regulatory enforcement, or fiscal support. Conversely, even modest microfinance interventions can succeed when embedded in strong institutional frameworks. The decisive factor is not only how programs are structured but also whether the broader political and economic environment enables them to operate effectively (20). The success of microfinance depends not only on program design but also on enabling regulatory, fiscal, and infrastructural environments.

POLICY IMPLICATIONS

Evidence suggests that microfinance is not a stand-alone solution and should be embedded within broader ecosystems comprising healthcare, education, technical training, and social protection (14). In North America, where there is more infrastructure and control in place, peer-lending and nonprofit models can benefit marginalized populations, mostly women and immigrants (4, 3). Policymakers should prioritize financial-literacy initiatives and the integration of psychosocial services. Policymakers should also support the scaling of fintech tools, such as mobile loan applications and AI-based credit scoring, to reach underserved borrowers more efficiently, while ensuring data privacy and regulatory oversight.

Microfinance is most successful in Latin America when it is packaged with other services such as healthcare or technical training. Governments and MFIs in Latin America should prioritize integrated “credit-plus” models, embedding preventive healthcare,

technical training, and agricultural support directly into loan programs, particularly in rural and high-poverty areas. Programs should focus on capacity building, institutional strengthening, and robust regulatory frameworks, particularly in countries with large informal sectors. These efforts also reinforce entrepreneurship and job creation as central mechanisms for poverty reduction (21). In both regions, policies should adopt intersectional approaches to address gender, disability, and ethnic inequities through policies. It is necessary to carry out targeted outreach and engage in inclusive program design. Across both regions, three priorities emerge for policymakers: 1) integrate microfinance with complementary services to address multiple dimensions of poverty, 2) strengthen institutional capacity and regulatory oversight to ensure sustainability, and 3) design programs that are inclusive, targeting gender, disability, and ethnic disparities (19, 12). At the macroeconomic level, national governments must increase public investment and pursue fiscal decentralization to enable effective subnational service delivery. To make these investments effective, governments should create national microfinance coordination councils that link local MFIs with health ministries, education agencies, and digital infrastructure providers, reducing duplication and improving complementarity. At an international level, aligning the principles of global development, such as the SDGs, and collaborating with ethical banking organizations may increase the impact. After all, microfinance has the potential to become an effective multidimensional intervention, provided it is supported by customization, governance, and systemic policies that can back its overall development outcomes. The core takeaway is straightforward: microfinance delivers the greatest poverty reduction when embedded within strong institutions, paired with complementary services, and designed to address inequality from the outset.

CONCLUSION

The discussion in this paper has been critical of the role played by microfinance in addressing poverty alleviation in North America and Latin America and how the design, delivery, and results are influenced by regional dynamics and institutional systems. Although both regions employ microfinance to reach economically marginalized communities, their models vary substantially. In North America, microfinance is led by nonprofit-oriented agencies and organizations that

are specific to women and immigrants as entrepreneurs and incorporate social and psychological aid into the formal economy. In Latin America, in contrast, a larger diversity of financial institutions, everything from grassroots NGOs and hybrid commercial models, emerged to face the prevalence of large-scale informality and weaker systems of state-delivered infrastructure. These differences underscore the need to localize microfinance programs to sociopolitical conditions and regulatory capacity. Another aspect that has come out in the analysis is that microfinance should not be reduced to a single financial tool. On the contrary, it is a multidimensional instrument that can influence health, technical ability, mental health, and community building. A final recommendation is to pursue region-specific, evidence-based policy. In North America, the way out is to increase access to the digital environment, financial literacy, and the practice of microfinance in the social protection system. Policymakers in Latin America are urged to promote models of credit-plus with the inclusion of training, health, and community involvement, particularly in less urbanized and poorly serviced areas. On both continents, success depends on balancing financial inclusion with borrower protection, while building systems that promote durable empowerment rather than short-term relief. Taken together, the evidence suggests that microfinance is most effective when treated as a supplement to broader social and economic policies, rather than as a stand-alone solution. The core takeaway is that its long-term poverty-reducing power depends on being embedded in strong institutions, linked to complementary services, and adapted to local contexts. With integrated, purpose-built support, microfinance can continue to serve as a meaningful instrument in poverty alleviation and be able to reduce poverty sustainably. Future research should move beyond short-term outcome studies and focus on long-term evaluations of income stability, intergenerational mobility, and health outcomes linked to microfinance participation. Greater attention is also needed on the role of digital finance and fintech integration, particularly how mobile banking and AI-driven credit scoring can expand access without reinforcing existing inequalities. Finally, gender-focused approaches remain critical; future work should explore how microfinance can address intersectional barriers faced by women, especially in marginalized or rural communities, and measure empowerment outcomes alongside financial ones.

CONFLICT OF INTERESTS

The author declares that there are no conflicts of interest regarding the publication of this article.

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