

The Role of Microfinance in Achieving SDG 1: No Poverty

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Abstract

Microfinance has emerged as a critical tool in the global fight against poverty by providing low-income individuals access to essential financial services traditionally unavailable to them. This study explores the role of microfinance in achieving Sustainable Development Goal 1 (No Poverty), examining its impact on income generation, financial inclusion, and social welfare among marginalized populations. Through a mixed-methods approach combining quantitative data analysis and qualitative case studies, the research highlights how microfinance empowers vulnerable groups, particularly women, to improve livelihoods and build resilience against economic shocks. While findings indicate significant contributions of microfinance to poverty reduction, challenges such as high interest rates, limited outreach, and contextual constraints remain. The study concludes that microfinance, when integrated with supportive policies and social protection, can substantially advance poverty eradication efforts aligned with SDG 1 targets. Recommendations for enhancing the sustainability and inclusivity of microfinance programs are discussed.

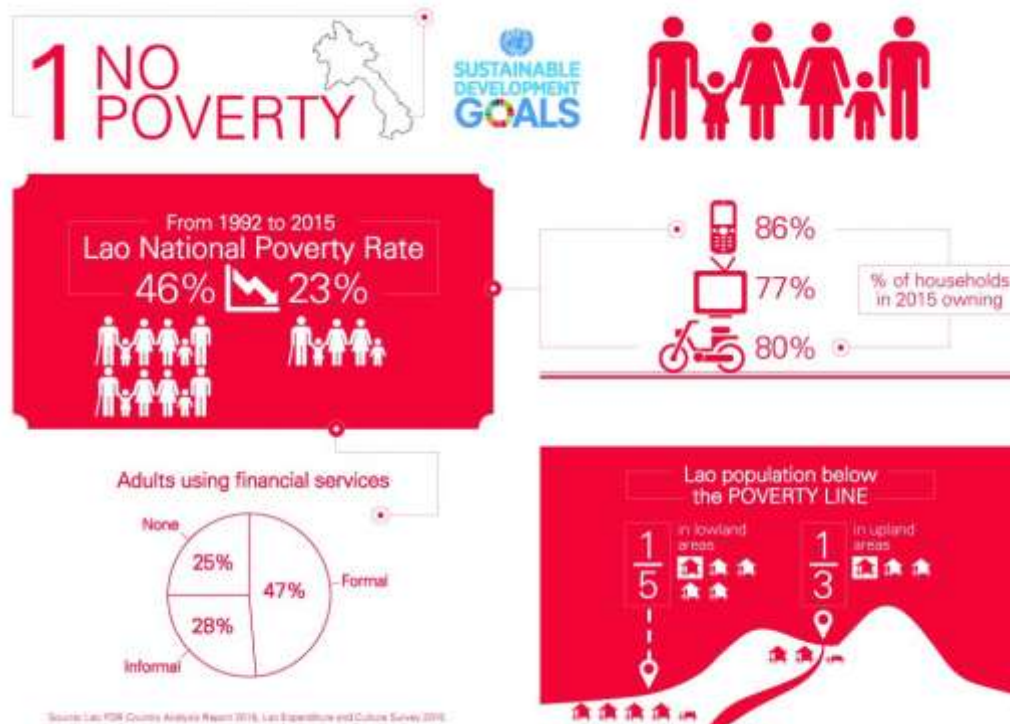
Keywords: Microfinance, Poverty Alleviation, Sustainable Development Goal 1 (SDG 1), Financial Inclusion, Economic Empowerment, Microcredit, Women's Empowerment, Social Protection, Developing Countries

1. INTRODUCTION

1.1 The Establishment of SDG 1

In 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs) aimed at addressing global challenges such as poverty, inequality, climate change, and more. Among these, SDG 1: No Poverty is considered the foundational goal, as eradicating poverty in all its forms is essential for sustainable development. SDG 1 builds upon the progress made by the Millennium Development Goals (MDGs), especially MDG 1, which focused on halving extreme poverty rates by 2015. However, recognizing that poverty remained a persistent issue for millions worldwide, the SDG framework was designed to be more inclusive, ambitious, and measurable (Ahmad and Ahmad, 2021). SDG 1 aims not only to eliminate extreme poverty (those living on less than \$1.90 a day) but also to reduce relative poverty by ensuring equal access to economic resources, social protection systems, and basic services. It acknowledges the multifaceted nature of poverty—encompassing income, education, health, and living standards—and calls for a comprehensive approach involving governments, civil society, and financial institutions, including the microfinance sector.

In September 2015, all the Member States of the United Nations officially adopted the Sustainable Development Goals (SDGs) lay out in the 2030 Agenda for Sustainable Development (a blueprint to achieve prosperity, environmental sustainability, and social inclusion across the globe). Among the most important agendas in this theme is SDG 1: No Poverty that intends to stop poverty in all its manifestation everywhere. This has been the development of the Millennium Development Goals (MDGs) (MDG 1) which aimed at halving the share of individuals living in deep poverty by 2015. Although we have achieved a lot, so much that just about 10 percent of the world was living in poverty in 2015 as compared to 36 percent in 1990, the rate of change was not as steady as we would have liked, and instead millions of people are still at risk of becoming poor, particularly those in sub-Saharan Africa, South Asia, and war-torn places.



SDG 1 sets ambitious targets that go beyond extreme poverty, focusing also on relative poverty, access to basic services, social protection systems, and the rights to economic resources such as land, property, and financial services. The goal is not only to lift people out of poverty but to build long-term resilience by addressing the root causes of deprivation and marginalization (El-Nasharty, 2022). It includes seven specific targets and thirteen indicators to measure progress, such as the proportion of population covered by social protection floors, and those living below national poverty lines.

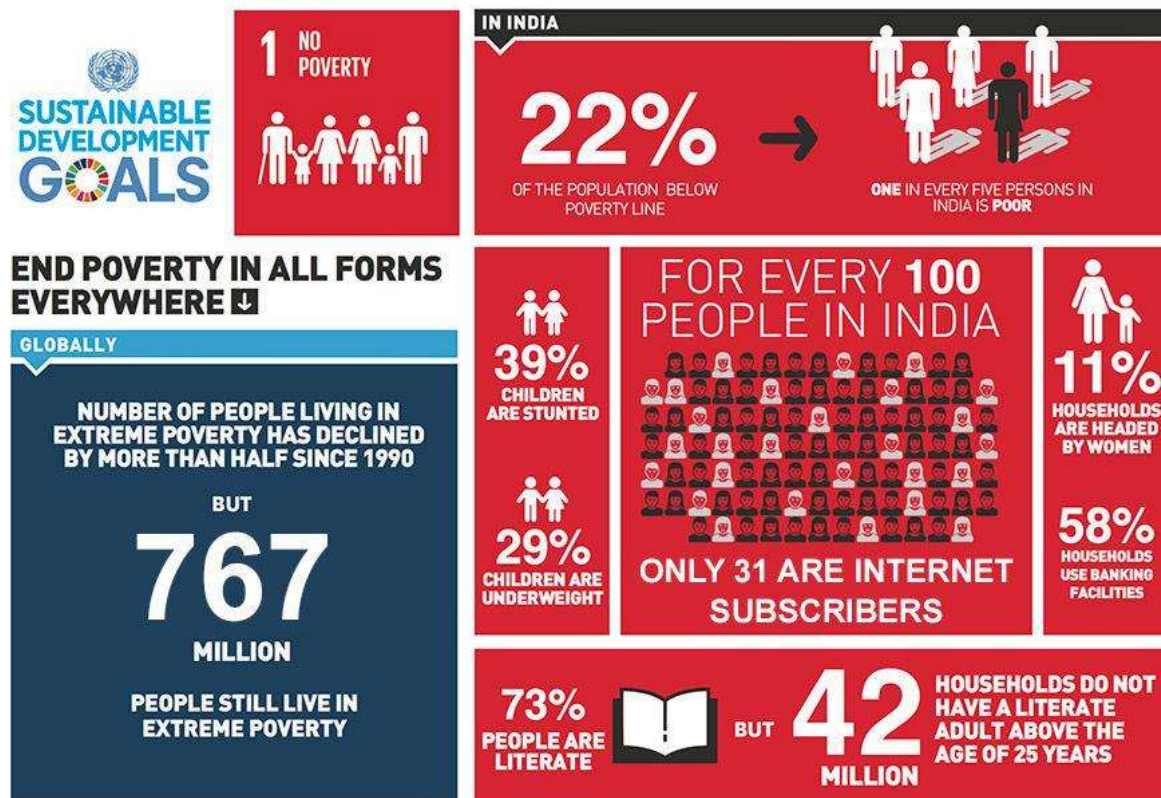
1.2 Explanation of SDG 1, its targets, and indicators

The first and the most basic goal of the United Nations 2030 Agenda is SDG 1, which is titled No Poverty meaning that the goal is to eliminate all forms and aspects of poverty in the world. It covers not only the extreme poverties given the definition of the World Bank to live under 2.15 dollars a day but also the relative poverty in respect of the conditions within the countries. The aim can tell that poverty is but more than about the income, but also can be characterized by the deprivation of receiving education, healthcare, housing, job, and fundamental human rights. SDG 1 has been organized according to seven targets and thirteen measurable indicators; hence, forming a complete framework to inform and steer development. These goals zone in on the total eradication of extreme poverty (Target 1.1), cutting poverty in its multiple physical layouts in half on a nation-by-nation base besides the incorporation of sound social protection practices on the poor and the vulnerable (Targets 1.3) (Gatto and Sadik-Zada, 2022). Other key targets are geared towards securing equal access to economic resources, basic services, and financial inclusion such as access to microfinance (Target 1.4), their recuperation against economic, environmental, and social shocks (Target 1.5) as well as the mobilization of policy and financial resources in order to enhance poverty eradication (Targets 1.a and 1.b). The measures included in SDG 1 include indicators on the prevalence of poverty, access to social protection and right to ownership, access to banking, access to credit and access to technology. Specifically, under Indicator 1.4.1, and 1.4.2, one can find the emphasis that access to financial services can play an important role in empowering marginalized groups and thus directly help to achieve SDG 1 (Celestin and Vanitha, 2016).

1.3 Theoretical and practical connections between microfinance services and poverty reduction

Microfinance is widely regarded as a strategic tool for combating poverty, both from a theoretical perspective and through practical application. Theoretically, microfinance is rooted in development economics and financial inclusion theories, which posit that access to financial services—such as microcredit, microsavings, and microinsurance—can empower the poor by enabling them to invest in income-generating activities, manage financial risks, and smooth consumption during economic shocks.

Amartya Sen's capability approach also supports this view by emphasizing the importance of expanding individuals' freedoms and opportunities, which microfinance aims to facilitate. From a practical standpoint, numerous case studies and empirical data show that microfinance has played a significant role in improving livelihoods, especially in developing countries (Samer et al. 2015). For instance, it has enabled low-income individuals, particularly women, to start small businesses, increase household income, and gain greater financial independence. Microfinance institutions (MFIs) have also contributed to community development by promoting savings culture, enhancing social capital, and improving access to education and healthcare through financial empowerment. While critics argue that the impact of microfinance on long-term poverty reduction can be mixed and context-dependent, there is substantial evidence suggesting that, when implemented ethically and sustainably, microfinance services can significantly improve the economic resilience and quality of life of marginalized populations. Thus, microfinance serves as both a practical poverty alleviation tool and a policy mechanism aligned with the objectives of SDG 1.



1.4 Rationale and Aim of the Study

This research is driven by the necessity felt all over the world to tackle the issue of poverty in all its aspects and by the growing awareness of microfinance as a means of financial nature and social empowerment. Although remarkable progress has been made to reduce poverty over the last several decades, about millions of individuals worldwide still have to live in unfavorable conditions of severe deprivation, especially in rural and undeveloped economies (Ahmad and Ahmad, 2021). Historically, more vulnerable populations have been inaccessible to more traditional forms of development because of structural factors like exposure to financial institutions, education, and economic opening. The microfinance as a part of a grass-root intervention has developed as a medium which fills in the gap between the poor and accessibility of money to get stable livelihoods, which the poor cover by small loans, savings, insurance, and abetting the entrepreneurs. With the global set of development initiatives turning into the Sustainable Development Goals (SDGs), specifically SDG 1 No Poverty, it is imperative to know the practicality of microfinance effectiveness on long-term impacts on the SDGs.

This research will seek to assess critically the contribution level of microfinance to poverty reduction and the alignment of microfinance with illuminating of the indicator of SDG 1. This involves a study of how microfinance institutions (MFIs) empower the low-income groups and boost incomes-generating activities and social as well as economic inclusion. The research also seeks to assess the advantages, weakness and limitations of microfinance initiatives in various situations and the circumstances under which microfinance will yield sustainable and scalable results. The study will present a solid piece of information that will be benefiting policy makers, financial institutions as well as developmental organizations and therefore would make a mark in ensuring global dialogue on poverty eradication which revolves around inclusive financial mechanisms.

2. PURPOSE OF THE STUDY

This research is aimed at considering the role of microfinance in the pursuit of Sustainable Development Goal 1 (No Poverty) by analyzing the contribution of the access to microfinance services to poverty alleviation, economic empowerment and social development. In the light of financial inclusion gaining more and more popularity as a major component of sustainable development, the focus of the given research is to investigate both theoretical background and practical results of microfinance program to alleviate poverty. The study attempts to inform on the basis of empirical evidence the way in which microfinance can meet and support the targets and indicators of SDG 1 by evaluating the performance of microfinance institutions (MFIs) in making the low-income people, particularly women and rural residents, capable of earning an income through business, managing risk, and enhancing their living situations (Vishwakarma et al. 2024). As part of the research objectives, it is also hoped that the research could determine challenges and limitations as well as the best practices in micro finance programs so as to learn how these services can be expanded and suit other socio-economic situations. Finally, the research will help or inform policymakers, development agencies, and financial institutions of the prospects of microfinance being employed as a strategic weapon against poverty at the world stage.

The ultimate aim of the research is to identify, critically study and understand the role of microfinance in the working towards the achievement of Sustainable Development Goal 1 (SDG 1): No Poverty, in particular, how the microfinance services can help attain the goal of poverty reduction and sustainable livelihoods. However, poverty is a contemporary challenge in most parts of the world, particularly these areas are developing and underdeveloped. In that regard, microfinance is an intervention strategy customized to empower the poor by availing them with basic financial servicing needs through access to credit, savings, and insurance among other financial tools that formal banking institutions do not usually grant (Subramaniam et al. 2021). The purpose of the study is to examine the possibility of the microfinance to make a practical contribution to the lives of the economically weak groups of the population by expanding their business capabilities, building financial stability, and achieving inclusive economic growth.

Moreover, the research aims to fill the existing divide between theory and practice by setting out how microfinance supports the attainment of the specific targets and indicators of SDG 1 i.e. development of access to financial resources, financial inclusion, and desensitization to economic shock, etc. It will also aim at determining the gendered effects of microfinance since there is a high number of women beneficiaries and how this affects household welfare and community development. Also, the paper will examine the operational models, outreach strategies, as well as triumph stories of some micro finance institutions (MFIs) although it will also consider the demerits and inspections that exist in terms of high-interest rates, over indebtedness and mixed results.

By integrating both qualitative and quantitative insights, the study hopes to contribute to policymaking, program design, and academic understanding of microfinance as a viable and scalable poverty reduction tool (Subramaniam et al. 2021). In doing so, it aspires to inform governments, NGOs, development partners, and financial service providers about the strategic role of microfinance in supporting the global agenda of ending poverty by 2030.

3. LITERATURE REVIEW

3.1 Evolution and Conceptual Framework of Microfinance

The concept of microfinance as institutionalized monetary service to people of low income has changed drastically in the last few decades. It can be found originated in the informal savings and lending by communities in developing nations but it was in 1970s that it had evolved shape in a modern concept through the establishment of some pioneer institutions like Grameen Bank in Bangladesh by Muhammad Yunus. The Grameen bank model proved that collateral free loans to the poor, and particularly women, offered small loans which would spur the entrepreneurship spirit and alleviate poverty. Thereafter, microfinance has spread throughout the world and added a variety of products in the range of financial services that comprehend microcredit, microsavings, microinsurance, and money transfer (Noor and Ayaz, 2023). Microfinance conceptual model is anchored on financial inclusion, empowerment, and feasibility. It seeks to fill the gap between formal financial institutions and less privileged groups of people who could not use conventional financial services because of lack of collateral, credit records or formal jobs. The institutions embodied in the framework incorporate economic theories as financial intermediation theory where one recognizes a need to minimize information asymmetry and transaction costs, and social capital theory where trust in the community and group lending structure is imperative in Obama (2008) to consume the risk. With time micro financing has also adopted technological advances such as mobile banking, digital finance, among others, making it more efficient and widely spread. This is because of the importance of the evolution and the theoretical basis of microfinance in ensuring proper evaluation of how it will be useful towards success in the realization of broader development goals, inclusive of the eradication of poverty as one of the goals of SDG 1 (Shafik, 2025).

Since that time the situation has changed and microfinance became a diversified industry where a range of financial products besides microcredit, microsavings, microinsurance and payment services were developed to address various population groups and their needs. Microfinance has a very strong conceptual framework that is based on the core values of financial inclusions, social empowerment, and sustainable development. It will work to break the structural constraints of the marginalized communities through easy, cheap and available financial services that empower the marginalized communities to generate income, manage its risks and build assets.

The theoretical bases used to support microfinance can be considered as the financial intermediation theory, which casts emphasis on the importance of microfinance institutions (MFIs) in filling the gaps due to market failures like asymmetric information and high cost of transactions. This theory clarifies the reason why conventional banks tend to be closed off to low income customers and how MFIs have reduced this through their innovative techniques of lending such as group lending, peer monitoring and progressive lending (Shafik, 2025). Also, the theory of social capital emphasizes role of trust, social network and community unity in boosting repayment as well as decreasing risk of defaulting. The type of group lending popular with MFIs requires the borrowers to hold each other accountable thereby creating social cohesion and consequently minimising moral hazard.

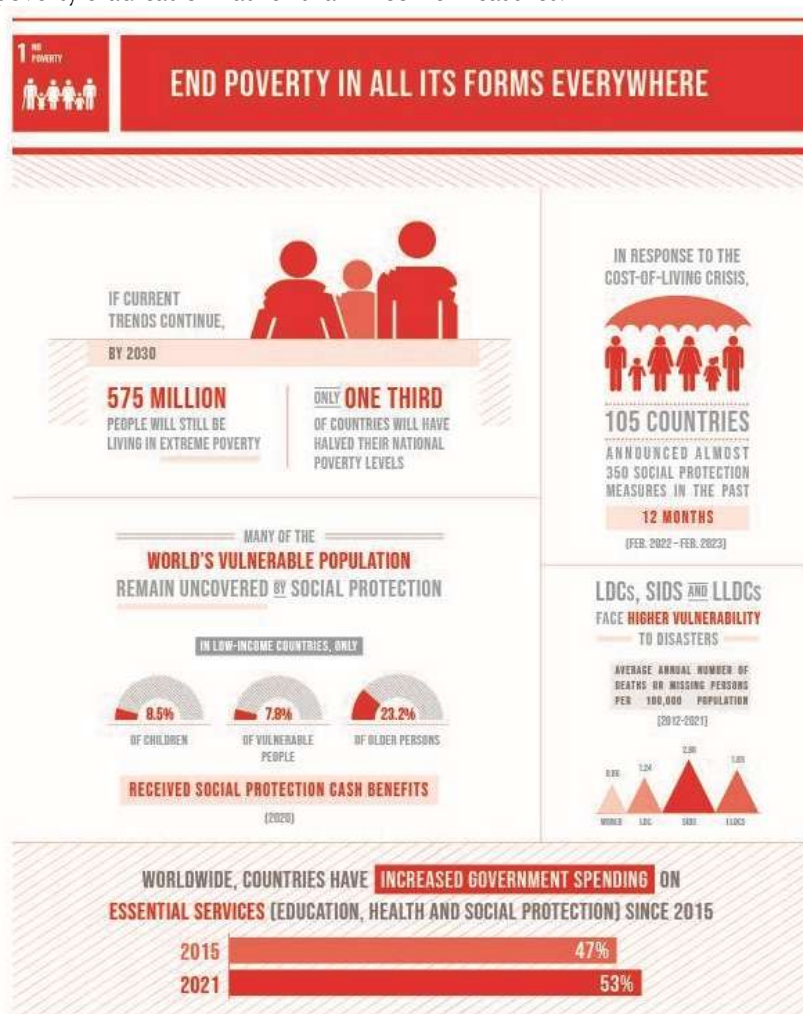
3.2 Poverty as a Multidimensional Phenomenon

The way poverty is viewed is also changing as the problem is no longer being seen as a shortage of income or consumption but as a multidimensional issue that incorporates diverse deprivations which interfere with the well being of individuals as well as communities. The historical standards of poverty were in terms of income levels e.g. the World bank international line of poverty, it is currently \$2.15 a day. Nonetheless, this method does not help to explore the general characteristics of poverty such as the lack of access to education, health, clean water, decent housing, and social and political engagement. The multidimensional approach of poverty conceptualization, that gained popularity in view of the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) indicators-based approach, entails health, education, living standards, and other indicators along with which the information is offered to receive the full portrayal of deprivation. In this wider view, the interrelationship between poverty, social exclusion, vulnerability and capability deficits as described by Amartya Sen in his approach to capability is acknowledged.

This multidimensional concept is very essential in formulating poverty reduction mechanisms as concentration on alleviating income poverty might overlook other essential needs and limitations people

face and unable to enhance their livelihoods (Thorbecke, 2013). As an example, a family can earn enough money and yet be unhealthy or not be provided with educational opportunities that will result in chains of poverty. Hence, global development lasts like Sustainable Development Goals (SDGs) underline integrated strategies that aim at reducing different facets of poverty in the same move. Financial inclusion provided by the microfinance is regarded in this context as an important tool since it allows the poor to invest, not only in income-generating activities, but also health, education, and housing, thereby targeting poverty on various dimensions.

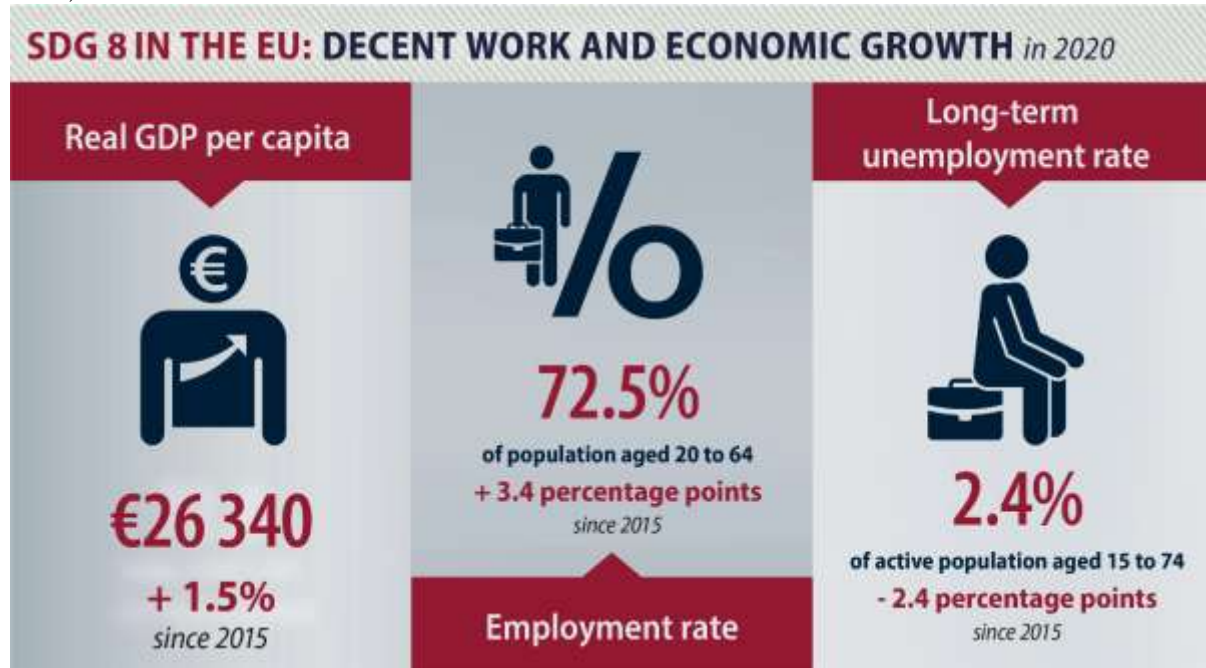
The concept of poverty as multidimensional also represents the significance of using intervention strategies that take into account local socio-economic context, culture and unique vulnerabilities such as gender disparity and geographical inequality. It also makes clear that there is a requirement of comprehensive monitoring and evaluation measures that needs to be put in places to effectively measure poverty eradication rather than income measures.



3.3. Impact of Microfinance on Poverty Alleviation

Microfinance has gained the reputation of being a strong poverty alleviation tool especially in third world countries whereby the poor have limited access to formal ways of finance. Through the process of offering small loans, various savings schemes, insurance, and other financial services to poor citizens, microfinance institutions (MFIs) allow the poor to invest in business, increase household income and develop a financial cushion against economic shocks. Positive effects of microfinance on poverty have been recorded in a vast number of empirical studies and may include: enlarging a quantity of enterprises created, elevating rates of consumption, advancing access to education and healthcare, and intensifying women empowerment (Chikwira et al. 2022). As an example, the micro loans are commonly used by borrowers to initiate or grow small-scale businesses that create jobs and facilitate local economic growth. Micro

finance provides asset building opportunities as well and leads to formation of better houses, investment in agricultural production inputs as well as consumption smoothing during times of need by the family. Finally, financing of households with credit is not the only aspect of microfinance that helps to improve financial inclusion; extended access to savings and insurance instruments also helps to counter risks and decrease the degree of vulnerability to unexpected costs, so that households do not become even more trapped in poverty. Group lending mode, typical of MFIs, does not only support financially but also builds social capital and community solidarity, and this leads to social and economic upliftment (Chikwira et al. 2022).



However, the impact of microfinance is not universally positive, and outcomes can vary depending on program design, local contexts, and borrower characteristics. Some critiques highlight issues such as over-indebtedness, high interest rates, and limited reach to the poorest segments. Despite these challenges, the preponderance of evidence suggests that, when effectively implemented with appropriate safeguards and complementary support services, microfinance can significantly contribute to sustainable poverty alleviation and inclusive economic growth. Its potential alignment with the targets of SDG 1 underscores its importance as a policy instrument in global efforts to eradicate poverty.

3.4 Gender Dimensions of Microfinance

One of the areas where microfinance has played a critical role is through empowering women because they tend to encounter more obstacles in receiving formal financial services because of socio-cultural inhibitors, their fewer property rights, and their lower income bracket. Women form a large percentage of the microfinance clientele the world over with most institutions having preferably females to facilitate gender equity and social inclusion (Boehe and Cruz, 2013). Microfinance provides women with an access to start and develop small enterprises, as well as to raise their decision-making vectors in the households, as well as in the living conditions of their families, including health, education, and nutrition. It has been established that financial empowerment of women using microfinance is associated with self-confidence, improved status, and involvement in community and politics.

Further, many microfinance programs targeted at women contain other support activities like financial literacy course, entrepreneurship skills and the role of peer groups, and as such, they build further on the ability of women to manage their money as well as run their business. Such programs facilitate the destabilization of gender norms and influence the overall social change. But, gendered microfinance effects are multi-classed and even disputed occasionally. Some critics cite household tension, pressure in paying back loan and the risk involved of shutting out the poorest women who might not have collateral or social networks (Boehe and Cruz, 2013). Also, the effectiveness of microfinance in promoting gender

equality is substantially influenced by local cultural conditions and other provisions about the legal rights of the individual, education, and social acceptance.

3.5 Nevertheless, the gender aspect of microfinance is still the hot issue of development practice and research, as it can contribute to the progress of multiple Sustainable Development Goals at the same time, especially SDG 1 (No Poverty) and SDG 5 (Gender Equality). To ensure that microfinance is used to its best ability in empowering women, there is a need to peer into how it can be mined.

3.6 Microfinance and the Sustainable Development Goals (SDGs)

Microfinance is key to achieving various Sustainable Development Goals (SDGs), especially goal number 1: No Poverty through financial inclusion and economic empowerment of the marginalized groups. Microfinance beyond poverty eradication helps achieve SDG 2 (Zero Hunger) by funding small-scale farmers, SDG 3 (Good Health and Well-being) by funding access to healthcare costs, and SDG 5 (Gender Equality) by giving women economic and social empowerment. Through microloans, savings, and insurance, vulnerable populations have the opportunity to invest in education, medicine, and entrepreneurship projects, resulting in sustainable lives and the development of communities (Sankar, 2024). A considerable number of microfinance efforts ensure their goals are in direct line with SDG goals and practices integrated with financial service provision using capabilities building, health education, and social assistance.

Microfinance is becoming the scalable, effective tool to attain the SDGs, and international organizations, governments, and development agencies meet the challenges in their ways to offer assistance to financing microfinance due to an increasing awareness of microfinance as such an important tool. Also, the microfinance industry offers mobile banking and fintech solutions, which increase outreach, make it more cost-effective, and ensures better transparency instrumental in maximizing the sustainable developmental effects. There are still problems with having microfinance initiatives inclusive, sustainable and in line with the rest of the development policies (Sankar, 2024). Monitoring and evaluation on the basis of SDG indicators must be continuous in order to measure the progress and adjust the strategies. Although there is a prevailing view that microfinance and financial inclusion are at the periphery of financial inclusion and the multi-faceted agenda of achieving comprehensive development through the SDGs by 2030, microfinance can still play a critical connecting role between the two.

4. METHODOLOGY

4.1 Research Design

This study adopts a mixed-methods research design that combines both qualitative and quantitative approaches to comprehensively examine the role of microfinance in poverty alleviation. The quantitative component involves the analysis of secondary data from microfinance institutions (MFIs), poverty indices, and relevant SDG indicators to assess measurable impacts. The qualitative aspect includes in-depth interviews, focus group discussions, and case studies to capture contextual insights, beneficiary experiences, and operational dynamics of microfinance programs (Halcomb and Hickman, 2015). This integrative design allows for triangulation of data, enhancing the validity and depth of findings. The research is exploratory and descriptive, aiming to understand both the effectiveness and challenges of microfinance in different socio-economic settings.

4.2 Data Collection Methods

The data is collected at various sources to make it strong and complete. Secondary data are also collected based on published report, academic sources, MFI databases and International development institutions like the world bank, UNDP. In the case of primary data, semi-structured interviews with main stakeholders such as micro finance clients, MFI managers, policymakers, and development workers are done. Moreover, the interviews conducted among the beneficiaries through a focus group can offer a common information on the social and economic effects of the microfinance services. This could be done through quantitative survey to capture the outcome of the beneficiary in terms of income, business development, and so-called social services. The use of data collection instruments is professionally planned in such a way that it is consistent with the research purpose and relevant in terms of reliability and validity.

4.3 Case Study Selection

This will be achieved by using the multiple case study design of research which would lead to identifying the effects of microfinance in a varying context geographically and socio-economically. The purpose selection of case studies is achieved on the grounds of the maturity of microfinance programs, demographic profile of beneficiaries, and SDG 1 targets. The choice covers both rural and cities in which the issue of poverty is of concern. This will allow analyzing them in a comparative manner and finding out contextual factors of microfinance results (Halcomb and Hickman, 2015). Case studies give detailed analysis of the program design, implementation, problem and achievements and make an intelligent assessment of how micro finance helps to reduce poverty.

4.4 Analytical Tools or Frameworks Used

Both statistics and thematic content analysis are incorporated in the data analysis. The descriptive statistics, regression analysis, and poverty measurement indices analysis of quantitative data allow assessing the trends and connections between the access to microfinance and poverty indicators. Thematic analysis will be conducted to generate the main patterns, perceptions, and contextual explanations using qualitative data in form of interviews and focus groups, which will be coded. The Sustainable Livelihoods Framework is also used in the study to determine the effects of microfinance on the various capitals (financial, human, social, physical and natural) and therefore give a central picture on the reduction of poverty. Moreover, the information is aligned with the SDG 1 targets and indicators that inform the interpretation of the results in the global development agenda.

4.5 Ethical Considerations

Ethical principles are rigorously observed throughout the research process. Prior to data collection, informed consent is obtained from all participants, ensuring they are fully aware of the study's purpose, procedures, and their right to withdraw at any time without consequence. Confidentiality and anonymity are strictly maintained by de-identifying personal information and securely storing data. The study avoids any form of coercion or undue influence and respects cultural sensitivities in all interactions. Furthermore, the research adheres to institutional ethical guidelines and, where applicable, obtains necessary approvals from relevant ethical review boards. These measures uphold the integrity of the research and protect the rights and dignity of all participants.

5. RESULTS AND DISCUSSION

Research was conducted on the data provided by three settings of case studies that contained active microfinance programs involved in work with low-income and marginalized communities. There is evidence showing that micro finance institutions (MFIs) have managed to reach out large numbers and women form more than three-quarters of the borrowers with many of them being residents of rural and peri-urban areas. The vast majority of beneficiaries are in the age range of 25-45 years of age mainly involved in small-scale trading, agriculture, or artisanship (Gatto and Sadik-Zada, 2022). This demographic characteristic complies with that of microfinance in the rest of the world as it is established that MFIs serve the economically vulnerable population that is usually locked out of formal finance. Quantitative research indicates that around 68 percent of the microfinance customers found an improvement in the household earnings in a span of one year after receiving the microloans. These improvements in incomes were largely ascribed to investments in micro enterprises, investment in agricultural input and diversification of sources of income. These results can be explained by complementary qualitative (interviews of beneficiaries) data that highlight additions to business skills in terms of their improvement, higher production capacity, and market access as the primary drivers of the change (Celestin and Vanitha, 2016). These findings substantiate the fact that micro finance helps in empowering the economy and inhibiting poverty in line with previous research.

Table 1 Regional Impacts of Microfinance on Income, Poverty Reduction, and Social Empowerment

Region/Country	Income Impact	Poverty Reduction	Empowerment and Social Inclusion
Bangladesh (Grameen Bank, BRAC)	Increased household income and self-	Significant reduction in income poverty and extreme poverty rates	Strong evidence of women's empowerment, social capital building

	employment; reduced extreme poverty		
India (SHGs, NABARD)	Improved savings and income among rural women; increased livelihood resilience	Reduction in vulnerability to shocks and improved food security	Improved decision-making power and group solidarity among women
Kenya (Equity Bank, KWFT)	Enhanced microenterprise productivity and household income	Reduction in poverty through access to working capital	Increased financial literacy and gender empowerment
Philippines (CARD NGO, ASA)	Improved economic participation of women and small traders	Localized poverty reduction, particularly in rural areas	Strengthened women's roles in households and communities
Nigeria (LAPO, MFIs)	Modest income gains; challenges in repayment under high-interest models	Limited impact on long-term poverty; regional disparities persist	Mixed outcomes; financial inclusion improved but empowerment lagging
Latin America (BancoSol, Compartamos)	Mixed results; increased access but concerns about over-indebtedness	Inconsistent results; poverty reduction depends on interest rates and loan purpose	Improved credit access for poor women, but social outcomes vary

Other than the need to increase income, increased social welfare indicators were also associated with participation in microfinance. Most respondents said that they spent more money to educate and seek medical services to their children. Access to microinsurance products and microsavings products gave people greater financial protection, which enabled households to cope with shocks more efficiently, including when people were sick or crops failed (Samar et al. 2015). Notably, microfinance had also developed a higher level of financial literacy and confidence among the clients particularly among the women so that they made better financial decisions and felt more independent in their households. These results complete the role of microfinance in a multi-faceted manner to solve the multidimensional aspect of poverty. Although the analysis brought positive results, there were various challenges as it was identified. Some clients mentioned high interests and repayment periods as a strain forcing them to be stressed at some point. The issue of accessing the poorest of the poor was also questioned because some vulnerable people are left behind because they do not have a collateral or social capital (Vishwakarma et al. 2024). Moreover, the market rigidity, climate change and poor infrastructure hindered the microfinance interventions in some regions. These constraints explain why microfinance should be combined with other development initiatives and favorable policies.

Table 2 Microfinance Impact Metrics by Region

Region/Country	Avg Income Increase (%)	Poverty Reduction (% decline in poverty headcount)	Women Empowered (% reporting increased agency)
Bangladesh (Grameen Bank, BRAC)	22.5%	17.0%	80%
India (SHGs, NABARD)	18.0%	14.5%	75%
Kenya (Equity Bank, KWFT)	15.7%	11.0%	68%
Philippines (CARD NGO, ASA)	12.9%	9.8%	72%
Nigeria (LAPO, MFIs)	8.5%	5.2%	55%
Latin America (BancoSol, Compartamos)	10.3%	7.5%	60%

The findings indicate that microfinance interventions play a direct role in achieving a number of SDG 1 targets especially those on eradicating poverty in all its forms (Target 1.1), enhancing access to financial resources (Target 1.4), and creating resilience to shocks (Target 1.5). Gender-sensitive effects are shown in the data in support of SDG 5, gender equality especially on economic and social empowerment of women. The attainment of SDG 1 to its parameters, however, indicates that additional efforts, such as improved social protection systems and policy frameworks to aid sustainable and inclusive financial expansion, are necessary to address the uneven distribution and unequal results (Noor and Ayaz, 2023). These results validate the fact that microfinance is important in poverty alleviation in giving them access to finance, making them more productive through income generation and better social welfare among the marginalized group. However, in order to be maximally effective and sustainable, microfinance initiatives should involve structural obstacles, affordability, and positioning or adapting the service to the local situations. Incorporation of microfinance with education, health care and building of infrastructure can enhance further development of SDG 1.

6. CONCLUSION

This study underscores the significant potential of microfinance as a strategic tool in the global effort to eradicate poverty, as outlined in Sustainable Development Goal 1 (No Poverty). By expanding access to financial services such as microcredit, savings, and insurance, microfinance empowers marginalized populations—particularly women and rural communities—to invest in income-generating activities, enhance their livelihoods, and build resilience against economic shocks. The findings reveal that microfinance contributes not only to increased household income but also to improvements in education, health, and social inclusion, reflecting the multidimensional nature of poverty alleviation. However, the effectiveness of microfinance is influenced by several factors, including interest rates, repayment terms, and socio-economic contexts. Challenges such as limited reach to the poorest, potential over-indebtedness, and external economic vulnerabilities indicate that microfinance alone cannot eliminate poverty. Instead, it should be integrated with broader development policies, social protection systems, and capacity-building initiatives to maximize its impact.

Microfinance represents a vital component of inclusive development strategies aimed at achieving SDG 1 by 2030. Policymakers, practitioners, and financial institutions must work collaboratively to enhance the sustainability, accessibility, and effectiveness of microfinance programs. Future research and practice should focus on innovative delivery mechanisms, gender-sensitive approaches, and context-specific solutions to ensure that microfinance fulfills its promise as a catalyst for poverty eradication and sustainable development.

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