Gender Inequality and Lending to Women: The Moderating Effect of Internationalization

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Abstract

Much of the microfinance rhetoric evolve around fighting female poverty, which is often the result of discriminatory gender norms and traditions. Since inception, the industry is subject to much influence from foreign actors, who according to the literature promote women financial inclusion. Yet, little is known on how the women targeting strategy of microfinance institutions (MFIs) is affected by the interplay between societal norms and internationalization. In response, this study investigates the influence of gender inequality on microfinance outreach to women and tests the moderating effect of internationalization. Using data on 251 MFIs from 69 countries, the results show that microfinance outreach to women is low in contexts where women face much discrimination. The results further show that this relationship is the reverse for internationally founded MFIs. This study highlights the role of international actors in driving the women focus of microfinance and open several avenues for future research.

Keywords: Microfinance, Internationalization, Gender inequality, Societal norms, Women empowerment

JEL codes: G21, F23, J17, O50, P36

1. Introduction

In this paper, I investigate the influence of gender inequality on microfinance outreach to women and test the moderation effect of internationalization. Microfinance emerged as a poverty combating intervention (Morduch, 1999). Microfinance institutions (MFIs) support the income generating activities of the poor and the disadvantaged through the provision of financial and non-financial services to these less privileged groups (Armendáriz & Morduch, 2010). Women, a group that over-represents the world's poor, have been the focus of microfinance since inception of the industry in the 1970s. Some of the early MFIs lent exclusively to women and today, women still dominate the clientele base of most MFIs[1]. Mersland and Strøm (2012) regard the focus on women as one of the main innovations of microfinance and Morduch (1999) attribute the success of microfinance to its deliberate targeting of women.

Evidence shows that female poverty results from gender-based discrimination against women. Such discrimination is fuelled by broadly shared societal beliefs, customs or traditions that portray women as inferior to men (Kabeer, 2005; Sanyal, 2009). Studies have established that gender discrimination explains the low participation of women in mainstream banking systems (Fay & Williams, 1993; Drori, Manos, Santacreu-Vasut, & Shoham, 2019). Stated differently, gender stereotypes and prejudice restrict women's access to formal financial services. Though, fighting gender discrimination and female poverty is core to the microfinance mandate (Garikipati, Johnson, Guérin, & Szafarz, 2017), yet, paradoxically, deep-seated societal norms that create these social ills can supress outreach to women by frustrating the redress efforts of MFIs (Zhao & Wry, 2016).

[1] An estimated 70% of the over 200 million clients of today's microfinance are women (Microcredit Summit Campaign, 2012; World Bank, 2015). In a recent study, Mersland, Nyarko and Szafarz (2019) find that even MFIs with non-women focused mission statements still have about 60% of their clients to be women.

Recently, scholars have begun to investigate how pro-social organizations (particularly MFIs), are affected by societal norms that create social problems, such as the marginalization of individuals (Chakrabarty & Bass, 2014; Cobb, Wry & Zhao, 2016; Drori, Manos, Santacreu-Vasut, Shenkar, & Shoham, 2018; Drori et al., 2019; Manos & Tsytrinbaum, 2014; Wry & Zhao, 2018; Zhao & Wry, 2016). On outreach to women, Drori et al. (2019) show that the gender targeting strategy of MFIs is contingent on prevailing gender norms in the local environment and that MFIs target women in contexts where women are likely to face discrimination in accessing financial services. However, the analysis of Drori et al. (2019) does not address how gender norms affect the degree of outreach to women, even if MFIs are likely to have a female focused mission in male dominating societies. In this regard, the earlier work of Zhao and Wry (2016) found that patriarchy, a societal logic that discriminates against women by prioritizing male attributes and interests over those of women, manifests in the family, religion and state to suppress MFIs' outreach to women.

Intuitively, in countries with high gender inequality, interventions that foster women's empowerment are less likely to obtain local acceptance and support because such interventions contradict prevailing social norms (Chakrabarty & Bass, 2014). In some cases, such interventions may trigger new forms of male dominance and increased violence against women (Rahman, 1999; Schuler, Hashemi, & Badal, 1998). Moreover, women-focused interventions can be costly in unfriendly gender environments as studies have shown that deep-rooted social norms (e.g. inter-group discrimination) amplify the trade-off between social outreach and financial performance (Wry & Zhao, 2018). To elaboate, MFIs with deep social outreach struggle to be financially viable when they operate in discrimination-prone contexts, a development that may discourage MFIs from reaching larger numbers of costly-to-serve

vulnerable minorities such as women. According to Zhao and Wry (2016), due to the unlikely local support, MFIs that desire to serve women in high patriarchal cultures ought to focus on attracting foreign support. Interestingly, over the past decades, the microfinance industry has witnessed heavy influence from foreign actors such as international capital providers, international initiators and international networks (Mersland, Randøy, & Strøm, 2011). Building on Zhao and Wry (2016), I investigate how internationalization interacts with gender inequality to affect microfinance outreach to women. By investigating this relationship, this study extends previous research (e.g. Drori et al., 2019; Zhao & Wry, 2016) and honours Drori et al. (2019)'s call for studies that explore how internationalization interacts with local social norms to impact the women targeting of MFIs.

Outreach to women in microfinance seems to be significantly driven by international players. Extant studies have shown that internationalization enhances the social outreach performance of MFI, and particularly outreach to women (Mersland et al., 2011; Mersland & Urgeghe, 2013; Mori, Golesorkhi, Randøy, & Hermes, 2015). Funding is one of the channels through which international actors may enhance women targeting. Foreign subsidies in the form of donations and soft loans cushion MFIs to absorb the high cost of lending to women. Buttressing this argument, available evidence shows that subsidized MFIs serve more women (D'Espallier, Hudon, & Szafarz, 2013). Female clients take smaller loans than their men counterparts do (Agier & Szafarz, 2013a; Agier & Szafarz, 2013b; D'Espallier, Guerin, & Mersland, 2013). Such smaller loans are costly for MFIs because monitoring and other administrative costs are fixed regardless of loan size (Hermes et al., 2011). Cheaper foreign funds could strengthen MFIs to bear the already high cost of serving women plus costs induced by crossing culturally ingrained gender barriers (see, D'Espallier et al., 2013; Wry & Zhao, 2018). In fact, case study evidence

shows that international agencies support women focused microfinance projects in patriarchal cultures (Sanyal, 2009). Women focused MFIs may gain other benefits from international actors, such as, technical services, knowledge transfer, and international best practices (Golesorkhi, Mersland, Piekkari, Pishchulov, & Randøy, 2019; Golesorkhi, Mersland, Randøy, & Shenkar, 2019; Mersland et al., 2011). Based on these insights, I test the following hypotheses: (1) gender inequality is negatively associated with MFIs' outreach to women (2) internationalization is positively associated with MFIs' outreach to women and (3) internationalization interacts with gender inequality to increase MFIs' outreach to women.

I use an original dataset that covers 251 MFIs that operate in 69 countries. The unbalanced panel consist of data from 2008 to 2015. The data was analysed using random effects generalized least squares after running Breusch and Pagan Lagrangian multiplier test. The study employs Social Institutions and Gender Index (SIGI) and international founder as meaningful proxies for gender inequality and internationalization respectively (Branisa, Klasen, & Ziegler, 2013; Mersland et al., 2011). Confirming the hypotheses, the analysis revealed that outreach to women is significantly lower in countries where gender discrimination is high. This suggest that culturally inspired gender inequality, which hinders women's access to formal banking services, undermine MFIs' redress. The findings also show that internationalization interacts with gender discrimination to enhance outreach to women. Thus, it appears that pro-social international actors consider local culture when partnering or establishing MFIs and they support MFIs to reach more women in contexts where women face much discrimination. It suggests that international players in the microfinance industry are committed to supporting and prioritizing underprivileged and vulnerable groups such as women. This study contributes to the literature by highlighting cultural and international drivers of female outreach in MFIs.

The paper is subsequently organized as follows: Section 2 presents the theory and hypotheses. The data and methodology are presented in Section 3. In Sections 4 and 5, the findings and conclusion respectively are presented.

2. Relevant Previous Literature and Hypotheses

2.1 Microfinance and Outreach to Women

Microfinance, an anti-poverty intervention, predominantly supports the income generating activities of impoverished and marginalized people who lack access to formal banking services (Mersland & Strøm, 2012; Morduch, 1999). Globally, millions are stuck in poverty due to their lack of access to credit and other banking services from traditional financial institutions (Morduch, 1999). According to World Bank, about 75% of the world's poor population are unbanked (World Bank, 2012). Contrary to conventional banks which neglect the poor—classifying them as risky and unprofitable—MFIs supply financial and non-financial services to the economically active poor and other unbanked persons (Armendáriz & Morduch, 2010). The services provided by MFIs are meant to strengthen the income generating activities of these vulnerable groups, thereby emancipating them from poverty. The question on whether microfinance has a transformative impact on clients and communities is still controversial and debated in the literature (Banerjee, Duflo, Glennerster, & Kinnan, 2015; Banerjee, Karlan, & Zinman, 2015). Yet, today, it is estimated that microfinance reaches over 200 million borrowers worldwide and the growth prospects of the industry remains favourable (World Bank, 2015).

Much of the microfinance story has centred on empowering women and eradicating female poverty (D'Espallier et al., 2013b). Some scholars even attribute the success of microfinance to it deliberate focus on women (Morduch, 1999). Indeed, women are less likely than men to

participate in traditional banking systems[2]. In same vein, women are more likely than men to be victims of poverty (Duflo, 2012). Female poverty is a global concern and has been high on the agenda of development agencies as well as national and supranational bodies. By being usual victims of social exclusion, oppression and discrimination (Kabeer, 2005), women are favourite targets of any poverty eradication intervention including microfinance (Duflo, 2012).

Why do MFIs prefer lending to women? Studies have shown that compared to men, women are more likely to invest in the wellbeing of their households, in areas such as education and health (for example, see, Haddad & Hoddinott, 1994; Kabeer, 1997). In light of this evidence, lending to women is perceived to achieve overall greater impact on households than lending to men. This rational for women targeting was well articulated by the Noble Laureate Muhammad Yunus during his 2006 nobel lecture: "We focused on women because we found giving loans to women always brought more benefits to the family" (Yunus, 2006), he said. Besides, thanks to women's high repayment rates, MFIs reap efficiency gains by lending to this segment. Generally, women entrepreneurs are compliant and are noted for higher levels of honesty and discipline compared to men (D'Espallier et al., 2013b; Rahman, 1999). Moreover, women are cautious with investment decisions due to their risk averse nature. As a result, women demand for loans that are well within their repayment capacities and hence their less likelihood of being in default (Boehe & Cruz, 2013; D'Espallier, Guérin, & Mersland, 2011; Sharma & Zeller, 1997). High repayment rates are crucial for the operation of microfinance business, because historical accounts show that microfinance emerged as a response to many government credit programmes that failed due to poor repayments (Hulme & Mosley, 1996). Despite the above, it is still

[2] Women constitute a significate proportion of the world's financially excluded poor. It is estimated that women are 28% less likely than men to own a bank account and one out of every three women has no access to banking services (World Bank, 2012)

unestablished in the literature why MFIs target women: it is unclear whether this targeting is to fight female poverty, to bridge gender gaps or to benefit from women's high repayment and compliant behaviour (D'Espallier et al., 2013b).

Many empirical works have investigated outreach to women and gender related issues in microfinance. The literature has dealt with issues such as repayment (e.g. Boehe & Cruz, 2013; Sharma & Zeller, 1997), performance consequences of serving women (e.g. D'Espallier et al., 2013b), impact of microlending on women's empowerment (e.g. Banerjee et al., 2015; Kabeer, 2001), female leadership (e.g. Strøm, D'Espallier, & Mersland, 2014), and economic effects of serving women (e.g. Kevane & Wydick, 2001). Conventionally, outreach to women is a recognized social mission in the microfinance literature (Mersland et al., 2019) and MFIs that are biased in favour of women are generally regarded as more social than their counterparts that have less focus on women (D'Espallier et al., 2013b; Hermes et al., 2011). Accordingly, empirical microfinance studies regularly employ the proportion of female clients and the total number of women served by MFIs as standard metrics for gauging MFIs' social performance (Mersland et al., 2019). According to Goedecke, D'Espallier, and Mersland. (2018), the proportion of female clients is arguably the best predictor of MFIs' social performance when compared with other indicators such as average loan amount and proportion of rural clients.

As demonstrated, lending to financially excluded women is vital and a source of legitimacy for microfinance because of the industry's mission orientation. Yet, little is known about the factors—especially those outside the purview of MFIs such as societal norms—that affect this outreach. At the level of MFIs, previous studies have shown that commercially oriented MFIs target women to a lesser extent than their non-commercial counterparts. Particularly outreach to women tanks after MFIs transform from NGO to shareholder owned firms (Wagenaar, 2014;

Frank, 2008). Female led MFIs are also associated with higher share of female borrowers (Strøm et al., 2014; Mori et al., 2015; Périlleux, & Szafarz, 2015). Recently, scholars have begun to probe broadly shared institutional factors that affect MFIs' outreach to women (See, Cobb et al., 2016; Drori et al., 2018; Drori et al., 2019; Manos & Tsytrinbaum, 2014; Wry & Zhao, 2018; Zhao & Wry, 2016). While this strand of literature is still scare, moderating mechanisms such as internationalization are yet to be investigated empirically. By taking dual perspectives, I demonstrate how societally ingrained logics interplays with MFI's internationalization to affect outreach to women.

2.2 Gender Inequality and Outreach to Women by MFIs

Across the globe, gender inequality, driven by restrictive societal norms and discrimination against women, partly account for the low rate of women's participation in traditional banking systems (Drori et al., 2019; Kabeer, 2005). Social norms that prioritize male interests over those of females reduce the physical mobility of women and as well militate against women's financial freedom (Kabeer, 2001). In restrictive cultures, most women even lack access to information about financial products and services. In effect, gender inequality and discrimination against women results in financial exclusion of women and consequently female poverty, the very social problem MFIs address (Garikipati et al., 2017). Accordingly, it is logical for MFIs to operate in contexts where gender inequality, and for that matter female poverty, is commonplace. Indeed, a recent study shows that MFIs are likely to target women in contexts where women are likely to face discrimination in accessing banking services (Drori et al., 2019).

Yet, restrictive social norms can frustrate the efforts of MFIs in reaching women (Zhao & Wry, 2016). Social norms are shared by societal members and thus largely influence people's daily

lives and interactions (House, Javidan, Hanges, & Dorfman, 2002). For conventional firms, acting in alignment with societal norms is pragmatic and beneficial because this is a way to earn legitimacy (Suchman, 1995). The reverse is true for microfinance and other pro-social organizations whose operations redress social ills created by societal norms. When MFIs target women in unfriendly gender environments, their actions may be perceived as inappropriate by people who share in the prevailing institutionalized social norms. In discriminatory cultures, women are seen as inferior to men and women's roles are limited to childbearing and performing household chores such as cooking, cleaning and laundry (Kabeer, 2005). Therefore, providing financial services to women would be resisted as it would be perceived as a contradiction established social conventions. For example, studies have shown that empowering women through microfinance could generate new forms male dominance as well as increased violence against women (Rahman, 1999; Schuler et al., 1998).

Additionally, women may self-exclude themselves from microfinance since they are likely to share in and internalize the existing cultural norms of their societies. Consequently, they may develop low self-esteem and fail to recognize themselves as economic actors, and thereby wilfully exclude themselves not only from market-based activities (Mair, Marti, & Ventresca, 2012) but also from microfinance services (D'Espallier et al., 2013b). Afterall, women may not be the direct users of loans they receive since studies have reported that more than half of loans to women end up in the hands of their husbands and male relatives (Balasubramanian, 2013; Garikipati, 2008; Goetz & Gupta, 1996; Pitt, Khandker, & Cartwright, 2006; Rahman, 1996). Balasubramanian (2013) argues that women's lack of control over loans and incomes from their enterprising ventures is the consequence of their weak bargaining position in the household.

Furthermore, while having females in leadership positions and as credit officers increases outreach to women (Labie, Meon, Mersland, & Szafarz, 2010; Mori et al., 2015; Périlleux & Szafarz, 2015; Strøm et al., 2014), MFIs may fail to attract female professionals in countries where gender stereotypes are strong, (Zhao & Wry, 2016). Thus, all else equal, in patriarchal cultures, men are likely to dominate microfinance boards, management teams and staff, an occurrence that may diminish outreach to women.

My final argument relates to cost of serving women. D'Espallier et al. (2013b) report that serving women is costly due to the small loan amounts they require and the lending method (i.e. group lending) through which they are served. In male dominating societies, it may even be more expensive to serve women for two reasons. First, women may require additional costly services that are tailored to their needs such as, nutrition, health, education, door-to-door services, business development services as well as gender awareness training of staff (Goldmark, 2006; Lensink, Mersland, Vu, & Zamore, 2018). These may be needed to help the businesses of women and to boost their self-worth because many women in discriminatory environments lack basic skills, training and education (Kabeer, 2005; Lensink et al., 2018). Secondly, crossing cultural barriers to reach marginalized women can result in further costs due to relationship problems (e.g. mistrust between male loan officers and female clients) as well as coordination and communication challenges (Wry & Zhao, 2018). In effect, these costs may threaten the sustainability of MFIs, and considering the fact that local funding support for female targeting is low, MFIs would be disincentivised to serve this segment in unfriendly gender contexts. Based on these arguments, I predict that:

Hypothesis 1: The percentage of women served by MFIs would be lower when gender inequality is high.

2.3 Internationalization of Microfinance Institutions and Outreach to Women

The microfinance industry is heavily influenced by foreign actors such as international fund providers (commercial and non-commercial) and international networks (e.g. Opportunity International and Women's World Banking) (Brière & Szafarz, 2015; Cobb et al., 2016; Golesorkhi et al., 2019a; Golesorkhi et al., 2019b; Dorfleitner, Röhe, & Renier, 2017) Also, many international players (both individuals and development agencies), set up MFIs in developing countries with the object of promoting financial inclusion (Golesorkhi et al., 2019a; Golesorkhi et al., 2019b; Mersland et al., 2011). International players are instrumental in providing MFIs with financial and technical solutions and are important source of knowledge transfers. (Golesorkhi et al., 2019b; Mersland et al., 2011; Mersland, Nyarko & Sirisena, 2019). The robust growth observed in the industry in the last decade is attributable to the influx of foreign funds (Reille, Forster, & Rozas, 2011; Soursourian, Dashi, & Dokle, 2015).

Available evidence suggests that internationalization enhances the social performance of MFIs and particularly outreach to women. Mersland et al. (2011) found that three sources of international influence—namely, international network membership, international initiation and access to international subsidized debt—are associated with higher women outreach. Similarly, two studies—Dorfleitner et al. (2017) and Mersland and Urgeghe (2013)—document a positive relationship between access to foreign funding and the proportion of women served by MFIs. According to Mersland and Urgeghe (2013), international subsidized debt providers follow a positive screening approach that prioritizes financially weak MFIs which are disposed to targeting women. Mori et al. (2015) report a positive effect of international directorship on outreach to women. These findings seem to suggest that international players seem to be concerned about promoting gender parity, empowering women and fighting female poverty.

Internationally oriented MFIs are able to exhibit high social outreach performance possibly because of their access to cheaper resources. According to Mersland et al. (2011), international initiators have easy access to cheaper funding —grants, donations and concessionary loans— which are meant to advance the social mission of MFIs they set up. In fact, available evidence shows that subsidized MFIs reach more women and perform socially better than their unsubsidized counterparts (D'Espallier et al., 2013a). Also, international networks such as Women's World Banking enhance outreach to women through effective policing of management as well as the transfer of knowledge and international best practices that favour this outreach (Golesorkhi et al., 2019a; Golesorkhi et al., 2019b; Mersland et al., 2011). Such policies may include the adoption of positive organization ethical codes that internally institutionalizes (within MFIs) ethical treatment of female clients (Chakrabarty & Bass, 2014).

As established in the previous section, women focused MFIs in discriminatory cultures are less likely to obtain local support including funding. At the same time, serving women in such cultures is costly, thereby posing sustainability challenges to MFIs. On this basis, I conjecture that foreign assistance—financial and technical—is crucial to support high women outreach in discriminatory cultures (Zhao & Wry, 2016). In this regard, Sanyal (2009) provide evidence on how international agencies support women focused microfinance programmes in patriarchal societies. Moreover, because fighting female poverty and gender discrimination are high on the agenda of international players, they are more likely to channel resources into women's financial inclusion in discriminatory cultures than in gender friendly cultures. This argument is in line with many studies in the international development literature that link bilateral aid to enhancements in gender parity and women's empowerment (e.g. Asongu, 2016; Elgström, 2000; Grown, Addison, & Tarp, 2016; Pickbourn & Ndikumana, 2016). The argument is that driving

down inequality between men and women accelerates economic development, which consequently further drives inequality down in a virtuous cycle (Duflo, 2012). Besides, international players are less likely than locals to share in societal norms that discriminate against women. Tukamushaba, Orobia, & George (2011) theorize that individuals and organisations that engage in international social entrepreneurship, by initiating or supporting social initiatives beyond their national borders, do so when they feel a sense of social responsibility and when they empathize with less privileged persons beyond their native countries. According to them, such a feeling is characterized by "… identifying with another person and feeling and understanding what that person is experiencing, for instance, identifying with the orphans or rural poor" (pp. 290). I conjecture that international players in the microfinance sector have pro-social motivations which includes empowering impoverished women. Therefore, it is expected that the extent of women outreach associated with internationalization would be higher in cultures where women face discrimination than in cultures with low gender discrimination. Putting the above arguments together, I hypothesise as follows:

Hypothesis 2: Internationalization is associated with high microfinance outreach to women.

Hypothesis 3: Internationalization interacts with gender inequality to enhance microfinance outreach to women

3. Method and Data

3.1. Method

Dependent Variable

The dependent variable is the percentage of female clients, computed as; the total number of women served by MFI as a fraction of total clients served. Previous studies have mainly

employed this proxy to gauge the women outreach performance of MFI (Mersland et al., 2019; Périlleux & Szafarz, 2015; Hermes et al., 2011; D'Espallier et al., 2013b).

Independent Variables

This study includes two independent variables. The first, Social Institutions and Gender Index (SIGI) is obtained from the database of the development centre of the Organisation for Economic Co-operation and Development (OECD) (https://www.genderindex.org). This index captures gender inequality from four aspects of discriminatory social institutions and norms including; discrimination in the family, restricted physical integrity, restricted access to productive and financial resources and restricted civil liberties. A strength of the SIGI is its focus on the root causes of gender inequality by systematically integrating indicators for societal norms, traditions and family customs that discriminate against women (Branisa, Klasen, Ziegler, Drechsler, & Jütting, 2014; Jütting, Morrisson, Dayton-Johnson, & Drechsler, 2008). SIGI is a standard proxy for gender inequality in the literature (Branisa et al., 2013; Jütting et al., 2008; Klasen & Schüler, 2011; Potrafke & Ursprung, 2012; Sekkat, Szafarz, & Tojerow, 2018). Values on the SIGI range from '0' to '1', with higher values signifying higher gender inequality and vice versa.

The second independent variable, international founder, is the proxy for MFI's internationalization (Golesorkhi et al., 2019a; Golesorkhi et al., 2019b; Mersland et al., 2011). This is a binary variable that takes the value of 1 if the MFI was founded by foreigners, and zero otherwise. Like other social enterprises, MFIs are usually founded by socially a motivated individual entrepreneur (e.g. Nobel laureate Muhammad Yunus of the Bangladeshi Grameen Bank) or by an existing pro-social organization (e.g. Women's World Banking) which can be local or international (Randøy, Strøm, & Mersland, 2015). Using internationational founder as a

proxy for internationalization presents two advantages. First, it links MFIs to other internationalization dimensions such as international network membership, foreign funding (both subsidied and commercial), foreign leadership (e.g., foreign CEO or director), and foreign ownership (Djan et al., 2019; Mersland et al., 2011; Mersland & Urgeghe, 2013). Thus, besides their historical ties with the international founder, internationally founded MFIs are also associated with other international dimentions than their locally founded conterparts. Secondly, unlike other internationalization proxies, the international founder variable is exogenous, making it statistically suitable for drawing causal inferences.

Control Variables

Following prior literature, I include in the research model controls for MFI specific and contextual factors that might influence MFIs' outreach to women. The MFI specific controls include, age, size, regulation status, business model (lending method), sustainability, loan size and ownership type (whether MFI is non-profit or for-profit). The measurement of sustainability follows Zhao and Wry (2016)'s approach and this a confirmatory factor analysis of three financial indicators: operational self-sufficiency (extent to which operating revenues cover costs), return on assets (net income as a percentage of average assets) and write-off ratio (proportion of loan portfolio deemed irrecoverable and written off). Older, smaller and more sustainable MFIs are more likely to target women (Zhao & Wry, 2016). Individual lending methods reach fewer women than group-based methods (Cull et al., 2007). Women are often targeted with smaller loan amounts (D'Espallier et al., 2013). The priority for targeting women differs between regulated and unregulated MFIs as well as between NGOs and shareholder owned MFIs (Frank, 2008; Roberts, 2013).

Outreach to women is also influenced by macroeconomic condition of countries in which MFIs operate and this is accounted for with the contextual controls. Indeed, countries in which MFIs operate are in diverse macroeconomic situations. A given country's wealth could influence the general demand of microfinance services in that country, and this is controlled for using the Gross domestic Product (GDP) per capita, adjusted for purchasing power parity. The second macroeconomic control, economic freedom index, accounts for the degree of economic liberalization in each of the 65 countries. Most developing countries receive aid from their developed partners, some of which is earmarked to fight female poverty (Asongu, 2016; Elgström, 2000; Grown et al., 2016). To account for this effect, the Official Development Assistance (ODA) received (expressed as a percentage of gross national income) is included in the list of controls. Regional dummies are included as additional controls to account for possible effects that stem from heterogeneous geographical provenance of MFIs.

Empirical Strategy

The regression models use Generalized Least Squares (GLS) and analyses the women outreach performance of MFIs per year. A Breusch and Pagan Lagrangian multiplier test favoured random effects over pooled ordinary least squares (OLS) ($\chi^2 = 481.00$, $p < 0.000$). Random effects is the main method used as it gives room to estimate the coefficients of time invariant regressors such as the international founder and business model variables. Time dummies are included in the models to address unobserved temporal effects. Serial correlations and heteroscedasticity are tested and subsequently addressed with robust standard errors clustered at the MFI level.

I conclude this session with a brief discussion on endogeneity. It is possible that MFIs' outreach to women, their internationalization and the measure of gender inequality are simultaneously

determined. Yet, such endogeneity concerns emanating from reverse causality are minimised because the two main explanatory variables are fairly exogenous. The SIGI is based on social norms, traditions and familial laws that discriminate against women. These cultural values are sticky and remain stable over time, thus reducing endogeneity risks. The international founder variable is exogenously given since founders are present (or absent) from the inception of the organization. Thus, this variable is constant over time and predates all performance metrics—social or financial—as well as any other organization outcomes. This notwithstanding, I conduct supplementary analyses to address possible endogeneity concerns.

3.2. Data

For this study, all data on MFIs are hand-collected from the rating reports of five leading microfinance rating agencies: Microrate, Microfinanza, Planet rating, M-Cril and Crisil. The sample consist of 251 MFIs that operate in 69 countries worldwide. Rating agencies rely on historical information and hence, in addition to data from the rating year, there are additional firm-year observations per MFI for periods preceding the rating year. The unbalanced panel data consists of observations over an 8-year period from 2008 to 2015, with majority of the data relating to the first half of this period. Many MFIs underwent multiple ratings during this period.

Rating data has several merits; it undergoes auditing and verification during the rating process and as a result, such data are trustworthy and are of high quality when compared with other public sources of microfinance data which are usually voluntarily self-reported by MFIs (Hudon & Traca, 2011). Additionally, rating data is arguably the most representative of the microfinance industry as it embodies the largest and well managed institutions globally (D'Espallier et al.,

2013b). Most MFIs that yield to rating are usually international since rating reports have high appeal to international fund providers. Thus, rating data supplies variables that are instrumental for capturing the internationalization of MFIs. Additionally, combining institutional and social rating reports yield a homogenous set of transparent double bottom line MFIs. A possible weakness of the dataset is the low representation of number member-based cooperative.

The country level data are obtained from other sources: the SIGI is obtained from the database of the OECD (https://www.genderindex.org), Gross Domestic Product (GDP) per capita, the ration of Official Development Assistance (ODA) to Gross National Income (GNI) are obtained from the World Bank Database (https://data.worldbank.org/) and the Economic Freedomm index is obtained from the Heritage Foundation (https://www.heritage.org/index/).

Summary Statistics

Table 1 defines the variables and presents the summary staistics. Women constitute 61.5% of the total clients served by the average MFI. This shows that women are favourite clients of many MFIs. This notwistanding, some MFIs serve very few women, having regard to the minimum value of 6%. The mean value for SIGI is 0.192, thus most MFIs operate in gender unfriendly countries. Internationally founded MFIs constitute 38.8% of the total sample of institutions in the dataset. Such high percentage attests to the high essential participation of international players in the microfinance industry.

The typical MFI in the dataset has been operating for about 15 years and controls US$ 31.1 million worth of assets (logarithm of total assets is 16.183), indicating that rated MFI are among the larger institutions in the industry. For example, D'Espallier, Hudon, and Szafarz (2017), reports that the average MFI in their dataset had a total assets of US$ 13.5 million. 65.8% of the

MFIs serve their clients via individual lending, though most of them do this in parallel with solidarity group lending or village banking. All the same, this confirms recent trends where MFIs shift from group-based methods to individual lending (Kodongo & Kendi, 2013).

In the sample, 49.7% of MFIs are subject to local banking regulations in the countries in which they operate. 37.3% of the MFIs in the dataset are NGOs. The mean logarithm of GDP per capita is 8.578, equivalent to US$ 7,398.48. The typical country in the dataset has an economic freedom score of 0.585 and an ODA value equivalent to 4.4% of GNI. Like other datasets, the Latin America and Caribbean region hosts the highest fraction of MFIs (43.3%) while Middle East and North Africa hosts the least (5.3%). The remainder are distributed as flows: Sub-Saharan Africa (24.9%), Europe and Central Asia (12.1%) and Southeast Asia and the Pacific (14.4%).

In Table 2, the highest correlation is between international founder and the interaction between SIGI and international founder (0.731). Though a bit high, it is still below the upper-bound of 0.9 and should therefore be unproblematic to the estimations[3] (Hair, Black, Babin, & Anderson, 2010; Kenedy, 2008). To be assured that multicollinearity is not a serious concern, I compute the variance inflation factor (VIF) for each variable. As shown in Table 2, the highest VIF is 4.14, which is below the cut-off of 10. The mean VIF (unreported) was 2.08.

[3] To confirm that the high correlation poses no problem to the estimations, I include the independent variables incrementally in the regressions. The results remain robust

Table 1: Definition of variables and summary statistics

Variable	Definition	Obs	Mean	Std. Dev.	Min	Max
Dependent variable						
Female client (%)	Percentage of female clients served by MFI	852	0.615	0.221	0.060	1
Independent variables						
SIGI	Social Institutions and Gender Index	641	0.192	0.146	0.002	0.601
Int. founder	1 if MFI was founded by an international organization or an international private individual and 0 otherwise	849	0.388	0.487	0	1
Control variables						
Age	Number of years the institution has been in microfinance business	852	14.579	8.374	0	52
Size	Logarithm of total assets	852	16.183	1.503	10.728	19.869
Total assets (‘$’ mil)	Total assets controlled by MFI	852	31.100	55.300	0.046	426.000
Regulation	1 if MFI is subject to local banking regulations and 0 otherwise	849	0.497	0.500	0	1
Business model	1 if MFI uses individual lending method and 0 otherwise	852	0.658	0.475	0	1
Sustainability	Measure of financial sustainability of MFI	852	0.003	0.171	-1.670	1.196
ALS/GNI per cap	Average loan outstanding scaled by GNI per capita	839	0.287	0.596	0.011	11.852
NGO	1 if MFI is a Non-Governmental Organization and 0 otherwise	852	0.373	0.484	0	1
(ln)GDP per capita	Logarithm of Gross Domestic Income per capita	852	8.578	0.892	6.422	10.501
GDP per capita (‘$’)	GDP per capita of the country in which MFI operates	852	7398.484	5401.063	615.278	36347.340
Economic freedom	The heritage index of the country in which MFI operates	843	0.585	0.062	0.414	0.722
ODA	Official Development Assistance received as a percentage of GNI	851	0.044	0.059	-0.002	0.463
SSA	1 if MFI is in Sub-Saharan Africa and 0 otherwise	852	0.249	0.433	0	1
LAC	1 if MFI is in Latin America and Caribbean and 0 otherwise	852	0.433	0.496	0	1
ECA	1 if MFI is in Europe and Central Asia and 0 otherwise	852	0.121	0.326	0	1
MENA	1 if MFI is in Middle East and North Africa and 0 otherwise	852	0.053	0.224	0	1
SEAP	1 if MFI is in Southeast Asia and the Pacific and 0 otherwise	852	0.144	0.352	0	1

Table 2: Correlation matrix

	No.	VIF	1	2	3	4	5	6	7	8
SIGI	1	1.68	1.000							
Int. founder	2	3.25	-0.163	1.000						
SIGI × Int. founder	3	3.01	0.194	0.731	1.000					
Age	4	1.34	-0.112	-0.179	-0.134	1.000				
Size	5	1.53	-0.155	0.045	-0.056	0.346	1.000			
Regulation	6	1.67	0.161	0.103	0.144	-0.045	0.220	1.000		
Business model	7	1.41	0.041	-0.247	-0.251	0.097	0.207	0.174	1.000	
Sustainability	8	1.25	0.068	-0.219	-0.169	0.153	0.210	0.028	0.230	1.000
ALS/GNI per cap	9	1.12	0.170	-0.109	-0.060	0.025	-0.010	0.123	0.112	0.005
NGO	10	1.77	-0.121	-0.055	-0.037	0.151	-0.099	-0.514	-0.307	-0.003
GDP per capita	11	2.12	-0.264	-0.102	-0.257	0.062	0.155	-0.135	0.185	0.077
Economic freedom	12	1.16	-0.161	-0.008	-0.058	-0.056	0.101	0.000	0.127	0.018
ODA	13	2.17	0.327	0.122	0.221	-0.225	-0.278	0.245	-0.085	-0.185
SEAP	14	1.93	-0.185	0.115	-0.012	0.056	-0.025	-0.103	-0.122	0.035
LAC	15	4.15	-0.270	-0.327	-0.361	0.314	0.238	-0.299	0.151	0.097
ECA	16	2.65	-0.036	0.252	0.122	-0.195	0.014	0.276	0.214	0.106
MENA	17	1.63	-0.011	-0.083	-0.079	-0.018	0.091	0.049	-0.118	0.067

	No.	9	10	11	12	13	14	15	16	17
ALS/GNI per cap	9	1.000								
NGO	10	-0.189	1.000							
GDP per capita	11	-0.168	0.071	1.000						
Economic freedom	12	-0.060	-0.109	0.198	1.000					
ODA	13	0.186	-0.224	-0.571	-0.216	1.000				
SEAP	14	-0.032	0.025	-0.032	0.013	-0.127	1.000			
LAC	15	-0.122	0.258	0.350	0.051	-0.460	-0.289	1.000		
ECA	16	0.022	-0.285	0.295	0.218	0.013	-0.136	-0.376	1.000	
MENA	17	-0.010	0.217	0.023	-0.056	-0.077	-0.072	-0.199	-0.094	1.000

4. Empirical findings

The results of the empirical investigation are displayed in Table 3. In models 1 to 4, the percentage of female clients is regressed on the independent variables only, without any control. The remaining models, 5 to 8, include all control variables.

Hypothesis 1 predicted that outreach to women would be less in countries with high gender inequality than in countries with low gender inequality. This hypothesis is supported by results shown in Table 3 as SIGI is significantly negative in all models, with or without controls ($p<0.01$). Thus, high gender inequality significantly reduces the share of women served by MFIs. This finding concurs with Zhao and Wry (2016) who report that patriarchy manifests in family, religion and state to reduce outreach to women by MFIs. It is also in line with the position of several scholars who argue that gender inequality precludes women from market-based activities and could frustrate exchanges between MFIs and women (e.g., Chakrabarty & Bass, 2014; Kabeer, 2005; Mair et al., 2012; Rahman, 1999; Schuler et al., 1998).

Relating this finding to Drori et al. (2019) reveals an interesting twist: though MFIs are likely to focus on women in discriminatory contexts, the extent of outreach could be paradoxically hampered by societal norms. Drori et al. (2019) find that the gender targeting strategy of MFIs is context dependent and that MFIs declare to target financially excluded women in contexts where women face discrimination in accessing banking services. Thus, according to their findings, MFIs adapt their targeting strategy to the needs of the local environment. Yet the findings of the current study show that gender discrimination restricts women's participation in microfinance, even if it the same reason why some MFIs will follow a women mission. Overall, the findings complement Drori et al. (2019) to enlighten our understanding on the complexity of fighting

poverty. It also revives the debate on whether microfinance is a quick fix for gender discrimination (Garikipati, 2008; Hunt & Kasynathan, 2001).

Hypothesis 2 predicted that internationally founded MFIs would exhibit higher women outreach performance than their locally founded counterparts. In Table 3, the coefficient of the international founder variable is significantly positive in all models where it is present ($p<0.01$). Thus, MFIs that are founded by international actors have more women among their clients than their locally founded counterparts. This result supports the second hypothesis and confirms many previous studies that report a positive association between internationalization and outreach to women (Dorfleitner et al., 2017; Mersland et al., 2011; Mersland & Urgeghe, 2013; Mori et al., 2015). It appears that international founders have high preference for female clients. It however remains an open question whether this extensive women outreach is motivated by international founders' inclination to developmental goal of fighting female poverty or by women's high repayment rate.

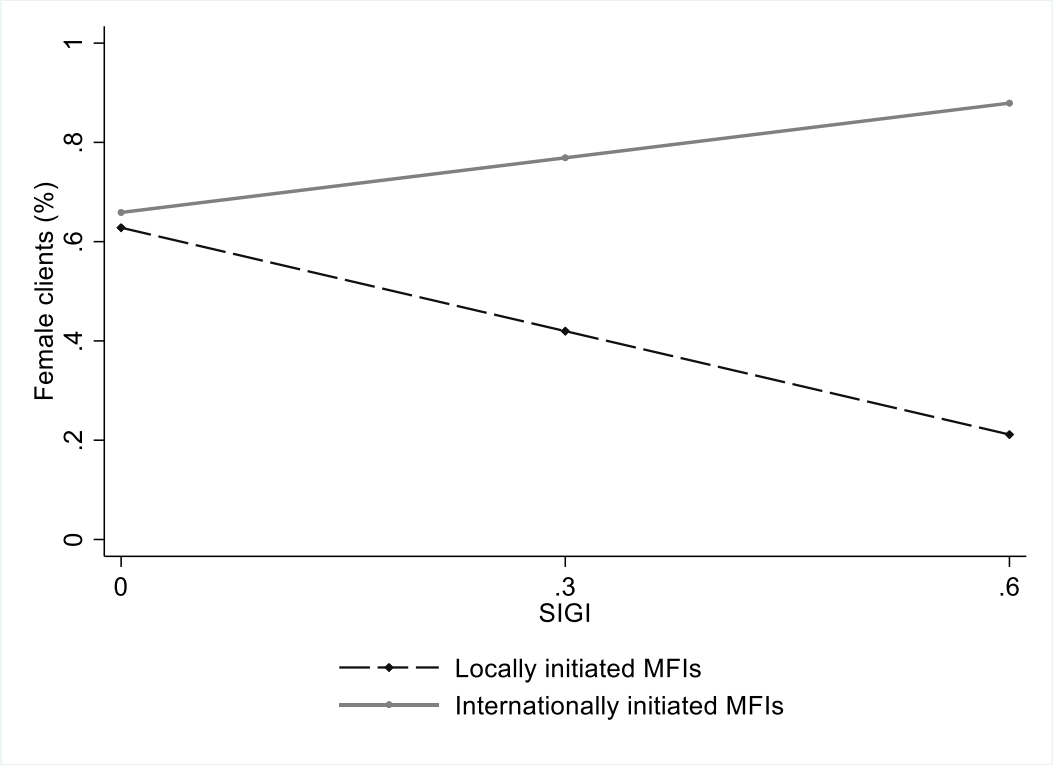
Hypothesis 3 predicted that internationalization interacts with gender inequality to increase outreach to women. To test this hypothesis, an interaction between international founder and gender inequality is included in models 4 and 8. Confirming the hypothesis, the coefficient of the interaction term in both models is positive and significant. Thus, internationalization combines with gender inequality to increase the proportion of women served by MFIs. Stated differently, internationally founded MFIs reach more women than locally founded MFIs do in contexts where women face much discrimination. These results coincide Sanyal (2009), who document internationally supported pro-women microfinance projects in male dominating societies. The findings also validate Zhao and Wry (2016), when they stressed the need for attracting foreign support for MFIs that operate in highly patriarchal countries.

Table 3: SIGI and percentage of female clients: moderating effect of international founder

	Dependent variable: Percentage of female clients							
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
SIGI	-0.215***		-0.210***	-0.272***	-0.288***		-0.267***	-0.304***
	(0.050)		(0.049)	(0.059)	(0.065)		(0.063)	(0.069)
Int. founder		0.232***	0.218***	0.181***		0.243***	0.219***	0.191***
		(0.028)	(0.028)	(0.030)		(0.026)	(0.026)	(0.027)
Int. founder × SIGI				0.231***				0.182**
				(0.086)				(0.081)
Age					-0.001	0.000	0.000	0.000
					(0.001)	(0.001)	(0.001)	(0.001)
Size					-0.003	-0.009*	-0.009*	-0.010**
					(0.005)	(0.005)	(0.005)	(0.005)
Regulation					-0.026*	-0.035***	-0.026*	-0.023
					(0.015)	(0.013)	(0.015)	(0.016)
Business model					-0.074**	-0.057**	-0.054**	-0.057**
					(0.034)	(0.025)	(0.027)	(0.027)
Sustainability					-0.002	0.017	0.009	0.008
					(0.017)	(0.018)	(0.016)	(0.017)
ALS/GNI per cap					-0.003	-0.003**	-0.003*	-0.003**
					(0.002)	(0.001)	(0.001)	(0.001)
NGO					0.036**	0.031**	0.034**	0.035**
					(0.017)	(0.014)	(0.014)	(0.015)
(ln)GDP per capita					-0.007	0.015	0.009	0.012
					(0.021)	(0.021)	(0.020)	(0.020)
Economic freedom					0.035	0.119	0.051	0.037
					(0.150)	(0.170)	(0.145)	(0.139)
ODA					0.084	0.156	0.068	0.086
					(0.118)	(0.126)	(0.105)	(0.107)
Constant	0.610***	0.492***	0.535***	0.548***	0.902***	0.578***	0.707***	0.715***
	(0.016)	(0.014)	(0.015)	(0.016)	(0.187)	(0.198)	(0.184)	(0.182)
Time dummies	No	No	No	No	Yes	Yes	Yes	Yes
Regional dummies	No	No	No	No	Yes	Yes	Yes	Yes
Model statistics								
Observations	641	641	641	641	633	633	633	633
# of MFIs	213	213	213	213	209	209	209	209
R^2 Overall	0.164	0.268	0.344	0.386	0.381	0.490	0.572	0.598
R^2 Between	0.216	0.273	0.353	0.390	0.416	0.505	0.579	0.602
Wald χ^2 statistic	18.17	68.62	89.04	96.41	110	263.3	287.4	308
Prob > χ^2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table 3 shows the regression results for the relationship between outreach to women by MFIs (measured by percentage of female clients) and gender inequality (measured by SIGI). The table also shows the moderating effect of internationalization (measured by international founder). Models 1 to 4 include no controls while models 5 to 8 include all controls. Refer to Table 1 for definition of variables. Robust standard errors are in parentheses. *, ** and *** denote statistical significance at 10%, 5% and 1% respectively.

Figure1: The moderation effect of internationalization the relationship between outreach to women and gender inequality



This significant interaction is plotted in Figure 1. In the figure, two observations are apparent. First, internationally founded MFIs reach out to more women than their local counterparts do regardless of the level of gender parity. Second, the direction of the relationship between gender inequality and outreach to women is opposite for internationally founded and locally founded MFIs; while it is positive for the former, it is negative for the latter. These observations validate the regression results.

Some of the control variables show interesting results that are worth mentioning. Larger and regulated MFIs focus less on serving women (Zhao & Wry, 2016). Moreover, as expected, MFIs that use individual lending reach less women compared to those that use group-based lending methods (Cull et al., 2007; D'Espallier et al., 2013b). It appears that group-based lending

models—village banking and solidarity group lending—are compatible with the women outreach strategy of MFIs. It is easier to organize women into groups than men and as well most women rely on the social collateral associated with group-based lending methods since they often lack physical collateral (Armendáriz & Morduch, 2010). The coefficient of average loan size is significantly negative in models 6, 7 and 8, suggesting that women receive smaller loan amounts than men do (Agier & Szafarz, 2013a; Agier & Szafarz, 2013b; D'Espallier et al., 2013b). Confirming Frank (2008), MFIs that are organized as NGOs serve more women. Given the commercialization trend observed during the last decade (D'Espallier, Goedecke, Hudon, & Mersland, 2017), the question is whether women targeting is evolving into a specialized niche for non-profit MFIs.

5. Further analyses and robustness checks

In addition to the models discussed above, I conduct several supplementary analysis to assess the robustness of the findings.

Alternative estimation methods: The random effect GLS assumes that the unobserved time-invariant MFI characteristics are uncorrelated with the regressors. This assumption could be problematic if any of the regressors is endogenous. I address this endogeneity concern in two ways. First, I include a lagged dependent variable as an explanatory variable in the model. This procedure controls for the effects of all time-invariant heterogeneity across MFIs. The results reported in column (1) of Table 4 match those reported. Second, I estimate Hausman-Taylor regressions. The Hausman-Taylor method is an instrumental variable estimator that uses exogenous regressors in the model as instruments for the endogenous ones and allows for the coefficient of time-invariant regressor to be estimated. The results are robust to this alternative

specification (see column 2 of Table 4). Also, using a more parsimonious method, pooled OLS, I obtain same results (see column 3 of Table 4).

Alternative dependent variable: Instead of the proportion of female clients, another proxy for microfinance outreach to women is the number of female clients served (Zhao & Wry, 2016). I investigated whether the results hold when this dependent variable is used. Findings are similar to those reported in Table 3 with the coefficients of *SIGI, int. founder* and *Int. founder* × *SIGI* being statistically significant with the expected signs (result are shown in column 4 of Table 4).

Using non-women social performance measures as dependent variables: In an untabulated analysis, I investigate whether the results relating to women outreach performance is merely accidental, by substituting the dependent variable—percentage of female clients—with two non-female social performance proxies often used in microfinance research: average loan size (scaled by GNI per capita) and percentage of rural clients. Average loan size gauges the poverty level of an MFI's clients, also called depth of outreach, and therefore a typical proxy for poverty alleviation (Cull et al., 2007; Mersland et al., 2019). Percentage of rural clients on the other hand measures the degree of rurality of MFIs clientele and a standard proxy for rural outreach performance (Mersland et al., 2019). In both cases, the two independent variables as well their interaction are insignificant. This confirms that, the earlier reported findings are particular to the women outreach strategy of MFIs.

Table 4: SIGI and microfinance outreach to women: moderating effect of international founder

Variables	Percentage of female clients			Number of female clients
	(1)	(2)	(3)	(4)
SIGI	-0.049**	-0.194***	-0.645***	-1.460***
	(0.021)	(0.029)	(0.065)	(0.378)
Int. founder	-0.004	0.452***	0.079**	0.712***
	(0.006)	(0.106)	(0.032)	(0.145)
Int. founder × SIGI	0.061**	0.132**	0.730***	1.267***
	(0.029)	(0.057)	(0.167)	(0.369)
Age	-0.000	-0.004**	0.001	0.005
	(0.000)	(0.002)	(0.001)	(0.009)
Size	-0.002	0.002	-0.018***	0.627***
	(0.001)	(0.005)	(0.006)	(0.089)
Regulation	-0.002	-0.029**	0.003	0.045
	(0.003)	(0.013)	(0.020)	(0.096)
Business model	-0.006	-0.035**	-0.069***	-0.348***
	(0.004)	(0.016)	(0.023)	(0.127)
Sustainability	0.000	0.011	-0.029	0.094
	(0.010)	(0.014)	(0.046)	(0.182)
ALS/GNI per cap	0.000	-0.000	-0.012	-0.343***
	(0.001)	(0.003)	(0.009)	(0.036)
NGO	0.003	-0.001	0.065***	0.215
	(0.004)	(0.017)	(0.021)	(0.140)
(ln)GDP per capita	0.003	0.062*	-0.006	-0.442***
	(0.003)	(0.032)	(0.021)	(0.127)
Economic freedom	-0.010	0.060	-0.170	1.143*
	(0.029)	(0.085)	(0.143)	(0.640)
ODA	0.007	0.148	-0.296	-0.287
	(0.054)	(0.137)	(0.235)	(0.813)
Women clients (%) $_{t-1}$	0.938***			
	(0.018)			
Constant	0.061	-0.023	1.147***	2.092
	(0.041)	(0.274)	(0.214)	(2.020)
Time dummies	Yes	No	Yes	Yes
Regional dummies	Yes	Yes	Yes	Yes
Model statistics				
Observations	534	633	633	613
# of MFIs	204	209	209	208
R^2 Overall	0.975		0.668	0.722
R^2 Between	0.988			0.732
Wald χ^2 / F statistic	36826	126.6	20.44	848.3
Prob > χ^2 / F	0.000	0.000	0.000	0.000
Method	RE	HT	OLS	RE

This table shows the regression results for the relationship between gender inequality and outreach to women by MFIs. Percentage of female clients is the dependent variable for models 1, 2 and 3 while number of female clients is the dependent variable in model 4. Refer to Table 1 for definition of variables. Robust standard errors are in parentheses. *, ** and *** denote statistical significance at 10%, 5% and 1% respectively.

6. Conclusion

In this article, I investigate the relationship between gender inequality and microfinance outreach to women. From here, I test whether internationalization moderates this relationship. Based on arguments from existing studies, I hypothesized that all else equal, gender inequality reduces microfinance outreach to women. Using international founder as a proxy for internationalization, I also hypothesized that internationalization interacts with gender inequality to increase outreach to women. Random effects generalized least squares was employed to analyse the data on 251 MFIs that originate from 69 countries.

Confirming the hypotheses, the findings show a significant negative relationship between gender inequality and women outreach performance of MFIs, suggesting that MFIs serve less female clients in contexts where women face much discrimination. Thus, societal norms that promotes male dominance militate against the redress efforts of MFIs to reach women with microfinance services. Consistent with existing body of research, the findings also show that internationally founded MFIs reach more women than their locally founded counterparts. Finally, the findings also show that internationalization interacts with gender inequality to increase the share of women served by MFIs. In other words, MFIs that are set up by international actors support women financial inclusion, especially in contexts where women are confronted with barriers in accessing banking service.

This study contributes to the literature by highlighting how the interplay between societal norms and internationalization affect the women targeting strategy of MFIs. It improves our understanding of cultural influences on financial exclusion of women and how this influence can

be mitigated by internationalization. The findings of the study also highlight the critical role of international actors in driving the focus on women in microfinance.

A potential limitation of this study stems from the lack of data to examine the underlying mechanisms through which societal norms limit women's access to microfinance services. For example, I lack data on the loan credit application processes of MFIs. Consequently, it is unclear from the finding whether the negative effect of gender inequality on outreach to women is the result of discriminatory lending practices by MFIs or the result of women's own self-exclusion from microfinance services. Using data from a Brazilian MFI, Agier and Szafarz (2013a) report that loan denials are not gender biased. Notwithstanding, a direct focus on these nuances from a cross-cultural perspective could be fruitful avenues for future research. Specifically, qualitative insights would be useful in exposing these mechanisms in ways that enhance our understanding on how discriminatory societal norms affect microfinance outreach to women.

Indeed, the empirical findings show that internationally founded MFIs reach more women than locally founded ones especially in contexts where women face much discrimination in assessing financial services. While this is an indication of high social outreach performance, it should not be necessarily interpreted that loans to women constitute a significant proportion of the total value of MFIs' gross loan portfolio. This is because women take smaller loans (in dollar value) than men. Thus, the proportion of the dollar value of gross loan portfolio attributable to women clients may be less than those attributable to men even if women constitute the majority of an MFI's clientele. What does this mean for the relative importance of women in the overall strategic framework of internationally founded MFIs? From a risk or performance perspective, portfolio distribution between men and women may matter (Crabb & Keller, 2006).

More generally, a related question is whether the high outreach to women could mean that international actors drive MFIs to excessively focus on women and whether this is good for the women clients themselves. Women are good for microfinance but the question on whether microfinance is good for women is still controversial as the literature is divided on the effect of microfinance on women empowerment (e.g., see, Banerjee et al., 2015a; Banerjee et al., 2015; Garikipati, 2008; Kabeer, 2001). Several scholars have reported that in patriarchal societies, women are compelled to transfer loans to their husbands who eventually become the users of the money (Garikipati, 2008; Goetz & Gupta, 1996; Pitt et al., 2006; Rahman, 1996). Moreover, women often bear the burden of repaying the loans from the personal resources when husbands fail to honour loan obligations, which may leave women worse off than before (Balasubramanian, 2013). Taking an internationalization perspective, future studies can further investigate the influence of microfinance on women's welfare.

Why do internationally founded MFIs reach more women in settings when women face discrimination? One reason is obvious: to fight discriminatory social norms through women empowerment. Whether the provision of microfinance services alter the direction of social norms is equivocal. Studies have shown that lending is unlikely to liberate women in terms of affecting their position in the household (Garikipati, 2008; Hunt & Kasynathan, 2001). Thus, gender norms may persist in the face of microfinance. A typical instance is how loans to women are controlled by their husbands (Goetz & Gupta, 1996; Pitt et al., 2006; Rahman, 1996) and how husbands coerce women to contract microfinance loans (Hunt & Kasynathan, 2001). Do international bodies really impact social norms? Given the obvious complexity of societal norms, future microfinance studies, taking a more fine-tuned approach, can reflect on how international agencies address women's rights and gender relations in areas such as decision making and

control over loan use, business related decisions, marriage, divorce and bargaining in the household (Balasubramanian, 2013; Hunt & Kasynathan, 2001).

If international organizations do impact local societal norms, then a related question is whether this can be viewed as a new form of foreign imperialism. Exploiting the parallels between international assistance (financial and non-financial) to MFIs (Mersland et al., 2019) and foreign aid to developing countries (Bodenheimer, 1971; Hayter, I97I), future studies can tackle this subject. These insights, when available, would animate the discussion on how internationalization interplays with gender norms to empower women.

Finally, the analysis does not address how international founders adapt to local systems to reach women, including the process of overcoming local barriers. From a theoretical standpoint, one would expect higher social outreach to come with some level of local embeddedness (Dacin, Dacin, & Tracey, 2011). For example, how do international founders deal with local regulations and possible liabilities of foreignness? This and other questions relating to the following areas could be promising avenues for future qualitative studies: process of acquiring and leveraging knowledge and experience (e.g., value co-creation with clients), adoption of positive organizational ethics and engagements with key stakeholder such as civil society organizations and trade and labour unions.

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