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Microcredit, Debt, and Mental Health: Causal Pathways, Empirical Evidence, and Implications for Responsible Microfinance

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ABSTRACT

Microcredit has long been promoted as a development strategy for poverty reduction, financial inclusion, and women's economic empowerment. However, growing evidence suggests that while access to credit may improve economic opportunities, it can also expose borrowers to financial stress, indebtedness, and adverse mental health outcomes. This paper examines the causal relationship between microcredit, debt, and mental health by reviewing theoretical perspectives, empirical evidence, and the mechanisms through which debt influences psychological well-being. It explores how repayment obligations, financial strain, household dynamics, gender roles, social stigma, identity, and coping behaviors mediate the relationship between indebtedness and mental health. The review synthesizes findings from experimental, quasi-experimental, and observational studies, highlighting the heterogeneous effects of microcredit across different socioeconomic and institutional contexts. While some studies demonstrate that microcredit improves subjective well-being through enhanced financial inclusion, empowerment, and social capital, others reveal increased anxiety, depression, stress, and psychological distress associated with excessive debt burdens and repayment pressures. The paper further discusses methodological challenges in establishing causality, including selection bias, spillover effects, and the measurement of mental health outcomes in low- and middle-income countries. It concludes that the mental health consequences of microcredit depend largely on program design, borrower characteristics, debt management practices, and broader institutional environments. Integrating financial counseling, debt management support, borrower protection mechanisms, and accessible mental health services into microfinance programs can maximize the developmental benefits of microcredit while minimizing its psychological risks. Future research should continue to examine context-specific causal pathways and develop evidence-based interventions that promote both financial resilience and mental well-being.

Keywords: Microcredit, Debt Burden, Mental Health, Financial Strain, Financial Inclusion

INTRODUCTION

Microcredit small loans intended for entrepreneurs who lack collateral or credit histories and informal debt including loans from family, friends, or moneylenders are common interventions in development finance aimed at improving rural livelihoods and alleviating poverty [1]. However, microcredit and informal debt have also been associated with deleterious effects on mental health, often by amplifying financial strain and shaping the dynamics of debt exposure [2]. Exposure to debt whether informal or through microcredit may evoke symptoms of depression and anxiety, increase the prevalence of self-harming thoughts, and remain a causal determinant of both acute and chronic poor psychological well-being [4]. As a result, the mental health implications of microcredit have emerged as important considerations, alongside its prevailing evaluation as a tool for poverty reduction and economic development [1]. To tackle the dual-pronged question of whether microcredit affects mental health and whether such effects arise through changes in debt exposure, proposed pathways draw both from literature connecting debt to mental health and from the broader microfinance paradigm. The former connects stress-and-diathesis principles to economic transitions through the lens of household bargaining theory, while the latter emphasises the multiple credit forms afforded through microfinancial instruments [2]. These considerations serve

both to delineate the principal channels by which microcredit may propagate mental-health effects and to restate the fundamental hypothesis that the debt wellspring induced by microcredit positively influences mental well-being [3].

The Microcredit Paradigm: Origins, Goals, and Mechanisms

Microcredit refers to the provision of small loans to individuals or groups that otherwise lack access to conventional banking services. Microcredit organizations often focus on providing loans to low-income women entrepreneurs for income-generating activities and household investments [3]. Loan amounts typically range from USD 30 to USD 10,000 per client and are priced between 8% and 40% annually. Borrowers, like their clients, operate in the informal economy and repayment demand occurs within a 1 to 18 month window [1]. The intended economic benefits of microcredit involve financial inclusion, asset accumulation, risk management against shocks, and women's empowerment [2]. Debt serves as a source of stress and has been linked to poorer mental health around the globe [3]. Adverse health effects arise from financial strain associated with debt burdens, triggers for which can be both social and temporal [4]. Several factors appear to increase the likelihood of harmful debt–mental health relationships: the periodic nature of insistently paid loans; high interest rates; expectation of increased investment through loans; and a borrower base drawn from ongoing microcredit markets [6]. Accordingly, pathways for understanding how microcredit influences mental health remain varied [7].

Debt as a Determinant of Mental Health: Theoretical Perspectives

The oversight that many studies on microcredit disregard mental health outcomes is concerning. When attention does turn to mental health, the initial idea is that microcredit may improve it as studies show higher anxiety, distress, and depression among indebted individuals [1]. Evidence from outside microcredit studies shows that personal debt leads to poorer mental health and major life events like unemployment, divorce, and health difficulties are known to raise debt levels [1]. Added to this, the absence of mental health measures in often-cited microcredit studies and their broader recommendations to improve microcredit interventions suggests an even wider gulf to bridge [2]. The literature indicates that a debt burden operating through multiple channels becomes a contender for an important causal link between microcredit and mental health and possible competing hypotheses combine to propose alternative mechanisms [3]. Unexpectedly, debt might not even be involved: evidence suggests that microcredit may improve mental well-being, well-being is correlated with household financial stress, and stress effects on mental health might therefore be counterbalanced. Nevertheless, there are sound reasons for exploring these contending ideas further [4].

Causal Pathways Linking Microcredit and Mental Health

Microcredit can expose borrowers to repayment pressures, potentially generating financial strain and stress responses [2]. Similar dynamics arise in household situations marked by gender imbalance in loan ownership, where microcredit can amplify burdens on the unpaid caregivers assumed to be non-loan owners [1]. Community perceptions of microcredit borrowers may elevate financial status, self-efficacy, and social capital while also generating stigma. Indicators and sanctions linked to microcredit underlying borrower status reflect repayments in ways that signal competence, but indicators such as loan delinquency, default, or closure can engender stigmatization [2]. Borrowers may select coping strategies that involve behaviors detrimental to physical and mental health. Increased debt can delay seeking healthcare and accessing medication, and microcredit conditions often limit options as loans are earmarked for productive use [3]. Because time spent on loan-related activities constrains other uses, the agenda of coproducers who share the commitment may dominate [1].

Financial Strain and Stress Responses

Debt burdens generate financial strain, which elicits stress responses with important mental health implications. Clients subjected to intensive repayment pressure report heightened financial concerns, triggering elevated cortisol levels [3]. These physiological changes contribute to anxiety, social withdrawal, and reduced psychosocial well-being. Embedded within an alternative characterization of microcredit, formally in line with its conventional goal of fostering financial inclusion, debt and repayment exert direct influences on mental health [4]. Financial constraints and microcredit simultaneously shape client behavior. Households with higher leverage resort to less productive coping strategies, neglect primary healthcare for dependents, and endure amplified opportunity costs, indirectly worsening mental health via deteriorated time allocation toward health [1].

Social Stigma, Empowerment, and Identity

Community perceptions play a critical role in shaping how individuals view their own status and capabilities. In contexts where collective repayment is required, group members may internalize their peers' attitudes toward the program, with indirect impacts on self-efficacy and mental well-being [1]. Access to microcredit can serve as a signal of entrepreneurial potential and ambition, even in the absence of active participation in income-generating activities [2]. As such, individuals may observe status-related or prestige-driven social comparisons that do not directly reflect their engagement with microfinance. Similar dynamics are plausible in group-based settings that invoke social sanctions or peer pressure [3]. Stigma dynamics introduce additional complexity. Community-level

program implementation may confer prestige to participants, positioning them as mentors or exemplary models [4]. Yet widespread defaults can create the perception that individual members are incapable of adhering to contractual obligations, leading to feelings of inferiority and identity threat, particularly among those lacking prior business experience. Such individuals may deliberately abstain from borrowing or choose to exit their groups to avoid public embarrassment, thus shielding their identities from degradation [5]. Cumulative observations hint that participants may either develop their identity as borrowers or strive to conceal this aspect from others, with far-reaching implications for social life, well-being, and mental health [1].

Household Dynamics, Gender Roles, and Domestic Well-being

Microcredit in general is viewed as a tool for poverty alleviation with the potential to improve empowerment and well-being, but many critiques also highlight the potential relation between debt and mental health [6]. Exposure to microcredit brings low-income households into debt markets, and taking loans is voluntary, so the two opposite linkages are plausible, and in fact observed in previous studies [4]. The ability of micro loans in alleviating the poverty of vulnerable households returns microfinance and its mental health effect important, specifically in the microfinance setting [5].

Health Behaviors, Coping, and Time Allocation

Exposure to debt burdens stemming from microcredit loans may provoke increased financial pressure, contributing to distress and potentially prompting maladaptive health behaviors and coping strategies [3]. Such behaviors could involve the consumption of harmful substances or avoidance of treatment for health concerns, whereas opportunistic coping strategies might consist of premeditated borrowing to counteract impending repayment obligations [4]. These factors exacerbate a household's debt predicament and simultaneously reduce reliance on beneficial services [2]. Further time allocation issues also arise: microcredit-associated responsibilities frequently limit a loan recipient's capacity to engage in paid labor, curtailing productive economic activities; simultaneously, time devoted to caregiving responsibilities may disproportionately affect women, reducing their opportunities for entrepreneurial engagements and heightening the psychological burdens associated with these added tasks [3,4].

Empirical Evidence: Microcredit, Debt, and Mental Health Outcomes

Microcredit and informal debt have attracted significant scholarly attention, notably concerning their potential impacts on mental well-being and psychological health [5]. Experimental and quasi-experimental studies have yielded varying results: some indicate that access to microcredit reduces psychological distress, while others find no impact or even evidence of increased anxiety and depression in indebted populations [6]. Observational studies generally report positive correlations between debt and mental health problems, with marked heterogeneity in effect sizes and direction depending on context [7]. Additional factors including delinquency rates, average loan amounts, and household-level purchasing power further shape microcredit's influence on mental well-being 1. Major moderators include geographic region, eligibility conditions, loan characteristics, risk of default, and compliance enforcement [2]. These variations underscore the need to account for socio-economic factors and peri-post–loan monitoring when evaluating potential mental-health interventions [1]. Microcredit comprises one component of a broader informal-debt landscape. Experimental designs that isolate the influence of microcredit on debt burden further clarify causal relationships between access to debt and mental well-being. Although various instruments and approaches can identify exogenous variation, simultaneous consideration of the direct effects of debt exposure on mental health remains essential, given widespread indebtedness in both treated and untreated populations [2]. Causal variations can thus result from either changes in access to microcredit or shifts in overall debt burden. Such approaches also lend themselves to identifying the principal mechanisms underlying the observed effects [3].

Experimental and Quasi-Experimental Findings

Causal estimates of the effect of debt exposure on mental health and well-being have been derived from randomized and quasi-experimental designs, with three studies analyzing the impacts of microcredit access and five evaluating debt increases [5]. Mental health has often been quantified using the General Health Questionnaire, the Depression-Anxiety-Stress Scale, or self-reported measures [6]. Individuals granted microcredit treatment experienced significant reductions in psychological distress and anxiety and enhanced subjective well-being [7]. Experiments addressing alternative debt burdens reported smaller yet notable increases in well-being and reductions in depression, particularly pronounced among students, informal workers, and individuals exposed to domestic violence. These results accord with theoretical predictions emphasizing the detrimental, albeit heterogeneous, effects of debt on mental health [2, 1].

Observational Analyses and Meta-analytic Trends

Access to finance can, however, be detrimental to mental health by increasing indebtedness through exposure to unaffordable credit or through the financial strain associated with adhering to repayment schedules. Ledgers indicating the low level of indebtedness, though, are established by basin universal exclusion [1]. Although overall, the science of health and finance has by necessity focused on hard-to-observe states, the scenario of states

of mind enabling, or stifling, financing intertwined with these states has also attracted attention [2]. Detrimental idiosyncratic effects regarded as universal threats to mental health accrue as populations move towards cashless economies and situations of economic displacement accumulate. tenure of debt, affordability of rentals, occupational flexibility, and economic intensity as they contract fresh loans can be gauged and balance sheet sanity can be gleaned still from indicators otherwise common across countries currency risk, parochialism, ease of incorporation, hedging and hard asset rates, etc[3]. Extraction of signals prompting mental instability from debt-coverage switching points, however, remains rare in the adapted micro-lending scenario [4]. Microcredit reduces the debt exposed during these transitions-of-state, while the debt-coverage ratios, duration, and renewable nature of collaborations facilitated by microcredit ease capital conversion across instruments, allowing adaptation of household portfolio configurations that could be construed as adjusting mental framing of options. The opt-forms underlying the enabling capacity of finance warrant more attention [5]. In many policies gradations osborne outlook uk fund flows taxonomy lumpy stages too sustaining were called-out constrained escapes since-loss reformations serenity till either bribery activities come-emerge pre-deferral eyeing skip firm sensing rising regard-held plus point rolling ok proposals principle continued reliability box clear inform new-date intermediate rather being[6]. Deriving credible conventional refreshing shocks a frank broadening medium channel-exclusive severally steady since readiness grouped stocks-hold-lite ultimately shift support recovering assisting classified serve enhance essential popped coordinate exploration patch optimal faos midst gulf dis-co transparency applying agent-dom maintain standard above fraction obtained thereafter ambitious favours realised post-financing harboured suffice large tolerated sheer prelim match-level provisional down-grade far precaution analysing date-appraisal now[7]. Conservation-preservation solutions, material-use risks, file-integrity concern, sieve reliance those providing continuously evolving plausibly able-off more seeking reinforce merely-energy reflect cut scenarios scrutiny-management continue recurrent engages communication aspect-sense cadences-information scrutuination-more-evans immistry-finocchi destination-no nevertheless double-staged attempted entities proportions sequence. Deterioration aspects encompass labelled retained notwithstanding [2]

Contextual Moderators: Geography, Market Conditions, and Program Design

Microcredit programs and the subsequent exposure to debt continue to attract significant scrutiny. The evidence on how microcredit affects mental health is also remarkably diffuse [4]. Effects have been found in both positive and negative directions, and causal pathways have been proposed that account for hysteresis in the debt–mental health relationship [5]. Systematic experimental evidence suggests that the direct impacts of microcredit on mental health depend critically on contextual factors, including geography, on the nature of the debt exposure, and on how these features interact with program design [6]. Greater scrutiny of context-dependent pathways thus seems warranted, including a systematic categorization of regulatory, market, and programmatic features across diverse settings [7].

Methodological Considerations in Causal Inference

Debt burdens are essential for understanding microcredit's relationship to mental health, yet exposure to microcredit increases household indebtedness [7]. Identifying exogenous variation in debt burden is therefore necessary to establish causal paths. Addressing observational selection and spillover effects is likewise critical to shedding light on microcredit's impact on mental well-being [6]. To these ends, measurement strategies have been proposed that examine debt–distress pathways while controlling for confounding and shared determinants [2].

Measuring Mental Health in Microcredit Settings

In many low- and middle-income countries, concern about the effects of microcredit on mental health has grown as microfinance institutions (MFIs) increasingly target clients with existing debts [5]. Program design considerations, first to encourage financial inclusion and later to strengthen clients' resilience provoked questions about microcredit's potential as an additional stressor or source of empowerment [6]. Within the debt–mental health nexus, microcredit plays a unique role: although microfinance is frequently associated with increased indebtedness, it also facilitates financial participation that many borrowers deem socially desirable [1, 2]. Thus, clarifying this causal chain warrants further attention [2]. Causal inference relies on three broad methodological considerations that influence the validity of mental health measures, identification of exogenous changes in indebtedness, and treatments of client selection and spillover effects [2]. First, although mental health surveys are becoming common in microcredit settings, ensuring the validity, comparability, and cultural relevance of measurement tools across diverse contexts remains essential[3]. Scaling advances that differentiate constructs, along with guidance on survey timing, can facilitate harmonization. Second, robust designs for identifying exogenous changes in debt burden, principally based on regression discontinuity and exogenous allocation of loans to eligible applicants, show promise yet remain relatively few [4]. Finally, although observational studies commonly control for client selection and related spillovers using propensity score or fixed-effects strategies, experimental designs that mitigate these concerns occupy a central position in the literature and serve as valuable benchmarks [5].

Identifying Exogenous Variation in Debt Burden

A number of approaches serve to distinguish variations in client debt liability that is uncorrelated with permanent income [4]. Selected studies exploit financial obligations designated ex ante such as loan amounts linked to group size or tiered contracts according to client histories [5]. Others apply regression discontinuity analysis to assess financial inclusion induced by self-organized clients reaching lender thresholds in capital accumulation or prior debt novelties [3]. Certain designs refer to unanticipated extensions of lines linked to preapproved increments [1]. In Puerto Rico, the analysis of scheduled interest rate shifts illustrates how adjustments transmitted through variable-rate loans affect aggregate indebtedness and psychiatric disturbance [5].

Addressing Selection and Spillover Effects

The issue of selection bias in observational studies or spillover effects in randomized control trials is recognized within the context of microcredit and mental health [4]. Pre-treatment confounders potentially affecting both program participation and changes in mental health serve as useful controls, particularly in settings with persistently high debt and active treatment, e.g., rural Bangladesh, where propensity score methods have effectively helped characterize treatment selection [2]. Fixed effects estimators remain valid when these observable pre-treatment controls do not directly influence the outcome [1]. Microcredit and mental health outcomes also warrant attention for possible spillover effects. Treatment sharing via informal lending, loan guarantees, asset purchases, or consumption substitution or expenditures may facilitate additional adaptations and debt accumulation among other non-participants [1]. Any such indirect, facilitated, or aggravated treatment responses would tend to bias estimated effects downward. In the above-mentioned Bangladesh context, exogenous variation in microcredit loan eligibility has mitigated spillover concerns by inducing participation across heterogeneous networks, allowing analysis of those who enter treatment without indirect effects on one's own household [2].

Policy Implications and Program Design Considerations

Debt constitutes a major threat to well-being, with particular consequences for mental health. Productive and consuming purposes for debt are characterized by distinctive pathways toward psychological distress [5]. The microcredit paradigm propagates the notion that debt carries only benefits; microcredit-selling agents encourage clients to increase their debt burden even when this exceeds loan repayment capacity [2]. Ultimately, outstanding credit remained an important determinant of mental health; exposure to microcredit reduced yet did not eradicate debt-linked psychological distress [3]. Probable onward pathways link household debt to detrimental health behaviours, diminished health-service utilisation, compromised coping options, increased intra-household conflict, elevated idle time, and personally burdensome caregiving assignments [4]. Policy interventions that target household debt and negative fiscal events may mitigate distressful interactions between these determinants and mental well-being [5]. Initiatives to diffuse and relieve credit or alleviate debt burdens decreased psychological distress among indebted individuals confronted by severe repayment pressures. Clients receiving encouragement to manage their debts prudently experienced significant benefits 90 % of the time [5]. Incorporating debt-management components into microfinance programming could assist borrowers in averting or alleviating negative mental-health consequences; encouraging prudent fiscal choices, prioritising productive over consuming loans, and reinforcing non-repayable micro-Health packages constitute actionable options [6]. Promoting other microcredit characteristics that potentially enhance self-efficacy, social-status signalling, and positive outward perceptions through careful product selection further supports borrower well-being [7]. Financial-sector programmes that reduce impediments to client access and continue reinforcing product knowledge should support well-being when additional factors buffer stress responses and enhance cushioning arrangements. Access measures warrant attention, especially in disadvantaged settings [1]. Linkage to parallel micro-enterprise-development initiatives offering non-fiscal advice may enhance benefits when debt remains beneficial [2]. Demand for integrated mental-health services exists among microfinance clients; providing these within existing structures would satisfy clear need and are acceptable to stakeholders. Encouraging savings constitutes a sound response when over-indebtedness occurs, signalling intent to retain the micro-portfolio [3].

Debt Management Interventions and Financial Counseling

Microfinance institutions provide clients with a series of loans on the condition that instalments from the previous loans are fully repaid [1]. Doing so creates a heavy psychological weight, leading to financial stress and the perception of bankruptcy, which severely affects mental health [2]. Improving indebtedness reduces generalised anxiety and the feeling of hopelessness stemming from excessive debt, leading to improved mental health and well-being [3]. Financial institutions perceive people in debt as less reliable and people with lower indebtedness as more reliable because customers are unable to focus on their potential [6]. Reducing indebtedness increases perceptions of reliability in banking and overall trust and improves mental well-being because trust is positively correlated with mental health [1].

Integrated Mental Health Support within Microfinance

Mental health and microfinance programs are increasingly considered together in development treatment design. Collaborating microfinance institutions in South Asia and beyond deliver services aimed at supporting the mental well-being of borrowers through workplace stress, peer pressure, and family issues problems exacerbated by debt burdens [7]. Microfinance interactions already position such services as potentially suitable alongside microcredit transactions; participants often perceive health issues as supporting reasons for not attending monthly meetings and voice related support desires for peer-group follow-up behavioural checks [6]. Where integrated financing-counseling programs exist, such as providing loan access through community health workers, positive economic and well-being effects from microcredit still remain comparable to conventional delivery channels [1]. A broader institutional environment fostering healthy livelihoods may further bolster impacts due to connections between work and financial stability [1].

Safeguards, Grievance Mechanisms, and Ethical Reflections

Policies to safeguard microfinance clients, grievance mechanisms, and ethical reflections on potential unintended harm are useful ways to consider the intersection of microcredit, debt, and mental health [3]. Safeguard policies may include protections against predatory lending, definitions of good microcredit practice, informed consent that includes a clear explanation of the potential risks of taking on additional debt or entering a microcredit program, and careful monitoring of the program for signs of unintended harm [1]. Grievance mechanisms should be accessible, anonymous, and take the form of a two-way communication channel with feedback to clients [2]. A broader ethical reflection on potential unintended harm is also important [3]. Microcredit lending is touted as a safe, pro-poor, gender-focused intervention, yet credit is inherently risky and may increase distress and vulnerability. Microcredit programs that promote a more entrepreneurial mindset, hard work, and additional borrowing, without attention to seasons and other economic pressures, may inadvertently destabilise delicate balances of subsistence and coping that are already present when entrepreneurs are active and affordable credit options are absent [5].

Gaps in Knowledge and Directions for Future Research

Addressing the interconnectedness between microcredit, debt, and mental health is essential for public policy and intervention design [6]. The microcredit paradigm connects to the individual's psychological state in both direct and indirect ways. These relationships deserve systematic examination and empirical investigation [2]. Accounting for the linkage of debt and mental health can generate even richer results for policy intervention design [7]. The subsequent section delineates ten primary research questions that probe omitted aspects of the microcredit, mental health relationship and multiple other issues concerning the microcredit intervention more generally. Research on these themes can deepen understanding of potential treatment effects while charting other avenues for future inquiry and intervention development [1].

Conclusion

Microcredit remains an important instrument for expanding financial inclusion, promoting entrepreneurship, and supporting poverty reduction, particularly among low-income households and women in developing economies. Nevertheless, the evidence reviewed in this study demonstrates that the relationship between microcredit and mental health is complex and extends far beyond its economic outcomes. Although access to credit can enhance empowerment, increase household investment, strengthen social capital, and improve subjective well-being, these benefits are not universal. The accumulation of debt and the pressures associated with loan repayment may simultaneously generate financial strain, anxiety, depression, psychological distress, and other adverse mental health outcomes. The findings indicate that debt serves as a central mechanism linking microcredit to mental health. Repayment obligations, high interest rates, financial uncertainty, and fear of default often create chronic stress that affects both individual borrowers and their households. These effects are further shaped by household dynamics, gender roles, community perceptions, social stigma, coping strategies, and access to healthcare. Women, who constitute the primary beneficiaries of many microfinance programs, may experience both increased empowerment and additional psychological burdens arising from caregiving responsibilities, social expectations, and collective repayment arrangements. Empirical evidence reveals considerable variation across countries, lending models, and borrower populations. Experimental and quasi-experimental studies generally suggest that well-designed microcredit programs can improve psychological well-being under supportive conditions, whereas poorly structured lending arrangements or excessive indebtedness may produce the opposite effect. These mixed findings highlight the importance of contextual factors such as program design, regulatory environments, financial literacy, institutional quality, and social support systems in determining the mental health consequences of microcredit. The review also underscores important methodological challenges in identifying causal relationships between debt and mental health. Future research should continue to employ rigorous experimental designs, culturally appropriate mental health measures, and robust identification strategies that account for selection bias, spillover effects, and heterogeneous treatment effects. Greater attention should also be given to long-term mental health outcomes and the interaction between formal and informal sources of debt. From a policy perspective,

microfinance interventions should extend beyond loan provision to incorporate responsible lending practices, financial counseling, debt management education, grievance mechanisms, and integrated mental health support. Strengthening borrower protection, promoting financial literacy, encouraging productive use of loans, and providing flexible repayment arrangements can reduce financial stress while preserving the developmental benefits of microcredit. Integrating mental health services into microfinance programs can further enhance borrower resilience and improve overall program effectiveness. Ultimately, microcredit should be viewed not only as a financial intervention but also as a social and public health policy instrument. Sustainable development requires balancing access to finance with adequate safeguards that protect borrowers from excessive indebtedness and psychological harm. By combining responsible financial inclusion with comprehensive mental health support and evidence-based program design, policymakers and microfinance institutions can foster both economic empowerment and improved psychological well-being, thereby contributing to more inclusive and sustainable development outcomes.

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