Chapter 2

Literature Review

2.1 Introduction

Literature review comprises a review of concepts, descriptions, discussions, critical studies and findings of various research scholars in fields related to the research area, prior to the current research study. The research findings are summarized and arranged in a logical sequence.

The basic aim of conducting a literature review is to convey to the reader the knowledge and ideas that are well established in the current research area. It familiarizes the reader with the topic and helps to compare and contrast perspectives and viewpoints on the topic.

2.2 Objectives of conducting literature review

1. To understand how other research studies have defined and measured key concepts
2. To identify research gaps that can be considered for future research.
3. To identify a connect between this research project and other related works
4. Identify data sources that other research studies have used.
5. To interpret the findings of earlier research studies.

2.3 Criteria for selecting literature for review

1. Author’s credentials: Research where arguments are supported by evidence gathered using rigorous research methods
2. Objectivity of the research: Only research publications that are not biased or prejudiced are chosen.
3. Only research studies that are both persuasive and convincing are considered for literature review.
4. Significant contribution to the field of current research is an essential parameter.
5. Research publications carrying ISBN/ISSN number are accorded priority.

2.4 Overview of the subject literature review

Review of literature in the field of study enables the researcher to garner a clear understanding of the problem related to the field of research. Fink (2005) states that “a Literature Review is a systematic, explicit, and reproducible method for identifying, evaluating, and synthesizing the existing body of completed and recorded work produced by researchers, scholars, and practitioners."

A literature review can be viewed as a critique of the status of knowledge in the area of research on a well-defined topic. Literature review can be used as a tool to help the research scholar to get acquainted with current knowledge in the research area and to avoid pitfalls such as selection of problem areas in which there is little scope to make major contributions to field of research. It also ensures the avoidance of duplication of research efforts and wastage of resources in re-inventing the wheel. The ultimate objective of review of literature is to find the research gaps in the field of study, which will lead to the definite choice of research topic

Importance of microfinance as a means to enhance the access of the poor to credit facilities has been a topic of interest among researchers world-wide. Financial planners, bankers and Government and Non-Government Organizations are interested in knowing how financial services can be extended to the poor in an efficient and sustainable manner. Hence the review of literature attempts to analyze and put in proper perspective the efforts made globally in the field of micro finance. Research findings of previous research studies were chosen keeping in mind their relevance to current research. Research topics which can contribute to the study of variables under consideration are selected.

The literature review on Micro finance provides diverse findings connected to the type of benefits, level and type of financing, beneficiaries of micro finance, outcomes of interventions and the like.
A schematic representation of the plan adopted for literature review is presented below:

**Figure 2.1: Plan for literature review**

(source: self-compiled from various sources)
2.5 Preliminary review of literature:

A quick review of extant literature on the subject area of microfinance and entrepreneurship was undertaken to identify the key components of and issues in microfinance. Simultaneously, topics in entrepreneurship were reviewed. While the readings on microfinance were completed quickly and the key topics identified, there were challenges in relating existing theories related to entrepreneurship to the topic of the current study.

Most references to entrepreneurship were in the context of the ‘opportunity-sensing’ and ‘profit-seeking’ motives of entrepreneurial pursuits. “Opportunity exploration is one of the important capabilities a successful entrepreneur must possess” (Vaghely and Julien, 2010). These readings did not explain the sustenance-oriented initiatives of people availing microfinance. It was observed that “while much entrepreneurship research is dedicated to entrepreneurs in developed countries, oftentimes with a focus on high-potential technology entrepreneurs and VC-backed startups, little is known about approaches to foster low technology, often subsistence-directed, entrepreneurial activity of poor individuals in less developed countries. Although these people represent a large part of the world’s population and their challenges for development are apparent, we still lack an understanding of key instruments that benefit the individuals in these largely informal economies” (Chliova, Brinckmann, & Rosenbusch, 2013).

Another concept reviewed was that referred to as “reluctant entrepreneurship” by Duflo and Banerjee (2011). They asked the following question: “Are there really a billion barefoot entrepreneurs, as the leaders of MFIs and the socially-minded business gurus seem to believe? Or is it just an optical illusion, stemming from confusion about what we call an ‘entrepreneur’? There are more than a billion people who run their own farm or business, but most of them do this because they have no other options.” Most other readings, however, suggested that “reluctant entrepreneurship” was used to describe educated and well-qualified unemployed individuals who were forced into entrepreneurship.
Eventually, however, the concept of “micro entrepreneurship” was found to be most appropriate to describe the sustenance based entrepreneurship practiced by the poor clients of microfinance.

Figure 2.2 is pictorial representation summarizes the topics of research reviewed before finalizing the topic of doctoral research.
Figure 2.2: Topics covered under literature review
2.6 Subject literature review

The review of literature covering a range of topics in microfinance and entrepreneurship, particularly, micro-entrepreneurship is arranged according to different themes and presented below:

2.6.1 Definitions of microfinance

Robinson (2001): “Microfinance refers to small-scale financial services for both credits and deposits, that are provided to people who farm or fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas”.

Ernest Aryeetey (2012): “Microfinance offers poor people access to basic financial services such as loans, savings, money transfer services and micro insurance. People living in poverty, like everyone else, need a diverse range of financial services to run their businesses, build assets, smooth consumption, and manage risks”.

Ledgerwood (1998): “The provision of financial services to low-income clients, including both men and women who are unemployed or self-employed. Microfinance generally includes a host of credit and savings related financial services, but at times it even goes beyond its financial intermediary role to include insurance and payment services, and other social intermediation services like group formation, development of self-confidence and training, suggesting that its role does not simply limit to banking activities”.

Christen, Rosenberg and Jayadeva (2004): “It is a movement that envisions a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.”
2.6.2 SHG’s Role in entrepreneurship

Sherwani and Sahiba (2015): Data extracted from the reports of the National Bank for Rural Development (NABARD) reveals that the Self-Help groups (SHGs) and other institutions employing microfinance as a tool of encouraging entrepreneurship and income augmentation have a minimal presence in Delhi. The state machinery and the private sector both need to undertake definite, result-oriented measures to better address the issues of urban poverty prevalent in Delhi.

NABARD (2012 -13): NABARD supports need based skill development programmes for SHGs to “bridge skill deficits or facilitates optimization of production activities of members like ‘System of Rice Intensification’ or maintenance of milch animals, embroidery, tailoring etc. Inputs of enterprise related skills are given to promote entrepreneurial talents of members to set up and run micro enterprises as a livelihood option. Nearly 9000 skill up-gradation training programmes have been conducted under these initiatives covering about 2.41 lakh members of matured SHGs. Most of the trained SHG members have become entrepreneurs by availing loans from their SHGs”.

Prema Basargekar (2011): This research study based on primary data analysis of 698 SHG members of the microfinance programme in Maharashtra concluded that a majority of the clients belonged to the underprivileged sections of the society; they also had no affiliation with any social organization before joining the microfinance programme, and their association with microfinance programmes had led to formation of social capital; their entrepreneurial skills stood enhanced, as evidenced by change in self-confidence, self-esteem, self-awareness, leadership qualities, decision making abilities and risk taking abilities ; the level of capacity building in terms of training and education, awareness about health, sanitation, education of children, as well as about having control over crucial resources such as savings, incomes and loans; the level of personal entrepreneurial skills was higher among productive loan users compared with consumption loan users and that higher level of capacity building will lead to more productive use of loans.
Lalitha and Nagarajan (2002) have observed that the basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training, capacity building and empowerment.

2.6.3 Women empowerment and microfinance

Krishnan, Sivramkrishna and Warrier (2017b): This study of 762 respondents concluded that there is a significant growth in assets held by beneficiary households due to access to microfinance during the period under study (2010-2016) in villages of Kanakapura Taluk in Ramanagara District of Karnataka State in India, as a result of intervention though provision of access to microfinance. Assets, in terms of vehicles, consumer durables and other household articles are known to have a positive effect on the quality of life, economic empowerment, security and general economic well-being of beneficiaries (the t test returned an absolute t value of 5.40 and p =0.00 at 5%, which is statistically significant). The study has also established that there is much higher financial inclusion of the beneficiaries as a result of the intervention through microfinance. Not only has the number of beneficiaries investing in various financial avenues increased, but investments made by the beneficiaries is diversified and spread over a variety of financial instruments, yielding higher returns. Savings habits are seen to be more ingrained as a result of the intervention of microfinance (the absolute t value for paired sample test is 2.50 and the p value is statistically significant since p =0.02 at 5%).

Bediako and Frempong (2016): This study of 384 rural households in the Western Region of Ghana concluded that microfinance participation increases female autonomy and increases the number of household possessions.

Tandon (2016) Based on a conceptual research study, the author concluded that “the economic component of empowerment requires that women be able to engage in a productive activity that will allow them some degree of financial
autonomy. of empowerment entails the ability to analyze the surrounding environment in political and social terms; it also means the ability to organize and mobilize for social change. In consequence, an empowerment process must involve Individual awareness, and collective action is fundamental to the aim of attaining social transformation”.

Ali Saleh Alshebami (2015): The result of the study reported that “there are multiple factors affecting the empowerment of women in Yemen through microfinance such as customs and traditions, high interest rate, financial literacy, wrong religious perceptions and collaterals demanded. However, despite the difficulties and challenges facing women empowerment in Yemen, it was concluded that women and their households, who are connected to microfinance programs, have been positively affected in various aspects”.

Banerjee, Duflo, Glennerster, and Kinnan (2015): In a long running evaluation study of group lending microfinance loan products carried out in Hyderabad and involving more than 2800 respondents, it was concluded that only 33% of households avail loans from MFIs. Microfinance was also not found to have no significant effect on education, health and women’s empowerment. This was traced to the tiny size of the enterprises, low profitability and difficulties in expanding. But on the positive side, it affects the structure of household consumption with more being spent on home durables and less on festivals etc. households were found to work harder on their own business rather than work for others.

Okurut, Kagiso, Ama and Okurut (2014): The study investigated the impact of microfinance on household welfare in Botswana using a nationally representative systematic random sample of 503 households and an econometric model. The results suggested that microfinance had no significant effect on household welfare. Household welfare is positively and significantly influenced by education level, household assets and being in paid employment in the public/private sectors. However, women’s access to microfinance had led to their empowerment through participation in household expenditure decision making; being respected
by family members and the community; and participation in local leadership activities which address the strategic needs of women.

Rathiranee (2013a): From a survey of 337 women entrepreneurs in war-affected Jaffna, Sri Lanka, using structured questionnaire and in depth interviews, it was concluded that micro-credit has significant relationship and is positively correlated (0.752) with empowerment at 0.01 significance levels and its impact is crucial as well. It is suggested that the micro-credit facilities are essential in empowering women and developing the women entrepreneurs under post-war development in Sri Lanka.

Karnataka human development report (2005): The report stated that impact of microfinance goes beyond income generation. The impact on women’s social, community and gender roles was studied in the survey. Impacts were found to vary within schemes and between women. There were differences between women engaged in different productive activities. Sometimes those who were better-off are able to access credit to the detriment of the poorer members. Then there are individual differences between women engaged in similar activities.

Cheston and Kuhn (2002): Based on an in-depth case study of the impact on women achieved by Sinapi Aba Trust (SAT), in Ghana, the researchers concluded that microfinance impacted women empowerment in a number of ways: increased participation in decision making, more equitable status in the family and community, increased political power and rights, and increased self-esteem.

Pitt and Khandker (1998). A research study covering 1798 respondents in Bangladesh using multi-purpose quasi-experimental approach revealed that program credit has a significant effect on the well-being of poor households in Bangladesh and this effect is greater when women are the program participants.
2.6.4 Shift in occupation

Bandiera, Burgess et al. (2013): A study conducted using a large-scale sample of 7953 eligible women in 1409 communities in 40 BRAC branches, and an additional 19,012 households from all other wealth classes during a long-term randomized control trial in Bangladesh revealed that sizable transfers of assets and skills enable the poorest women to shift out of agricultural labor and into running small businesses. This shift, which persists and strengthens after assistance is withdrawn, leads to a 38% increase in earnings. Inculcating basic entrepreneurship, where severely disadvantaged women take on occupations which were the preserve of non-poor women, is shown to be a powerful means of transforming the economic lives of the poor.

Jahanshahi, Nawaser, Khaksar and Kamalian (2011): Findings of this pan-India study suggests that micro finance policies of Government of India have helped in employment generation, making it second best way of employment generation, next to agriculture. The experience of recent years shows that while employment in agriculture sector has been declining, large industries are also experiencing jobless growth. In such a situation, the main responsibility for job creation rests with the unorganized sector including small and medium enterprises and the service sector.

Dehejia and Gupta (2016): A longitudinal study conducted over the period 1999 to 2004, using one million of randomly selected Indian households retrieved from the survey of The National Sample Survey Organization (NSSO), a division of the Ministry of Statistics suggests that access to micro finance may affect the occupational choice of the individual. Greater access to lending sources through formal lending channels is associated with a decrease in self-employment in micro enterprises. It is concluded that district with more bank branches are significantly less likely to be self-employed, and more likely to be employed in formal sector firms, with larger effects for more educated individuals. This study brings contradictory evidence on the influence of micro finance on shift of occupation, making it inconclusive.
Devi, Ponnarasi and Saravanan (2007): This research study covering 216 respondents affiliated to 72 SHGs in Chidambaram Taluk, Cuddalore District, Tamil Nadu, it was concluded that Micro credit helped in the empowerment and poverty alleviation of rural women and the income generating activities made a difference in the lives of poor women by providing economic independence, self-assurance and self-sufficiency. Besides, the SHGs have helped the respondents to be more gainfully employed in the non-farm activities. Their joining SHGs has also elevated their social status because of the opportunities available to be self-employed with the training undergone on various skills. They also perceived the SHGs as agencies to solve their social problems and as a link to other government agencies. Thus the members could achieve their objectives through collective actions by coming together to fight for common and worthy causes.

Shaw (2004): The research study based on a questionnaire administered to 253 respondents, followed by focus group discussions and in-depth interviews of 87 respondents in Hambantota in Sri Lanka, concluded that since occupation selection is a key determinant of poverty exit, interventions encouraging the semi-urban poor to select entrepreneurial occupations are likely to further improve their prospects for poverty alleviation.

2.6.5 Income generation

Mahmood, Arby, Hussain, and Sattar (2016): A survey of 400 active clients of the Khushhali Bank (a Microfinance Bank) in Dera Ghazi Khan and Layyah districts of the Punjab (Pakistan) concluded that microfinance credit positively affects income generation and consumption level of poor; and the impact on productive activities is higher than the consumption and led to poverty alleviation.

Suhaimi et al. (2016): According to this study, Micro finance provides employment opportunities and generates income to certain groups of the population and increased the demand for skillful and semi-skilled labor. The technology used by most informal traders is also affordable with their level of knowledge and the type of business. Use of local resources directly improves and
enhances the local resources demand and supports the local resources economy. Availability of microfinance encourages other people, with the resourcefulness and creativity that characterize the informal sector to rapidly become an engine of growth of the sector, being able to set up a business in a potential area.

Augsburg, Haas, Harmgart and Meghir (2015): The research study covering 995 respondents in Bosnia and Herzegovina concluded that provision of microfinance led to an increase in self-employment activity, business ownership, inventories and a shift away from wage work. However, the results on business profits were mixed. In the whole sample, the effect of profits is not significant. But once the top one percent was trimmed out, the impact is positive and significant. A decline in consumption, an increase in savings and increase in household durables was seen. The consumption of alcohol and tobacco also declines. A significant increase in the labor supply of 16–19-year-olds who work more in the household business was also noticed.

Alhassan and Akudugu (2012): In a research study covering 120 respondents from Tamale in Northern Ghana using self-administered questionnaires, focus group discussions, observations and key informant interview, it was concluded that microcredit has a positive impact on the capacity of women to generate income to support household livelihoods. Beneficiary women are more empowered to engage in income generation activities that hitherto were the preserve of men.

Shah and Butt (2011): In a research study conducted in district Kasur in Pakistan, using an interview schedule administered on 296 respondents, it was concluded that a majority of the women who availed the facility of microcredit finally got socio-economic empowerment. It is positively linked with the up lift of socio-economic empowerment of working women in district Kasur.

Rajasekar (2004): In a research study involving 106 respondents from member households in 6 microfinance groups, using survey method, focus group discussions and semi structured interviews, it was concluded that Microfinance
institutions have evolved as a tool for poverty alleviation and economic empowerment. They provide access to the poor, enable them to undertake income generation programmes and contribute to higher recovery rates.

2.6.6 Asset growth

Vial and Hanoteau (2015): A study conducted on 14901 Indonesian households, proposes a quantile estimation of micro-entrepreneurship’s effects on four household-level complementary measures of welfare – income, consumption, household, and total assets. It evidences substantial positive but decreasing effects on the four measures, with the highest relative returns for the poorest. For this category, micro-entrepreneurship primarily provides returns in the form of income, translating into higher relative consumption, but more importantly, into a greater relative assets accumulation.

Salia (2014): In a research study carried out in Tanzania, data collected from 400 respondents was analyzed. The key findings were that borrowers’ households were more likely to own living houses than those of non-borrowers. Using Principal Component Analysis, the study revealed that on aggregate borrowers’ households had acquired more household assets than those of non-borrowers. Qualitative evidences revealed that borrowers had used part of their loans to finance children’s education and medical treatments. Also, they had used part of the loans to finance the household pressing needs like paying the previous debts. It was concluded that microcredit had contributed to the improved welfare of women borrowers’ households by enabling them to own long-term assets. In that way, it is noted, women’s participation in microcredit contributed to household poverty alleviation.

Tilakratna (2005): The research study based on data collected from 1500 households from 50 Grama Niladhari divisions across 17 districts of Sri Lanka using 2 questionnaires, a Household questionnaire and a Village Resource Profile, revealed that microfinance has helped households in middle quintiles to increase their income and assets, while no significant effect was seen on income and
assets of the poorest quintile. For the poorest households, the impact was more on consumption. Better off households were found to have improved housing conditions. Credit was also found to support income and employment generating activities. The businesses were found to use little or no technology and skills. They were also found to inculcate savings habits. The status of women in households was found to have enhanced.

2.6.7 Micro entrepreneurship and entrepreneurship mindset

Gedion and Ezekiel (2016): The study based on data collected from 114 employees of microfinance institutions in Kenya found that there was a positive effect of microfinance on entrepreneurship development. The study findings indicate that there is a significant positive relationship between the variables namely: savings services, lending services, training and education services and consultancy services. The findings also indicate that lending services had the greatest significant effect on entrepreneurship development than savings services, training and development services and consultancy services respectively.

Kapkiyai and Kimitei (2016): The study of 170 SMEs reveals that self-efficacy allows SME owners’ to organize and execute courses of action required to attain designated types of outcomes.

Gindling and Newhouse (2014); Mead and Liedholm (1998): According to the study, micro-entrepreneurship and self-employment have developed continuously during the last decades, and today, they provide a large majority of jobs in low-income countries.

Chiova, Brinckmann and Rosenbusch (2013): In a research study involving meta-analysis of 637 empirical findings from 97 studies, it was concluded that microcredit has multiple outcomes. Microcredit has a positive impact on the development of funded businesses; financial well-being of clients; health of client entrepreneurs and their families; education of client entrepreneurs’ children; empowerment of women entrepreneurs and on social capital. There was also nothing to suggest that provision of microcredit has a negative effect on education.
of client entrepreneurs’ children. While much entrepreneurship research is dedicated to entrepreneurs in developed countries, oftentimes with a focus on high-potential technology entrepreneurs and VC-backed startups, little is known about approaches to foster low technology, often subsistence-directed, entrepreneurial activity of poor individuals in less developed countries. Although these people represent a large part of the world’s population and their challenges for development are apparent, we still lack an understanding of key instruments that benefit the individuals in these largely informal economies.

Mallaye, Thierry and Blandine (2013): The research study based on data collected through a questionnaire from 788 enterprises in Chad, Africa concluded that access to credit to entrepreneurs led to job creation.

Basargekar (2011): The research study based on data collected from 698 microfinance clients from 4 different implementing organisations in Maharashtra, India, concluded that the level of personal entrepreneurial skills of the microfinance clients stood enhanced; the level of capacity building went up; the higher the level of personal entrepreneurial skills, the greater the chances of utilization of loans for productive purposes, with higher period of association with the programme.

Munoz (2010) The study defines Micro-entrepreneurship to include such firms with fewer than five employees and self-employed individuals.

Leino (2009): The study reveals that the entrepreneurs running formal and informal businesses in Côte d’Ivoire, Madagascar, and Mauritius have very different profiles. Entrepreneurs in the informal sector are more likely to start their businesses because of lack of alternative employment opportunities and are less educated on average. Informal sector entrepreneurs employ fewer workers, are less likely to have permanent premises, and use less business financing than their formal sector counterparts.
Tipple (2005): The study reveals that households and micro-businesses are inextricably intertwined, in terms of ownership, management and decisions, saving and financing, production and consumption.

Vincent (2004): Using a case study approach, in a study covering Less Developed Countries, the author deduced that Microfinance allows significant improvements in micro entrepreneurs’ quality of life in LDCs; Microfinance allows micro entrepreneurs to stabilize cash flows, bring security to the enterprise, better manage spending and generate savings. Increase in saving provides better standards of living to their family in terms of housing, nutrition, health and education; access to banking and increased security promotes a sense of entrepreneurship and increases self-esteem; microfinance helps to reintegrate entrepreneurs into the economy’s formal networks and fosters sustainable development of local communities. Microfinance and sustainable micro entrepreneurship combine to offer a potential solution to the poverty crisis of the 21st century, despite several challenges.

Meyer and Nagarajan (2000) state that a vast majority of the population in rural Asia are micro-entrepreneurs. 670 million rural Asians still live in poverty and continue to rely on agriculture for their livelihoods, directly or indirectly. Like other entrepreneurs, rural Asians, including farmers, require access to dependable and well-designed financial services in order to better manage and expand their businesses. Without this access, many poor entrepreneurs are simply unable to take advantage of new market opportunities that public investments and/or market reforms provide.

2.6.8 Sustenance motive

Kihwele and Gwahula (2016): In a research study covering 800 respondents in Tanzania, It was concluded that microfinance has a positive impact in poverty reduction given that the beneficiaries use the loans in productive activities. Further, there is a positive correlation between savings and poverty reduction. It
was further concluded that there was a positive relationship between financial skills of loan recipients and poverty reduction.

AzadEjaz and Ramzan (2012): In a research study carried out in the Akhuwat region in Pakistan, using a case study type qualitative approach, it was concluded that “provision of microfinance has led to (a) satisfaction of basic human needs through job creation and giving them opportunity to sustain their lives by providing group and individual loans without interest to the poor layer of society (b) changing of norms and behavior to create opportunities by giving loans to women and securing their rights in society and (c) creating environment to meet needs of future generations”.

Kabir, Hou, Akther, Wang,J. and Wang,L (2012): In a research study covering 300 entrepreneurs in Mymensingh, Bangladesh involved in vegetable cultivation, livestock and poultry rearing, fish cultivation, it was concluded that most of the entrepreneurs have improved their socio-economic conditions through small scale entrepreneurship. Livestock and poultry entrepreneurship is significantly associated with financial, physical and social capital. Vegetables entrepreneurship has significant co-efficient with natural and physical capital, fisheries entrepreneurship also significant and positively associated with human capital. Semi intensive entrepreneurs have benefited the most. Results also show the role of NGOs, micro credit and training programmes have great impact on entrepreneurs’ livelihood pattern and developed living standard. Moreover, poor livelihood assets, vulnerabilities and weak transforming structures and process are identified as constraints for sustainable livelihoods of entrepreneurs and associated group

Selamat (2011): A research study covering 41 women micro-entrepreneurs in Penang island, Malaysia, concludes that those in informal business do not seem to possess a burning desire or “competitive attitude”. These enterprises become the means for the villagers to build and improve their economic sustainability particularly for the poorest and the most vulnerable people. To those involved,
micro enterprise is not just a means of income generation but also a tool of survival.

2.6.9 Capacity building

Savneet (2013): The study explains the role of Women’s Entrepreneurship Associations in Capacity Building as follows: they provide a forum for women who manage or own commercial enterprises; they promote entrepreneurship among women, thereby empowering them to join the economic mainstream; they encourage and facilitate training of women in modern business administration and technologies; they facilitate the access to finance; they work with existing financial institutions and participate in their special programs for women customers; they link women mentors with protégés; they promote learning and sharing with others; they provide opportunities for networking; and help in development of successful models of entrepreneurship for emulation worldwide.

Lakwo (2006). In a research study covering 156 respondents in Uganda, of Livelihood Endowment Status, using quota sample of semi-structured narrative interviews, it was revealed that, microfinance did not make any significant change in the well-being status of clients. It only made insignificant gains in the financial and human assets of clients.

Satyasai (2002). In a research study covering 106 member households in six microfinance groups situated in Kolar and Krishna districts of Karnataka and Andhra Pradesh it was concluded that Microfinance has a positive impact on self-confidence, skill formation, social development, economic empowerment in Andhra Pradesh and social empowerment in Karnataka.

Ledgerwood (1998): The author defines capacity building as the development of knowledge, skills and attitudes in individuals and groups of people relevant in the design, development and maintenance of institutional and operational infrastructures and processes that are locally meaningful.
2.6.10 Joint liability group

Padma, Venkatasubramanyam and Suresh (2014): Based on a study of the operations of three (3) MFIs, it was concluded that a Joint Liability Group is usually a group of five to ten who come together to borrow from an MFI. The members in a JLG are also from similar socio-economic backgrounds and usually the same village. A JLG is different from SHGs in that the members share liability, or stand guarantee for each other. If any of the members default, the other members need to pool in money to repay the MFI. This ensures a greater effort on part of the members to ensure that everyone repays, thus ensuring resulting in better accountability and security for the MFI involved.

Hermes and Lensink (2007): In different studies covering 439 groups in Costa Rica, Bangladesh, Madagascar, Gautemala and Burkina Faso, it was concluded that with joint liability lending, the group of borrowers is made responsible for the repayment of the loan, i.e. all group members are jointly liable. Thus, if one group member does not repay her loan, others may have to contribute so as to ensure repayment. Non-repayment by the group means that all group members will be denied future access to loans from the programme. In this way, group lending creates incentives for individual group members to screen and monitor other members of the group and to enforce repayment in order to reduce the risk of having to contribute to the repayment of loans of others and to ensure access to future loans. Thus, joint liability group lending stimulates screening, monitoring and enforcement of contracts among borrowers, reducing or erasing the agency costs of the lender. Moreover, the group lending structure is also expected to be more effective in providing such activities as compared to the lender, because group members usually live close to each other and/ or have social ties (also referred to as social capital in the existing literature). They are therefore better informed about each other’s activities. Since joint liability group lending stimulates screening, monitoring and enforcement within the group, and since it improves the effectiveness of these activities due to geographical proximity and close social ties, repayment performance of group loans is expected to be high.
2.6.11 Measurement of income

Inserra (1996) : In a study sponsored by USAID it was revealed that there are three broad categories of approaches towards measurement of income: “Simpler approaches, includes the gathering of non-quantitative data on the existence, direction, or relative amount of change in microenterprise or household income; using existing financial records for microenterprises; collecting general qualitative information on the income of microenterprises or households; and conducting a wealth ranking exercise to provide an alternative indication of household income levels; Middle Range approaches, involving asking respondents to provide self-reported recalled information on total income for microenterprises or households. For the microenterprise, an alternative is to ask the respondent to provide total figures for revenues separately from costs. Techniques for dealing with seasonal and other fluctuations in the income flow variable are described, with a frequent, multiple visit survey approach identified as the most effective way to deal with fluctuation. The standard cost structure method for estimating microenterprise income is also assessed. Assets are identified as a potentially useful alternative measure of household economic status. Wealth scores, which are based on verifying whether households own a set of selected, observable assets, are also described. Complex approaches, involving collection of detailed, self-reported recalled information on the separate components of income is a more complicated technique that can be used to assess microenterprise or household income. Direct observation of the various sources and components of income is another intensive approach that can be used to collect microenterprise or household income data. Expenditure data can be used to measure household consumption, which can serve as an alternative measure of household economic status. A final approach involves collecting data on microenterprise income and using it as a proxy for total household income”.

2.6.12 Shift in decision making

Krishnan, Sivaramkrishna, Warrier (2017a): In this research study of 762 respondents, it was concluded that there is a significant increase in the average
income of households during the period of the study (2010-2016) in villages of Kanakapura Taluk in Ramanagara District of Karnataka State in India, as a result of intervention though access to microfinance. In terms of decision making ability of women, it is seen that a significant percentage of the decisions in the household were taken solely by women or jointly by women with their husbands. This study also establishes that higher levels of income of microfinance beneficiaries has positively impacted the decision making authority of women and has contributed significantly to empowerment of women.

Rathiranee (2013b): In a research study covering 66 respondents from Chinthankerni, Irupalai North, Manipay, Anaikoddai of Jaffna in Srilanka, it was concluded that there is positive relationship between decision making power and women empowerment. It was also found that women have sole authority to decide on matters such as purchase of food articles and preparation of food for the family members. But in matters such as purchase of house hold assets and jewelry, they had to consult their spouses.

Holovet (2005): In the research study covering 1600 respondents in Tamil Nadu, mostly beneficiaries of the IRDP (Integrated Rural Development Programme) and Tamil Nadu Women’s Development Programme (TNWDP), it was concluded that decisions about whether to pool resources, who will keep and manage the purse are mostly taken by husbands alone, decisions about a cottage industry business reside mainly within either the male or the female sphere, largely depending on who runs the business. Kinship matters and agricultural business issues are mostly decided upon jointly but the difference with other decision-making mechanisms is not striking. Norm-following and decision-making by others are the predominant ways of arriving at decisions regarding loan use matters. It may be explained by the importance of the group in the credit screening and monitoring procedure. The group has, for instance, a considerable influence in decision-making about loan use, marketing and repayment. This shift in decision-making power from the household to the group has also been noted by Zaman (2000) in his study on the
poverty and vulnerability impact of the Bangladesh Rural Advancement Committee (BRAC).

Zaman (2000): The results support the view that greater access to resources in terms of micro-credit enhances female control (i.e. ability to sell these assets without asking consent) over her assets; women who have borrowed more than 10000 taka are more likely to be able to sell poultry independently compared to an identical non borrowing Member; a female’s control over her jewelry also appears to increase with loan size. Borrowers with more than 10000 taka in cumulative loans are twice as likely to be able to sell their jewelry independently compared to an identical non-borrowing member and a woman’s decision-making power over the use of her savings increases with loan size.

2.6.13 Regulation of microfinance

Krishnan and Rao (2014): Microfinance in India is delivered mainly through two models. The SHG-Bank Linkage (SBL) model, which was introduced in 1996 by NABARD. In the second model, the lending is through Joint Liability Groups (JLGs). In the absence of an enactment, the operating guidelines of NABARD relating to SHGs and RBI’s master circulars (issued from time to time) relating to both SHGs and MFIs render guidance for the regulation and governance of microfinance. Microfinance products include Business loans, savings, Micro-insurance and micro-Pension. Performance evaluation of microfinance can be done through financial measures like: Capital Adequacy Ratio, Portfolio at Risk, Return on Equity etc. Non-financial measures include governance, profile of borrowers, source of funds, impact and value-added services.

2.6.14 Women empowerment and Self Help Groups

Padmavathi (2016): A study conducted in the Chittoor District of Andhra Pradesh established that SHG’s are small and economically homogenous affinity groups of rural poor, that voluntarily coming together for achieving the following: to save a small amount of money regularly, to mutually agree to contribute a common fund for emergency needs, collective decision making, resolution of conflicts through
collective leadership mutual discussion, provide collateral free loan with terms decided by the group at market driven rates. Entrepreneurship development and to organise training for skill development. There were in all 62,571 women SHGs and 649,243 members. The study also concluded that SHGs were facilitated to receive external funds in multiples of their savings.

Singh and Mehta (2015): A study using a cross sectional research design using pre SHG and post SHG situation from 9 districts of Jammu region using a sample of 320 SHGs consisting 960 members for understanding the impact of microfinance in Jammu reveals that SHGs in Jammu are largely formed by women. Membership size ranges between 10 and 20, the average size being 17, and the optimum being 16 to 20. The main reason for forming the SHGs in this region is to obtain financial support from the government, NGOs, and the banks to improve their economic status. It was found that the repayment performance of loan is more than 95 per cent. Causes for delay in loan repayment by any member, are discussed in meetings and if necessary, the instalments are postponed. In most of the SHGs, members take more than 75 percent of financial transaction decisions, only after consulting the NGOs. The monthly savings per member during the early stages of the group’s formation ranged from INR 20 to 50, which increased year on year.

Belli and Raghavendra (2014): The study conducted on a sample of 100 respondents from Shimoga and Bhadravathi blocks of Shimoga district, using systematic random sampling, found that SKDRDP are playing vital role in the formation of SHGs and motivating women to join the groups and linking the groups with the banks for microfinance. But, SKDRDP played limited role in marketing the products of SHGs

Venugopalan (2014): A study conducted at five micro units of Kudumbashree of Kozhikode district, Kerala, using random sampling method on 100 respondents suggests that the decision making power, confidence and other personal skills, awareness of health and safety etc. have improved among the members of Kudumbashree.
Adhikari and Shreshta (2013) Based on a survey of 186 respondents in Manamaiju in Nepal, it was concluded that the economic status of loanees had improved considerably than when they started small business with loan in the earlier days. Moreover, it was found that their socio-economic status was higher than that of non-loanees. From this they concluded that microcredit is an effective tool for raising the socio-economic status of the poor people, particularly the women.

Shivachithappa (2013): A study conducted on a sample of 186 beneficiaries of Microfinance from two taluks of Mandya district of Karnataka, using systematic random sampling, it was found that non-governmental institutions actively participated in improving the livelihood security of women through self-help groups. The study also reveals that there is an increase in the level of income and assets of the rural women of SHGs and reduction in the level of poverty as a result of intervention of micro finance by SHGs. The study claims that Women Empowerment Programmes have made an outstanding impact on the women beneficiaries to undertake economic activities in Mandya District. The study concludes that there is an improvement in decision making ability of women beneficiaries of self help group.

Narang (2012): SHGs have the potential to have an impact on women empowerment. Self Help Group concept has been mooted along the rural and semi urban women to improve their living conditions. Even though SHG concept is applicable to men also in our country, it has been more successful only among women. To reduce poverty by enabling the poor household to access gainful self-employment and skilled wage employment opportunities, resulting in appreciable improvement in their livelihood on a sustainable basis, through building strong grass-root institutions of the poor (SHGs) is now the main motive of the most of the employment schemes. Thus SHGs have been showing the way ahead to alleviate the poverty of India along with women empowerment.

Sabaru (2011): This major impact evaluation study of SHGs linked to banks conducted on 877 respondents in Warangal District, Andhra Pradesh, showed that
SHG members realized increase in assets, income and employment. There is remarkable improvement in social empowerment of the members in terms of self-confidence, involvement in decision making processes, increased expression of their view points and participation for their own development.

Teng, Prien, Mao, and Leng (2011): The Research study conducted using a combination of purposive, non-probability and random sampling methods on 71 respondents in 2 villages in Cambodia concluded that micro-credit had improved household’s living to the better, because it led to increase in household’s incomes, assets, job opportunities, the empowerment of women, education and family welfare to those people using microcredit.

Swain and Wallentin (2009): The article ‘Does microfinance empower women? Evidence from self-help groups in India’ concluded that their quasi-experimental study strongly indicated that SHG members are empowered by participating in microfinance program in the sense that they have a greater propensity to resist existing gender norms and culture that restrict their ability to develop and make choices.

Gopalan (2007): In a research study covering 100 respondents from 4 SHGs in 2 districts in Kerala it was established that Microfinance increases the self-confidence of the poor by ensuring need based timely credit, meeting their emergency requirements, and making the poor capability of savings. The study also shows the use of microfinance in health related issues in a positive manner.

ADB evaluation study (2007): In a research study covering three (3) countries viz., Philippines, Bangladesh and Uzbekistan, involving a survey of 2560 households, it was established that the microfinance projects had positive effects on the status of women, particularly in the household. The following changes were observed in Philippines: (i) greater role in household generation of cash, (ii) greater involvement in making major expenditure decisions and generating cash savings, (iii) ability to generate more income on their own and greater role in business decision making, (iv) acquisition of more skills and expanding their
network of friends and support system, and (v) increased acquisition of assets. Surveys in Bangladesh and Uzbekistan revealed an increased role of women in accessing finance; managing their businesses; and improved relationships between husbands and wives, joint decision making, and sharing of household responsibilities.

Madheswaran and Dharmadhikary (2001): This study consisting of 186 respondents from Maharastra District, concluded that providing micro finance through self-help group is a better way to provide sustainable income and alleviate poverty than a one-time loan.

2.6.15 Impact assessment of MF

Hulme (2000): After an extensive study, Hulme summarized the impact assessment methods as under:

<table>
<thead>
<tr>
<th>Method</th>
<th>Key features</th>
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<tbody>
<tr>
<td>Sample surveys</td>
<td>Collect quantifiable data through questionnaires. Usually a random sample and a matched control group are used to measure predetermined indicators before and after intervention</td>
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<tr>
<td>Rapid appraisal</td>
<td>A range of tools and techniques developed originally as rapid rural appraisal (RRA). It involves the use of focus groups, semi-structured interview with key informants, case studies, participant observation and secondary sources</td>
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<tr>
<td>Participant observation</td>
<td>Extended residence in a program community by field researchers using qualitative techniques and mini-scale sample surveys</td>
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<tr>
<td>Case studies</td>
<td>Detailed studies of a specific unit (a group, locality, organization) involving open-ended questioning and the preparation of `histories&quot;</td>
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<tr>
<td>Participatory learning and action</td>
<td>The preparation by the intended beneficiaries of a program of timelines, impact charts, village and resource maps, well-being and wealth ranking, seasonal diagrams, problem ranking and institutional assessments through group processes assisted by a facilitator</td>
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</tbody>
</table>

Table 2.1

Table showing impact assessment methods

2.7 Review of additional literature in related areas of microfinance

With a view to gain more insights into the subject area of microfinance, the following additional literature was reviewed. Details of the review are given below:

Table 2.2
Review of additional literature

<table>
<thead>
<tr>
<th>No</th>
<th>Author(s)</th>
<th>Title</th>
<th>Publication</th>
<th>Topics</th>
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<tbody>
<tr>
<td>1</td>
<td>Arif (2014)</td>
<td>Self Help Group: A Potential Tool For Financial Inclusion</td>
<td>International Journal in Multidisciplinary and Academic Research 3(1)</td>
<td>Financial inclusion has been defined by RBI as the &quot;provision of affordable financial services&quot; to those who have been left unattended or under-attended by formal agencies of the financial system. These financial services include “payments and remittance facilities, savings, loan and insurance services”.</td>
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<td>2</td>
<td>Aruna and Jyothirmayi (2011)</td>
<td>The role of microfinance in women empowerment: a study on the shg bank linkage program in Hyderabad (Andhra pradesh)</td>
<td>Indian Journal of Commerce &amp; Management Studies , 2(4)</td>
<td>The study concludes that women who availed loan through microfinance attained higher level of empowerment, measured using women empowerment index (WEI)</td>
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<td>4</td>
<td>Cohen (1996)</td>
<td>Household economic Portfolios</td>
<td>Microenterprise Impact Project (PCE-0406-C-00-5036-00) of USAID's Office of Microenterprise Development. The Project is conducted</td>
<td>“Microenterprise program credit may be allocated by clients to their enterprises, or used for individual or households purposes.</td>
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<tr>
<td>Page</td>
<td>Author(s)</td>
<td>Reference Title and Source</td>
<td>Description</td>
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<td>5</td>
<td>Fernando (2006)</td>
<td>Understanding and Dealing with High Interest Rates on Microcredit</td>
<td>High interest rates charged by MFIs have attracted criticism from government and opposition leaders in Bangladesh, Cambodia, India, Pakistan, and Sri Lanka.</td>
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<tr>
<td>7</td>
<td>THORAT, MILIND, AHIRE AND VIRESH ANDHARI (2007)</td>
<td>Entrepreneurial behaviour of mango growers in Ratnagiri, India</td>
<td>It can be concluded that, seven out of every ten mango growers had “medium” entrepreneurial behavior. So also, performance of the</td>
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<td>Financial inclusion, at a minimum, may be interpreted to mean the ability of every individual to access basic financial services which include savings, loans and insurance in a manner that is reasonably convenient and flexible in terms of access and design and reliable in the sense that the savings are safe and that insurance claims will be paid with certainty.</td>
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<td>45 per cent of them registered increase in assets between pre and post SHG situations. The increase in value of assets that included livestock and consumer durables was from INR4,498 to INR5,827 registering an increase of 30 per cent after joining the group. ■ Varied saving products that are suitable for the rural poor were made available for the SHG members that facilitated increased rate of saving among them. Mean annual savings were increased from INR952</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
to INR1863 registering two fold increase. Employment per sample household increased by 34 per cent from 303 to 405 person days between pre and post-SHG situations.

- There was remarkable improvement in social empowerment of SHG members in terms of selfconfidence, involvement in decision-making, better communication, etc.

| 10 | Rathiranee and Semasinghe (2016) | The Impact of Micro Finance Factors on Women Entrepreneurs’ Performance in Northern Sri Lanka | International Journal of Social Science Studies 4(3) | The study concluded that there is an impact of credit and training on income / profit other than survival and growth. It was suggested that the monitoring and skill training facilities are essential to the survival and growth of the business. |
| 11 | Rout and Das (2015) | Impact of Microfinance on Household Income: Evidence from Village Level Study in Orissa | International journal of management and economics invention, 1(10) | The study found strong evidence of income enhancement in households participating in microfinance programs, but the microfinance interventions did not have a significant impact on the equality of income distribution. |
| 12 | Rahman, Rafiq and Momen (2009) | Impact Of Microcredit Programs On Higher Income Borrowers: Evidence From Bangladesh | International Business & Economics Research 8(2) | In this study, the authors investigated the impact of microcredit on economic indicators of borrowers in Bangladesh and compare if the impact is same across borrowers having different income levels. Their estimation results show that the microcredit programs are effective in generating higher income and assets for borrowers in general. |
However, the impact is not found to be uniform across income levels of borrowers. Higher income borrowers seem to be better off compared to the middle and lower income borrowers. It was also observed that the age and education of the household head and his/her partner in the family are significant and make a better impact of the household.


2.8. Identification of research gaps

Research publications from 1980 onwards in the field of microfinance were considered for literature review, with a view to improving the accuracy and originality of the research. After conducting an extensive review of research articles pertaining to microfinance, Self Help Groups, entrepreneurship and micro entrepreneurship, in different contexts, both Indian and International, the following research gaps were identified:

1. Most studies have a narrow focus on individual variables such as women empowerment, asset growth in beneficiary households or similar. There appears to have been no study carried out related to the impact of a combination of variables on desirable societal outcomes such as entrepreneurship development.

2. Research does not seem to have been conducted into the impact of microfinance on financial inclusion of the poor and disadvantaged sections of society. This is considered important because Government schemes such as
the “Pradhan Mantri Jan Dhan Yojana” seek to involve Self Help Groups to promote financial inclusion.

3. Although there have been studies on decision making ability of women and its impact on women empowerment, there has been no conclusive study on the effect of a rise in income on decision making ability.

4. No studies have been reported on the relationship between education levels and income generating propensity of women.

5. No research seems to have been conducted on the impact of microfinance on entrepreneurial capacity in Kanakapura Taluk of Ramanagara District of Karnataka. Since geographical differences have a bearing on the outcome of research studies, a focused study in the Kanakapura Taluk will be useful for various stakeholders who are interested in development of the local area.

6. No study appears to have been carried out in Karnataka on the sustenance oriented nature of micro entrepreneurship.

7. Although many research findings reveal the positive impact of Micro finance on the target groups, with respect to shift in profession, increased income generation, asset creation, women empowerment and decision making ability, some research findings have concluded otherwise. According to some of the National and International research articles, Microfinance has no significant impact on the dimensions mentioned above. (Banerjee et al. (2015) in Hyderabad, India; Augsburg, Haas, Harmgart, and Meghir (2015) in Bosnia and Herzegovina; Okurut, Kagiso, Ama, and Okurut (2014) in Botswana; Lakwo (2006) in Uganda and Tilakaratna (2005) in Sri Lanka). As the research findings seem inconclusive due to divergent research outputs, it is imperative that a study on microfinance in a select region in Karnataka is conducted with a view to contributing to the repertoire of research in the field of Microfinance.