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Review Paper

A survey of research conclusions and recommendations on the impact of the practice of microfinancing on poverty reduction in selected countries outside Sub-Saharan Africa

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Abstract

Microfinance is one development proposition that has gained much attention over the past few decades as an antipoverty strategy. Although various forms of what we now call 'microfinance' dates back centuries ago, institutional microfinancing has attracted worldwide recognition- since the establishment of the Grameen Bank in Bangladesh- as an antipoverty tool. Microfinance is deemed to be effective in fostering financial inclusion via extending financial services to the entrepreneurial poor aimed at "freeing" and then assisting them to do better. We adopt a methodology by surveying research conclusions and recommendations conducted in some emerging economies outside Sub-Saharan Africa- based on random selection of research publications- as available on the internet. The aim is to appreciate some similarities and/or divergence of research conclusions and recommendations whereby certain generalizations (especially of shortcomings of the practice of microfinancing via research findings and subsequent recommendations) could be deduced. Subsequently, we discuss and highlight current microfinance operations/practices which attempt to satisfy the recommendations, extracted. In all, twenty-five research conclusions and recommendations of thirteen countries were surveyed. By analyzing them, we conclude that the impact of the practice of microfinance on poverty in the majority of cases cited is positive. The two common recommendations, however, are for current microfinance practice to be 'enhanced' by the provision of 'training' to clients and 'responsible government supervision and collaboration with MFIs' to realize desirable intended impact. We recommend that sustainable microfinancing requires responsible finance based on a well thought out partnership and relationship-building strategy.

Keywords: Microfinance, antipoverty, responsible finance, training, responsible government, partnership, relationship building.

Introduction

"The microfinance revolution is an ambitious achievement that will be the definitive work on microfinance now and for some time to come. It is one important tool in the 'poverty alleviation toolbox'. Microfinance is needed to fill the 'absurd gap'. That gap is huge: at least 80 percent of the 900 million households in low-income and lower-middle income countries do not have access to formal financial services[1]. That scenario can better be described as a situation of financial exclusion; which fuels the "Vicious Circle of Poverty". Financial exclusion creates a limited capacity for capital investment: productivity is restricted, income growth is inhibited, domestic savings remain low, and consequently, potential increases in productivity are prevented. A lack of access to financial institutions also hinders the ability of self-employed persons and aspiring entrepreneurs in now emerging economies to engage in either expansion or investment in new business. This inhibits livelihood income generation, stifles human effort, inhibits productivity (denies a viable process leading to well-being) and has a "lock-in" effect on economic growth. In effect, microfinance is deemed to be a means for financial inclusion to empower the poor and assist both human effort and the economic development process[2].

Problem statement: To consider microfinancing as a development proposition, albeit a development tool, outcomes matter. It is the outcomes of microfinance activities which constitute its impact on such poor self-employed persons (who often constitute the clientele of microfinancing) that would justify its place as a development proposition. For, we argue, that finance is necessary for individual, social and economic development. But in a case whereby microfinance cannot make a difference to enable the individual client do better (as regards their livelihood activities) with microfinance assistance or loans, clients may likely become 'addicted' to loans and eventually become over-indebted. This situation often makes clients become worse off. 'Honest' inability to repay microfinance loans can be interpreted as a sign of 'negative' impact. This can undermine the very philosophy of microfinancing and inflict social costs. In such scenario, individual 'client failure', as a

result of an association with microfinancing, has consequences not only for the operations of a microfinance institution (MFI) but also social as well as community economic development. It is a situation where a peril can occur instead of a promise.

Aim of paper: To conduct a survey of some research conclusions and recommendations. However, the main aim is not so much about the conclusion as it is about the recommendations in each case. Summing up key research recommendations of this exercise would be significant to devising future development of microfinancing.

Scope and limitation of paper: This paper focuses on the conclusions and recommendations of researches as conducted to find out the impact of the practice of microfinance on poverty reduction in some "emerging" countries. Considering brevity and focus, we do not provide the associated research methodology or methods used in each case to arrive at conclusions.

Methodology of Study

The research approach of this paper is based on survey of conclusions and recommendations of published research works in order to make comparison and infer generalizations from those works.

Significance of Paper: i. To underscore the main research conclusions as regards the impact of microfinance operations on poverty; ii. Highlight the main research recommendations as regards the impact of microfinance operations on poverty reduction; iii. To discuss contemporary practice of microfinancing which attempts to satisfy key recommendations; iv. By finding the most dominant trend of conclusions and recommendations, to draw conclusions and make recommendations based on the researches considered.

Man's Conceptualization to Respond to the Plight of the Poor?: It is worth pointing out that throughout history, deprived people have needed some kind of financial assistance or financial borrowing to survive. Religious texts which always put 'man' at the center of God's creation are instructive as regards the caring and looking out for the well-being of the poor and underprivileged. For examples, see in the Bible (Exodus 22:25)[3]; Quran (Ch 2279-280)[4]; Analects of Confucious[5], the Kitab-i-Aqdas of Bahai[6], the Torah of Judaism[7], and the Tripitaka[8] of Buddhism, among others. However, the concern for poverty by individuals and academics, national governments, international bodies and charities around the world tends to place poverty not merely as a development problem but also humanity's moral obligation which needs to be addressed.

Historical Brief: The origin of institutional 'microcredit' is traced to 15th Century Italy. Here, the *Monti de Pieta* (amount of pieta is an institutional pawnbroker run as a charity) was set up to offer relief to the poor[9]. Around that same time, Englishmen began establishing bequeaths for charitable loan funds[10]. In the 18th century, the author Jonathan Swift was lending in Dublin. Like 'microcredit' clients of today who often co-guarantee for a 'microcredit' loan, Swift's borrowers needed two co-signers who would be liable in the event of default[10]. Following on, some authors trace the genesis of institutional lending to the German cooperative banking which began operations in the mid-19th century[10-12]. Meanwhile, the birth of modern [micro] credit (agency) is also credited to Lewis Tappan in 1841 in New York City[13].

Contemporary institutionalized 'microcredit' is generally credited to the economics professor and Nobel laureate Muhammad Yunus who started 'microlending' in Jobra, Bangladesh, in 1977. Through his initial act of generosity, he realized that little amounts given to poor women, who engaged in little petty trading to eke out a living, enabled them to invest in their livelihood and generate profits. Now four decades and over, the model he established has become a universal practice as a tool to tackle income vulnerability by supporting income generation. Based on Yunus' initiative, he and his Grameen Bank were joint recipients of the Nobel Prize in 2006[14]. The citation for the Nobel Prize read, "…for their efforts to create economic and social development from below"[15].

Literature Review: What is Microfinance?: Microfinance means the provision of a broad range of financial services such as cash-based credit, deposits, insurance etc to the poor, low-income households, and their micro-enterprises[16].

It is a form of financial development that is primarily focused on alleviating poverty through providing services to the poor. It includes insurance, transactional services, and importantly, savings[17]. It is defined as a social innovation geared towards financial inclusion that employs various stakeholders to make the effort work for the development of both microfinance institution and clients[18].

Microfinance Institutions (MFIs): An MFI is any institution that provides microfinance services. The term encompasses both non-profit organizations and for-profit entities[19].

Research Conclusions and Recommendations as Regards the Impact of Microfinance on Poverty Reduction: Bosnia and Herzegovina: Here, the researchers found that access to loans led to higher incidences of self-employment. While there was some evidence of increases in profits, the study found a reduction in consumption and savings. They finally conclude that there is no evidence that the program increased overall household income.

They further found that liquidity constraints may not be the only impediment to income growth. They recommend a program of training that allows for better identification of business opportunities and possibly better management may also be crucial elements of a policy that encourages the poor into successful self-employment[20].

Laos: In a case study of the Village Development Funds (VDFs), the researcher finds that members have irregular incomes which resulted in low savings deposits. Also, clients found it difficult to borrow money from the VDFs because the loan size was very small and not enough for proper investment which would generate appreciable returns needed to run a sustainable business. Small loan sizes assume a proclivity of VDFs preference for collateral which clients often do not have. And then steps to borrow money were very difficult. In conclusion, VDFs program might not reduce poverty in Sukuma District, Champassak Province.

The researcher makes recommendations for future research to have a larger sample size and examine more case studies using advanced econometrics method[16].

Bangladesh: Analysis carried out by the researchers does suggest that "microcredit" borrowing is associated with lower poverty. However, the effectiveness of "microcredit" as a real poverty alleviation tool does not depend on its short-run impacts. Giving people money may raise them out of poverty for a short period of time but when the money is spent they fall back into poverty.

For "microcredit" to permanently reduce poverty it must have a long-run impact. "Microcredit" is not a short-run subsidy. Its aim is to lead to a sustainable increase in the ability of the individual or household to create wealth.

The researchers' analysis provides some evidence that the effect of "microcredit" on poverty is particularly strong for about six years with some leveling off after that point.

They recommend for MFIs to adopt "innovative technologies" to better the lives of clients which is also in line with "Sustainable Development Goals by 2030; of which the Number One is 'No Poverty'"[21].

In another research carried out in Bangladesh, the researcher concludes that the intervention exerts a positive effect on poverty reduction. However, despite higher returns on cumulative borrowing, the impact on poverty reduction among program participants was lower than during a previous similar research. This is due to diminishing returns to additional borrowing, so that despite the increase in the stock of borrowing, the resulting increase in consumption was not large enough to reduce poverty as expected. It was found that microfinance reduces the average village poverty level by 1 percentage point each year in program areas, some 40 percent of the observed village-level poverty reduction. Microfinance has a slightly higher impact on extreme poverty than on moderate poverty for everybody[22,23].

Pakistan: A national level study was conducted by Pakistan Poverty Alleviation Fund (PPAF's) microcredit program to assess whether PPAF's microcredit financing was having an interim impact, if any, on the lives of clients as well as serve as a baseline for follow-on studies.

The research concludes: "there is adequate evidence to suggest that on the average low income households who borrowed from PPAF are better off today than they would have been if they had not borrowed. On the average their income levels have risen, their consumption has increased, there is improvement in their personal and business assets, their lifestyle by way of housing facilities is better than before and their social status, particularly of the women borrowers, has undergone a positive change. Admittedly the scale of change is limited, as is the scope and amount of the loan. But the direction of change is on the whole positive. Our research shows that the benefits of PPAF loan appear in terms of poverty alleviation and improvement in the basic lifestyle indicators of the borrower. The direct impact on building business assets, generating employment or the effect on other development indicators does not appear to be very significant. However the improvement in the basic lifestyle indicators of the micro-credit borrowers can possibly have a second order positive effect on development indicators"[24-26].

Sri Lanka: The Sammurdhi microfinance programme in Kegalle District was studied as regards its influence upon alleviating poverty. The researcher concludes that 'Sammurdhi' has positive impact on survival.

However, recommendations are made for improved or better outreach of the programme and integrated knowledge training. It was found that members often demonstrated poor management skills while most borrowed additionally from other sources[27].

In another study, the researchers conducted a survey among selected microfinance clients at Polonnaruwa District of North Central Province in Sri Lanka. They found that microfinance programs significantly help to lift up the lives of the poor which leads to poverty reduction. However, they state that microfinance is no "magic bullet" for poverty reduction. They make the following recommendation: i. Interest rate is a burden and should be reduced; repayment period extended, ii. Most clients do not have adequate knowledge to develop their business. A special 'knowledge enhancement' campaign should be instituted after giving the loans, iii. Government institutions should give more attention to poor people and conduct programs to develop their vocation, iv. MFI should develop a mechanism to avoid multiple loans received by the clients. Poor people will welcome receiving loans from several places; subsequently, repayment becomes a burden[28].

Vietnam: The researcher discusses microfinance in Vietnam under Poverty Reduction Approach and Financial Systems Approach (also known as 'Commercialization' Approach) and settles on the poverty reduction approach. He concludes that microfinance can offer clients the opportunities to remain employed, increase their income flows and improve their social

relevance especially via non-formal activities. A key recommendation is for microfinance institutions to adopt 'responsible financing'[29].

Nepal: The authors conducted a case study of the Manamaiju Village Development Committee, Kathmandu, and conclude that microfinance is an effective tool for bringing positive impact on the economic status of the respondents and their family members. It has helped generate extra income for their families and their own use. Also, the study reveals that the women became socially empowered due to group solidarity created by microfinance program. And they could speak against gender discrimination.

They recommend that loan size should be increased; effective means should be developed to identify the poor and target them for loan, and training; while regular follow up should be conducted. Outreach of MFIs should be applied to increase the efficiency and provide services in remote areas[30].

Another case study of Bayarban Village Committee, concludes that women feel happy to have the opportunity to be able to earn income by themselves and become independent, their living standards has improved thus creating a better image for their family in society, and they have increased their savings in comparison to before getting involved in microfinance. The study makes the following recommendations: i. Training and the acquisition of skills should be provided by MFIs to help clients earn and utilize their income efficiently. ii. MFIs can be the source of employment by advising/showing clients and potential clients where the opportunities lie. iii. As most clients are illiterate, conducting literacy classes for such clients would be helpful. iv. Certain section of society is excluded due to the remoteness of their settlement. It is necessary to device the means to give access to MFI by all who wish to do so. v. Government should give more attention towards the proper management of MFIs and should make them client-oriented first while being profit-oriented[31]. vi. Another study concludes that microfinance makes a significant contribution to social change and development. The researchers, however, recommend the need to improve the internal management of microfinance to provide the services more effectively[32].

India: The researcher concludes that microfinance has "delivered more" where other institutional finance delivery failed. He nonetheless raises question about the viability of microfinance institutions and recommends that there is a need for an all round effort to tackle the fledging microfinance industry while tackling the tradeoffs between outreach and sustainability. The researcher argues for mainstreaming impact assessment in evaluation of programmes for realizing the full potential of microfinance in achievement of "Sustainable Development Goals"[33,34].

Another empirical study conducted in Karnataka State concludes that in the "post-microfinance intervention" phase, variables such as income, employment, assets, household expenditure and housing were enhanced. Policy recommendation is for the establishment of 'microfinance plus' services in order to provide the poor "competitive benefits" for livelihood[35].

A team of renowned international researchers conducted a randomized evaluation of group lending microcredit program in Hyderabad. They found no significant changes in health, education or women's empowerment. They conclude that after two years, control areas had gained access to microcredit but households in the treatment area had borrowed for longer and in larger amounts; yet, very few "significant differences" exist[36].

Afghanistan: A report titled, "Implementation Completion and Results Report" was based on a trust fund grant of $ 183.9 million for Microfinance for Poverty Reduction Project from 06/04/2003 – 06/30/2010. It concludes that the Project's impact on poverty was positive as it helped 'increase their livelihoods and generate employment' (mostly self-employed) by extending their production and services. The inclusion of women was significant; their role was more than as intermediary for the household to obtain financing. A key recommendation was for an effective and widespread improvement in the security situation which created "risks"[37].

Egypt: In an empirical study to find out the impact of microfinance services on rural Egyptian women empowerment, the researcher concludes the microfinance has improved the economic condition of rural women and enhanced their ability to contribute in the family's decision making. However, the following recommendations are suggested: i. MFIs should try to extend more credit facilities to clients to expand their businesses since the study results confirmed that microfinance had a positive impact in empowering rural women. ii. MFIs should provide training programs to rural women to improve women's entrepreneurial skill and reduce the problems which hinder their access to microfinance. iii. Government should grant tax exemptions and other incentives to the organizations which seek to extend credit facilities to rural women as a way of encouraging them to run small scale business[38].

Meanwhile, a thesis case study research was conducted in Al-Darb Al-Ahmar District in Cairo and concludes that although microfinance had a positive effect on poverty reduction, the positive magnitude was small. The results show that the lack of training provided to beneficiaries and the haphazard types of microfinance projects are the main reasons for the limited effect. A key recommendation is to have an effective State body dedicated solely to ensure that MFIs provide needed and efficient services. The microfinance law should be modified to make the training of clients a compulsory condition to obtain operating license[39].

Morocco: The researchers used randomized evaluation to determine the impact of 'microcredit' in rural Morocco. They

concluded that 'microcredit' substantially increase access to financial markets but only a fraction of households benefit from it. They recommend for the 'intervention' to operate beyond short-term institutional gains to long-term client benefits which inures not only to making MFI sustainable but also relevant and significant[40].

Bolivia: The researcher concludes that microfinance generally has a positive impact on income and asset levels. However, income impacts correlates negatively with poorer clients. "Coping" strategies existed. Such coping strategies are often associated with multiple borrowing. The failure of such 'safety nets' leads to multiple crises resulting in a 'collapse' back into poverty.

In comparison with other anti-poverty measures, microfinance appears to be successful and relative cheap at reducing the poverty of those close to the poverty line, but ineffective, by comparison with labour-market and infrastructural measures, in reducing extreme poverty. A major reason for this is the lack of access to any viable system of "insurance" provided by the MFIs[41].

The Philippines: A research was conducted in Northeastern Mindanao, the Philippines. The researchers conclude that microfinance had a mildly positive impact on poverty reduction with incomes and savings of clients households being higher than non-clients households. They recommend a research to understand the decision-making behavior of clients using a longitudinal study approach. Further research should explore the moderating role of government's legal and regulatory frameworks to increase effectiveness of microfinance in poverty reduction[42,43].

Conclusions of Experts?

The researchers surveyed the evidences from Asia and Latin America and contrasts experiences in the two regions. Their evidences surveyed suggest that the conclusion from early literature, that microfinance may have had positive impacts on poverty but is unlikely to be a simple panacea for reaching the core poor, remains broadly valid. Reaching the core poor is difficult, and some of the reasons that made it difficult to reach them with conventional financial instruments mean that they may are considered high risk borrowers and therefore unattractive microfinance clients. They recommend that the issue should be what benefits, in terms of income gains for the poor, can be achieved, when for example, a MFI is given certain forms of subsidy to provide microfinance services to such 'excluded poor'[44].

In a much publicized research report titled, "What is the Evidence of the Impact of Microfinance on the Well-being of Poor people?", the researchers searched and analyzed academic databases, aid organization websites, consulted PhD theses and many other sources of information as regards 'microfinance and poverty reduction'. In their conclusion, they find no robust evidence of positive impacts on women's status, or girls enrolment[45].

What those Research Conclusions and Recommendations Inform Us

We can observe (from the diagram) that microfinance has some positive impact on income, health and others in a number of countries. But microfinance is also regarded as "Not a magic bullet" or the "whole solution". The recommendations (above) tell us a story. They suggest what we (policy makers, MFI authorities, academics/researchers and all other stakeholders) can do to make microfinance work better for clients and society.

From the diagram, counting the frequency of each recommendation, manually, reveals that recommendations 1 and 9, being 'Training for improved/successful employment' and 'Responsible government which includes effective supervision and collaboration with MFIs', respectively, has eight counts each and stands out together as the dominant recommendations from the researches. Recommendations 4 and 12, being 'Increase credit size' and 'providing 'microfinance-plus' services', respectively, have five counts each and are the next dominant recommendations. This is followed by recommendation 10 with three counts. Recommendations 7 and 11, are selected twice. The rest of the recommendations have a single count but they are by no means of least or lesser necessity for the improvement of the microfinance practice on the lives of clients.

Discussions

Based on our literature review (of microfinance itself and MFIs) we argue that microfinance is the most recognizable means of financial inclusion for the majority of working (usually self-employed) poor. Microfinance takes a bottom-up approach to development based on some form assessment and taking certain aspects of client needs into consideration. This is aimed at promoting 'development'; where development implies 'good-change', aimed at poverty reduction. It encourages such operators, often informal self-employed, improve their situation mainly through their own efforts to find sustainable livelihoods. But that is not the end of the story. Microfinance today can be broadly categorized into two camps: poverty reduction approach and financial system approach[1,46].

The faultlines that separates these two models of microfinance/microcredit is cited in the book "Poverty Capital"[47]. In it, for example, the author differentiates between the CGAP's microcredit model which is particularly concerned with financial benchmarks of portfolio sustainability as the fundamental criteria for evaluating microcredit's success and the Bangladesh consensus, which broadens the scope of microfinance initiatives to include social initiatives, advocacy and aid[47].

Table-1: Presentation of Selected Conclusions and Recommendations

Microfinance: Country		Conclusion(s)				Recommendation(s)
	Recommen-dation (s) Number	No Evidence	Evidence on income, health, education, empowerment etc	Mixed: "Not a magic bullet" or the "whole solution".	Has impact on "well-off" poor rather than core poor	
Bosnia and Herzegovina[20]	1	√				1. Training for improved/ successful employment.
Laos[16]	4	√		√		2. Improved technologies
Bangladesh[21]	2, 15		√			3. Establishing effective monitoring and supervision
Bangladesh[22]	7		√	√		4. Increase credit size
Bangladesh[23]	3, 1, 4		√	√		5. Better outreach
Pakistan[24]	12		√	√		6. Interest rate a burden; reducing interest rate
Pakistan[25]	12		√	√		7. Developing mechanisms to avoid multiple borrowing
Pakistan[26]	12		√	√		8. Adopting responsible financing
Sri Lanka[27]	5, 1		√	√		9. Responsible government which includes MFI supervision and collaboration
Sri Lanka[28]	6, 1, 9, 7		√	√		
Vietnam[29]	8		√			10. MFI internal management needs improvement to deliver better services
Nepal[30]	4		√			
Nepal[31]	1,18, 9, 10		√			11. Establishing and mainstreaming impact assessment
Nepal[32]	10		√			12. Providing 'microfinance-plus' services
India[33]	10, 9		√			
India[34]	10, 9		√			13. Tax exemptions to MFIs
India[35]	12		√			14. Enhancing MFI law to be pro-client not pro-MFI for increased effectiveness
India[36]	1, 12, 9, 11	√		√		
Afghanistan[37]	9		√			15. MFIs not to focus on short-term but long-term benefits and well-being of clients
Egypt[38]	4, 13, 1		√			
Egypt[39]	1, 9		√			16. A viable insurance system for clients as 'safety net'
Morocco[40]	15		√		√	17. Need to understand the decision-making behavior of clients
Bolivia[41]	16		√	√		
Philippines[42]	17, 14, 9		√	√	√	18. MFIs should help clients select projects with better returns.
Philippines[43]	3, 11, 18	√		√	√	

What we Can Learn?: It would seem that all the recommendations (above) seem to fit into what is described as 'Smart Financial Campaign'. In 2008, the Center for Financial Inclusion (a unit of Accion International) came together with industry leaders to launch the Smart Campaign, which provides a set of "client protection principles" (CPPs). However, the problem with the Smart Campaign was that the CPPs were left unspecified. For example, there was ambiguity in the meaning and measurement of 'respectful treatment of clients', responsible pricing, as well as issues of what should be the criteria of enforcement.

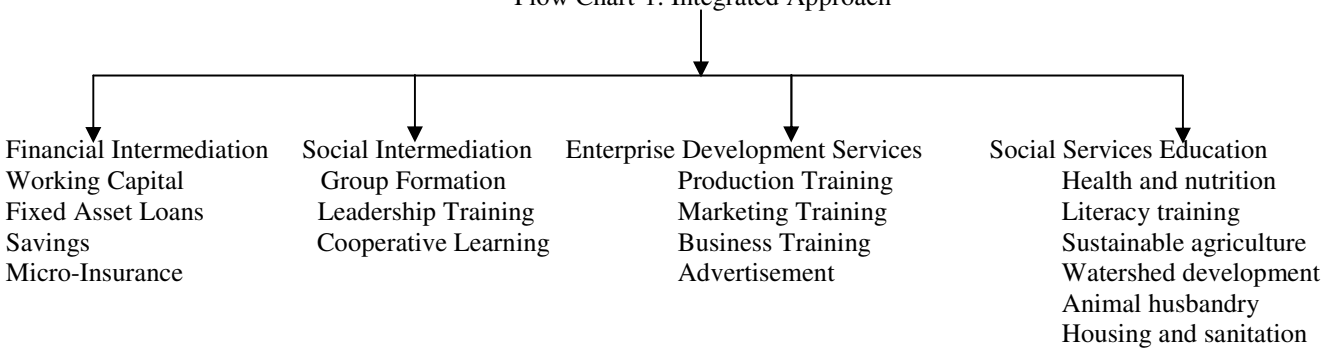
Recognizing that there was little confidence that MFIs would follow the CPPs, in 2010 Smart began work on a Client Protection Certification Programme which allows such institutions in line with CPP to apply to for certification. But the number of MFIs who apply for the certification is woeful[48].

Responsible Financing: International initiatives in financial inclusion have recommended ***responsible financing*** as a policy pivot of governments and multilateral institutions. This is based on the premise that it is ***responsible*** financial deepening in an economy that leads to growth and inclusive development. The global financial crisis of 2008 followed by crisis in the microfinance sector hit countries such as India (the Andra Pradesh crisis), Bosnia, Nicaragua, Morocco and Pakistan nudged the global discourse from mere inclusion to responsible financing. Responsible finance has been defined by various agencies and networks such as the International Finance Corporation (IFC) and CGAP; the common thread that runs through these definitions is that financial services need to client-centric. The Responsible Finance Forum (RFF) in its enunciation of responsible finance proposes: "One of the critical dimensions of financial sector responsibility is fair treatment of clients and acting in ways that protect clients' social and economic welfare". Responsible finance keeps clients at the core. It brings the focus back to the needs of the end-beneficiary clients by operationalizing practices that promote a more transparent, inclusive, client-centric, and equitable delivery of financial products and services.

Examples of Recent Practices that Meet the Recommendations?: The fact that microfinance largely benefits poor self-employed persons who would otherwise have been excluded and worse off is notable in the researches. However, contemporary researchers and proponents also admit to the current shortcomings of microfinance. Hence the search for a more sustainable microfinance proposition that benefits clients and MFI alike is a necessity. : i. CGAP partnered with the Ford Foundation over the past decade to test the Graduation Approach through 10 pilot projects in eight countries. In these programs, families received food, seed capital, skills training, access to financial services such as savings, coaching and mentoring over a set period of time. Rigorous assessment of the pilots showed that incomes and household consumption rose at all but one site[49]. ii. Horizonti is a poverty-focused MFI in Macedonia. It provides sustainable financial services to the Roma community, the most vulnerable, marginalized and socially excluded group in the Republic of Macedonia. Its financial services are short and long-term business loans to microentrepreneurs and small housing loans for reconstruction and repairs. In addition, Horizonti's services/activities include providing consultancy services to clients and access to non-financial services provided by its partner organizations. The other development partners play an active support role. Designing just the right product that suits the needs and repayment capabilities of Roma clients' businesses by a MFI is not sufficient but often, it goes with relationship[50]. iii. In Karnataka, India, Shri *Kshetra Dharmasthala Rural Development Project (SKDRDP) is* a non-profit MFI that works with the entrepreneurial poor in coastal districts. To ensure focus and priority, as it regards enterprise development, SKDRDP set up Shri Dharmasthala Siri Gramodyoga Samsthe (or SIRI) as a specially dedicated unit to work closely with clients to ensure improvement in the backward and forward linkages in all the varieties of client activities.

The microfinancing approach by SKDRDP can aptly be described as an "integrated" or "maximalist" approach. This approach is more holistic and can simultaneously adopt assessment measures as regards impact upon clients' socio-economic status and their overall development progress[51].

Flow Chart-1: Integrated Approach[51]



Conclusion

Microfinancing may be a viable proposition as a financial inclusion mechanism to help tackle poverty from all of humanity. The many international organizations, nations, philanthropists, researchers/academics, policy makers, various institutions and individuals; the defunct UN Millennium Development Goals now Sustainable Development Goals (2030), the declaration by the IFC (2013) "We can End Extreme Poverty in a Generation" all demonstrate the inclination to overcome the scourge of poverty. But the microfinancing approach presents a tricky situation. For example, some proponents [(see 1)], have argued that placing debt upon those who are poor and often unskilled to use credit effectively helps neither borrowers nor lenders. But there is also the economically active poor which is used in the general sense to refer to those among the poor who have some form of employment and who are not severely food-deficit or destitute. Arguably, to deprive them access to credit would enhance financial exclusion and result in its attendant consequences[2].

Recommendations: The relevance of microfinancing in financial inclusion and poverty reduction is to look beyond "cheery-picking" of well-off clients and adopt its institutional mission and 'expert' architecture to work with identifiable partners and stakeholders to ensure that the 'development' agenda is measurable as successful for all entrepreneurially poor and excluded. As for the key recommendations (above) being 'training and skills upgrading' as well as 'responsible government supervision and collaboration with MFI', this comes as not much surprise. Sen, for example, has emphasized that poverty can be sensibly identified as capability deprivation and therefore must be seen as the deprivation of basic capabilities rather than merely low incomes[52]. Government (especially in "emerging" countries) earn their trust and relevance when they are seen working in the interest of the 'suffering' majority who are often the self-employed (entrepreneurial poor). One quality of an innovative microfinance delivery is the need to work with the clients through relationship building. This is highlighted in the Horizonti's success story, the new microfinance model set up in Morocco following the crisis there in 2008/2009, and emphasized by the IFC (2013). In short, concepts such as financial inclusion, risk, information asymmetry, moral hazard and so on as it regards 'entrepreneurial poor people' hustling to eke out a livelihood for survival requires partnership with stakeholders but based of relationships to understand and help clients move higher up.

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