

## Beyond Romancing Micro Finance: How Could Female Entrepreneurs Leap?

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**Abstract:** Numerous studies have embarked on discussing microfinance as a panacea for female entrepreneurs' problems, prospects, empowerment and motivational factors. Emphasis and solutions that place microfinance as magic, releasing females from poverty and subjugation have also reflected the variations of approaches and practices in different contexts and cultures. This review appreciates the development of the diverse practices and frameworks of microfinance policies. To extend existing work, it strives to conceptually explore holistic perspectives towards finding enhanced measures for effective microfinance interventions to promote women's entrepreneurship development particularly in less developing nations. Policies for microfinance should be based on in-depth deliberation and scrutiny before effective approaches can be achieved and such ingredients for success may vary across contexts.

**Key words:** Female Entrepreneurship • Poverty Alleviation • Microfinance

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### INTRODUCTION

Since the late 1970s, there has been a growing interest in strategies to enhance the economic status of third world women [1- 4], through promotion of micro and small scale enterprises both in the formal and informal sectors [3, 5, 6]. Nevertheless, while developing countries have been embracing micro and small scale business development for the past 15 years, issues as well as questions related to the promotion of women entrepreneurs were raised only in the late 1980s [7]. An illustration towards achieving this was the new focus of the International Labor Organization (ILO) and member countries adopting strategies that ensure gender equality issues and concerns incorporated in all activities within its programs and project objectives [8, 9]. This strategy was based on the recognition that women's equal participation is essential to the achievement of all major development objectives [10], such as, sustainable development, poverty eradication, human rights and democracy. Kofi Anan declared in the state of the world's children 2007 report that Women Empowerment is the best policy to realize the economic gains of a country [11]. However, this late recognition of women's important role in production and their potential contribution to economic growth and development has

not, up to now satisfactorily cover issues of women entrepreneurial capabilities and the appropriate interventions to promote women's entrepreneurship development [12], especially in less developed nations. The microfinance formula for female entrepreneurship undoubtedly has surged in these specific contexts. Yet, the question of "what's next?" opens a spectrum of potential development.

Several reasons might have contributed to this situation. Firstly, the recognition of the need to introduce concrete policies and programs to integrate women into socio-economic development processes was very slow [article 4, 13, 14]. In many less developed countries, such efforts are negligible. Secondly, the interests and needs of women were largely detoured due to the under-valuation of women's level of entrepreneurial volitions and a lack of understanding of the women's significance in production activities [15]. Thirdly, in the early 1970s when development agencies became aware of the economic significance of women's production activities, assistance came mainly in the form of women's income-generating activities. In rural areas, these efforts were often developed within a social and welfare orientation. Women's activities are rarely treated as market-oriented, opportunity-seeking and capable of alleviating poverty [16, 17].

Thus, the accumulation of such factors and many others has led to a comparative gap between programs meant to promote women's micro-enterprise development and actual national policies as well as the legislation meant to promote private sector development. This gap in supporting female entrepreneurs effectively has often been identified in various studies [18-21] under the claim that women do actually lack entrepreneurial capabilities. Some researchers justified this as being the difference in motivation between female and male entrepreneurs, where the former is engaged in more human-oriented entrepreneurship and the latter being involved in more individual-pursuit entrepreneurship [22].

It was reported that as an estimate, "women constitutes up to about 74% of the 19.3 million of the world's poorest people that are now being served by microfinance institutions, translating to roughly about 14.2 million women being as amongst the world's poorest people"[23]. This is in the backdrop that all these women have access to financial resources through Microfinance institutions (MFIs) and non-governmental associations, traditional banks and other non-banking institutions. In the same perspective, a survey conducted through a microfinance special unit of United Nations Capital Development Fund [24, 25] among 29 microfinance institutions, relatively about 60% of the clients in these institutions are said to be women. In general, this reflects that there is substantial group of women who have access to financial resources, especially in the microfinance subsector.

To achieve sustainable development, women who form the vast majority of the population of the poor people need to be fully engaged in economic growth of the country [26]. This is substantial as their role in economic development has just gained prominence and attention in recent years. The reason for the lack of prominence has been attributed to lack of access to financial resources and technology, a reason augmented by slow growth in economic rate in the 1980s that adversely affected a majority of women. Slow growth in economic growth rates affected governments. Thus, they could not allocate financial resources to the various roles women play in the economy, hence the negative effect on development.

Access to financial resources through MFIs was reported to be systematically dwindling and more percentage in the number of loans given to women was decreasing gradually, an indication that women are not

receiving the necessary resource to spearhead the start-up business ventures. In some contexts, the loan size is usually small in comparison to their male counterpart, due to the inherent belief that women have a low absorption capacity of financial resources (27). Rendering loan packages and programs to women has become smaller in number; thus limits their ability to be involved fully in meaningful economic activities, resulting to lower incomes for women [28, 29].

Despite increasing policies and strategies of microfinance have been initiated by the donor community, non-governmental organizations as well national governments as ways to alleviate poverty, development of such structures are still at its infancy. It is truly critical, specifically when certain national culture have social and cultural restrictions [30-33] which hinders women effective involvement in utilizing the whole aspects of resources. In some instances, this could contribute to their incapability.

There is a documented gap in identifying whether such structures also build the female entrepreneurs' leadership, involvement, ownership and control of sustainable enterprises. Developed societies have strategic framework for microfinance effectiveness that recognize the economic importance of women to the family as well as the community transformation. Nonetheless, less developing nations are still grappling this similar issue. While approaches to microfinance have taken place within these societies, we are still in eclipse on how far the existing interventions have contributed in metamorphosing their female community to be archetypal entrepreneurs who are market-oriented, opportunity-seeking, knowledge-based and champions of social transformation. This conceptual paper argues that provision of financial loans is just a beginning, like a period of romance, while holistical completion of the whole process of leaping the female entrepreneurs is still missing. Even at this early juncture, practices of microfinance in some context are rippled with lapses in direction as well as cultural stigma (34 and 35). Hence, this paper reviews issues and challenges in crossing the chasm of innovating microfinance practices and precipitates perspectives toward achieving microfinance effectiveness

**Microfinance and Poverty Alleviation:** Microfinance in the context of development has emerged as an innovative idea to alleviate poverty, which is seen as a global phenomenon [36, 37]. It is observed that worldwide,

including developed countries [38], poverty is considered as a multifaceted phenomenon [39] representing a substantial setback to the effort in economic development.

Through microfinance, women have a chance to engage in business activities through their provisions of financial resources and right business direction in terms of training as well as leadership. Whether these activities are in the formal or informal sectors, they strengthen their economic position and enable them to contribute substantially to economic development. In that way, entrepreneurial activities go beyond economic sustenance. Most importantly they promote positive social consequences to the women themselves to the society they live in [39].

The roles of women in developing economies towards poverty alleviation through indulging in business activities have been acknowledged. Still, lack of or no access to financial resources has always been the biggest obstacle against enterprise start-ups. Despite the fact that microfinance facilities are available in their economy, major financial institutions have yet to provide a way to provide funding to them, in a mode they require [40]. Thus, microfinance has given women around the world an opportunity to engage in business, especially in the field of entrepreneurship [41].

Microfinance programs have been targeting female entrepreneurship, especially in developing economies since they are seeing it as a potential for economic development [42, 43]. Several studies have revealed that empowering women economically has a ripple effect toward development both socially and economically [44, 45]. Women have a tendency of always reinvesting to their homes and more so to communities they live in. Furthermore, such empowerment raises the savings of the general population and immediately shifts the spending trend towards most essential commodities like food, clothes, health and education. Such prudence is reflected in both developed and developing countries alike. Yet, the role of female entrepreneurship has not been realized in an optimal way in most less developing countries. Research done by UNDP, UNIFEM and the World Bank, among others, reveals that gender parity in developing nations hinders economic progress and development [46].

Our review of literature undoubtedly portrays the optimism over the role of micro finance in resolving issues of women's poverty reduction and their entrepreneurship.

Nevertheless, this issue merits a much current, holistic and deeper discovery. Deductions from previous literature reveal that understanding and measuring the direct entrepreneurial performance in alleviating poverty through a microfinance formula portrays an incomplete picture of this overall phenomenon. Research is still needed to clarify how female entrepreneurs could be strategically enhanced as part of inclusive solutions for sustainable development in less-developed contexts.

**Future Possible Induction:** We posit that female entrepreneurs similar to their male counterparts have courage to undertake risks, creativity, flexibility and anticipative dimensions. They have capacities and volition to be archetypal entrepreneurs. For example, the United States has sustained an economic growth rate of 11 percent and above for over 40 years as a result of fully engaging women in economic development, translating to about 3.5 trillion dollars in total [47].

Nonetheless, in some contexts of less developing nations, only a handful of female entrepreneurs possess educational qualifications. While these little number thrive, those without adequate education, exposure and practice frugality are still eager to pursue entrepreneurial ventures as a way to free from poverty. As empirical studies stress the critical needs for certain required orientation such as "innovativeness" (48), not all microfinance formula across the globe consider such requisites in their programs. This realities were found to influence the growth of micro enterprise development in developing countries, especially among females.

In terms of this, the role of government in relation to business performance among female entrepreneurs may require a critical and consistent revisits. It is not about knowing the effectiveness of framework to simulate growth within small and micro enterprises sector owned by female entrepreneurs. In fact, it is about identifying how further effectiveness could the governments implement to offer broader and deeper access for the female entrepreneurs to capitalize opportunities.

Against the review of literature, we offered grounds for future studies to explore and examine a holistic approach to enhance microfinance effectiveness on female entrepreneurship. Enhancement of microfinance policy effectiveness for female entrepreneurs should not only look at issues of offering safety nets from poverty.

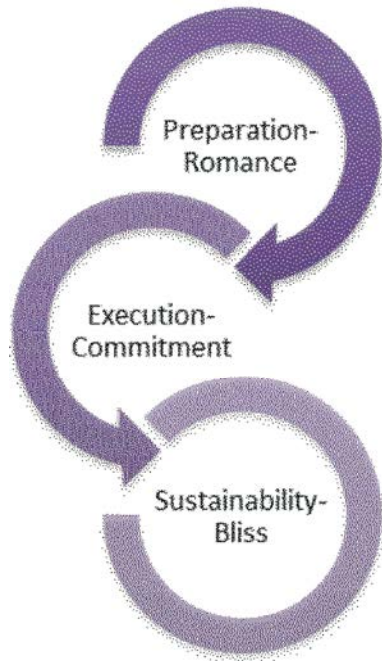


Fig. 1: Microfinance Effectiveness on Female Entrepreneurship

Rather, it should offer solutions for a larger process of social transformation. We view microfinance policy effectiveness as similar to the process of a relationship. Our conceptual framework is depicted in Figure 1.

We posited that a holistic approach to microfinance effectiveness for female entrepreneurs encompasses three stages, namely, preparation-romance, execution-commitment and evaluation-bliss.

Some focus and inquiry in the *preparation-romance stage* would include aspects such as knowing whether business performance of female entrepreneurs vary if the microfinance services and donors are provided by government agencies, private enterprises or international organizations. In some less developing nations, all three types of services and donors are made available. Yet, not many studies look into the longitudinal impacts of each different service to the female entrepreneurs' business performance.

In line with such long-term concerns, it would be enlightening to also understand the essences of cultural shifts and institutional supports required to ensure promising returns and transformation realized among the female entrepreneurs. This is critical especially in contexts where entrenched gender inequality may lead to financial exclusion as well as hindrance to transparent information for market opportunities. In terms of the institutional

supports, it is significant to study how microfinance institutions in various contexts treat female entrepreneurs with effective integrated programs to support their growth and sustainability. This may include training and exposure for business strategies and operations, development of business networks and relationships as well as infrastructure to pursue research and development towards further commercialization of their existing products.

In the second stage of *execution-commitment*, it is timely that micro finance institutions explore and examine whether their value propositions portray essences of co-creation and growth to potential female entrepreneurs. While microfinance institutions may report failures of the female entrepreneurs in maneuvering their businesses, their ability to have an inward perspectives and realizing the ineffective value proposition to support development of the right 'borrowers' is also crucial. Hence, this leads to aspects of commitment, roles and responsibilities, as well as emergence of change agents from both sides, namely the institutions and the female entrepreneurs.

Finally, in the *evaluation-bliss* stage, more in-depth and broad studies can be initiated to understand how far has microfinance institutions value the feedback of female entrepreneurs who have participated in their financial programs. Has the feedback embraced as positive valence and impacts that could engender further improvement to the institutions' vision and strategies? Has the microfinance supports enable the female entrepreneurs to leap beyond their self-sustainability by inspiring and molding other females to be entrepreneurs? Eventually, how far have the growth process of the female entrepreneurs generate positive, 360 degrees impact to all the stakeholders involved. There is a need to understand the correlations of effectiveness toward the female entrepreneurs involved, the internal and external stakeholders of the micro-finance programs.

## CONCLUSIONS

This review of literature extended beyond the idea that women are given smaller loans due to the inherent belief that women have a low absorption capacity compared to their male counterparts. We contended that providing the financial support to the female entrepreneurs' start-ups is insufficient. We are also not to justify or to refute the position that many small scale

women entrepreneurs are not university graduates and lack creativity which depicts the lesser focus towards their entrepreneurial growth in certain societies. In principle, we could see that financial munificence across various contexts has started to inclusively involve female entrepreneurs with microfinance opportunities provided to them. It is only that the provisions, inclusiveness as well as the development of such financial munificence vary based on institutional, cultural and economic contexts. Our work is open for research to discover further effectiveness which can be strategized and implemented to build sufficient courage for the female entrepreneurs to explore triple bottom-line successes, namely growth for their family, business and society. Such financial munificence should be provided throughout the whole cycle of growth for the female entrepreneurs, with specific measurement and indicators to mark their readiness to progress into the later stages.

In an integrative manner, microfinance institutions can be a 'school' for the female entrepreneurs to continuously freed themselves from the cocoon of risk-averseness or even contentment with the little amount of profits they are able to generate, which to them is capable to take care of their daily needs. We hope our simple framework can instigate more refined theoretical as well as practical agenda to enhance stakeholders of microfinance institutions to flexibly ponder on trajectories that would empower the female entrepreneurs to anticipate challenges in the free market arena. This is especially needed among female entrepreneurs' societies of less developed nations.

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