Chapter – II

Review of Literature
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REVIEW OF LITERATURE

2.1 Introduction

Microfinance programs are mainly concerned with the provision of some financial assistance such as micro credit, micro saving, micro insurance and other financial products and services to low income or underprivileged people who are excluded from the regular financial system. The purpose of this provision is to help poor people start their own micro and small enterprises aiming to generate income, create job opportunities and improve their standard of living. In view of that, many studies have been conducted to assess the impact of microfinance focusing on different aspects of the targets such as gender empowerment, poverty mitigation, unemployment, etc. These kinds of studies were conducted in international and national levels showing multiple results on different dimensions of living of the poor people. While some others have highlighted positive impact of the services of microfinance institutions on the poor, some other showed a negative impact on the people and society.

In this chapter, a review of mixed results of previous various studies conducted on the topic of microfinance and micro financial institutions have been covered, as it would facilitate finding out the gap in the studies that can be narrowed down by developing a suitable methodology for the present study. However, due to the difficulties in obtaining appropriate previous studies relevant to Yemen in particular and to the Arab region in general so as to evaluate the role of microfinance in mitigating poverty and unemployment, it was essential for the investigator to select and analyse the closest studies that were conducted on the topic. The below section break up the previous reviewed studies into two parts, the first one discusses the previous studies carried out in the Arab region and the second one focuses on the studies conducted abroad. Finally, the chapter concludes by revealing the contribution of the current study carried out by the researcher.
2.2 Previous studies Conducted in the Arab Region

2.2.1 Previous Studies Related to Poverty and Unemployment Alleviation


The aim of the study was to evaluate the role of the small and medium enterprises in the Arab world in job creation and employment by finding out the concept of small businesses and their importance to the Arab world. In addition to that, it shows the challenges and difficulties that face the growth and development of this industry. This report also aims to recommend some guidelines that can help the industry to improve. The findings of the study revealed that, the issue of the development and improvement of the medium and small enterprises occupies great importance in the minds of policymakers in all developed and developing countries especially in the Arab Countries. The reason for this lies in the essential role that it plays in the development and improvement. It is also considered as the dominant pattern for enterprises in the Arab countries. The result also showed that stating a standard definition for the medium and small enterprises has been a debatable issue due the different standards and measures available in the economical sectors, differences in the industry growth, and differences in the available technology. The SMEs can play a vital role in job creation and employment in the Arab world if an effort is put together to increase opportunities in the field of development and diversification of the productive base for these projects to integrate with each other, as per competitive advantage in production of each country which enhances the competitiveness of Arab products. In addition, the upgrade of these projects play an important role due to the peculiarities acquired by this type of projects being small and limited in capital invested. Moreover, they do not need a complex technology and their decision-making is made very fast. The report concluded by emphasizing on the necessity of the inclusion of the small and medium enterprises industry in the comprehensive industrial strategy of the country and the financial sector.

The study focused on studying the role of small enterprises in reducing poverty and unemployment problems in Yemen. It focused on Sana’a city only that is considered a metropolitan city, the study was conducted during the period of 2004-2007. The study population was 33835, and the sample selected was 2.4 percent of the total plus 84 employees in the MFIs. The study revealed a positive impact over the borrowers who borrowed loans as their standard of living was improved and they could create new job opportunities for themselves particularly after availing the loans.


The study aimed at evaluating the impact of financing the micro projects on the standard of living of the poor classes in the Egyptian society. The researcher employed the questionnaire technique as a tool for collecting of the study’s primary data and for obtaining the borrower’s opinions on the research topic. He further used the random sampling method for selecting of the study sample that consisted of 349 respondents collected from Altadhamon Microfinance Foundation in Egypt. The findings of the study revealed that by financing the micro projects, it would lead to increasing the income of the poor households in the society and lead also to improving the health standard of living. It further reported that by extending funds to micro projects, it contributes directly to sustaining of the poor people projects and results in increasing their businesses capital. On the other hand, the study showed a negative relationship between financing micro projects and the educational level of the poor households and a negative relationship between financing the micro projects and the households housing.
2.2.2 Previous Studies Related to Empowerment of Women & Micro & Small Enterprises


The study examined the role of women business entrepreneurs in Yemen. It discussed the major factors that motivate women to establish their own businesses, opportunities for growth, difficulties, and challenges for becoming successful entrepreneurs. The research methodology for this study used a qualitative approach that employed a personal in-depth interview with Yemeni women entrepreneurs in various businesses. The study revealed very interesting findings with regards to the factors motivating women to become entrepreneurs; the factors included, the desire to become self-dependent, to improve the standard of living for their life, to earn extra income for their families, and lastly to have more control over their life. The findings of the study further showed the major challenges which contribute to reducing the performance of women entrepreneurs; it stated that, the Yemeni women have strong entrepreneurial competences. However, they lack the ability and technical training to develop their skills.


They conducted a study funded by the Social Fund for Development (SFD) with the support from the German Development Bank (KFW). The study intended to provide the SFD and other MFIs with valuable data and information that can be used for improving their operations, growing their clients’ base, and showing the impact on poverty and unemployment.

The methodology of the study included a qualitative method and the selected sample for the study comprised of six MFIs located in different governorates of Yemen. These six MFIs represented collectively 84 percent of the active clients in the country and 81 percent of the total outstanding portfolio of all SFD supported programs. The study sample totaled to 164 entrepreneurs collected from six different governorates. The findings showed that female clients in the MFIs are mainly engaged in small-scale based home enterprises that limit their
opportunities to mobilize their products and services to outside of their homes. Women entrepreneurs generally appear in handful Areas where low pay and low status exists. Examples of these handful activities include, but not limited Sewing, Animal husbandry, Incense manufacturing, perfume, buying and selling of clothes and to a lesser extent of handicraft. The main goal of working is to support their families and to improve their life’s standards of living. Women with bigger capital are an exception like the ones who work in beauty salons and small shops. They are mostly found in the capital of Yemen, Sana’a; the governorate that is the most appropriate place for this type of activities.

Pertaining to business growth and expansion, the study indicated that only a few entrepreneurs have received technical training and support; still, this training was not actually connected to the right to use credit, leaving many micro entrepreneurs without the required financial support. As per the study, most of the women showed no interest in receiving the technical training; the majority of them were self-dependent who depended on their own skills or got some explanation from their relatives or neighbors. Nonetheless, there was no interest for the technical training but still they were very much interested in training related to marketing, financial literacy, and products developments. For the entrepreneurial development, it was shown that the sector is largely unrecognised and only few opportunities were seen to transfer subsistence strategies into income generating activities.


The conducted assessment aimed at evaluating the financial needs of micro and small enterprises in Yemen and assessing the suppliers of financial products and services to MSE in Yemen. It analysed the gap between supply and demand for MSE financial services and provided recommendations on how to improve access to finance in the country. The study sample comprised of 405 MSEs based on a market survey spread in six governorates with large populations; i.e., Taiz, Ibb, Al Hodeida, Sana’a, Hajjah, and Dhamar. The study revealed that Yemen, as the least developed country in the Middle East, has a GDP per capita of $650, and that 75 percent of its people live in rural areas with a roughly figure of 21.6
The study also showed that around 40 percent of the population lives below the poverty line and a huge proportion of economic activity in the country appears to be unregistered. This makes it so difficult to predict the number of micro and small enterprises functioning in Yemen. In fact, the Ministry of Industry and Trade reported 400,000 registered MSEs in 2004; 90.7 percent of the available MSEs, micro enterprises and only 9.3 percent were small enterprises and owned by men (98.5 percent). The findings of the study revealed the followings results:

1. The formal financial system is highly underdeveloped.
2. The vast majority of people in the country do not have an access to formal financial services.
3. There is a large potential market for microfinance with trusted and committed clients to repaying of the loans borrowed.
4. The value of microfinance market in Yemen is estimated at US $ 526 Million, based on 210,400 potential borrowers and on an average loan size of US $ 2500.
5. The saving tendency of MSEs indicates the ability to repay the borrowed loans.
6. The main challenges for building strong and self-sustaining MFIs are the absence of a legal and regulatory framework for non-bank financial institutions.
7. The availability of good client’s education shall lead to the success of new MFIs.
8. Microfinance products and services in Yemen need to be easy to understand, suitable for clients needs and can be processed fast.
9. The introduction of different loan sizes is an attraction for Yemeni market.
10. There is a need for offering training in accounting and entrepreneurial skills along with financial services by new MFIs entering the market.
11. The newly MFIs entering into the markets are advised to start at areas where there is a high demand for microfinance and where appropriate infrastructure is established.

12. The availability of good training systems is essential for the success of MFIs.


The study reviewed the progress made under micro start in Yemen to date and made recommendations for enhancing its performance in 17 months. The mission drew special attention on MFI institutional and financial performance, and offered recommendations to enhance project performance during the remaining 17 months. The review showed that micro start project had created a solid structure for sustainable microfinance mechanisms making it able to provide different types of financial products and services to the low-income people in the society. It also revealed that micro start had contributed largely to both gender equity and professionalizing the delivery of microfinance services in the country. With micro start program, around 1978 women that are equal to 87 percent of the total number of clients are now receiving microfinance financial services compared to 17 percent reached by programs such as the Social Fund for Development (SFD). The result also revealed that the efforts of ABA to establish lending relationships between participating MFIs and local banks proved to be innovative as it provided a model for commercialised approach to microfinance delivery in Yemen. Furthermore, the review indicated that the random interviews with different clients have proved that micro start has helped in reaching the targeted group and increased their income.


The purpose of the study was to show the effect of the war and armed battles occurred in Abyan governorate during the year 2011 on Abyan Microfinance Institution. The study aimed to disclose the effect on employees, entrepreneurs and other stakeholders affected by the war. The research methodology for this case study was a combination of different methodologies
such as historical, descriptive, and the statistical methodologies used for studying of the impact. This study found out that the microfinance project completely stopped working in the year 2011 leading to halt of the plan to spread products and services to other places. This war resulted in ending the liquidation process for Abhor branch in Abyan causing a loss in the loan portfolio of YR of 36, 5 Million.

The portfolio at risk in the institution reached up to 82 percent due to the quick increase in the obligations of the programs and the difficulty in meeting its commitments. The income generated from loans portfolio also decreased by 97 percent leading to huge losses incurred upon the program. The program also incurred losses in its assets equaling to YR 3.5 Millions. The study concluded that the collapse of Abyan project resulted in major social, psychological, and economical problems towards various stakeholders specifically the employees and the clients of the Abyan Program. Those who depended mainly on working in Abyan program lost their Jobs and accordingly they were converted from being self financed to dependent on donations and subsidies from the government or other NGOs. They had to shift their houses from Abyan province to Aden province, which means more expenses on food, shelter and houses. The same case was with the clients who lost either their capital or products offered by the programs making it impossible for them to pay back the installments for the program. These crises contributed to increasing the number of unemployed people in the city and made the intensity of poverty much more in Yemen. The study recommended rescheduling the loan repayment installments of the clients who could not meet the dead line due to the crises. Further, the Social Fund for Development (SFD) should assist the Abyan Programs and its clients to return to their sustainability status. Moreover, the Yemen Microfinance Network should coordinate with other small and microfinance institutions to give the priority for employment for Abyan program’s employees, as they are very qualified at this job. It was finally recommended that both poverty and war affect and get affected by each other, but, the effect of the war on poverty is greater.

The study reported that the Yemen microfinance industry still faces many challenges and difficulties. These challenges limit the scope of its expansion and outreach due to the high percentage of poverty in the country. Major challenges include the lack of awareness about the significance of microfinance industry in social and economic development, the limited awareness about the repayment culture and micro finance policies, the religious restrictions, the high illiteracy among people in the country, poor availability of infrastructure, the insufficient legislations of MFIs, lack of institutional building, and MFI’s short experience in microfinance. These challenges and others are considered the main challenges for hindering development and growth of microfinance industry in Yemen.


The SFD conducted this study in cooperation with some international agencies to evaluate various aspects in Yemen including microfinance sector. The findings of this study revealed that around 50 percent of loans beneficiaries reported a positive impact on their standard of living and their life condition after availing of microfinance loans from microfinance institutions. These small and micro loans allowed them to improve their life and increase their income. They further assisted them in expanding their business activities and diversifying their income generating activities. The study classified loans taken for purpose of establishing income generating activities as more helpful and stronger in increasing the income than those which were taken for consumption purposes. Additionally, it was also stated that the number of active clients was increased to more than 87 percent from the year 2005. The study concluded by revealing that there was no significant difference between the rate of men and women when reimbursing the borrowed loans back.


The study attempted to answer questions related to general characteristics of micro and small entrepreneurs, estimated potential market for micro and small services, the present use of the financial products and services, general perception
about the financial institutions, and finally the demand for particular financial
products and services. The study was conducted in three governorates, i.e.,
Sana’a, Aden, and Taiz. A mix of qualitative and quantitative research techniques
were employed for collecting data and analysing it. The findings of the study
estimated that there are around 1.78 million micro enterprises and 85,000 small
enterprises as potential market in the country. What is more, MSE entrepreneurs
depend mainly on supporting credit to finance stock. Further, around 76 percent
of the study respondents replied that their small businesses are the main sources of
income for them. It was also reported that the main challenges that face the small
entrepreneurs include the lack of electricity, security issue, limited knowledge
about the financial institutions, and the preference of Islamic products and
services. The study concluded by showing that the interest rate matters in
accepting new range of products and service in the market.

Gaps in Yemen”

The study focused on calculating the demand and supply gaps in the
microfinance industry of Yemen as well as on identifying the main factors for
creating such gaps. The survey and interview techniques were used in the study as
tools for capturing the opinions of the respondents on the topic. The sample of the
study totaled to 372 collected from three different governorates, i.e., Sana’a, Aden
and Taiz. The study reported that there is a significant gap between demand and
supply of microfinance within MSEs, which include inefficiency, insufficiency,
and feasibility gaps. The major reasons that lead to such gap include the weak
regulations and governance, poor management, shortage in the qualified staff, lack
of innovation in the supplied products and services to the market, insufficient data
and information technology about the market and reporting systems, high
financial illiteracy, and the low access to microfinance services. The study
concluded by recommending that there is a need to establish more efficient
regulations and supervision systems. It further recommended that the MFIs
leaders in the market must work out on new ways to improve their functions and
governance systems; they should further introduce new products and services that
meet the needs of the poor clients. The study also concentrated on the necessity to
focus more on targeting poor people in the rural areas along with improving the existing products and services and introducing new products and service such as micro insurance and micro savings.


The study concentrated on capturing the impact of culture and religious background on the growth of microfinance industry in Yemen. The team of the study gathered data through qualitative methods, i.e., disk review and individual interviews with MFIs staff. The main findings related to religious background showed that Yemen is one of the most religious countries with a majority of religious population believing that paying interest rate to MFIs or banks are usury and not permitted by Islam and Shariah law. This negatively affected the performance and growth of microfinance industry there. Therefore, Microfinance institutions need to spend more time and effort on developing and designing new products and services that suit the needs of people in the country though it will lead to more expenses and operating costs. Another obstacle is the threats coming from extremist people who stand against the traditional lending and prevent new entrants into the industry of microfinance that ultimately affect the performance and growth of microfinance industry in the country.

About the findings related to gender prospective, the study revealed that this issue unconstructively affects the performance of microfinance industry in terms of recruitment and maintenance of exiting employees. It also creates difficulties for women who desire to apply for loans from MFIs due to the non-availability of the required official documents necessary for the MFIs approval of the loans. The high rate of financial illiteracy, men discrimination, and gender inequality against women are also considered major challenges in the industry. Thus, it is very difficult to hire and maintain women employees in the MFIs due to difficult nature and environment of MFIs and this is all because of the class and race discrimination in the society. On top of all this, the rate of financial illiteracy is very high especially in rural classes.
2.3  Previous Studies Conducted Abroad

2.3.1 Previous Studies Related to Poverty and Unemployment Alleviation


The study focused on finding out whether the extension of microfinance products and services by MFIs in Ethiopia will have a positive change on the client’s living standard or not. The data for the study was collected through close-ended and open-ended structured questionnaires from the ex-clients, the active clients, and the incoming clients. This was done with the help of random sample method. The methodology of the study consisted of 150 samples selected by multistage simple random sampling. The study’s secondary data was collected from various published sources and employed different techniques such as average, frequencies, and percentage for analysis purpose. The findings of the study revealed that the SFPI program has made a positive impact on the income, ownership, expenditures, housing condition, and diet condition of the households. However, the findings of the study did not report any impact in the same program on the access to education of the households and medical facilities. In addition, it was revealed that the SFPI products and services have increased the production capacity of the enterprises, the net profit, and the employment opportunity for both clients and the local community. The study finally reported that there was a positive impact on the personal savings and empowerment of women. Thus, MFIs had contributed to improving standard of living and reduced poverty at household levels.


The study evaluated the impact of microfinance on poverty, empowerment of women, and employment in Punjab’s rural areas. The impact was measured by comparing the non-participants of the program with the participants in the same program. The primary data of the study was collected by especial prepared schedule. The comparison of the study revealed many findings; some of them include:
1. Microfinance program has increased the individual and the household income of the program participants.

2. Extremely poor households whose income was below the poverty line were not capable of crossing the poverty line.

3. Microfinance has lead to reducing household vulnerability and the program participants were comparatively more able to face crises without falling into the debt trap.

4. Households with large members are poorer than households that have small size.

5. The education level and age are negatively related to the level of employment.

6. There was a significant difference between participants and non-participants in terms of basic skill development.

The study further reported that microfinance worked as an effective tool in the households’ enterprises as it diversified their business activities and increased their level of employment. In addition, the findings further revealed that microfinance programs have empowered poor women socially, politically, economically, and psychologically. On the other hand, it was reported that the mature of participants group were more empowered as compared to middle aged and young group participants.


The study aimed to provide an analytical framework and to diagnose the major challenges and difficulties facing the development and growth of small and medium enterprises in the Arab region. It is a quantitative model based on the world’s bank enterprise database to support this analytical framework. The study showed that the success of any firm is measured by comparing its performance with other firms in terms of productivity and quality. Best products quality and high rate of productivity can be achieved through promoting innovations strategy. The findings of the paper confirmed that the Arab region still lags behind in various aspects such as innovation, technology, productivity, growth,
diversification, and expertise when compared to other regions and the investment climate. The study further indicated that firms that introduced new ideas, products and upgraded the existing products were more likely to have more growth. According to the last findings of the study, firms that have exported more than 10% of their sales, were more likely to experience high growth.


The study reviewed the progress of microfinance programs in the Cachar district of Assam. It further examined the impact of microfinance offered through Self Help Group (SHG) and formed by SGSY on the economic empowerment and poverty mitigation of poor women in the same district. The study was conducted with the help of the multistage sample design methodology that was used for selecting of about 236 SHG members as sample for the study. The findings of the study revealed that the movement of microfinance through self-help group (SHG) could break the poverty circle of the poor people in the study area, which ultimately resulted in empowering the lower and vulnerable sections in the society. The study recommended that more care should be given to sustainability and viability when judging the performance and success of the microfinance programs, and not to the number of clients reached. The study also recommended the followings:

1. Encouraging unity among SHG members
2. Meeting the development skills and training for the SHG members
3. Providing the required arrangements for the goods or services manufactured by the small entrepreneurs
4. The widening of micro insurance services to cover more risks
5. Providing the required infrastructure for the poor SHG members
6. Establishment of the federation for SHG members
7. Selecting the proper and right income generating activities to be done in cooperation with some consultants and through bank officials
18. **Choudhary (2013) “A Detailed Study of Microfinance as a Tool for Tribal Transformation in Areas of Madhya Pradesh”**

The study aimed at examining the role of microfinance institutions in improving the tribal economy, examining the potential of the microfinance in changing the socio-economic conditions and understanding the role of Self Help Group (SHG) in diversifying livelihood strategies of tribal communities. The study finally analysed the impact of micro credit on the tribal migration. The hypothesis employed in the study was tested and resulted in positive impact over poverty and the standard of living. Concerning the type of data, the researcher used both the primary and the secondary data. These data were collected through questionnaires, focused interviews, purposive sample, and other techniques. Both quantitative as well as qualitative approaches were used. The findings of the study revealed that there is a positive effect of micro credit on income, saving and employment, which is after all considered to be very hopeful. Additionally, the result showed a higher increase in the expenditure level of targeted group, though the consumption of alcohol was significant. The findings also revealed that the indebtedness issue was a major one in the study Area because of the reliance of major respondents on their friends or moneylenders. To add to that, most of the questionnaires were unanswered due to the unwillingness of them to disclose the information. Lastly, microfinance acted as a catalyst in the livelihood diversification among the tribal folks. The study showed also that women can be empowered through microfinance, microfinance institutions must link the employees’ incentives to profit, and that there should be enhancement in the number of groups per sq. km in district of Hoshangabad.


The study assessed the impact of microfinance institutions in the eradication of poverty and uplifting the standard of living of the low-income people in Bihar State. It was purely based on the secondary data. The findings of the study showed that the outreach and efficiency of microfinance institutions in this region is not viable and effective because they have not yet reached up to the expected level of poor people in the district. It was further reported, microfinance
institutions have to cover the state with the help of more effective manners so that poverty can be mitigated and capability of poor people can be increased. Furthermore, the government needs to propose initiatives that are pro-active and that assist in improving the socio-economical structure of the state.


In this study, the impact of microcredit on wellbeing was evaluated and a proposed conceptual framework in the role of Malaysian and Yemen microfinance institutions was developed. The researchers intended to find an answer for the question of what is the role of microfinance on the clients’ wellbeing. The methodology employed for achieving the goals of the paper was a combination of quantitative as well as qualitative approaches. The survey of cross sectional with randomised control trait and the semi-interview were employed for collecting of data and information related to the study; however, for analysis purpose the researchers used the regression logistic with chi-square. The sample chosen for the study was one microfinance bank named “Alamal Microfinance Bank from Yemen, and three MFIs from Malaysia named respectively as Amanah Ikhtir Malaysia, Yayasan Usaha Maju and Economic Fund for National Entrepreneurs. The findings of the study provided clear evidence about the impact of microfinance in mitigating poverty in Yemen and Malaysia, which may contribute to providing a body of literature. The study also provided some guidelines as how to improve the performance, sustainability and outreach of microfinance institutions in general and particularly in Yemen and Malaysia.


The study investigated the relationship between microfinance and poverty reduction in Bayelsa state of Nigeria. For measuring the study’s variables, some hypothesis were developed for this purpose, and for the sake of the sample selection, all women working in the small enterprises of the state of Bayelsa state were selected. However, a sample of 286 respondents was purposively selected for this study. The methodology of the study included questionnaires distributed in
the study area. The study results revealed that there is a significant relationship between microfinance and poverty reduction in Bayelsa State, and there is a significant difference between microfinance and traditional rotating system. The study also confirmed that there is a significant difference between loan repayment by women and poverty reduction in Bayelsa State, and a significant difference between microfinance and the status of women in the same state. The study concluded by reporting that microfinance alone could not reduce poverty in any society where basic infrastructures do not exist such as good roads, steady power supply, and good transportation system etc. In addition, Nigeria is no exception, as it lags behind with these infrastructures for poor women to benefit from microfinance.

The study finally recommended that the governments in developing economies like Nigeria should provide the basic infrastructural facilities to enable the growth of small businesses. The National Poverty Alleviation Programs (NAPEP) should be well strengthened to reduce the level of political manipulation by political leaders in the country. Moreover, there should be a reduction in the interest rate for products and services extended by microfinance institutions. Also, the other stringent issues about microfinance model of poverty reduction should be adequately and seriously applied to minimize the level of poverty in the country.


The study examined the effect of microfinance on poverty alleviation in Ondo State, Nigeria. Accordingly, the researchers selected a group of 240 beneficiaries of micro-credit loans from the study area. The results of the analysis revealed that most of the beneficiaries who received the loans were educated youth aged between 18 and 40 years and a majority of them utilised their loans to procure durable equipments needed for their small-scale enterprises. The results also reported that loan empowerment has a significant positive effect on borrower’s standard of living and access to credit as it gave a chance to the beneficiaries to take advantage of available economic opportunities to start up their own enterprises and manage their business activities.

The study aimed at examining the healthcare-seeking behaviour, health costs, and health-financing methods among microfinance clients in Bolivia, Benin and Burkina Faso. The researchers conducted an extensive household surveys with randomly selecting microfinance clients from different Areas. The surveys further included some valuable questions related to the socioeconomic status; incidence of illness episodes; costs of seeking treatment; financing methods for health costs; and time spent incapacitated by poor health. The study reported that clients have benefited from the offered assistance, which included health savings, health loans, and health micro-insurance. Microfinance institutions provide more advantages for developing the options for the improvement of the health financing; global reach, expertise in loans and savings, and their mission to facilitate household financial stability and sustainability. The health products and services related to health financing are considered a potential; yet, they require careful design to optimize value and minimize risk to customers.


In this study, the researcher attempted to examine the impact of microfinance on poverty alleviation. The study-analysed microfinance as it is an important element for an effective poverty reduction strategy. The study considered both economic and social factors, which included but not limited to, the improvement of life style, accommodation standard, generating of income, life standard, and purchasing power, expansion of business facility, self-employment, and using of better technology as social and economic factors in the study. It aims at examining the effect of microfinance on the social and economic condition of the poor living in one of the districts of Pakistan. The sample of the study totaled to one hundred bank customers (Micro Finance beneficiaries), and the questionnaires were distributed among them via convenient sampling method. Out of these 100 questionnaires distributed, only 68 were received back. the findings of the study revealed that the provision of microfinance products and services can definitely help in poverty mitigation access, and can enable the poor to smooth
their consumption, manage their risks perfectly and gradually build their assets. It can also assist them in creating their own micro enterprises, enhancing their income earning capacity, enjoying an improved quality of life, and finally improving their standard of living. If little efforts are put, the performance of micro finance institutions can be improved and these institutions can play a vital role in poverty alleviation and job creation.


The study focused on evaluating the depth of the outreach and level of participation of the poor people of microfinance programs. It aimed at finding out the extent of the contribution of microfinance programs on the poverty mitigation and welfare of the poor households. The area for conducting the study and collecting the required data was Idukki district. Both the descriptive statistics and economic instruments were employed for data analysis. The study reported that microfinance programs used for financing poor people have achieved a notable progress, and succeeded in reaching the vulnerable and poor segment in the society. Microfinance financial products and services are offered to the small and poor entrepreneurs with suitable banking services to their doorstep. The study reported that microfinance has made the poor people economically active through raising their income, creating new job opportunities, and providing them with needed assets. The study also indicated that there was about 10 percent increase in the average borrowing of beneficiary households, which enhanced the monthly income by 7.9 percent, increased the per capita and per capita income by 2 percent, and which increased per capita monthly total consumption expenditure by 1.3 percent. Finally, it was revealed that the program’s clients felt the improvement of their social position and personality because of this program.


The study sought to investigate the impact of micro finance programs on the socio economic lives of the Zimbabwean people. In addition, to check whether or not these programs empower the poor people and help them in reducing poverty. The researcher carried out the study using eighty questionnaires randomly
distributed to clients of five micro finance institutions. The result ultimately found that there was a positive relationship between micro-credit and the socio economic lives of people. Finally, the activities of microfinance institutions lead to social interaction and socio economic sustainability.


They wrote an article for examining the impact of microfinance programs upon the household welfare in Vietnam. The data of the study was collected from 470 households across 25 villages using a quasi-experiment survey approach to overcome self-selection bias. The study sample was designed so that the members of microfinance programs to be compared with the non-members of households who share similar characteristics of the program’s clients. The findings of the study revealed that there was no significant effect of participation in microfinance program on household welfare, income, and consumption.


The study examined whether micro-finance and its extended loans and services can contribute to poverty reduction in the life of the low-income people in Bangladesh or not. The researchers referred to the household panel data used in the research covering four rounds starting from 1997 to 2004. The study also investigated the impact of general loans received from MFIs as well as the loans for productive purposes on household income, food consumption, and women body mass index. The researchers applied different types of research methodologies to reach the desired answers and findings. The study consisted of participants and non-participants of microfinance programs. In the general loans offered by the microfinance institutions for food security and income generating, a positive impact was found on the participants of microfinance. The overall effect on the income and food consumption during the period from 1997-2004 found to be positive. The findings also indicated that specifying the type of loan is very essential as it indicates which household welfare indicator has improved.

The study focused on analysing the role of micro finance in poverty mitigation, and recommended appropriate measures for the realisation of effective schemes. The study also evaluated the level of operation in microfinance banks. For testing the relationship between microfinance loan disbursement and poverty alleviation, the Chi-Square Test, F-test and T-test techniques were employed. The findings revealed that there was a positive difference between those people who borrowed loans from microfinance institutions and those who did not borrow. In that respect, the results showed that microfinance institutions have a significant effect on poverty reduction by increasing the income of poor people and improving their economic status. The study concluded that microfinance institutions play a vital role in poverty reduction and work as a viable tool for purveying credit to the poor. However, microfinance can participate much better in the reduction of sustainable poverty if more focus is directed to programs outreach in depth than the current outreach.


The study investigated the effect of micro-credit on local household economics in Prek Norin Commune. It concentrated on people who borrowed loans from microfinance institutions and continued to use them for various purposes. The study particularly focused on three main goals: socio-economic factors of households using credit, the status of using micro-credit, and the effects of micro-credit on household economics. As to the collection of data, the researchers used the survey method and face-to-face interview with 142 household heads. They applied the random sampling method for selecting the study sample. The study revealed that microfinance loans had a positive impact over people who borrowed loans from the microfinance institutions as it increased their income, improved their standard of living, created more job opportunities for them, speeded up the growth in the assets, improved the household education, and improved the women’s status and family welfare. By contrast, the study showed a
negative impact on people’s feeling due to the fear of the risk attached with the inability to pay back the borrowed loans.


The paper mainly focused on studying the effect of micro-finance in developing SSG members. The Area for the carried research was in Dodda Ballapura Taluk of Bangalore rural district of Karnataka state, India. Concerning the required data for the study, 100 SSG Members, and 30 non-SSG members were referred to for the required data. The researchers adopted the purposive sampling technique for the selection of the sample, and used the personal interview as a tool for data collection. The findings showed that the income generated from the activities financed that were taken up by SSG members was higher compared to non-SSG members. Therefore, there was a significant growth in the amount of loan borrowed, repayment, savings over time among SSG members, and lastly in the creation of job opportunities for members compared to non-members. This led to improving the living standard of the members. The study recommended that more members of SSGs were to be encouraged to join microfinance programs. The study also revealed that the performance of Non Governmental Organisations (NGOs) in promoting SSGs was operating much better than government promotion to SSGs.

32. **Kondo, Jr, Dingcong and Infantado (2008) “Impact of Microfinance on Rural Households in the Philippines”**

This study aimed to support the efforts of the government of the Philippines to strengthen rural financial institutions by helping organisations that employed the Grameen Bank Approach (GBA) in supplying credit to the poor. Hence, the study assessment employed a quasi-experimental design with incoming clients of randomly selected participating microfinance institutions as a comparison group. Furthermore, the study used the difference-in-difference estimation technique that helped in controlling the biases. The sample of the study comprised of 2, 200 households divided evenly between treatment and comparison areas, and covered 116 villages and 38 microfinance institutions. The result of the survey showed that only a limited number of people got benefits from
the provided programs because most of the clients were not found to be poor according to the definition of poverty. Evaluation result, however, showed a positive impact on per capita income, per capita total expenditure, and per capita food expenditure of loan availability. This impact, nonetheless, was found to be regressive – negative on poorer households and positive only for households in the richest quartile. The microfinance programs have proved to help clients in various ways; they increased their self-reliance, and made clients engaged and get more workers to be employed in these enterprises. Lastly, no significant impact was observed on assets and human capital investments. The study recommended that for microfinance programs to become effective tools for poverty alleviation, a constant monitoring of the effectiveness of the targeting procedures and the selection of the right products for clients that not only ensure the repayments of the loan but also generate ample amount of fund are necessary.

33. Shetty (n. d) “The Microfinance Promise in Financial Inclusion and Welfare of the Poor”:”Evidence from India “

The researcher conducted a study that focused on analysing the effect of microfinance on financial inclusion of low-income, marginalised people, and vulnerable populations. The study investigated the impact of the “credit plus services “approach on job creation, employment, income generation, assets, and the empowerment of the unbanked people. It further discussed the future of microfinance as a strategy tool for poverty reduction. Concerning the data collection in the study, the researchers collected primary data from the borrowers of two MFIs in the Indian state of Karnataka so that the impact of micro-credit on the improvement of the standard of living of the poor people can be understood.

The findings of the study revealed that the use of “credit plus service” has a positive impact on the standard of living, income, and employment of poor people in the concerned district. Moreover, microfinance products and services provided help in reducing the poverty and vulnerability of the poor. The services related to “credit plus services” such as skill enhancement training, awareness programs and networking facilitate empowerment of the poor. The study lastly recommended that microfinance services should be made accessible and affordable to the socially and economically excluded population.

In this study, the researcher attempted to analyse the impact of microfinance in poverty reduction in the Rwandan context. The study took a case study of Urwego Opportunity Microfinance Bank, which is considered one of the largest microfinance institutions in terms of scale and geographical coverage. For achieving the goals of the study, 27 clients of the MFI were selected from one rural and one urban branch. They were interviewed through individual and focus group discussions. The study revealed that microfinance outreach in scale is extensive and impacted positively on the poor people. Yet, only the poor people who are close to the poverty line could have been reached through MFI. Further, it was noted that there are some differences in the impact on both rural-urban, which suggested some differences in the level of poverty, opportunities, and microfinance loan products appropriateness between the two.


The study examined the role of micro-enterprise lending in the household reconstruction process during 1996–2002 in Bosnia and Herzegovina (BiH). As Bosnian households were severely affected by the conflict, the household financial capabilities were destroyed. This study claimed that micro-enterprise credit in BiH encouraged household reconstruction as it provided an efficient and long lasting coping tool for households after the war. For most clients who were provided micro credits, it assisted the households at least to sustain their household self-employment activities. Generation of income was noted during the research as the most efficient coping mechanism among households affected by conflict to cover their needs. The implementation of a structured and standardised minimalist approach has played a vital role in the success of a sustainable microfinance sector development. However, the result of the study showed that microfinance and related services could play a more substantial reconstruction role in post-conflict areas. After a comprehensive analysis of household needs in BiH, it appeared like there was a significant need for other credit and business development services. Therefore, the study claimed that there is a need for a more
integrated approach including various financial and non-financial services in post-
conflict settings.


They study measured the effect of microfinance at the Asia and Pacific Forum on Poverty. In this study, the aim was to identify the participants of microfinance and its features in examining the real effect of microfinance programs in attracting the poor people, and to assess the impact of micro-credit on short-term and long-term welfare indicators of program participants as well. The methodology of the study was executed by referring to cross section data of Bangladesh and by using a quasi-experimental survey design to resolve the endogeneity of the program participants.

The findings revealed that microfinance could make a difference in the life of the households who are members in the Self Help Group of the Grameen Bank and other micro finance programs in the country. The difference appeared to be in the increase of the income of the households. The results also revealed that microfinance institutions in Bangladesh faced difficulties in sustaining and achieving the financial independence despite the struggle to become cost effective through portfolio diversifications and other actions.


The objective of the study was to evaluate the effect of micro-credit on the household’s welfare in the end with the continuous or periodical participation of low-income people. The collection of data was done with the help of a panel data from the year 1997 to 2006, in four-waves with a three-year interval. The study sample included participants and non-participants of the Debit Credit and Saving Institution (DECSI), which is an MFI that provides credit services in the Tigray region since 1994. In a panel data setting, where only the outcome variable is time varying, potential future paths of individuals in the control group are considered to account for counterfactuals. The method of Matching was used to adjust for initial differences between participants and controls. These combined methodological
innovations that enabled the researchers to overcome biases due to selection as well as problems of accounting for dropouts and new participants in microfinance impact assessments. Results suggested that the timing of membership matters; the earlier the onset of membership, the better the effect. Results are robust compared to standard matched pair wise effects. The overriding implication from this comparison suggests that it was not accounting for future counterfactuals, for the most part, that can lead to biased estimates and overestimates of the impact of credit on household welfare.


The study examined the extent to which the microfinance institutions have contributed to poverty reduction in Tanzania, and the impact on other socio-economic indicators related to income generation, health security, and standard of living. A mixture of quantitative and qualitative research methodologies were employed when the research was carried out. Primary and secondary data were used as a source of data for the research. The techniques used in these methodologies were of different types starting with the pilot study used for testing of the questionnaires, and followed by a survey and case study. About the sample of the study, it covered four regions in Tanzania, namely Dar es Salaam, Zanzibar Bar (Urban West Region) Arusha and Mwanza, which have high concentration of MFIs. Concerning data analysis, the researchers applied both descriptive and statistical analysis. The study revealed that microfinance institutions had changed the life of low-income people and poor household in a positive way.

The clients of MFIs declared that their income and capitals invested have improved, and a correspondent expansion on their businesses was established. 81 percent of the surveyed MSEs revealed that their profit have increased after receiving loans from the concerned MFIs. Moreover, 83.5 percent of MFIs clients reported that they have the plan to expand their business in the near future with the help of loans provided by microfinance institutions. The findings also showed that 92 percent of the clients lack the technical training and support that was considered a major problem for them. Finally, even though microfinance has proved to be an effective tool of elevating poverty; still, some
conditions like grace period for loan repayment, collaterals, and coverage of microfinance institutions have been deemed limiting factors for the poor people to access the microfinance services.


The study focused on identifying the effect of microfinance on clients, their households, and their enterprises. It examined whether or not microfinance programs have led to the improvement of the economic status and welfare of households, business growth, stability, and empowerment of women. From this assessment, the findings revealed that there were positive impacts from the participation of MFI programs in the development. The results also provided strong evidence of impacts for those who were re-interviewed. The 22 percent of the original client’s sample who were not re-interviewed tended to have different personal characteristics; however, they did not differ from the re-interviewed clients in terms of number of loans received by the time of the 1997 interview.


The study investigated the impact of microcredit in the Kyrgyz Republic. And for that, a modest program evaluation was undertaken with the help of using a data set of 5012 households from the Kyrgyzstan Integrated Household Survey (KIHS) that covered the period from 2006-2010. It was proved that microfinance is used for fighting poverty, purchasing food, and establishing new businesses. Moreover, the study found out that there was no gender effect observed during the study, and no significant effect results on the purchase of agricultural equipment, or for educational and health expenditure. In that regard, the results indicated that microfinance with its products and services has proved to be successful in targeting with respect to education, size of the family, and age. Despite the positive results reported, the study revealed a reverse result in targeting with respect to income. To conclude, the result of the test conducted to reveal the impact of microfinance on income generation was not significant.

The study investigated the impact of microfinance upon the poor and low-income people of rural china. The researcher used the qualitative approach and other techniques such as interviews, surveys, and group discussion. The conducted case study took place in the central Chinese villages where micro credits programs exist and have been operating for several years. The main findings of the study showed positive impacts on the borrowers’ lives in terms of self-satisfaction, self-confidence, and social and economical security. This made the underprivileged people capable of managing their own needs perfectly. They could add some extra income to their family, and improve their standard of living. Furthermore, the study revealed that the income of poor borrowers increased by three times as compared to people who did not apply for any micro credit loans. By contrast, it was observed that the income of the poorer people was increased very fast, and an increase in growth was observed too compared to other borrowers who were recognised as better borrowers.

It was also reported that the micro credit programs have contributed positively to various aspects of the poor Chinese villagers in terms of economic and socio security, living condition, standard of living, well being, respect in the society, and finally increased the expenses on health. However, in spite of the positive impacts observed, some villagers reported fewer incidences of negative social practices, which were attributed to people being less idle because of greater economic activity within the village.


The researchers carried out a case study aiming to evaluate the impact of microfinance on the poor people living in Bangladesh by using group-lending methodology; this method is used for reducing poverty and for improving the living standard of people in Bangladesh. The sample for the study was selected randomly based on random sampling technique from one Chittagong district in Bangladesh; and interviews were conducted with people who were already
involved in microfinance activities. The findings of the study reported that microfinance has a positive impact on the standard of living of poor people and their life in terms of income generation, creation of jobs and other indicators. However, there was an argument regarding the rate of interest imposed over poor borrowers, as it was believed that the interest rate charged by the MFIs was very high. On the other hand, the respondents reported that the charged interest rate by the MFIs was reasonable.


The case examined the extent to which the micro-credit programs can reduce poverty and vulnerability. It explored the relationship between micro-credit and the reduction of poverty and vulnerability through the help of this case study by focusing on BRAC. BRAC is considered one of the largest microfinance institutions that supplies different types of micro-loans to low income people and poor households in Bangladesh.

The argument in this study stated that micro-credit contributes to mitigating vulnerability and poverty, whereas the effect on income-poverty is a function of borrowing beyond a certain loan threshold and to a certain extent provided on how poor the household is to start with. Further, the argument was illustrated by complementing the existing literature with some empirical analysis of household survey data collected in Bangladesh in 1995. The sample for the study consisted of 1072 households who were meant to show a great impact on the rising poverty. About the research techniques, the researcher employed different methods such as group control, estimation techniques, and others. Zaman recommended that the poverty and vulnerability of a member in microfinance program could be mitigated through smoothing consumption, building assets, providing emergency help during the natural disaster, and the empowerment of women. Finally, the findings revealed that micro credit has a great impact on female control over assets and on their knowledge of social issues and other issues.
In his Thesis, the researcher assessed the performance of microfinance programs in terms of job creation, and the increase of income for the beneficiaries of the SHGs run by the government and private microfinance institutions in Guntur district.

The study aimed to achieve the followings objectives:

1. Understanding the socio-economic profile of the sample beneficiaries
2. Assessing the contribution of MFIs in support to the microfinance programs in India.
3. Evaluating the effect of the microfinance on the income generation and job creation of low income people.
4. Checking the technique of disbursing of the loans to the SHGs and utilisation of them.
5. Providing and suggesting suitable recommendations to the policy makers in the concerned institutions.

The duration of this study was for a period of six years starting from the year 2005 and reaching to the year 2011. The research methodology in the study included a combination of qualitative and quantitative approaches such as the questionnaires for collecting the primary and secondary data. Similarly, for the sampling techniques and size of the sample, the study employed the multi-stage-stratified random sampling technique purposely for finishing the beneficiaries sample size. The study concluded that the SHGs had a positive contribution on the beneficiaries in terms of job creation and income generation. When taking number of respondents getting income lower than Rs 1,00,000, it is noted that income category has declined from 103 (47.7 percent) before joining the govt. SHGs to 43 (19.9 percent) after joining Govt. SHGs. The study also revealed that the people of old age were away from SHGs, and that the government should provide more loans through national banks related to microfinance. It was also identified that some women did not contact or consult any NGOs to benefit themselves from the
available microfinance schemes and most of others did use their borrowed loans for consumption purpose only not for the original purpose.


The case study examined the impact of microfinance schemes on Bahawalpur district in Pakistan. The collection of data was done through questionnaires and interviews from microfinance banks and some of their clients. This study mainly focused on the impact of NRSP on this area; therefore, borrowers and customers were selected from NRSP randomly. The result showed that there was some increase in the level of income and satisfaction level. However, this increase was not significant, the rate of interest was observed to be very high, and the focus was on the Agriculture sector only. In addition, there is a strong relationship between microfinance and poverty alleviation. The study concluded by revealing that microfinance programs help in improving the standard of living, creating job opportunities, and empowering women.


In this study, the researcher investigated the implementation processes of microfinance interventions from a contextual and user perspective, and the impact of the implementation processes on households and businesses. The study examined the two microfinance interventions, namely Nsoatreman Women Empowerment Programme and Sinapi Aba Trust in Nsoatre, which is a rural community in Ghana. Concerning data collection of the study, the researcher collected the required secondary and primary data from different sources; the primary data included conducting 26 interviews and distributing 100 questionnaires. The study analysis found that the microfinance institutions studied essentially employ top-down approaches, and that the perception of microfinance as non-paternalistic is not supported by this study. Findings of the study revealed that microfinance interventions contributed to smoothening the consumption of households more than it does to household’s asset accumulation. In addition, the analysis revealed also that the poorer of people benefited more on their households and business. The study recommended the reappraisal of the design of microfinance interventions, especially in rural areas.

The researcher carried out his study in Puducherry city, which is a union territory in south India. The objective was to analyse the functioning of microfinance schemes and examine their role in affecting the social and economic status of poor households and assessing the role of social capital in microfinance related activities among others. The methodology, adopted broadly covers both supply side analysis covering micro-financial service providers, and the demand side analysis through client surveys. For the limited purpose of the study, the terms such as ‘micro-finance’, ‘social-capital’ etc., has also been defined. The study was mainly based on primary data collected through a field survey of providers of financial services and rural households in the Ariyankuppam and Villianoor Blocks of Puducherry district of Union Territory of Puducherry. Secondary data were collected for supplementing macro level findings.

Regarding sampling design, multi-stage sampling and stratified proportional sampling methods have been adopted to select the sample size. Pre-tested questionnaires were administered to 400 beneficiaries and 100 non-beneficiaries (control group) in the two selected blocks. The data collected during the field survey covered micro-finance availed from the banking system up to the year 2004-05 [April-March]. The responses were subjected to application of appropriate statistical analytical techniques. These techniques included Linear Additive Model of Analysis of variance test, ‘Z’ Test, Foster, Greer Thorbecke (1984) poverty measure (used in micro-finance studies) that meets Sen’s axioms, non-poverty growth, replication invariance, and role of social capital suitably adapting living standards measurement Survey [LSMS] technique in which results are eventually arrived at, and interpreted.

The study concluded that microfinance programs have made a positive impact on the generation of employment, and generated more employment for the beneficiaries’ households. It has also been found that those employment days for beneficiaries’ households have gone up from 8 days to 20 days per month. The overall economic index indicated that the impact of microfinance was able to bring a positive shift in the economic conditions covering assets, income, savings
and borrowing of the beneficiary households in the study area. The non-beneficiary households could not increase their economic conditions during the same period in the manner the beneficiary households could achieve. It was also observed that the impact of microfinance was relatively more pronounced on the social aspects than on the value of the economic aspects. As virtually all those who participated in the microfinance program were women; the use of social capital enabled them to move ahead in their economic status on a sustained basis.


Their study explained the relationship between poverty and micro-credit, and evaluated the causal relationship between the credit received from the microfinance institutions and the poverty reduction among the rural households in the upper region of Ghana. In this study, the consumption expenditure was used as an outcome variable for the study and the hypothesis assumed that the credit received had an impact on the poverty. The sample taken for the study was a total number of 250 beneficiaries and 250 non-beneficiaries from 5 districts in the region. However, the examination of the data was done by the treatment estimation technique. The study employed the quasi-experimental approach and selecting the sample of the beneficiaries and non-beneficiaries was done carefully. There was an attempt to minimize the potential obstacles that may arise out of contamination, spillover effects, programs, and self-exclusion selection biases. Finally, the findings revealed out that Microfinance had an effect over the reduction of poverty in the study Area of around 0.12 percent, confirming that microfinance is a tool for poverty reduction. Thus, it is recommended to enlarge the scale of the investment in it. In addition, microfinance industry should be improved and proper policies and strategies should be designed to suit the context specific features.


The study reviewed the progress of SHG-Bank linkage programme at the national and regional levels. It studied the impact on the socio-economic conditions of SHG member households as well. The study showed that the
average annual net income, assets, and savings of SHG member households have both increased significantly in the post-SHG situation. Moreover, the study showed that the average amount of loans and the regularity in repayment of loans increased, and the reliance on moneylenders decreased noticeably. Besides, it was revealed that the percentage of loans received for employment and productive purposes per household increased and the condition of poverty among SHG members declined. Finally, it was revealed that the social empowerment of women improved significantly.

50. Ewunetu (2011) “Microfinance “: Does it support Households to achieve an Income above self-Sufficiency?”, “Evidence from Rural Northern Ethiopia”

The researcher attempted to identify the role of microfinance on income and non-income indicators of poverty in the rural areas of the Tigray region of Ethiopia. The study employed two rounds of regional representative household survey data that were collected in 2006 and more recently in 2010. The study concentrated particularly on examining the impact of microfinance credit on poverty reduction of low-income people and its role in the life of poor people to get rid of malnutrition. It revealed that there was clear evidence regarding causal impact of microfinance participation in mitigating of poverty, reducing child malnutrition, and increasing of per-capita income consumption expenditure when applying the three estimators. Additionally, the study found out that the poorest of the poor benefited more if compared to the moderate poor households in Tigray. At the end of the study, it was suggested that around 3 percent of the reduction in the gap of severe poverty in Tigray was made possible by program credit. Results of the study showed how programs of social welfare aimed at poverty alleviation among those living in abject poverty could affect child malnutrition outcomes, which goes beyond the standard poverty measures of income and consumption.


In their study, the researchers evaluated the impact of microfinance in Brong Ahafo region of Ghana from the perspective of Maize farmers. They employed both the primary and the secondary data in the study; the primary data
was collected with the help of the questionnaires and the focus group techniques, and the secondary data was collected from the available data in Agricultural Development Bank (ADB). The study was carried out based on 100 participants in the programs of microfinance. It revealed that the impact of microfinance on both social and economic wellbeing was marginal. Furthermore, it was observed that most of the recipients need the entrepreneurial and market skills for their products and services. Finally, the study recommended that there is a need to improve infrastructure and establish links between farm and non-farm sectors of the rural economy.


The purpose aimed at examining whether or not the access of the households to microfinance has an effect on the poverty reduction. The researchers referred to the available national household data from India to estimate the impact of microfinance institutions loans designed for productive purposes such as investing in agriculture or non-farm businesses on the poverty reduction. They employed the treatment effects model to examine this reduction. Microfinance institutions proved to have a significant positive effect on the standard of living and welfare of the poor people in the area of the study. Furthermore, it was also revealed that loans for productive purposes were more important for poverty reduction in rural areas than in urban areas. However, in urban areas, simple access to MFIs has larger average poverty-reducing effects than the access to loans from MFIs for productive purposes.

2.3.2 Previous Studies Related to the Empowerment of Women and Micro and Small Enterprises


The researchers reported in their study that the emergence of microfinance was a positive development tool towards resolving many issues in the country such as empowering women and mitigating poverty. Many new players have entered into the market leading to the increase in the outreach of credit. The study
mainly focused on laying the emphasis on microfinance sector and examining its challenges in alleviating poverty and creating job opportunities for poor people especially women. Even though microfinance has a broad range of services, this study discussed only the role of micro-credit services and its impact on the underprivileged.

The study finally recommended that the financial services provided by MFIs should be designed in such a way that they meet the requirements of the clients; focus on the issue of operation and financial self-sustainability. The MFIs should also be able to deal with risk management, introduce the concept of Islamic microfinance, and shift from single product strategy to integrated strategy and finally fix a cap of interest rate.


The study examined the impact of micro and small enterprises on the small business growth in Nigeria and referred to the available panel data. It used the multiple regression technique for the analysis of a survey of 502 randomly selected from microfinance banks in Nigeria. The findings of the study revealed that there was strong evidence showing that microfinance does not enhance the growth of micro and small enterprises in Nigeria. However, other features such as business size and location of the business were found to be positively affecting the growth of enterprises. The paper finally recommended that microfinance banks and institutions had to be recapitalised so that the capacity for supporting the business growth and expansion could be enhanced.


In their study, the researchers examined the impact of Self Help Group on the socio-economic characters such as income, heath, employment, literacy, and migration of rural households of karur district. The study focused on analysing the process through which self help group movement took place in improving the standard of living for its members. The researchers employed different research methodologies for collecting the required primary and secondary data such as the structured questionnaires and the direct interview from the self-help group. These
were the main sources for data collection; add to that, the census method was
used. 184 members of the self-help group were taken for the study. The researchers
employed the SPSS (method, test or measure) for carrying out some specific tests
and the Cronbach’s Alpha Test for testing the reliability of the collected data
leading to a result showing a value of 0.744 and indicating the creditability of the
data. Finally, the study revealed that the low interest rate, sanctioning, and
processing cost of the loans were very important factors in enhancing the growth
of self-help group in Tamil-Nadu district. Therefore, it is necessary for the MFIs
to bring down the interest rate of the extended loans and reduce the processing
time and operating cost for the loans applied by entrepreneurs so that current self-
help group be retained and new SHG be attracted for poverty reduction in the
district.

Firms across the World: Contribution to Employment, Job Creation,
and Growth”

The development research group carried out a study to attempt to compare
the importance of small and medium enterprises to the young firms across
different economies. The result revealed that small firms with less than 100
employees and mature firms older than 10 years have the largest shares of total
employment and job creation. Moreover, the young and small enterprises have
higher job creation rates than large and mature firms. The large firms and young
firms have also higher productivity growth. This means, while small firms employ
a large share of workers and create most jobs in developing economies, their
contribution to productivity growth is not as high as that of large firms in terms of
employment and job creation.

Generation”;” A Case Study of Microfinance Program of
Paschimanchal Grameen Bikash Bank”

The study focused on studying the role of microfinance programs in the
creation of enterprises and employment generation. In Nepal, microfinance has
been one of the few effective tools for poverty reduction over the past years. The
research methodology of the study consisted of descriptive and analytical research
design. The required data was collected from primary sources through field
survey, direct interview, and observation. Concerning the sample of the study, the study consisted of 1360 members. The result revealed that the loans provided through microfinance were mostly invested on small-scale enterprises, livestock, and other agro-based enterprises. The study showed also that micro finance loans have been very helpful to create enterprises, generate employment, and improve the standard of living of the households.

58. Garikipati (n. d) “The Impact of Lending to Women on Household Vulnerability and Women’s Empowerment”:” Evidence from India”

The study revealed that most of the evaluation studies found out that lending women benefits their households, though they are contradicting in their conclusions regarding its empowering potential. Therefore, this study was carried out to investigate the paradoxical suggestion by examining a case study of India. The survey data was selected from two drought prone villages in rural India. The findings showed that while lending women has assisted households to reduce their poverty and vulnerability, the results on their empowerment seemed to be less confirmed. When data related to loans along with borrowers-testimonies were tested, it was observed that the demand for credit used on family farm/business combined with women’s lack of co-ownership of family’s productive assets might result in a perverse impact. Finally, if the empowerment of women is considered the main objective, then the patriarchal hold on productive assets must be a challenging obstacle.

59. Balkenhol (1998) “Enterprises Creation by the Unemployed, the Role of Micro Credit”

The study highlighted the role of microfinance in the industrialised countries. It also examined the role, scope, and limits of credit and other financial services as a strategic ingredient of self-employment programs. The study pointed out to issues related to survival of the self-employment activity, sustainability, and outreach of microfinance agents in self-employment programs and public support to microfinance agents.

The study developed a conceptual framework to assess the impact of microfinance on women’s economic empowerment and its contribution to the women entrepreneurs. Further, the study dealt with strategies for improving the utilisation and access to microfinance for the enterprises of women in Punjab province of Pakistan. Finally, the study aimed to develop an exploratory model for women entrepreneurs in urban and rural Areas of Pakistan as this model will help in studying the relationship between microfinance and growth of women entrepreneurs, and the economic empowerment of the households.

The questions of the study enquired about the possibility that the microfinance programs could contribute, provide a push, and empower women taking the households who live in Pakistan as a sample. The primary and secondary data sources were both collected and used in the study. The sample of the study consisted of 300 questionnaires distributed among poor women borrowers, 50 interviews from women entrepreneurs, and 14 interviews from loan officers. The finding revealed that women entrepreneurs could only access microfinance programs. However, commercial banks did not take any part in this work due to the lack of records and collaterals demand. In addition, the outcome of the households remained the same whether a loan was taken for consumption or business purpose. Thus, the argument stated in this Thesis was not well supported. Evidence showed that the objectives of female economic empowerment and entrepreneurship were attained by those microfinance schemes that provided formal training, saving facilities, and social benefits with credit in the package.


The researchers conducted this study to investigate the impact of microfinance institutions lending on micro and small enterprises performance within Kitale municipality. The descriptive survey research design was adopted, and the target population of the study was 1200 MSEs that were registered in the city of the study, and have been operating since the last three years. Concerning
the sample of the study, a sample of 120 MSEs was drawn proportionately and randomly from the strata. The semi-structured questionnaire was used to collect data along with completed questionnaires that were verified and coded by the researcher in a computerised package then analysed and summarised in frequency tables. The comparison between microfinance lending and MSEs performance variables was established with the help of Chi square and correlation tests at 95% significance level. The amount of loans was significantly and positively related to the performance of MSEs in Kitale municipality. The study showed that most of those who accessed loans could repay their loans back with interest from business activities. Moreover, a strong positive significant relationship between the disbursed amount of loans and performance of MSE increase in income/sales was reported.


The study assessed the empowerment of rural women in Udaipur district after the intervention of microfinance programs in the district to figure out the impact of microfinance on the rural low income women. In this study, the researcher assumed that there is no relationship between the age and the empowerment of women; there is no significant relationship between the educational level of women and their empowerment, and finally assumed that there is no relationship between the membership period in SHG and empowerment. Concerning the research methodology, the Udaipur district was taken as a sample for the study.4 Self Help Groups were identified as the target of the study sample, and 25 members of each group were selected to participate in the groups; all this led to a total number of 100 respondents. In addition, the researcher employed the interview technique and the structured questionnaires technique when collecting the required data. They used the descriptive statistics such as mean, standard deviation, percentage for the analysis purpose and ANOVA technique for testing the data. The findings of the study revealed that rural women were able to vote freely in the Gram Sabha meeting without any control from any external parties, and could hold meetings with responsible parties such as bankers, mangers, and others with high self-confidence. The study
also revealed that there was a high improvement in the level of income of the rural women as well as in saving amounts and other activities. However, an increase in the confidence level of women about the children’s education making was noted. The study, to end with, concluded by stating that the political empowerment in the district was greater in impact than the economic empowerment and/or the social empowerment.


The hypothesis of the study was that a specific impact might be found at three different levels: household, enterprise and the individual level. The researchers collected the required data used for cross section and longitudinal statistical tests of the study from the survey conducted in the period of 1998 and 2000. The total number of respondents was 798 respondents. The researchers further carried out complementary analyses.

In this study, the clients of SEWA were poor and belonged to backward sections of the society. Due to this, they were unjustly treated, faced with severe discrimination, and worked as micro entrepreneurs, sub-contractors, or casual labourers. The researchers took the current borrowers, and savers in SEWA Bank who do not have any loan for outstanding and a comparable control group as the sample of the study. The study found out that the services provided by SEWA Bank have helped in increasing the household’s income as well as the per capita income. There was mixed evidence on the participation enhancing all the hypothesised impact variables; the urban poor people got their living as labourers, and the loan usage is fungible. In conclusion, the social relation was very important and could confer value according to the gender and caste.


The study concentrated on understanding the impact of microfinance on poverty mitigation of the poorest of the poor women of the district of Krishna, Andhra Pradesh state. The study employed the probability proportionate to size
(PPS) sampling for the collection of data; the sample of the study was collected from 50 villages in 10 selected mandals of Krishan district. The study also aimed at:

Knowing the performance of microfinance programs in the study selected areas.

1. Studying the issues related to microfinance programs in the district of Krishan.

2. Finding the level of empowerment of the SHG members after joining the MFI

The study concluded by revealing that the SHG members in the district of the study have made a significant difference on the women’s life, improved their quality of life, increased their income and saving and consumption expenditure, which meant that their standard of living improved.

2.4 The Contribution of the Present Study

2.4.1 Focus of Other Studies

It has been noted from the previous conducted studies that despite the accessibility to some studies related to the field of microfinance conducted abroad, the number of conducted studies in Yemen and Arab region was very limited and was not indeed directly related to the core topic of the study. Among all the studies reviewed and discussed earlier, one single study was found to be focusing on the impact of small enterprises on poverty and unemployment in Sana’a capital of Yemen; the city that is actually considered a metropolitan city. The study concentrated on small enterprises not on microfinance, which means that small enterprises can be targeted and funded by different sources other than microfinance. The sample selected was from one city only and there was no comparison between the income and expenditure of the borrowers and the non-borrowers of microfinance institutions.

In other studies, the investigators either examined the financial needs for small and micro enterprises regardless of economic status in Yemen, or studied the outcome on some microfinance institutions that were affected by the civil war
and not necessarily pertaining to poverty and welfare of the poor people in Yemen. Other studies carried out by some international agencies and Yemeni authorities reported only general results about the status of micro and small enterprises in the Arab countries and discussed the emergence of microfinance. These studies have not also adequately examined the impact of microfinance on the poor beneficiaries exclusively in the country except in a few cases. Some of them covered SHGs and focused only on women entrepreneurs that are considered part of the poor and low-income people in the society. Further studies looked into the relationship between microfinance and culture, but these studies again were very limited in scope and did not have proper and clear findings to be followed from the perspectives of poverty reduction in Yemen. Some more studies attempted to find out the gaps between the demand and supply of microfinance that again served the MFI s rather than the poor people. Remaining studies focused on providing some explanation about the inception of microfinance in Yemen and challenges facing the industry in Yemen.

The findings of the studies conducted in countries other than Yemen confirmed that microfinance programs with micro credit plus services have proved to be effective tools in various aspects of the household’s life. They revealed a positive impact on the mitigation of poverty in terms of creating more job opportunities, improving the standard of living of the households, reducing the gender inequality, and bettering the condition of women. As a result, most of the recommendations of the studies highlighted that microfinance integrated with non-financial inputs support should be given more importance in the process of poverty mitigation for effectively challenging poverty reduction. The conducted studies did not all support the participation of micro credit alone in poverty alleviation arguing that isolated micro credit can hardly reduce poverty. Other studies showed the obstacles faced by microfinance in the process of poverty reduction. All the above inferences from the studies facilitated the task of the researcher to acquaint depth knowledge with real world and access information in the theoretical part. The researcher has further felt the benefit of the previous studies on their applied research methodologies such as quasi-experimental approach, control group, comparison groups, and collecting primary data used for
assessing the impact of microfinance and past study references on various concepts prevailing in microfinance sector.

2.4.2 Focus of the Current Study

The importance of the current study lies in its attempt to evaluate the role of microfinance in mitigating poverty and unemployment exclusively covering Yemen with special reference to Alhodeidah governorate and Sana’a governorate, which includes also Sana’a municipality within its territory. The present study is assumed to have a valuable addition in its methodology with the coverage of control group and experimental group for comparing the microfinance impact. It is unique in the sense that it attempts to examine the relationship between microfinance and poverty and unemployment, and makes suggestions for mitigating poverty in Yemen. The present study is also set up to examine the challenges facing microfinance sector in Yemen. It is, up to the knowledge of the researcher, the first of its kind as it attempts to investigate the impact of microfinance on poverty and unemployment in two poor governorates in the country with this new methodology.
REFERENCES


