Microcredit as a Means of Funding Entrepreneurship in Asia

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Abstract

Microcredit can be a powerful tool to aid impoverished individuals in Asia. Despite the increased globalization and interconnectedness around the world, many parts of Asia suffer from the social and economic problems. However, entrepreneurship programs can help alleviate some of the social ailments. Unfortunately, many individuals in the Asian region do not have the financial means to start their own businesses. Individuals may be able to fund their businesses by means of small loans. Microcredit not only empowers poor individuals, it also gives them the opportunity to be self-employed and become self-sufficient. Women are the main beneficiaries of microcredit financial services. Many women are excluded from economic and political life, which creates a problem for them to feed and support their families. The microloans may give women an opportunity to contribute to the overall economy by enabling them to start a business. Throughout history, microcredit services have been provided by non-profit and non-governmental organizations. The need for microcredit in Asia is pertinent due to income disparities, corruption, religious conflicts, persistent poverty, and the exclusion of women from the public sector. Microcredit can impact the economy by increasing individual's income, reduce unemployment, improve the standard of living, and increase economic growth. On the other hand, microcredit carries high-risk, and repaying microloans can be burdensome when the funds are being misused.

Microcredit as a Means of Funding Entrepreneurship in Asia

Microcredit can be used as a financial tool that provides under-developed countries leverage to engage in entrepreneurship businesses. Despite the era of globalization and a continuously interconnected world, many regions of the world are exposed to increasing social and economic problems. Asia is one of the regions that is affected by social and economic ills. By providing beneficiaries small loans at a low rate, microcredit institutions offer an opportunity to poor individuals to develop a self-sustaining business. Not only can microcredit be used to empower nations of different impoverished areas through funding entrepreneurs, but it can also be used to make sustainable positive changes within the community.

Definition and Purpose of Microcredit

Microcredit is a financial tool designed to reduce poverty by supporting entrepreneurship in underserved communities. Ahmed and Siwar (2014) explain that "[m]icrocredit programmes provide small loans to the very poor in order to undertake self-employment and other financial and business activities giving them the ability to care for themselves and their families and thus, achieve a level of independence" (p. 2487). The mechanism of microcredit is to provide microloans: small loans to the impoverished individuals for self-employment and self-sustaining purposes. An example of microcredit would be loaning a small amount of money to poor individuals to buy seeds, fertilizers, tools and equipment to start agriculture among many other activities. Asgaard (2011) argued that the idea of microcredit is to give impoverished individuals the initiatives to put their skills to work in order to change the poor circumstances in their lives. Compared to supports and grants from the government or other entities, microcredit tends to accomplish the purpose it was created for: to empower poor individuals to become self-sustaining in life (p. 467). Therefore, the purpose of microcredit is to empower individuals, providing them an opportunity they would not normally have to break free from the cycle of poverty.

Excluded from economic and political life in Asia, women do not have the means to start up a self-sustaining business to feed and support their families. Women are usually the prime beneficiaries of microcredit in underserved communities (Ly & Mason, 2012). Gueyie, Manos, Yaron (2013) explained that this is the case because cultural norms and legal barriers make it difficult for women to gain access to credit or holding a bank account (p. 203). A research study on five African countries reported that the "women received less than a tenth of the credit received by male smallholders" (Gueyie et al., 2013, p. 203). Microcredit is a means to an end: it empowers women to contribute to their economy by enabling them to start their business activity. For instance, women may need microloans in order to buy a sewing machine, yarns, and fabrics so that they can sew garments to sell. The revenue earned enables the women to support their families. In this way, they can contribute to the family income and to the growth of the economy.

The History of Microcredit and Poverty Alleviation

Microcredit can be traced back to Bangladesh in the 1970s. Dr. Muhammad Yunus was an economics professor at Chittagong University in Bangladesh, and he made his mission to reduce poverty through microcredit (Ariail, Banik, Vasa-Sideris, Quinet, & McGriff, 2012). Yunus would provide small business loans to poor entrepreneurs in impoverished communities. According to Ariail et al. (2012), Yunus believed that "credit should be a human right and that there should not be exploitation of the poor by high-priced money lenders" (p. 97). In his Noble Prize lecture, Yunus provided an explanation of his beliefs:

> Poverty is created because we built our theoretical framework on assumptions which underestimate human capacity, by designing concepts which are too narrow (such as concepts of business, credit-worthiness, entrepreneurship, employment) or developing institutions which remain half-done (such as financial institutions, where the poor are left out) […] All it needs to get poor people out of poverty is to create an enabling environment for them. Once the poor can unleash their energy and creativity, poverty will disappear very quickly. (Milana & Ashta, 2012)

Yunus' efforts helped to provide very small loans to several poor individuals and many of the recipients were women. He used the Grameen Bank, initially an experiment, as a platform to give out microloans to needy individuals. According to Grove and Berg (2014), the main purpose behind the Grameen Bank was to extend credit to impoverished individuals so that they help themselves to become self-sustaining. This institution backed by Yunus's philosophy turned out to be successful.

Microcredit helped alleviate poverty by aiding individuals to start their own business and become independent. Throughout the 1980s, the Grameen Bank provided many individuals, who had "untrustworthy credit", small loans that they could use to start their own businesses. (Ariail et al. 2012, para. 3). For some time, Yunus contributed towards making difference in poor communities, not by charity, but by helping them to become self-reliant. Yunus was determined to find practical solutions to help alleviate poverty. The Nobel Prize winner started by giving out a $27 loan to 42 women, which gave them the ability to invest the money to be able to become self-sustaining. In a nearby village, he found 42 women who made bamboo stools. These women lacked the necessary funds to purchase the raw materials themselves. However, the local traders required them to sell their stools at a price that was barely higher than the raw materials. Yunus found out that the total borrowing needs of these 42 women were equivalent to U.S $27, so he lent them the money interest-free. As a result, Yunus enabled these women to sell their barstools at a reasonable price and break out of the cycle of debt ("Story of Microcredit", 2016).

Inspired by the success of the Grameen bank, many other financial institutions started offering microloans. The Grameen bank was in business for about twenty years and devised several methods in order to alleviate poverty. According to Grove and Berg (2014), “[t]wenty years of the Grameen Bank experience had demonstrated that the rural poor can successfully start small businesses with access to microcredit” (p. 90). From that point on, many other efforts worked in tandem with microloans to help alleviate poverty. Grameen Shakti was founded around the year 1994. The bank introduced a few housing loan in order to help support home businesses. The loan helped individuals to create a safe dry space with life so that individuals could keep working when it got dark. Therefore, this provision allowed individuals to work despite the weather and darkness.

The Grameen Bank is the link to the modern evolution of microcredit. The bank provides loans to more than 7.5 million poor people, 97% of whom are women, to help the impoverished lift themselves out of poverty in Bangladesh, which, is known as the land of microcredit. Noted for its high growth rate of microcredit borrowers, the country has 21.77 million total borrowers (Alam, & Molla, 2012). Thanks to this foundation, about 68% of Grameen Bank borrowers crossed the poverty line (Yunus, Moingeon, & Lehamann-Ortega, 2010, p. 308). Yunus inspired other institutions such as Grameen Foundation, World Vision, Grameen America, and Kiva to evolve in the microcredit world. Ayi and Sene (2014) explained that MixMarket, a database which collects data and information on Micro Financial Institutions (MFIs), reported that the number of MFIs has doubled over the last fifteen years: MFIs have increased in numbers from 600 in September 1997 to 1300 in October 2007 to 1981 in July 2011 (p. 11). The data represents a growth of about 230% over the period of fifteen years.

Milana and Ashta (2012) also reported that "[m] icrofinance has become a relevant global sector, where more than 3,500 institutions are meeting the demands of 205 million clients with a volume that is still uncertain but substantial" (p. 300). Therefore, throughout the years, there has been a significant increase in microcredit financial services as well as microfinance institutions which can be non-profit organizations and non-governmental organizations.

The Need for Microcredit and Entrepreneurship in Asia

Asia is a third world continent with significant prevailing economic and social problem. Arnold (2014) stated that more than half of the world's population lives in Asia. He explained that Asia plays an increasing role in the global economy, international security, and the world's collective efforts to advance human development. Despite many of Asia's developments, there are many critical social issues, which hinder Asia's path to success. Arnold (2014) states that "[a]mong these challenges are widening income disparities, persistent poverty, widespread corruption, and growing ethnic and religious conflicts" (Arnold, 2014). In addition, there is a lack of transparency and accountability in the government, ethnic and religious conflicts, access to justice and human rights, and exclusion of women from political and economic life (Arnold, 2014). If provided with the adequate resources and opportunities, Asia can contribute to the global economy's development. Microcredit can be a means whereby Asia can achieve a better standard of living through entrepreneurship.

Women & Microloans

Empowering women for entrepreneurship through microcredit can help to address the social, political, and economic issues hindering the Asian nation. Md and Islam (2013) emphasized the need for entrepreneurship in Bangladesh. The authors explained that women represent about 50% of the population in this developing country, but unfortunately the employment rate is about only 40%. Moreover, 92% of women who live in rural areas are socially repressed and uneducated. Md and Islam (2013) stressed that "without [the] development of women entrepreneurship in rural areas, the real development of the country is almost impossible" (p. 54). Not only do women face social and economic inequality, but they also find it hard to receive loans from banks due to discrimination and sexual stereotyping. Women in South Asian countries such as Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka are prevented from starting businesses or even contributing income to their families (Chowdhurry & Amin, 2011). In addressing the topic of the empowerment of women in Asia and Africa, Dwivedi (2014) explains that "a smaller share of women work in factories, but many lack the educational qualifications of factory workers in countries such as China and Vietnam" (p. 15).

A solution to the problem is to help women receive necessary training and education in order to be more qualified. Dwivedi (2014) stated that "[i]mproving the quality of education, providing more vocational training, developing job-creating programmes, and removing obstacles to women's entrepreneurship can help alleviate the high rates of female unemployment" (p. 15). Women can contribute to the income generation in an economy as much as men provided that they are given the option of education and training. Therefore through know-how and experience, women can develop entrepreneurship skills so that they can run a small sustainable business model. Giving women the minimum education and providing them funds to start a self-sustaining business will help them contribute towards the development of the country. Oftentimes, organizations such as nonprofits work with underserved communities and women to provide basic education and training so that they can be a contributing part of the economy of their country.

Nonprofit organizations can give the women access to microloans in order to buy raw materials or what they need to start their business. As a result, the female population may become empowered and encouraged to contribute to their economy by generating income through their entrepreneurship business. Female entrepreneurs are engaged in small scale enterprises such as raising farm animals or kitchen gardening to earn a living (Chowdhurry & Amin, 2011). Therefore, in order to tackle social problems and promote economic development, the facilitation of entrepreneurship development in impoverished areas of Asia is an essential step towards human advancement. Microloans may not only create income for the economy; it may also lower unemployment rate in Asia.

There exists a large demand for microfinance services in underserved communities. In their research, Ayi and Sene (2014) reported data on the demand of microfinance all around the world: 82% of $27 billion in loans were granted in regions of Latin America, the Caribbean, East Asia, the Pacific, Eastern Europe, Central Asia, and countries in the former Soviet Union. The authors further elaborated that in Bangladesh there are 23.8 million recipients of loans from microfinance programs and MFIs. Out of the 23.8 million customers, two-thirds are active borrowers. In 2006, the World Bank reported that 62% of poor families in the Asian country Bangladesh use microcredit as a means to handle the situation of poverty (Ayi & Sene, 2014). The author Uddin (2014) emphasized on the pressing need for microloans in underdeveloped countries and explained how industrial economies are different from developing economies. The economically disadvantaged and vulnerable population of underdeveloped nations do not have access to financial institutions as much as people in industrial economies. Poor individuals in developing countries are regarded as “credit ineligible because they cannot put up the collateral that is acceptable to formal banking organizations” (Uddin, 2014, p. 143). The Consultative Group to Assist the Poor (CGAP) estimated that about 2.7 billion of individuals do not have access to financial services such as savings or credit facilities (Gueyie et al., 2013). Therefore, there is a high demand for credit facilities in the Asian continent that microfinance institution can supply.

Alleviating Poverty

Improving access to microfinance provides individuals in poor communities the opportunity to use their skills to develop business plans so that they can escape the cycle of poverty. Alam et al. (2012) explained that “by creating an avenue for the poor to have access to modern credit for economic growth and human development, microcredit has opened a scope for promoting poverty alleviation and reducing income inequalities in the society” (p. 478). By being given the opportunity to cater to their start-up small businesses, disadvantaged individuals can provide for themselves and their families. In return, they can contribute to their economies through income-generating activities.

Microloans are becoming a worldwide tool that gives poor individuals as well as small enterprises an opportunity to escape poverty. Baldi and Sipilova (2014) pointed out that microloans are becoming prevalent in countries such as Central Europe and Eastern Europe. A microloan is not only a tool that contributes towards alleviating poverty but it also promotes the establishment of small-size enterprises, which have minimal access to bank financing. Commercial banks are usually unwilling and hesitant to grant small loans because those loans are perceived as risky and provide low returns (Baldi & Sipilova, 2014). The authors contended that "self-employment and the associated creation of micro-enterprises are seen as a way to help unemployed people to escape poverty" (Baldi & Sipilova, 2014, p. 17). As a result, by providing microloans to small enterprises, microcredit institutions do not only enable them to increase their investments but gives them the chance to use their skills and know-hows for productive purposes.

Over the years, microfinance institutions have provided hope towards poverty reduction in impoverished nations. Ayi and Sene (2014) explained that microfinance institutions adopted three main objectives in order to contribute towards poverty alleviation: firstly by providing services to the most marginalized segment of the population, secondly by giving them the opportunity to attain financial viability, and thirdly by promoting human development in underserved communities.

Microfinance has been an effective tool for poverty alleviation. Terano, Mohamed, and Jusri (2015) reported a successful case study in Malaysia. Amanah Ikthiar Malaysia (AIM), formed in 1986 contributed to the poverty reduction program through the recourse of microcredit finance. AIM assisted economically disadvantaged households by providing them financial services so that they could earn income from "self-employed activities and expand their existing economic activities" (p. 2). Through AIM, poor households have therefore been able to move away from the cycle of poverty and become self-reliant. Gueyie et al. (2013) reported that based on the State of the Microcredit Summit Campaign research, over 3500 MFIs reached around 640 million disadvantaged individuals and about 190 million households (p. 24). Terano et al. (2015) reported that microloans contributed to reduce extreme poverty from 45% to 17% from 1990 and 2008 in Southeast Asia. Therefore, the underserved communities find microloans to be useful tools that provide them access to financial services that are scarce to them.

The Economics of Microcredit

While it is used as a means to increase income and reduce unemployment in the underdeveloped nation, microcredit is also associated with high-interest rates. The positive impact of microcredit is that it can improve a nation's standard of living because it raises domestic income and reduces the level of unemployment. Alam et al. (2012) agree that "[b]y creating an avenue for the poor to have access to modern credit for economic growth and human development, microcredit has opened a scope for promoting poverty alleviation and reducing income inequalities in the society" (p. 478). Microfinance has enabled the government of underdeveloped nations such as Bangladesh recognized the importance of women's role and participation in the national economy (Chowdhury & Amin, 2011). Consequently, third world nations can move towards economic growth.

However, on the other side, the interest rates associated with microcredit is high. The interest rates are high because MFIs are involved in costly operations. Hug (2014) explained that personnel costs make up about 60-70% of the total operating expenses of MFIs operating costs. She further added that for every $1000 loan the average MFI provides, about $180 is needed in terms of operational expenses. Repaying the microloans can thus be difficult if the poor individuals are not able to generate sufficient income to meet their own needs and pay back the microloans. In addition, when microcredit fund is used to invest in productive investments instead of consumer goods, it is beneficial to the economy.

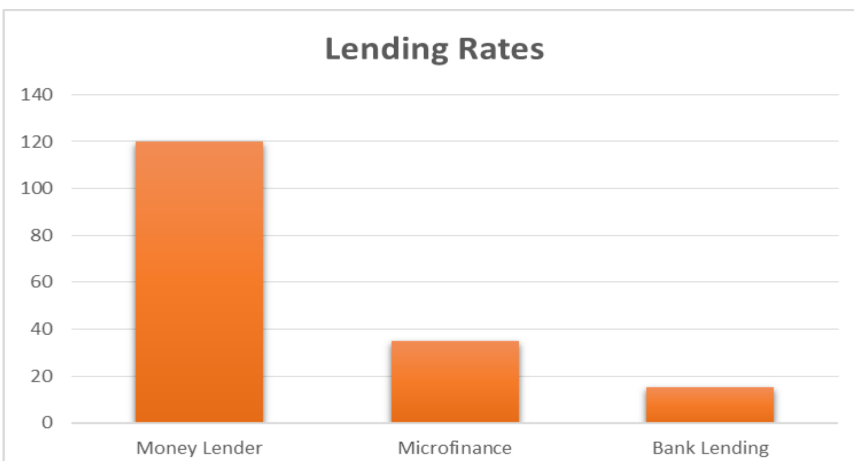

Figure. 1. An adapted figure that shows the comparison of lending rates in emerging and developing countries. Revised from responsAbility Research.

Poor entrepreneurs find it difficult to find loans to fund their small start-up businesses. Often, alternative loans mean that higher costs, such as higher interest rates, are associated with them. Hug (2014) reported that a study by the CGAP revealed that the median interest rate imposed by a money lender varies between 120% and 300%. Microfinance institutions can help provide entrepreneurs with the required funding without higher costs. Figure 1 illustrates that microfinance institutions charge interest rates which are below the interest rates charged by informal money lenders. Banks provides loans to the private sector in developing countries at an average rate of 15%. Given the fact that MFIs have higher costs structures compared to the average banking institutions, they perform relatively well in comparison the average bank lending rate (Hug, 2014). Therefore, since disadvantaged groups do not have access to funding, loans, and other means of capital, microfinance can be beneficial for them to start their business or keep their businesses viable.

Hug (2014) provided several statistics on how microloan helped entrepreneurs who have barely any access to capital or loans. In Bangladesh, some micro-entrepreneurs are expected to be able to cover the costs of borrowing because the average annual return from petty trading is about 200% while in the city of Léon in Mexico, entrepreneurs can generate about 360% annually on an average investment of $150. As a result, a higher rate of borrowing such as 30% can be acceptable to micro-entrepreneurs (Hug, 2014). Despite some of the high borrowing costs involving with microloans, entrepreneurs may find it worthwhile if they can generate a return higher than the costs of borrowing.

Due to risks and low returns associated with microcredit, the main suppliers of microfinance tends to be non-governmental organizations (NGOs). Milana and Ashta (2012) explained that NGOs play a significant role in providing microloans that aim at poverty reduction because they are independent of governments and profit objectives.

The main objective of NGOs is "to serve humanitarian, social, or cultural interests" when the government and the market fail to provide aids that serve social needs (p. 302).

Microcredit and Other Tools

Microcredit can be an ideal way of funding entrepreneurship in Asia. However, microcredit is not a complete solution to reducing poverty in this nation faced by social and economic problems. Other tools such as education, infrastructure, and investments are necessary. Together with all the other tools, microcredit can help to improve the standard living in Asia in an attempt to lessen persistent poverty. For instance, Dwivedi (2014) proposed that in order to empower women in underdeveloped nations, there is the need to improve the quality of education, to provide vocational training, to develop job-creating programs. Social entrepreneurship can significantly help underserved communities by providing quality education and entrepreneurship skills and training.

Social entrepreneurship can be pursued within a for-profit organization, a non-profit organization, hybrids organization, and the government. Guo, Chao, and Woldfgang (2014) use Light’s definition to explain what social entrepreneurship consist of: “A social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks sustainable, large-scale change through pattern-breaking ideas in what governments, nonprofits, and businesses do to address significant social problems or how they do it” (p. 5). Social entrepreneurship is emerging markets that work towards solving social problems in different parts of the world. Not only do social entrepreneurs work towards alleviating social problems, but they also promote social entrepreneurship by getting people involved. Terano et al. (2015) argued that "[d]eveloping and facilitating entrepreneurial activity is one way to alleviate poverty among the poor" (p. 2).

Entrepreneurs engage in productive activities, which, in turn, contributes to economic development. Organizations such as United Nations Industrial Development Organization (UNIDO)'s purpose is to promote industrial development so that poverty can be reduced by improving a "business environment which will promote domestic entrepreneurship and in particular development of the entrepreneurial skills of disadvantaged groups" (p. 2). Uike and Japulkar (2011) also acknowledged how social entrepreneurship contribute to the welfare of society. They explained that social entrepreneurs are considered individuals that attempt to handle and solve some of the world's social problems with a creative mindset. They have the skills for problem identification and developing methods to change the system and propagate the creative ideas in a way that brings the society to collaborate in order to survive social crisis (para. 1). Therefore, a social entrepreneurship organization can successfully contribute towards the reduction of unemployment level in poor communities by first providing education and self-sufficiency skills through entrepreneurship workshops, thereby enabling individuals to succeed at creating a self-sustaining business. The increase in business ventures will, as a result, create a cycle of job opportunities and consequently decrease the level of unemployment in the long run.

In this manner, the increasing rates of female unemployment can be reduced (Uike & Japulkar, 2011). Consequently, poor individuals can undertake an entrepreneurship business if they are given the necessary education to gain literacy and basic business skills. In order to gather the necessary funds for the start-up of their business, the impoverished can recourse to microcredit. Through the small loans, they will be able to buy the raw materials and required equipment to start a self-sustaining business. As a result, literary skills and income from entrepreneurship activities can contribute to improving the standard of living and better the economic conditions in Asia.

The Importance and Composition of Microfinance Institutions

Microfinance is offered by different microfinance institutions: non-profit organizations as well as well profitable institutions. NGOs are considered as non-profit organizations while commercial banks are considered as profitable microfinance institutions. Jobim (2012) explained that institutions that offer solely lending services are known as microlending institutions (MLIs) and they receive support from the government in order to provide services to the poor. Other non-profit MFIs such as Grameen Bank engage in lending as well as deposit-taking activities. Following a revolution in the microfinance world, commercial banks have started offering microloans. However, "commercial lending is concerned with risk management and personal guarantees" (Jobim, 2012, p. 9). As a result, profitable microfinance institutions do not fulfill the initial objective of microfinance to reduce poverty. Instead, it is pursuing a "profit-making microcredit industry" (Jobim, 2012, p. 9).

Microfinance is important because its purpose is to serve humanitarian needs of poverty alleviation. Ly and Mason (2012) explained that “[t]he promise of microfinance is to deliver poverty alleviation while allowing its providers to be financially sustainable, maybe even profitable” (p. 643). Due to its snowball effect, microfinance does not only alleviate poverty, it increases the income of households, provides self-employment opportunities, and empowers women to economically contribute to their communities.

Peer-to-Peer Microfinance

Peer-to-peer (P2P) microfinance consists of microfinancing between individuals or group of individuals without the involvement of traditional financial institution. P2P is an innovative approach for NGOs to provide microloans at the lowest possible costs. Ly and Mason (2012) described how P2P works: “Peer-to-peer microfinance connects philanthropic citizens with poor entrepreneurs in developing world, offering new ways to channel charitable contribution” (p. 1036). The authors further added that “the growth of P2P microlending has created a new space for microfinance organizations to compete for access to capital subsidized by the generosity of individuals” (Ly & Mason, 2012, p. 643). Thereby, bridging the gap between microfinance practitioners and individuals who are interested in charitable donations.

P2P has been made easy with the integration of the internet. NGO's rely on direct connections with individual donors (Ly & Mason, 2012). P2P microfinance institutions rely heavily on online individual lending – online fundraising tools (Ly & Mason, 2012). Therefore, anyone who wants to support poor individuals in underdeveloped countries or entrepreneurs can donate or provide microloans in order to promote the social cause of poverty reduction.

Microfinance NGOs attract philanthropists who seek to contribute to poverty alleviation. The lenders are aware of social and economic problems around the world and they wish to make an impact and give poor entrepreneurs to succeed and to become sustainable by fulfilling their loan requests. For instance, lenders on Kiva are more likely to fund borrowers who are industrious and value self-reliance (Ly & Mason, 2012). Therefore, there are several microfinance institutions; some of them are non-profit institutions while others are for-profit organizations.

The Non-Profit Organizations Network of Microloans

Several non-profit organizations serve as a facilitator of microloans. They provide funding for start-up businesses in underserved communities. A few of the organizations include the Grameen family, WorldVision, and Kiva.

The Grameen Family

Grameen Bank is part of the microloan network that offers personal loans to women to start businesses so that they can contribute to the economy of their country. The Grameen Bank of Bangladesh is a microfinance institution which provides credit to poor households, providing them new self-employment opportunities. This microfinance platform has contributed to increasing household incomes, productivity, workforce participation, and wages in several villages in Bangladesh (Chan & Ghani, 2011). The authors further explained that absolute poverty is about 75% lower in villages whereby Grameen Bank is located compared to villages that do not benefit from such program (Chan & Ghani, 2011).

Grameen Foundation was created based on inspiration by Yunus who founded the Grameen Bank. The foundation fulfills the mission of connecting the world's poor to their potential. The vision and mission statement of the organization is as follows: "Grameen Foundation, founded as Grameen Foundation USA, is a global 501(c)(3) non-profit organization based in Washington DC that works to replicate the Grameen Bank microfinance model around the world through a global network of partner microfinance institutions" ("Grameen Foundation", para. 1). The CEO Alex Counts says, "Grameen Foundation's mission is, "[t]o enable the poor, especially the poorest, to create the world without poverty" ("Grameen Foundation", para. 1).

Grameen America is a nonprofit microfinance organization, which supports mostly women in America and around the world. It was founded by the Nobel Peace Prize recipient Mahammad Yunus. Grameen America's mission is to build a nation without poverty ("About Us", Grameen America). 86,435 women have been serving in twelve different U.S. cities and 264,890 loans were disbursed and 90,755 jobs were created thanks to Grameen America ("Impact", Grameen America). Lepro (2010) reported that “[s]ince opening its branch, in Queens, N.Y., in 2008, Grameen America has granted $6 million of loans to 3,000 borrowers” (para. 15). Grameen America does not only provide microloans but also training and support to fight poverty. For example, according to Lepro (2010) eventually, the Grameen America is going to offer other products such as student loans and insurance (para. 18). Currently, the Grameen Bank in India already provides these products. Yunus has a positive outlook on the future and he wants to bring in many other programs gradually. His vision is to give everyone equal access to credit.

World Vision

World Vision is another organization which facilitates social entrepreneurship through the offering of microloans. It is a Christian humanitarian organization which works in about one hundred countries worldwide with a purpose to fight the root causes of poverty (“Our Approach: World Vision Micro”, 2017). The organization has a microfinance program, called World Vision Micro that aims to provide loans to entrepreneurs in undeveloped countries. The organization stresses on the fact that the “enterprising poor require the same resources as every determined entrepreneur – access to capital and practical training” (“Our Approach: World Vision Micro”, 2017). The mission of the organization is, therefore, to offer opportunities to entrepreneurs become sustainable within their underserved economy. World Vision Micro is a unique program:

> The microloan capital remains in the entrepreneur's community. Once a loan is repaid, the money is used to fund another hardworking person in that same area. This recycling of loans creates a microfinance ripple effect. And since the basic principal of microlending is to aid people that wouldn't otherwise qualify for a loan, the cycle of poverty is continuously broken while a thriving community is built. (“Our Approach: World Vision Micro”, 2017)

Therefore, World Vision’s goal is to provide microloans while promoting social entrepreneurship.

Kiva

Founded in 2005, Kiva is an international nonprofit organization whose mission is to connect a network of lenders with the aim to alleviate poverty. It is open to anyone who wants to lend money to an individual in order to start a business, go to school, and even grow a business. All the money lent goes towards funding loans (“About Us”, 2017). It is a loan that lenders provide, not a donation. Eventually, the loan gets repaid. The organization is active in the microfinancing world. In terms of statistics, Kiva has reaches 82 countries. There has been $929.9 million lent, of which 97.2 % were repaid. A total of 2.2 million borrowers and 1.6 million lenders (About Us, Kiva). About 695,530 borrowers who were supported come from least developed countries (Impact, Kiva). Kiva is a peer-to-peer (PSP) micro-lending connecting philanthropic individuals with poor entrepreneurs around the world. Kiva works with microfinance NGOs registered as "field partners" in a different area of the world (Ly & Mason, 2012, p. 645). According to Ly &

Mason's (2012) study, the average loan size requested and loan term for a project is $694.32 and 10.75 months respectively. 76.2% of the loans were attributed to women. Kiva is a major facilitator, connecting entrepreneurship and microloans to the underserved communities.

The process of the Kiva loan occurs in steps. First, a borrower applies for a loan which then goes through an approval process. Field partners are in charge of posting the profile of the chosen entrepreneurs online and monitoring the loan use and repayment (Ly & Mason, 2012). Afterward, the loan need is posted on the Kiva’s website so that lenders can choose to support. Lenders can browse through the profile of borrowers and choose to contribute towards the loan request (Ly & Mason, 2012). The P2P microfinance platform enables lenders to choose entrepreneurs they wish to support based on loan size, loan term, gender, and sector of activity (Ly & Mason, 2012). The loan is crowdfunded in increments of $25 or more until the fundraising is complete. The borrower then repays the loan. At the end of the process, the lenders have the option to use the loan repayments in order to fund new lenders, donate the money, or withdraw it (“How Kiva Works”, 2017). While Kiva’s field partners charge interest to borrowers, the lenders offer interest-free loans and recover only the principal during loan repayment (Ly & Mason, 2012). Therefore, the Kiva loan program provides poor communities the opportunity to become self-sustaining.

Kiva extends opportunities to several people who are part of the underserved communities. There is a lack of access to loans in several areas because traditional banks and microfinance institutions are not present (“About Us”, Kiva, 2017). The purpose of Kiva is to make it less risky and less expensive for borrowers to be funded. The institution goes beyond the boundaries of classic microcredit, is more flexible to loan repayments, and consequently giving the borrowers the opportunity to prove themselves and become sustainable.

Limitations of Microfinance

Microfinance is not the ultimate solution to poverty reduction. The money lent has to be used for sustaining activities, creating the ripple effect of employment, economic activity, and creating smaller jobs. If microloans do not fulfill this purpose, the purpose of microloans is not achieved.

Even though microfinance institutions have reached multiple underserved communities in the world, there are still poor entrepreneurs that are unable to access microcredit services. Chan and Ghani (2011) stated that 81 million of the poorest communities do not have access to microfinance services.

Microloans are effective tools to help start-up businesses and the development of a sustainable business model. However, the loans do not eradicate poverty. They are a means to an end. If not used properly to create sustainable economic activities in terms of self-employment and other small employment opportunities, they will not serve their purpose. Microloans empower individuals to take steps towards a gradual sustainable shift of poverty, but they do not eradicate the problem of poverty individuals are facing. It is important to stress on the fact that microloans empower individuals to get out of the cycle of poverty instead of just solving the problem of poverty faced by impoverished communities.

Risks of Microloans

While is argued that microloans have helped enhance the lives of several poor communities, many individuals argue that it can cause more harm than what it was originally created for. Heavy and burdensome interest rates and abusive loan collection practices are considered as two main harmful consequences of microcredit (Clark, 2016). Microfinance Information Exchange and MicroFinance Transparency recorded data that the average rate of interest on small loans offered by MFIs in South Asia, Latin America, and Africa can be higher than the interest rate charged by commercial banks. For example, in December 2013, the interest rate imposed by the commercial bank in India was 10.3 % while the average MFI interest rate was 29.5% in April 2014 (Clark, 2016). However, in most cases, the high-interest rates are due to the high relative cost involved in offering small loans.

There is also a high risk of defaults on small loan repayments. The disadvantaged group may not have to able to generate much income with the investment money received and consequently defaults on the microfinance loan received. In order to mitigate this risk, joint liability can be put into practice. Joint liability occurs when members of the lending party are mutually responsible for each of the members' repayment because a large majority of the poor borrowers do not have collateral (Clark, 2016). Joint liability is argued by the researchers Fikkert and Mask to be a key component for minimizing the risks of default in microcredit because it creates social collateral on loans (Clark, 2016). The author further explained that by withholding further loans from borrowers until repayments are performed can create incentives for the lending group members to hold each other accountable in case of default (Clark, 2016). Hug (2014) explained that group loans enable the application of group liability, which, in turn, helps to reduce the risk of default. Group loans also lower the costs of lending because it reduces time spent to visit clients (p. 3). Therefore, group loans and joint liability can help reduce the risks of microloans.

Microcredit within the Christian Worldview

The Old Testament and the church forbade usury because it meant impoverishing the poor individuals. In Deuteronomy 23:19-20, the Scripture says, “You shall not charge interest on loans to your brother, interest on money, interest on food, interest on anything that is lent for interest” (ESV). The interpretation of the latter verse may mean that the Bible teaches one to protect the economically disadvantaged from exploitation. If individuals charge others interest on the food and money, one put the brother in a worse position and cause him to sink more into debt. This Scripture instructs the Jewish community to help his kinfolk with an interest-free loan. It teaches one that one should support the poor that is of the same nation and religion as one. Meeks (2011) explained that interest traditionally refers to the well-being of the lender, not to the price of money in the loan. From a Christian perspective, a loan is to be regarded as a relationship in which two or more persons recognize mutual interests in support of the larger community. The author further explained that God has a concern for the poor and usury usually leads to impoverishment. He stated that the “poor need to borrow for the sake of their own and their children's survival and often cannot pay back the loan with interest or pay back the loan at all” (Meeks, 2011, p. 134). Therefore, making the poor pay interest means impoverishing them.

The Bible teaches one that God will not bless individuals who take advantage of others and charge interest to the poor in order to increase their own wealth (Proverbs

28:8). Leviticus 25:35-37 also teaches one that Christian ought to demonstrate kindness towards their poor brothers. If a brother becomes poor and cannot sustain himself, then one ought to support him and not charge him any interest (NIV). Proverbs 19:17 says, "Whoever is kind to the poor lends to the LORD, and he will reward them for what they have done" (NIV). This verse explains how the follower of Jesus is full of compassion and loan to the poor out of love. The Scripture "does not forbid interest on loans for investment purposes (Clark, 2016, para. 23). At the same time, they say, "[i]t is advisable for microfinance ministries to have funds available to make no-interest loans or gifts to people in destitute circumstances" (Clark, 2016, para. 20). In this modern age, it will be better to give out loans, but charge interest as low as inflation rate in order to cover one's purchasing power. The Christian knows that he will be rewarded by God when he practices selfless acts of kindness.

Microcredit serves as a means to break the cycle of poverty within underdeveloped communities. Not only does it enable individuals to sustain their family, it also enables them to sustain their local economies. The different social and economic issues prevailing in Asia includes corruption, persistent poverty, exclusion of women from the economy, and income disparities. Therefore, in order to alleviate the problem of poverty in the world, it is important to start with the underdeveloped communities of Asia. Microloans may help individuals establish and run a sustainable business model, thereby creating employment, stimulating the economy, and consequently reducing the level of poverty.

Microloans can give individuals the extra push that they need to start their own business and get themselves out of poverty. Dr. Muhammad Yunus, the creditor of the founder of microcredit, started the Grameen Bank, which was originally an experiment that turned out to be successful by extending credit to poor people. Microcredit was able to level the playing field because the individuals who were deemed to have "untrustworthy credit" were provided with small loans to escape the ongoing cycle of poverty.

There are many social issues hindering Asia's path to advance human development. One problem affecting the economy is the lack of resources. If individuals are provided with the right resources and opportunities, the country would be able to better contribute to the global economy. One way to help with the problems faced by this underserved nation would be funding entrepreneurs through microcredit. Women in Asia are the primary beneficiaries because they are already socially repressed and uneducated.

A social entrepreneurship non-profit can empower more women in Asia by providing an opportunity to train, to gain experience, and knowledge so that they can reach their full potential. An example of how women usually use the loan is to buy equipment such as sewing machines and raw materials such yarns and fabrics in order to sow clothes which they can sell (Chowdhury & Amin, 2011). In return, microloans may not only be able to create income for the economy but also lower the unemployment rate in Asia.

Microcredit, however, carries some risks and can cause more harm than good. Interest charged can be high which gives rise to risks of defaults from borrowers. A solution to reduce the default risk is group loan whereby each member is jointly liable for each other. In conclusion, microcredit is not a fail-safe tool from poverty, but it is a tool that can give the opportunities of the disadvantaged to become self-sustaining.

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