Growth of Microfinance Industry: A Critical Global Review

[1]Ambrose Kipruto Chepkwei, PhD
chepkwei@hotmail.com
[1]Jomo Kenyatta University of Agriculture & Technology
Nakuru Campus
P.O. Box 1099 – 20103
Eldama Ravine, Kenya

Abstract

The ideas of microfinance dates back to the 15th century when pawn shops were established in Europe as alternatives to usurious money lending. In the 1700's the Irish loan funds system was established in Ireland. Almost 30 years after the start of the first micro finance institutions were founded the micro finance market is still in evolution. Microfinance is the provision of savings accounts, loans, insurance, and other banking services to customers that lack access to conventional financial services due to poverty. Interest in microfinance has grown over the years due to the industry's ability to improve livelihood of low-income people, however, most microfinance institutions still find challenge in copying with customer needs that require establishment of viable strategies. The objective of the study was to establish growth of microfinance industry globally. The study utilizes resource-based view theory. The research method adopted in this study is the review of literature. The researcher randomly sampled and critically examined existing research on growth of microfinance institutions in 17 countries of the world. Microfinance is no longer an experiment or a wish, it has proven success. It has worked successfully in many parts of the world – Africa, Asia, Latin America, Europe, and North America. The benefits of microfinance industry lie on government policy formulation allowing reasonable freedom towards smooth development. It is required that microfinance institutions provide training to their clients, to support their microenterprises. Microfinance is considered an innovative tool for enabling the low-income people to reap the benefits of microfinance growth.

Key Words: microfinance, growth, institutions, Financial, groups

Introduction

The ideas of microfinance dates back to the 15th century when pawn shops were established in Europe as alternatives to usurious money lending. In the 1700's the Irish loan funds system was established in Ireland. The 1800's saw the emergence of financial cooperatives in Germany (Mango, 2013). The annals of microfinance can be tracked back to the mid 1800's when the scholar Hysander Spooner wrote over the benefits from small credits to entrepreneurs and farmers getting the people out of poverty. The modern day usage of term microfinancing draws its backgrounds in the 1970's when institutions for example Grameen Bank of Bangladesh with the microfinance pioneer Mohammed Yunus were starting and shaping the modern industry of microfinance. Mohammed Yunus laid foundations of micro financing through Grame Bank, Bangladesh in 1976 (Bhatia, Sivakumar, & Ankit, 2016).

Microfinance, started in Europe at the end of the nineteen century with the creation of the Raiffaisen example in Germany or local case mutual agricultural credit in France, and in Africa with protective savings, took truly to the rise in the 1980's from the evolution, the first experiments were by Mohammed Yunus in Banglasdesh and Grameen Bank in 1983 (Ofeh & Zangue, 2017). In developing countries, it is worth noting that in the recent times the market place has been evolving such that the traditional microfinance institutions have and have been transforming themselves into profit seeking institutions. Microfinance has nowadays emerged as a growing industry to provide financial services to low income people. Before then, it focused on providing credit services to micro businesses (Munala & Korir, 2017).

Almost 30 years after the start of the first micro finance institutions were founded the micro finance market is still in evolution. When microfinance initially expanded in the 1980's, it entailed offering credit to the rural poor for income generating purposes through group lending of small and smallest amounts. Today, most borrowers still live in rural south Asia and East Asia and Pacific region. Over a period of time, microfinance has expanded also in Latin, America and the Caribbean, in Eastern Europe, Central Asia and sub-Saharan Africa (Salhab & Ali, 2015). The microfinance concept began when Bangladeshi economist Professor Muhammad Yunus first handed over a few dollars to impoverished basket weavers in 1974. Since then, the movement of microfinance started to grow. Yunus has passionate supporters across the globe (Karn, 2018).

Microfinance Institutions in Developed World

Microfinance institutions are developed with the common purpose of contributing in socio-economic changes of community. Microfinance promotes the savings and credit habit of people in the community. Microfinance activities are focused on reducing poverty levels of community people (Dhakal & Nepal, 2016). Notwithstanding scholarly work done on microfinance or development of microfinance institutions in developing countries in Asia, these include countries as member states of the Association of Southeast Asian Nation are growing, not so much attention has been given to the role of MF in financing micro, small, medium enterprises (Tambunan, 2014).

In many countries in Africa, the informal financial sector co-exists with the formal sector. The informal financial sector is, however, viewed to be larger than the formal financial sector. Microfinance organizations are most prevalent in developing countries, and participation of microfinance organization is costly (Njeri , Mugambi, & Mutua, 2013). Microfinance is the availing of savings accounts, credit, insurance, funds transfers and other financial services to customers that lack access to conventional financial services, usually for the reason of poverty. Making small loans to individuals who lack the necessary resources to secure conventional credit is known as micro credit. Microfinance has emerged as an economic development approach to benefit low-income section of society (Gnawali, 2018).

Statement of the Problem

Interest in microfinance has grown over the years due to the industry's ability to improve livelihood of low income people, however, even with the growth in microfinance industry, most microfinance institutions still find challenge in copying with customer needs that require establishment of viable strategies (Adongo, Anyango, & Rotich, 2016). Ideally, microfinance is one of the practical strategies and approaches that should be implemented and supported to resolve the failures of the credit markets and solidarity sentiments prevail amongst the members who constitute microfinance groups (Omwono, Maizs, & Toroitich, 2016). Microfinance has been touted as a means of improving the lives of the low income people and the provision of funds for business enterprise (Dzisi & Obeng, 2013). To be effective in microfinance growth, it is important to adopt strategies and innovations that will ensure longevity and profitability. The main issue has to do with the critical business strategies that managers of microfinance institutions adopt to ensure that they are sustainable (Aveh, Krah, & Dadzie, 2013).

In developing countries, it is worth noting that in the recent times the market place has been evolving such that the traditional microfinance institutions have are transforming themselves into profit seeking institutions. Although most microfinance consider alleviation of poverty as their primary goal experimenting with new techniques and strategies to raise more incomes and create more products to more consumers in also a motivation to many new entrants. (Munala & Korir, 2017). A further strong growth in the microfinance industry is expected in the coming years since globally a very large number of poor people and microenterprises are under served in terms of financial services (Monroy & Huerga, 2013).

Objective of the study

To establish growth of microfinance industry globally

Literature Review

Resource Based View Theory

The resource based view of the organization is inclined towards the organization's internal environment as a motivator for competitive advantage and stresses that the resources that the organization have established in order to compete in the environment (Penrose, 2015). The resource based view forecasts that certain kind of resources possessed and controlled by the organization have potential capabilities and promise to generate competitive advantage and eventually superior organization performance. The Organization is a bundle of resources and capabilities. These resources and capabilities are made up of physical, financial, human, and tangible assets (Odongo, Anyango, & Rotich, 2016). The resource based view theory has the assumption that; every organization is a collection of exceptional resources and capabilities, while not all organization's resources and capabilities have the basis for competitive advantage (Ireland & Hitt, 2011).

Resource based view is an approach of critical analysis of identifying strategic advantages of the organization based on exploring its distinct combination of assets, skills, capabilities, and intangibles as an organization. To utilize the resource based view in internal analysis, an organization must first identify and assess its resources to ascertain those that provide the foundation for future competitive advantage. The Resource based underlying premise is that firms are different in fundamental ways because each organization possesses a unique "pack" of resources both tangible and intangible assets and organization capabilities that make use of the assets (Pearce & Robinson, 2009).

Corporate governance

Corporate governance in microfinance institutions play a key role in providing strategic direction which help in creating transparency and contributes to efficient management. Microfinance institutions are again adopting best corporate practices to increase the investors' confidence as well as other stakeholders. Corporate governance is associated to internal institutional operations and control procedures. In the last few years, microfinance industries significantly change its shape, due to several reasons in which corporate governance also one of them which plays a pivotal role to enhance the performance of microfinance institutions (Vishwakarma, 2015). However, good corporate governance is an output of participation from different stakeholders in microfinance institutions. Good governance involves embracing decision making and policy implementation by the state from an economic perspective (Ombangi, 2018).

Women Empowerment

The microfinance institutions are leaving enormous economic and social impact. Microfinance contribute to solving problems of insufficient housing and rural services of poverty alleviation programs and empowering of women to play a vital role in society (Vipani, 2016). Women taking part in business life has a great importance in enabling achievement to the potential growth in microfinance. However, by microfinance, women who get the accessibility of credit services; show tendency of income generating activities by taking risks in commercial and service sectors (Demet & Anil, 2015). Microfinance institutions thus contribute to the empowerment of women by providing them with otherwise unattainable resource and supporting them set up businesses as well as to achieve integrity and equality (Lopatta & Tchikov, 2017). The issue of women empowerment has been important for governments and other non-governmental organizations. Moreover, lots of companies, communities and countries around the world are investing in women and microfinancing (Mohanty & Tripathy, 2018).

Microfinance Business

Microfinance has been touted as a means of improving the lives of the low income people and the provision of funds for business enterprises through a range of products and a system of intermediary functions that are targeted at low income client and microenterprise in small transactions suited to their conditions (Dzisi & Obeng, 2013). Microfinance organizations are agents of economic development in developing countries. People from developing countries have innovative ideas for their business even a shopkeeper or household product manufacturer but lack financial resources to implement their ideas. Microfinance should provide technical support to groups or individual in startup of a business, development of manufacturing ideas and maturing skills (Akingunola, Olesegun, Kehinde, & Aninkan, 2013).

Competitive advantage

Microfinance Institutions distinguishes between the types of strategies to employ so as to be at a competitive advantage, the contribution of using competitive strategies in their organizations and also know the challenges that are involved in the formulation and implementation of these competitive strategies (Kisuna & Gogo, 2017). The whole world has become a global market and has resulted in increased competition. The enlargement of the market scope for microfinance institutions has come with opportunities and threats to existing microfinance institutions (Murage, Maithya, & Kariuki, 2017).

Every organization has a potential capability that it employs for it to achieve staple competitive advantage. As long as these capabilities are neither unknown nor realized, it cannot be such efficient to provide barriers for competitors while allowing the organization to surpass competitors (Chepkwei, Wanyoike, & Koima, 2017). Competitive strategy gives direction to an organization on what ways to outperform the competitors in the microfinance industry. To remain relevant in the market a micro finance institution has to provide its customers with products that are innovative in characteristics and should motivate the buyers to purchase, which leads to a competitive advantage position (Kisuna & Gogo, 2017).

Technology

Most existing softwares for microfinance institutions are developed by and for large organizations, often with significant financial support from donors and not with the needs of smaller rural organizations in mind. Technology, innovations and knowledge have become key drivers of micro finance growth today (Sravani, 2013). Microfinance institutions have been in the process of significant transformation. The force behind the transformation of these institutions is innovation in information technology (Memba & Wanyoro, 2017). Microfinance specilaists' inspirations to use technological interventions are same and similar as those for any other similar business model: technology's ability to speed up the flow of information and capital, automate transactions, control, and analyze data. Technology's potential has therefore, led to microfinance stakeholders to believe that technology can have a profound impact on their operations (Sravani, 2013).

Methodology

Literature review is the analysis of test books, research articles, magazines, and manuscripts. It also means the works of researchers consulted in order to understand and investigate the research problem at hand. Literature review is a critical look at the existing research that is significant to the work that the researcher will be carrying out (Kombo & Tromp, 2006). The research method adopted in this study is the review of different research articles, research journals, case studies, to collect data about the growth of microfinance institutions in the global arena (Mohanty & Tripathy, 2018). The researcher randomly sampled and critically examined existing research on growth of microfinance institutions in 17 countries of the world with the sole objective to establish growth of microfinance institutions globally.

Discussions and Findings

Rwanda

The microfinance industry in Rwanda is relatively young. Though small self-help peasant groups such as rotating savings and credit associations otherwise known as (*ibimina*) have existed for some time, the industry growth accelerated with the creation of Banque Populaire du Rwanda and Union des Banque Populaire du Rwanda in 1975 whose network dominates the microfinance industry to date in Rwanda (Mpakaniye, 2016). Performance of microfinance in most countries especially Rwanda has been a challenge which is contrary to their vision of microfinance in Rwanda, the microfinance institution is cut throat competition, financial institutions have had to adopt a myriad of strategies in order to gain competitive advantage (Nshimiyimana & Kule, 2018).

Microfinance industry in Rwanda supports diverse sectors of the economy ranging from agricultural sector, construction sector, commercial sector, manufacturing sector, education sector, and textile sector. The development of microfinance industry exemplifies a significant element in the growth strategy of most economies and holds specific importance in the case of Rwanda. Microfinance institutions in Rwanda impact positively on the growth of women small and medium enterprises (Laetitia, Shukla, & Luvanda, 2015). Microfinace industry and especially U-SACCOs continue to play a key role in propagating financial services in Rwanda, while bringing financial services to the unbanked population (Harelimana & Ignace, 2018).

Egypt

Microfinance institutions all over the world and especially Egypt are recognized to be one of the crucial players in the financial industry that have a positively impacted on individuals, business organizations, the government and the economy as a whole. The major contribution of microfinance institutions to the developing economy like that of Egypt is its role in promoting entrepreneurship development in the nation (Hadidi, 2018). Since the launch of the microfinance reform initiative in Egypt, a total of 49 billion were injected to finance micro, small, and medium enterprises (Saleh, Youssef, & Bary, 2018).

There is a high possibility in Egypt that microfinance institutions play an emerging role in growing of female political and community involvement. However, microfinance organizations in Egypt also face severe obstruction which is basically owing to the number of micro-entrepreneurs in Egypt who access credit services that still low compared with the rest of the world (Nisser & Ayedh, 2017). Lack of usage of technology and client outreach are the main obstacles of growth and penetration of microfinance institutions in Egypt, wheereas competition among microfiance institutions is no quite high but may cause difficulties in future (Rashem & Abdulla, 2018).

Kenya

Growth of microfinance in most countries especially Kenya has been a challenge which is contrary to their vision on creation, their goals and that of the organization which is profit maximization that only comes true through various aspects of growth (Diar, Rotich, & Ndambiri, 2017). Microfinance practices are pillars to development of small business and growth of the informal sector in Kenya. The pressure for microfinance institutions to become sustainable has further driven the entities to develop turnaround strategies to achieve sustainability (Mbugua & Moroge, 2014). Microfinance organizations are the backbone of credit facilities to small and microenterprise in Africa especially in Kenya, as main commercial banks are strict, rigid and too demanding when it comes to credit requirements (Baraza & Kavale, 2018).

The world has become a global market and has resulted in increased competition. In May, 2009, Central Bank of Kenya started issuing licenses to microfinance institutions to take deposits from customers in Kenya. The enlargement of the market scope for microfinance institutions has come with opportunities and threats to existing microfinance institutions in Kenya (Murage, Maithya, & Kariuki, 2017). In Kenya, entrepreneurship is growing and providing a great potential for assisting to stimulate the nation's declining economy, hence contributing towards poverty eradication through microfinance industry services in Kenya (Muiruri, 2014).

Morocco

The microfinance sector in Morocco started during the 1990's to meet the needs of a large population excluded from banking systems and which require financial support to improve its situation and its conditions microfinance sector in Morocco is relatively young. Microfinance is practiced in Morocco by institutions with varied status to meet different needs of low income people in order to handle problems of economic growth (Benouna & Tkiouat, 2016).

After many years of growth, the microfinance industry in Morocco began to encounter some challenges in 2008. The crisis in Morocco began with the collapse of one of the largest microfinance institutions and compromised the whole system. The main reasons for the crisis were the unsustainable growth of the microfinance industry, the high market strength and the multiple indebtness. The crisis ruined the image of microfinance industry in Morocco (Shabbir, 2016).

Ethiopia

The concept of microfinance institutions in Ethiopia is a recent phenomenon and known by its fast – growing but aggressive drive to achieve a large scale. Most microfinance institutions operate in highly populated areas of rural and urban center in which their head offices are in Addis Ababa and state capital towns (Hasan & Batra, 2018). Currently micro financing has become one of the most powerful development tools for combating poverty by providing loan to the poor section of the society. Owing to this, the number of microfinance institutions in Ethiopia grew to over 32 within a short period (Chala & Bessie, 2016).

In Ethiopia, the demand of financial services, particularly micro credit is huge. However, the existing supply for financial services to the poor is very limited. A strategic tool in alleviating the problem, though provision of microfinance services by government and non-governmental organizations were started in the past years, much emphasis was given until recently (Asfaw, 2016). The emergence and development of modern micro finance institution in Ethiopia is a recent phenomenon that happens because of formal financial systems like commercial banking system was very limited and could not address the financial need of unbankabe population for the fact that they are not their ultimate target clients (Kabeta, 2017)

Zimbabwe

The Zimbabwean microfinance industry date earlier to 1960's when people were mobilized into groups to form savings clubs. Even before these groups, people had other sources of credit such as friends and relatives. Microfinance history knowledge of antecedents is likely to contribute to our understanding of current microfinance industry in Zimbabwe, thus influencing policy (Mango, 2013). The microfinance industry has indispensable with the provision of financial services to the financially excluded societies of modern Zimbabwe. Microfinance institutions have increasingly become a crucial conduit for the unbanked populace in Zimbabwe (Mbira & Tapera, 2016).

The microfinance industry in Zimbabwe is still at its initial stages but growing exponentially
owing to the collapse of several banks, while most of Zimbabeans are longing for financial inclusion. Having in mind the requirement to have a fairly structured microfinance industry, the government of Zimbabwe enacted the microfinance Act. The regulatory and supervisory framework of microfinance industry in Zimbabwe is positive and still growing. Zimbabwe being among the countries of Southern Africa to have enacted a specialized law for the microfinance industry (Makuyana, 2016).

Nigeria

Microfinance is not a new concept in Nigeria; the practice has been in existence for decades through operating informally through such phenomena as adasu, esusu, abd itutu. These are forms of rotating savings contribution schemes mostly carried out by traders to help them have access to finance (Ifionu & Olieh, 2016). Before the 1970s, the Nigerian experience in microfinance was limited to Self Help Groups, Rotating Savings andn Credit Associations, cooperative unions community, savings collectors and local money lenders (Ailemen, Taiwo, & Areghan, 2015). The growth of microfinance in Nigeria is phenomenal with over 900 license microfinance institutions in 2012 most operating in urban areas (Abraham & Balogun, 2012).

Microfinance play key roles in the economy of Kwara state in Nigeria, which comprise of provision of diversified affortable and dispensable financial services to the active poor in a timely and competitive manner by various microfinance institutions (Yahaya, Osemene, & Abdulraheem, 2011). The business of microfinance institutions date back to the pre-independence era in Nigeria when saving system and operations of traditional groups served as proprietors of financial exchange. The failure of traditional banks in Nigeria to gather for the financial needs of rural communities gave rise to emergence of microfinance institutions as a way of providing financial services to the poor and low income earners in Nigeria (Apere, 2016).

Jordan

The Jordanian policy makers have concentrated their efforts since 2005 on having new strategy for promoting microfinance and getting rid of the obstacles facing the microfinance institutions in providing services to small enterprises, individuals, and household in Jordan. The microfinance sector in Jordan is characterized by large microfinance institutions with a strong commercial orientation and about a dozen microfinance institutions that provide lesser commitment to industry norms, while microfinace institutions in Jordan are not regulated to comply with any bank regulation (Abdelrahim, 2014).

Microfinance industry as a sector commenced its business in Jordan in 1994. The microfinance industry in Jordan has observed a strong and stable growth with yearly increase in outreach of 16% growth from 200754 to 357777 active members during the period from 2011 to 2015. Though several microfinance institutions do not grow as it would be expected, the result from Jordan is below the international practices which stands at beween 50% to 60% of modern microfinance institutions in Latin America and Asia (Al-Zu'bi, 2017).

Nepal

Microfinance is fairly a new field of financial practice in Nepal, it is almost at the stage of takeoff. Since the year 2000, microfinance has observed rapid growth and performed tremendously as a market player. At the moment, Nepal has a wide variety of active microfinace institutions that provide financial services to the unbanked population (Karn, 2018). The microfiance industry was developed to mobilize micro savings of the poor to create thrift which may be accessed by the unreachable and unbanked especially the women in Nepal (Adhikari & Shrestha, 2013).

Despite the growth in microfiance industry and including poor people in the financial sector in Nepal, opponents claim that the antipoverty tool lacks sufficeint data to demonstrate its positive impact on alleviating poverty in Nepal. There is no doubt microfiance industry is the most appropriate tool to raise the standard of living of the people of Nepal. Microfiance industry has been an essential tool of alleviation through enhancement of microenterprises in developing countries including Nepal (Parafuli, 2016).

Malaysia

Access to finance in Malysia is one of important factors for the growth and development of microenterprises to continue with their business operations. Malaysian government continues to provide financial resource to microenterprises by introducing microfiance framework in 2006. Malysian government saw it was important that a sustainable microfinancing industry is developed (Muridan & Ibrahim, 2016).

Amanah Ikhtiar Malaysia (AIM) is the oldest microfinance institution in both Malaysia and South Asia. Microfinance business in Malaysian microfinance industry is becoming very popular while other competititors are coming up in the market, therefore AIM ought to increase its social and fiancial performance throughits ability to analyze the competitor actions and improving customer orientation (Kazemian, Rahman, Ibrahim, & Adeymi, 2014).

India

The concept of microfinance is no longer new in India. Microfinance market is expected to grow rapidly, supported by government of India’s initiative, is expected to achieve greater financial inclusion. The potential for growing microfinance institutions in India is very high (Tripathi, 2014). The microfinance industry in India today is on path of steady growth and is undergoing substantial change builfing on regulations and shared industry structures. Most microfinance institutions in India are solely engaged in extending micro credit; a few extend savings, thrift, insurance, pension, and remittance facilities (Devi & Shaikh, 2017).

Microfinance has become a part of financial services in India in the 1980s. The microfinance institutions provide financial service to a wide range of clients in rural part of India (Mahapatra & Dutta, 2016). The microfinance industry in India began with unsanctioned Self Help Group (SHG) to get entry to the much-needed savings and credit services in the early 1980s and today it has eveloved into a vibrant industry exhibiting variety of business model (Rupa & Manoharam, 2014).

Indonesia

Indonesia has a long history of microfinance, in 1890 Indonesia had already found People's Credit Bank to offer commercial microfinance services. Indonesia has microfinance industry potential market despite the stringent regulations and high interest rates which have hindered efforts for the growth of microfinance institutions forcing poverty stricken people to be trapped by ruthless money lenders (Rachmawati, 2015). Microfinance institutions in Indonesia are growing expenentially, hence it must ne appreciated that the government of Indonesia is required to assist microfinance institutions (Mulyati, Kartikasari, Mantili, & Harrieti, 2017).

Nevertheless, the studies on microfinance institutions or growth of microfinance institutions in developing countries in Asia, including Indonesia, are growing, not so much attentions have been given to the role of microfinance. Indeed, in spite the fact that Indonesia has a long experience with microfinance it is the most successful country in implementing microfinance programs. While Indonesia has adopted a model of microfinance service provision based on largely on oprations of regulated financial institutions (Tambunan, 2014).

United stated of America

Microfinancing is the concept of providing very small amounts of funds to a person otherwise unbankable. The concept has been successful in many developing. However, attempts to apply it to United States have had little if any success. Microfinance model that has been successful in many development countries has not worked well in United States (Da & Bernstein, 2014). The formation of a regulatory system in United states only dedicated microfinance, microfinance institutions have an opportunity to grow as a strong financial structure. As a result, this new financial system will finally succeed in the united states, eventually providing economic opportunities for the needy population. Many citizens of United States of America yearn to engage in self employment as a means to generate income. Microfinance institutions can provide the financial services required to set up new business concerns (Raheb, 2017).

The dramatic growth of microfinance programs across various countries, like Bangladesh, Bolivia, India, Indonesia other developing countries, united states started to address the key issues with the weaker section or unreached of the nation by welcoming few microfinance organizations. It is observed that in the United States, microfinance organizations cannot compete with regular commercial banks. In order to make success in microfinance in United States, central government should come up with a strategy and bring up new policies and regulations (Dharmapuri, 2018).

China

In China microfinance is basically microcredit, which has a narrower outreach than micro remittance and microdeposit services. Microfinance institutions in China are associated to rural economy and rural finance. The growth of microfinance institutions in china as it that, with adequate management, government and society support, non profit microfinance still has enormous room for growth (Konishi, 2014). As an effective and efficient tool of fighting poverty, microfinance institutions have experienced exceptional growth in several emerging economies including China, despite stagnation and deep crisis, owing to an intrinsic paradox in the fundamental missions of microfinance industry (Wang & Ran, 2019).

China has experienced twenty-six years of microfinance services after successful inception in 1993 as part of a government scheme for the unbankable. Since the first microfinance seed was planted in china, a vast number of different types of microfinance operators have emerged within the Chinese market. In addition, the business restrictions are still an obstacle for the smooth development of microfinance industry in China. Microfinace institutions have eased financial access by the poor who were left out from formal banking in China like many other countries in the world (Rahman & Luo, 2011).

Bangladesh

Bangladesh is the homeland of microfinance because they took the first initiative to provide access to microfinance services for the unbanked in the world. The microfinance program is categorized in two different approaches in Bangladesh, one approach is the interest based for that is; the conventional microfinance, while the other approach is the Islamic Shariya based that is interest free microfinance program (Rhaman & Mazlan, 2014). Meanwhile as microfinance was initiated in the mid 1970s in Bangladesh, not only has it offered credit to support self – employment and small business formation in rural Bangladesh but also established environment that has led to the improved economic and social status of women (Chowdhury & Chowdhury, 2011).

Given that Bangladesh is the known birth place of microfinance, there is tremendous growth of the number of microfinance institutions, their members and borrowers over the last 40 years in Bangladesh. Presently Bangladesh has a large number of renown microfinance institutions which include Grameen Bank, BRAC, and Association of Social Advancement (Muhumed, 2016). Although the size of urban microfinance in Bangladesh is small compared to rural microfinance, actually it has potential. This is because the growth of the urban microfinance is higher than rural microfinance in Bangladesh for a number of reasons which include the number of members, loan amount disbursed, members savings, and increase in coverage and recovering the loan (Hossain & Wadood, 2018).

Cameroon

Though the growth of microfinance actually began to heighten in the begining 1990s, it has been in Cameroon for almost fifty years. Throughout the beginning of 1980s, Banks in Cameroon became progressively unable to assist themselves as it became harder to receive international credit and largely unable to get internal resources within the country. Later in the 1980s, it resulted in a government action totally restructuring all financial institutions. The act articulated the expansion and intensity of microfinance in Cameroon (Ofeh & Zangue, 2017). With the growth in the concentration of microfinance institutions and even banks in most parts of Cameroon, there is need to bring closer focus to the fact that the unbanked competition may not only lead to poor financial service performance and sustainability which may prompt closure of microfinance institutions in Cameroon (Dobdinga, Mbinkar, & Mbachan, 2017).

Just like several other countries in Africa, the microfinance industry trigger in Cameroon was the conventional banking system engaged by the government of Cameroon and the Banking Commission for Central Africa. The growth of microfinance institutions in the 1980s is highly attributed to the gap left as most developing countries restructure their Banking industry, Cameroon was not an exception (Akume & Annicet, 2017). Whereas there is a fast growth of microfinance institutions in Cameroon, there is a distressing trend on bankruptcy, and subsequently closure of these microfinance institutions. All microfinance institutions in Cameroon are maintained by proceeds gotten from loan granted to customers (Mbah & Wasum, 2019).

Ghana

Microfinance institutions in Ghana play a major role to the growth of small business through provision of insurance, education training on financial literacy and record keeping. MFI affects the growth of small business in emerging market, Ghana where majority of small majority of business are small depends on microfinance for survival. The activities provided by microfinance institutions in Ghana assist small businesses to reduce risk of moral hazard and help them to grow (Gyimah & Boachie, 2018). Microfinance institutions in Ghana offers a great potential to support economic activities of small business. Microfinance institutions have succeeded in Ghana where commercial banks have failed in extending credit services to the low income people (Quartey & Asamoah, 2017).

The microfinance industry in Ghana is undergoing a number of changes in the recent past. There is growth in business operations as more businesses are introducing microfinance products to their business lines even as they may not have legally registered as microfinance institutions (Reiter & Peprah, 2015). The key challenges faced by microfinance institutions in Ghana include poor government regulations, regular variations in government policies, scarcity of capita, inadequate skills, infrastructural inadequacies, corruption, frauds, and poor corporate governance. To mitigate the challenges faced by microfinance institutions in Ghana, there is a growing entrepreneurial awareness, increasing government interest and the microenterprise opportunities that exist for microfinance institutions in Ghana (Boateng, 2015).

Conclusion

Microfinance is no longer an experiment or a wish, it has proven success. It has worked successfully in many parts of the world – Africa, Asia, Latin America, Europe, and North America (Ailemen, Taiwo, & Areghan, 2015). It can be concluded that the benefits of microfinance service lie on favourable government policy formulation and allowing microfinance institutions reasonable freedom towards smooth development (Rahman & Luo, 2011). Microfinance institutions play many roles in the development process. The need for microfinance is also increasing in many countries (Kabeta, 2017). The role of microfinance as a viable substitute to formal financial systems has expanded beyond what many considered possible at its inception. Regions of the world in which there were no means for the low income and least educated people could obtain credit services or save, at the moment depend on microfinance to avoid banking systems (Sravani, 2013).

It is inappropriate to conclude that microfinance is not a success factor in United States, rather the strategies adopted in the United States should be looked in to before such strategy is adopted in Unites States of America. The Partnership Model of microfinance is a key success in developing countries like India, Bangladesh, and Indonesia (Dharmapuri, 2018). A further strength in microfinance industry is expected in the coming years since globally a very large number of low income people and microenterprises are underserved in terms of financial services. Microfinance can be considered as one of the new frontiers of the global banking industry (Monroy & Huerga, 2013). Information communication technology uses in state of the art in microfinance in developing countries, managing information, better information, facilitate microfinance industry business computations of complex geographical analysis (Tripathi & Wadugu, 2016). Microfinance is considered an innovative tool for enabling the low income people to reap the benefits of microfinance growth (Alokam & AboHulaika, 2017). Growth in microfinance institutions are expected to be in size, products, merger with other industries, market share and profitability (Tumwesigye & Mulyungi, 2018).

Recommendation

Microfinance institutions should be able to design and deliver innovative products and services to meet the needs of small business operators to sustain and enhance the growth of their businesses (Quartey & Asamoah, 2017). It is therefore recommended that microfinance institutions provide education and training to their clients, as well as support their micro – enterprises (Dzisi & Obeng, 2013). Governments of the world, should pay attention to microfinance industry and institute relevant policies that would expand the industry (Boateng & Agyei, 2013).

Reference

Abdelrahim, K. (2014). Challenges of Jordan's Microfinance from points of views of microfinance managers: An Empirical Study. *Asian Transactions on Basic and Applied Sciences, 04*(02), 9-16.

Adhikari, D., & Shrestha, J. (2013). Impact of Microfinance in Nepal: Case Study of the Manamaiju Village Development Committee, Kathmandu. *Economic Journal of Development Issues, 15*(1), 36-49.

Adongo, A., Anyango, W., & Rotich, G. (2016). Role of Strategic Planning on Performance of Microfiance Institutions in Kenya: Case of Microfinance in Nairobi. *Strategic Journal of Business and Change Management, 3*(3), 154-178.

Ailemen, I., Taiwo, J., & Areghan, I. (2015). Microfinance and Poverty Alleviation in Nigeria: Empirical Evidence. *Journal of South African Business Research, 2015*(2015), 1-19.

Akingunola, O., Olesegun, A., Kehinde, J., & Aninkan, O. (2013). Microfinance and Entrepreneurship Development in Nigeria: A Case of Ogun State. *European Journal of Business and Management, 5*(28), 100-110.

Akume, A., & Annicet, B. (2017). The Performance of MFIs in Cameroon: Does Financial Regulation Really Matter. *Research Journal of Finance and Accounting, 8*(2), 29-41.

Al-Zu'bi, B. (2017). Link Program: Evidence from Microfinance Institutions in Jordan. *Journal of Social and Development Science, 8*(4), 6-13.

Alokam, A., & AboHulaika, E. (2017). An Evaluation of Social Performance of Microfinance Institutions in Yemen. *International Journal of Business and Management, 6*(7), 79-86.

Apere, T. (2016). Impact of MF Banks on Economic Growth in Nigeria. *International Journal of Academic Resaerch in Economics and Management Sciences, 5*(4), 53-61.

Asfaw, A. (2016). Performance of Microfinance Finance Institutions and their Role in Poverty Alleviation: The Case of Ethiopia. *International Journal of Scientific and Research Publications, 6*(2), 412-424.

Aveh, K., Krah, R., & Dadzie, P. (2013). Business Strategy and Sustainability of MFIs in Ghana. *Research Journal of Finance and Accounting, 4*(10), 17-27.

Baraza, O., & Kavale, S. (2018). Effects of Competitive Advantage Strategies on Performance Institutions At Kenya Women Microfinance Bank. *The Strategic Journal of Business & Change Management, 5*(2), 241-268.

Benouna, G., & Tkiouat, M. (2016). Studies and Research on Microfinance in Morocco. *Asian Journal of Applied Sciences, 04*(03), 585-599.

Bhatia, A., Sivakumar, S., & Ankit, A. (2016). A Contemporary Study of Microfinance: A Study for India's Underpriviled. *SIFICO 2016* (pp. 23-31). SIMSR Internatioanl Finance Conference .

Boateng, A. (2015). An Examination of Challenges and Prospects of MFIs in Ghana. *Journal of Economics and Sustainable Development, 6*(4), 52-60.

Boateng, I., & Agyei, A. (2013). Microfinance in Ghana: Development, Success Factors and Challenges. *International Journal of Academic Research in Accounting, Finance and Management Sciences, 3*(4), 153-160.

Chala, M., & Bessie, S. (2016). Factors Affecting Performance of MFIs in Bale Zone, Oromia Region. *European Journal of Business and Management, 8*(16), 107-118.

Chepkwei, A., Wanyoike, D., & Koima, J. (2017). Influence of Organizational Capability on Strategy Implementation among SACCOs in Kenya. *Journal of Business and Strategic Manangment, 2*(4), 54-71.

Chowdhury, S., & Chowdhury, S. (2011). Microfinance and Women Empowerment: A Panel Data from Bangladesh. *International Journal of Economics and Finance, 3*(5), 86-96.

Da, Y., & Bernstein, E. (2014). A Modified Microfinance Model Proposed for the United Stated. *International Journal of Business and Social Research, 4*(7), 87-99.

Demet, C., & Anil, D. (2015). Women, Entrepreneurship and Microfinance in Turkey. *Eurasian Business & Economics Journal, 2*, 93-105.

Devi, P., & Shaikh, M. (2017). Risk Management of Select Microfinance Institutions in Telangana State, India. *International Journal of Economics and Management Systems, 2*, 17-26.

Dharmapuri, A. (2018). Microfinance - Reading the Un - Reach Through Partnership Model. *International Journal of Scientific and Research Publications*, 327-334.

Dhakal, C., & Nepal, G. (2016). Contribution of Microfinance on Development of Community. *Journal of Advanced Academic Research, 3*(1), 134-141.

Diar, A., Rotich, G., & Ndambiri, A. (2017). Factors Affecting Growth of Microfinance Institutions in Kenya: Case of Selected Microfinance Banks in Nairobi City County, Kenya. *The Strategic Journal of Business and Change Management, 4*(1), 115-128.

Dobdinga, C., Mbinkar, B., & Mbachan, M. (2017). Effect of Competition on the Financial Sustainability of Microfinance in Cameroon. *Research Journal, 8*(4), 115-121.

Dzisi, S., & Obeng, F. (2013). Microfinance and the Socio-economic of Women Entrepreneurs in Ghana. *International Journal of Business and Social Research, 3*(11), 45-62.

Parafuli, R. (2016). Effect of Microfinance on Enterprise Level of Poor People: An Empirical Review. *Journal of Advanced Academic Research, 3*(III), 22-30.

Gnawali, A. (2018). Impact of Microfinance Institutions in Women Empowerment. *International Journal of Research in Humanities and Social Studies, 5*(5), 10-17.

Gyimah, P., & Boachie, W. (2018). Effect of Microfiance Products on Small Business Growth: Emerging Economy Perspective. *Journal of Entrepreneurship and Business Innovation, 5*(1), 59-71.

Hadidi, H. (2018). Impact of Microfinance on Entrepreneurship Development: The Case of Egypt. *International Journal of Business and Social Science, 9*(9), 68-76.

Harelimana, J., & Ignace, M. (2018). Challenges Affecting Performance of Microfinance Institutions in Rwanda. *Management and Organizational Studies, 5*(4), 41-55.

Hasan, A., & Batra, G. (2018). Performance Analysis of Microfinance Institutions in Ethiopia. *International Journal of Business and Management, 7*(4), 55-66.

Hossain, B., & Wadood, S. (2018). The Proliferation of the Urban Microfinance its Problems and Prospects in Bangladesh. *Global Journal of Human-Social Science, 18*(7), 59-68.

Ifionu, P., & Olieh, G. (2016). A Decade of Microfinance's Operations and Economic Development in Nigeria. *Research Journal of Finance and Accounting, 7*(5), 152-161.

Ireland, R., & Hitt, M. (2011). *The Management Strategy.* Mason: South-Wesstern Cengage Learning.

Kabeta, T. (2017). Review of Microfinance and Women Empowerment in Ethiopia. *American Journal of Finance, 2*(6), 1-27.

Karn, S. (2018). Challenges and Opportunities of Microfinance in Nepal. *International Journal of Social Science and Management*, 72-75.

Kazemian, S., Rahman, R., Ibrahim, Z., & Adeymi, A. (2014). AIM Accountability in Financial Sustainability: The Role of Market Orientation. *International Journal of Trade, Economics, and Finance, 5*(2), 191-194.

Kisuna, P., & Gogo, J. (2017). An Analysis of Competititve Strategies in Micro Finance Institutions: A Case of Kenya Women Finance Trust. *Journal of Business and Strategic Management, 2*(3), 78-100.

Kombo, D., & Tromp, D. (2006). *Proposal and Thesis Writing.* Nairobi: Paulines Publications Africa.

Konishi, A. (2014). *Access to Finance: Microfinance Innovations in China.* Mandaluyong City, Philippines: Asian Development Bank.

Laetitia, M., Shukla, J., & Luvanda, A. (2015). Microfinance and Business Growth of Women Enterprises's in Rwanda. (A Case of Selected Women Enterprises in Kicukiro District. *European Journal of Accounting, Auditing and Finance Research, 3*(11), 26-39.

Lopatta, K., & Tchikov, M. (2017). The Causal Relationship of Microfinance and Economic Dev: Evidence from Transnational Data. *International Journal of Financial Research, 8*(3), 162-171.

Mahapatra, M., & Dutta, S. (2016). Determinants of Sustainability of Microfinance in India. *Journal of Rural Development, 35*(3), 507-522.

Makuyana, T. (2016). Microfinance Regulation and Supervision in Zimabawe: A Critical Overview. *Mediterranean Journal of Social Science, 7*(1), 376-385.

Mango, S. (2013). Microfinance in Zimbabwe: A Historical Overview. *Meditteranean Journal of Social Sciences, 4*(14), 599-608.

Marage, K., Maithya, J., & Kariuki, E. (2017). Effects of a Learning Organization on Organizational Performance in MFIs in Kenya: A Case Study of Faulu Microfinance Bank Ltd, In Nairobi Region. *Research on Humanities and Social Sciences, 7*(24), 75-89.

Mbah, R., & Wasum, D. (2019). Microfinance Survival: The Impact pf Credit Management on the Sustainability of Microfinance Institutions in Cameroon. *Historical Research Letter, 50*, 41-47.

Mbira, L., & Tapera, J. (2016). Key Success Drivers for Microfinance Institutions in Zimbabwe: Developing Core Competencies for Financial Inclusion. *International Journal of Business and Social Science, 7*(3), 128-136.

Mbugua, D., & Moroge, M. (2014). Critical Success Factors on Turn Around Strategy of MFIs in Kenya. *The Strategic Journal of Business & Change Management, 1*(5), 73-84.

Memba, F., & Wanyoro, J. (2017). Effects of M-Banking Technology on Performance of Microfinance Institutions in Kenya. *Strategic Jounal of Business & Change Management, 4*(2), 1-13.

Mohanty, A., & Tripathy, P. (2018). Factors Affecting Women Entrepreneurs and Sustainable Development in Odisha. *IRDO-Journal of Business Management, 4*(3), 15-28.

Monroy, C., & Huerga, A. (2013). International For-Profit Investments in Microfinance Institutions Equity. *Journal of Industrial Engineering and Management, 6*(3), 709-722.

Muiruri, P. (2014). The Role of Microfinance Institutions to the Growth of Micro and Small Enterprise (MSE) in Thika, Kenya (Empirical Review of Non Financial Factors). *International Journal of Academic Research in Accounting, Finance and Management Science, 4*(4), 249-262.

Muhumed, M. (2016). The Impact of Microfinance on Consumption in Bangladesh. *Journal of Economics and Sustainable Development, 7*(12), 105-110.

Mulyati, E., Kartikasari., Mantili, R., & Harrieti, N. (2017). Model of Business Activities of MFIs in Indonesia. *Diponegoro Law Review, 02*(02), 327-341.

Munala , D., & Korir. (2017). Constraints of Growth of Microfinance Institutions in Nairobi. *International Journal of Finance, 2*(1), 108-124.

Murage, K., Maithya, J., & Kariuki, E. (2017). The Effects of a Learning Organization on Organizational Performance in MFIs in Kenya: A case Study of Faulu Microfinance Bank Ltd, Nairobi Region. *Research on Humanities and Social Sciences, 7*(24), 75-89.

Muridan, M., & Ibrahim, P. (2016). Microfinancing for Microenterprises in Malaysia: A Review. *International Business Management, 10*(17), 3884-3891.

Mpakaniye, J. (2016, July 20). *The Contribution of Micro Credit Advanced to Women on Poverty Reduction in Rural Area of Rwanda.* Retrieved April 23, 2019, from SSRN: https://ssrn.com/abstract=2811980

Njeri , R., Mugambi, F., & Mutua, N. (2013). Dterminantsof Growth of Microfiance Ofrganizations in Kenya: A Case Study of Small and Micro Enterprise Program - SMEP, Voi. *European Journal of Accounting, Auditing and Finance Research, 1*(3), 43-65.

Nisser, A., & Ayedh, A. (2017). Microfinance and Women's Empowerment in Egypt. *International Journal of Bus. and Econ. Affairs, 2*(1), 52-58.

Nshimiyimana, C., & Kule, J. (2018). Effect of Marketing Alliance on the Performance of Microfinance Institutions in Rwanda. *European Journal of Business and Social Sciences, 07*(03), 01-18.

Odongo, A., Anyango, W., & Rotich, G. (2016). Role of Strategic Planning on Performance of Microfinance Institutions in Kenya: A Case of Microfinance Institutions in Nairobi. *The Strategic Journal of Business & Change Management, 3*(3), 154-178.

Ofeh, M., & Zangue, J. (2017). Financial Performance of MFIs in Cameroon: Case of CamCCUL Ltd. *International Journal of Economics and Finance, 9*(4), 207-224.

Ombangi, D. (2018). Challenges that Face the Operations of Microfinance Institutions in Nairobi County. *International Journal of Business and Management, 7*(9), 69-77.

Omwono, G., Maizs, E., & Toroitich, K. (2016). Effects of Microfinance Services on Entrepreneurship Development in Uasin Gishu County, Kenya. *International Journal of Resaerch in Business Studies and Management, 3*(18), 1-13.

Parafuli, R. (2016). Effect of Microfinance on Enterprise Level of Poor People: An Empirical Review. *Journal of Advanced Academic Research, 3*(III), 22-30.

Pearce, J., & Robinson, R. (2009). *Strategic Management Formulation, Implementation, and Control* (11 ed.). New York, America: McGraw-Hill/Irwin.

Penrose, E. (2015). *The Theory of Growth in Firms.* Oxford: Blackwell.

Quartey, J., & Asamoah, A. (2017). Microfinance as a Tool for Small Business Growth in Ghana. *Developing Country Studies, 7*(11), 59-72.

Rachmawati, D. (2015). Market Opportunities and Regulations Microfinance in Indonesia. *Journal of Asian Studies, 3*(13), 173-194.

Raheb, L. (2017). The Future of Microfinance in the USA: Regulatory Reforms for Economic Prosperity. *Journal of Civil Rights and Economic Development, 30*(2), 185-215.

Rashem, M., & Abdulla, Y. (2018). Factors Influencing the Growth and Penetration of Microfinance Institutions: A Case of Egypt. *Academy of Accounting and Financial Studies Journal, 22*, 1-7.

Rhaman, M., & Mazlan, A. (2014). Determinants of Financial Sustainability of MFIs in Bangladesh. International Journal of Economics and Finance, 6(9), 107-116.

Rahman, W., & Luo, J. (2011). The Dev. Perspective of Finance and Microfinance in China: How far is Microfinance Regulations? *International Journal of Economics and Finance, 3*(1), 160-170.

Reiter, B., & Peprah, J. (2015). Microfiance in Ghana: An Exploratory Case Study. *British Journal of Education, Society & Behavioural Science, 5*(4), 433-449.

Rupa, R., & Manoharam, P. (2014). A Study on Financial Performance of MFI in India. *International Journal of Buisness & Management, 2*(10), 187-193.

Saleh, A., Youssef, A., & Bary, A. (2018). The Impact of Microfinance on Sustainable Growth of Micro, Small, and Medium Enterprises (MSES) - An Empirical Study on Egypt. *The Business and Management Review, 9*(4), 420-430.

Salhab, M., & Ali, A. (2015). A Qualitative Analysis of Peoples Views of Microfinance in Lebanon. *International Journal of Economics & Management Science, 4*(10), 1-11.

Shabbir, M. (2016). The Impact of MFIs on Economic Growth of Morocco. *Journal of Tourism & Hospitality, 5*(2), 1-5.

Sravani, M. (2013). Role of Technology in Microfinance Sector in India. *International Journal of Social Science & Interdisciplinary, 2*(9), 107-111.

Tambunan, T. (2014). Importance of Microfinance for Dev. of MSMEs in ASEAN: Evidence from Indonesia. *Journal of ASEAN Studies, 2*(2), 8-102.

Tumwesigye, D., & Mulyungi, P. (2018). Innovative Lending Methods and the Growth of Microfinance Institutions in Rwanda: A Case Study of Urwego Opportunity Bank. *International Journal of Science and Research, 7*(11), 639-642.

Tripathi, V. (2014). Microfinance-Evolution, and Microfinance Growth, of India. *International Journal of Development, 4*(5), 1133-1153.

.Tripathi, V., & Wadugu, D. (2016). Microfinance Instit. Review of Practical Performance: Study Analysis for Different Mobility Conditions in Tech. *Journal of Poverty, Investment and Development, 21*, 68-76.

Vipani , K. (2016). Role of Microfinance in Rural Development W.R.T Gujarat. *International Journal of Advance Research in Computer Science and Management Stuydies, 4*(12), 2532.

Vishwakarma, R. (2015). Effect of Governance on the Performance of Selected Indian MFIs: An Empirical Study. *European Journal of Business and Management, 7*(4), 172-179.

Wang, J., & Ran, B. (2019, April-June). *Balancing Paradoxial Missions: How Does Microfinance Rebuild a Sustainable Path in Poverty Alleviation.* doi:10.1177/215844019857838

Yahaya, K., Osemene, O., & Abdulraheem, A. (2011). Effectiveness of MF Banks in Alleviating Poverty in Nigeria. *Global Journal of Management and Business Review, 11*(4), 12-20.