MICRO-ENTREPRENEURS: A CREATIVE GROUP STRIVING TO MOVE FROM RAGS TO RICHES

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ABSTRACT

The concept of micro-credit or micro-loan, pioneered by the Grameen Bank in Bangladesh, involves credit of approximately $100 to economically disadvantaged entrepreneurs--typically creative women in developing countries. The micro-loan movement has created a global network of tens of millions of women entrepreneurs. Although micro-credit has been in existence approximately three decades, there has been little theoretical work on micro-entrepreneurs. This paper reviews the literature and poses questions regarding the micro-entrepreneurship literature. Specifically, the paper poses the following questions: Are micro-entrepreneurs being helped or hurt by micro-finance institutions? Are micro-entrepreneurs receiving a micro-credit or micro-debt? Do micro-finance efforts help micro-entrepreneurs in both developing and developed countries? What are the long-term effects of micro-credit? First, a brief history of the microfinance movement is discussed and questions are then presented. Finally, possible directions for future research are outlined.

Keywords: Micro-entrepreneurship, Micro-finance, Culture.

INTRODUCTION

Souad Sattari from Tunisia bought a simple sewing machine with her first loan from ENDA Inter Arabe. With Souad's initiative and determination, she now owns a workshop with 22 machines and employs 8 permanent and 5 seasonal employees producing women's clothing. She is now able to fulfill her dream and build a home for her family (The Rockdale Foundation, 2007). Delora Begum's home office in Bangladesh is a metal and straw hut with a mud floor and no toilet and water. Nevertheless, she is viewed as the “phone lady”, a successful entrepreneur who creatively brought cell phones to her community (Jordan, 1999). Santh Chandramma of India married a cobbler at an early age and had six children in a row. When she failed to get assistance from others, she set up her own footwear shop and now can afford to send her son to engineering school (Anonymous, 2009).

Souad, Delora, and Santh are micro-entrepreneurs--entrepreneurs who are often ignored by traditional financial institutions due to: (a) their small business size, (b) their poverty situation, (c) their usual lack of collateral, and, (d) their non-existent credit history. These women were creatively able to obtain micro-loans from micro-credit institutions. Micro-loans are defined as very small loans, which involves credit of approximately $100 to economically disadvantaged entrepreneurs--typically women in developing countries. Small amounts are given to small borrowers around the world in order to assist income-generating self-employment activities (Ahlin & Jiang, 2008).

The concept of micro-credit or micro-loan was pioneered by the Grameen Bank in Bangladesh. Since its commencement, the micro-loan movement has created a global network of tens of millions of entrepreneurs. While micro-credit has been in existence approximately thirty years, there is a lack of theoretical work on micro-entrepreneurs. First, much of the literature on micro-entrepreneurs appears in the popular press. Second, studies on microfinance focus on the organizational level of analysis as opposed to the individual level. Finally, most existing models and theories about women owned and operated businesses are based on experiences of women in developed countries, such as the United States.

This paper reviews the literature and poses questions regarding the micro-entrepreneurship literature. Specifically, the following questions are discussed: Are micro-entrepreneurs being helped or hurt by micro-finance institutions? Are micro-entrepreneurs receiving a micro-credit or micro-debt? Do micro-finance efforts help micro-entrepreneurs in both developing and developed countries? What are the long-term effects of micro-credit? First, a brief history of the microfinance movement is discussed and questions are then presented based on the micro-entrepreneurship literature. Finally, possible directions for future research are outlined.

1.The Historical Context of Micro-entrepreneurship

Professor Muhammad Yunus, the founder of the Grameen Bank and a social entrepreneur, was awarded the 2006 Nobel Peace Prize for his efforts to provide credit and banking services to the rural poor and, in turn, creating economic and social development. More recently, Yunus received the 2009 Presidential Medal of Freedom by the U.S. President Barack Obama. The medal is the highest civilian honor which recognizes individuals who have made a difference in the nation and world.

Yunus's vision to provide accessible credit to the world's poor started when he met Sufia Begum, a 21 year old woman who needed to support herself and thus borrowed about 25 cents from money lenders who charged interest rates of approximately 10 percent per day (Mainsah, Heuer, Kalra & Zhang, 2004). The money was used to make bamboo stools that were sold back to the moneylenders at a price below market value for a profit of 2 cents (Yunus, 2003).

In 1976, Yunus found 42 people in a similar situation and took a risk by lending them small amounts of money (approximately 62 cents per borrower) at reasonable rates. Contrary to expectations, all the borrowers repaid the loans. As a result, Yunus decided to replicate this process across Bangladesh. Despite, these modest efforts, the micro-credit industry started and has continued to flourish by providing small loans to entrepreneurs in rural poor neighborhoods.

How does the Grameen Bank work? The Grameen Bank does not require micro-entrepreneurs to put any collateral against its micro-loans. Each borrower must belong to a group of five members and the group is not required to give any guarantee for a loan to its members. While the individual borrower is responsible for repayment of the loan, the group monitors that everyone behaves responsibly and the loan is repaid. According to the bank, the loan recovery rate is 97.66 percent (Grameen Bank, 2009a).

As of September 2009, the Grameen Bank has 7.95 million borrowers. The majority (97 percent) of borrowers are women (Grameen Bank, 2009a). With 2559 branches, Grameen Bank provides services in 84,691 villages, which includes more than 88 percent of the total villages in Bangladesh. The Grameen Bank has expanded globally and serves numerous regions, such as, South Asia, Latin America/Caribbean, and the Middle East (Grameen Bank, 2009b). As shown in Table 1, one can see that the Grameen Bank has steadily grown with respect to their outreach efforts and portfolio from 2002 to 2008.

The definition of "micro-credit" has evolved since it was pioneered by the Grameen Bank. Yunus stresses that people should recognize that various forms of micro-credit exist in order to reduce confusion. Grameen type micro-credit or Grameencredit promotes credit as a human right and it not based on collateral or legally enforceable contracts. The credit is offered for creating

	2002	2003	2004	2005	2006	2007	2008
Number of branches	1,178	1,195	1,358	1,735	2,319	2,481	2,539
Number of members (In millions)	2.48	3.12	4.06	5.58	6.91	7.41	7.67
Number of active borrowers (In millions)	2.08	2.87	3.70	5.05	5.96	6.16	6.21
Percent of women members (%)	95.20	95.44	95.66	96.27	96.70	96.85	96.88
Average loan balance per borrower (USD)	106	96	90	85	80	86	104
Total loan outstanding (gross) (In million USD)	220	276	334	427	476	530	646
Overdue loans (In million USD)	2.00	6.35	6.11	7.28	8.51	14.91	17.99
Source: www.grameen.com							

Table 1. Grameen Bank's Outreach Indicators and Loan Portfolio Information

self-employment for income generating activities and housing for the poor. In general, the loans are given through non-profit organizations or through institutions owned largely by borrowers. Efforts are made to keep the interest rate as similar to the market rate without sacrificing sustainability of the program. Rather than making a profit for the investors, the main concern is reaching the poor. Other forms of micro-credit include: traditional informal microcredit (moneylender's credit, pawn shops), activity-based micro-credit through conventional or specialized banks (e.g. agricultural credit or fisheries credit), bank-nongovernmental organizations (NGOs) partnership based on micro-credit, and other types of non-NGO non-collateralized micro-credit (Grameen Bank, 2009c).

Although Grameen type micro-credit interest rates are kept relatively low in order to support its main focus on reducing poverty, other profit microfinance institutions (MFIs) have increased rates considerably in order to increase margins, provide capital for growth to satisfy for-profit investors (Mainsah et al., 2004). MFIs are often described as hybrid organizations which strive to combine commercial and social goals (Borys & Jemison, 1989; Steier, 1998). These institutions provide loans and money lending services, such as personal guarantees, based on regular banking principles while incorporating not-for-profit social goals. Some profit MFIs have been described as moving from micro-lending to micro-sharking. For example, Banco Compartamos, the largest MFI in Mexico, listed its shares for over $1 billion in April 2007. In addition, Compartamos' borrowers routinely paid annual percentage rates (APR) of more than 100% instead of an average APR of 31% offered by MFIs worldwide. People have criticized Compartamos for putting their commercial bottom line ahead of their social mission (Lewis, 2008; The Economist, 2008).

Even though several theorists have referred to micro-credit as one of the most important innovations in development policy in the last twenty years (Ahlin & Jiang, 2008), there are some weaknesses associated with micro-credit. First, some theorists have viewed microfinance as possessing a high cost structure in order to be economically viable. Commercial MFIs argue that they must charge high APRs to make a profit and draw private investment capital which will provide them with the opportunity to increase their ventures and provide service to even more poor people. Second, others have argued against MFIs because of the high interest rates they charge to the poor. Most MFIs argue that they must charge high interest rates because it is very costly to service small loans in rural areas to people with no credit history (Lewis, 2008).

Finally, there is increasing evidence that there is a downside to group lending as opposed to individual lending (Karlan, 2009). While group lending provides a mechanism of peer pressure to make sure that individual borrowers will not default on their loans, Innovations for Poverty Action (IPA) argues that group lending can create anxiety within communities when members are unable to pay their loans. In addition, good clients may be discouraged from borrowing which actually decreases the number of clients. As a result, the sustainability and micro-credit programs may actually be reduced. More recently, the Grameen Foundation has developed The Progress out of Poverty Index (PPI), a composite of country-specific and non-financial indicators.

PPI is a practical tool to assist organizations, such as MFIs, in measuring client poverty levels and can be used as indicators of internal learning and external reporting of individual and group portfolio poverty rates. By using the PPI, managers can build client profiles and track the change over time. For example, as shown in Table 2, if a micro-lender had three clients in a group from Bangladesh who had PPI scores of 8, 11, and 15 which corresponded to poverty likelihoods of 71.6 percent, 57.6 percent, and 53.8 percent. The poverty rate in this portfolio is the clients' average poverty likelihood $(71.6 + 57.6 + 53.8) \div 3 = 61$ percent. By doing this calculation, MFIs can take an average of all the client poverty likelihood percentages and determine the average poverty likelihood for the entire group portfolio (Grameen Foundation, 2009).

In sum, the concept of micro-credit has evolved over the years since it was first pioneered by the Grameen Bank. Given the historical context of micro-entrepreneurship,

Country	PPI Score																			
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-100
Bangladesh	100.00	71.60	57.20	53.80	36.70	27.50	23.30	15.70	6.80	5.90	2.90	2.90	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ecuador	96.70	78.20	72.90	62.40	54.40	41.20	32.30	23.80	11.20	63.30	2.40	1.70	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00
India	41.70	34.30	24.70	21.00	14.00	9.20	9.20	7.60	4.50	1.30	1.30	1.30	2.20	0.70	0.20	0.40	0.20	0.50	0.00	0.00
Indonesia	100.00	33.80	37.30	27.00	19.10	12.80	7.50	5.20	2.70	1.80	0.80	0.40	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kenya	55.80	41.90	43.60	35.80	22.60	24.50	18.60	19.10	11.30	11.50	16.20	12.50	2.30	0.60	1.10	0.00	0.00	0.00	0.00	0.00
Malawi	74.00	61.80	59.10	38.70	26.00	17.80	11.20	6.70	2.90	0.30	0.20	0.00	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mali	72.80	86.90	74.70	72.10	70.30	59.70	61.40	26.70	30.60	18.10	11.20	4.00	2.20	50.00	40.00	0.00	0.00	0.00	0.00	0.00
Mexico	83.90	78.90	68.90	52.30	53.60	45.40	37.80	24.70	15.30	14.40	8.90	6.10	3.90	1.60	0.50	0.00	0.50	0.00	0.00	0.00
Nepal	90.20	75.40	39.40	26.60	19.90	21.30	9.10	6.30	4.70	1.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nigeria	72.40	61.50	55.00	52.80	39.60	34.40	32.40	25.40	18.40	15.40	6.00	7.00	6.60	4.20	0.00	1.50	0.00	0.00	0.00	0.00
Palestine	100.00	60.20	55.40	38.10	28.50	14.20	12.40	4.10	4.60	0.00	2.70	2.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Peru	73.70	63.10	64.20	50.00	35.60	27.20	18.80	15.60	7.80	3.70	2.00	1.50	0.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Philippines	83.80	70.90	56.00	54.80	40.70	28.90	23.10	16.90	12.50	5.80	3.50	2.10	1.10	0.40	0.30	0.00	0.00	0.00	1.50	0.00
South Africa	78.90	77.50	54.70	51.40	37.90	29.50	18.60	12.60	7.10	3.20	1.00	0.10	0.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Vietnam	78.90	68.10	52.40	37.90	26.80	12.20	13.20	8.30	4.30	0.70	0.80	0.90	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00
Yemen	47.40	35.10	29.60	29.20	16.80	15.10	10.40	9.10	3.40	1.50	0.60	1.60	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00

Table 2. Country PPI Scores

Note. PPI Scores estimate the likelihood of falling below The United States Agency for International Development (USAID) "Extreme" Poverty Line (%). USAID is an independent federal government agency that receives overall policy guidance from the Secretary of State. Source: Grameen Foundation 2009.

several questions are posed below to further shed light on the issues confronting micro-entrepreneurs.

1) Are micro-entrepreneurs being helped or hurt by micro-finance institutions?

The literature generally describes the purpose of micro-finance is to help micro-entrepreneurs grow their business so that they can create benefits for their households, such as increased income, better housing, nutrition, and schooling and other resources. For example, Mrs. Begum, the "phone lady" was able to commence a successful phone service by obtaining approximately $375 from a loan program offered by Grameen Bank. Grameen phone ladies earn an average of about US$800, twice Bangladesh's per capital annual income (Herbst, 2003). Begum's innovative business venture has also helped hundreds of individuals from the isolated countryside community by increasing the villagers' incomes and quality of lives.

In line with Begum's experience, in Eversole's (2003) study of Bolivian micro-entrepreneurs, the respondents described micro-finance organizations as an available source of credit which required fewer guarantees compared to banks. Micro-entrepreneurs typically used the word "help" and were grateful that they were able to receive a source of capital. Similarly, many respondents in Kah, Olds, and Kah's (2005) study of micro-entrepreneurs in Senegal also felt their lives significantly changed.

Several organizations have partnered with MFIs to empower micro-entrepreneurs so that they are able to change their lives. For example, in line with the sustainability strategy of the HSBC Bank, two schools in India have opened to provide rural women with key business and technical skills and financial literacy (Marar, Iyer & Brahme, 2009). Similarly, Whole Foods established the Whole Planet Foundation, a private nonprofit organization, which supports micro-entrepreneurs internationally by partnering with MFIs to offer micro-loans to the very poor. The program exists in Costa Rica, Guatemala, Honduras, Nicaragua, Indonesia, East Timor, and India (Anonymous, 2008a).

Other entrepreneurs described their experiences as negative ones. Micro-entrepreneurs who received small loans were unable to pay their loans on time. Since payment schedules were inflexible, micro-entrepreneurs with slow turnover and limited cash for emergencies were under a large amount of pressure to pay back their loans.

According to the Alliance for Fair Microfinance, an increasing number of people in the micro-finance industry are using practices that would be considered illegal or unethical in mature financial markets, such as untrue information, unlawful repossession, and high interest rates. There is a need for sufficient customer protection in developing countries so that micro-lenders do not take advantage of the poor (Lewis, 2008).

2) Are micro-entrepreneurs receiving a micro-credit or micro-debt?

The literature generally describes micro-entrepreneurs as receiving micro-credit. Since micro-entrepreneurs typically have less access to traditional lines of credit because they have no assets and no credit history, they will obtain loans from micro-credit institutions. According to the Grameen Bank, credit is viewed as a cost effective manner to fight poverty and enables the socioeconomic development of the poor (Grameen Bank, 2009a). Several independent studies that were conducted by the World Bank, the International Food Research Policy Institute, and the Bangladesh Institute of Development Studies have supported its positive impact.

Numerous popular press sources cite success stories of micro-entrepreneurs who need bigger loans to expand their businesses. Entrepreneurs who received loans for US $50 are now requesting thousands of dollars in order to employ workers, contribute to infrastructure, and expand their businesses. For example, an Indian micro-entrepreneur expanded her 50 chicken business to more than 500 chickens. As a result, she was interested in increasing her loan from $50 to $2,000. Similarly, micro-entrepreneurs in Kazakhstan have increased their credit limits from $40 to $10,000 due to the demand (Chooki, 2005).

Micro-entrepreneurs in developed countries have also increased their credit limit to grow their businesses. "Judy" from the United States first obtained a $600 loan from Women's Self-Employment Project, an organization which helps women to start businesses in the poorest communities in the United States, to expand her door to door shoe business. After obtaining larger loans and building her credit history over the course of 2.5 years, she now owns her shoe store (Miami Times, 1995).

Some theorists, however, have argued that micro-entrepreneurs are placed in a perpetual "debt trap" (Sharma, 2002) and the poor are becoming even more vulnerable (Dichter, 1997; Johnson & Rogaly, 1997). Eversole (2003) describes how most organizations offered "step" loans with initial amounts of approximately US $100. The loans are increased between $500 and $1000 and guaranteed by six businesspeople who commit to repay other group members' loans. However, by increasing the loan amounts, micro-entrepreneurs were at a higher risk at defaulting. More recently, Jo Fidgen of BBC describes how micro-entrepreneurs in Zambia are put in a debt trap due to the high interest charged. During Fidgen's interview, a micro-entrepreneur notes, "You think you make a profit but yet all the profit you make is to service the loans… At times you regret it but then you think where else would I have the cash…" Micro-entrepreneurs are often found in a vicious circle because it is difficult to repay the loans due to the challenges of operating a business in Zambia, such as high transportation costs and unreliability in communication (BBC World Service, 2009).

3) Do micro-finance efforts help micro-entrepreneurs in both developing and developed countries?

The micro-finance movement was originally designed to help reduce poverty in developing nations by providing micro-loans to micro-entrepreneurs (Grameen Bank, 2009d). There exist numerous examples in the popular press and academic journals of micro-entrepreneurs from developing countries such as India, Kenya, Tanzania, Philippines, Vietnam, and Mexico. Micro-entrepreneurs from developing countries may use their loans to generate self-employment from a variety of activities. For example, Qui Zhenqing from China took a loan to dig a well so that she can draw water and sell it to her fellow villagers; Yibeltal Tadele from Ethiopia used the money from his loan to purchase an ox and sell black pepper for a profit; and Akosua from Ghana invested to sell items, such as smoked fish, tomatoes, and eggplants (Grameen Foundation, 2009).

Despite the main focus of micro-entrepreneurship in developing countries, micro-entrepreneurs from developed countries can benefit as well. While the literature discusses micro-entrepreneurship in developed countries such as Canada (Bemma, 2009; Hudson & Wehrell, 2005), majority has focuses on the United States. In January 2009, Grameen Bank opened the first U.S. branch and started providing loans ranging from US$500 to US$3,000 to micro-entrepreneurs. According to an April 2009 report, the Grameen Bank has given loans which amount to $1.5 million to approximately 600 female micro-entrepreneurs in Queens, New York (Grameen Bank, 2009d). For example, Socorro Diaz, a micro-entrepreneur from New York, who sells women's lingerie and jewelry, states, "I'm trying to change my life. Bit by bit." Similar to Yunus's model for developing countries, groups of five micro-entrepreneurs attend meetings in one of the members' apartment. The typical loan payment is $66 on a $3,000 loan. Grameen America states that micro-entrepreneurs repay its loans at a rate of more than 99 percent. While the loan repayment rate is similar to developing countries, unlike the micro-entrepreneurs in developing countries, micro-entrepreneurs in the U.S. need to obtain permits because there is more regulation (Grameen Bank, 2009e).

Even though the Grameen Bank only recently opened a branch in the U.S., micro-entrepreneurship is not new for Americans. Several federal programs in the United States started in the 1990 which helped stimulate micro-entrepreneurship (Morial, 2007). For example, The U.S. Small Business Administration (SBA) Microloan Program provides small (a maximum of $35,000) short-term loans for working capital or the purchase of inventory, supplies, furniture, fixtures, or machinery and/or equipment.

ACCION USA, one of the nation's largest micro-lender, provides loans in 45 states and Puerto Rico and has provided loans over US$750,000 in California alone. ACCION USA services a variety of clients: 85% are minority, 41% are female, and 80% are low to moderate income by federal standards. Micro-entrepreneurs typically open day cares, bodegas and street vendors and have less than $5,000 in assets (Anonymous, 2008b).

The literature suggests that micro-finance hasn't seen the success in the United States as in developing countries (Grameen Bank, 2009e; Morial, 2007). It is possible that since the risks associated with defaulting on micro-loans are not as severe; the risk of failure is not as salient to the micro-entrepreneur. Even though, micro-finance has not been viewed as a complete success, many are still confident that micro-loans can help micro-entrepreneurs by providing them with an opportunity to creatively open a business.

4) What are the long-term effects of micro-credit?

There has been little discussion on the long-term effects of micro-credit in the literature. While most studies examine the partial effects of micro-entrepreneurship in a fixed context, little is known on the effects of micro-credit over the long-term. The lack of empirical studies in the area may be due to the fact that the literature is still in its infancy. More recently, Ahkin and Jiang (2008) examined the long-term effects of micro-credit on development by proposing an economic model. Development was measured by income per capita, inequality, and poverty. According to their model, micro-credit reduces poverty in most cases. Consequently, micro-credit can bring development given that development is defined as a positive impact on the lives of the poorest half of the population, which is line with Yunus's definition. Similarly, in Cuong's (2008) examination of poverty rate over the period of 1993-2004 in Vietnam, the findings suggest that micro-credit significantly reduced poverty rate, poverty gap, and poverty severity. A recent study investigating the impact of poor rural women in Tanzania suggests that while there are some benefits in increasing the profitability of micro-enterprises of the micro-entrepreneurs, there is little long-term effect when examining a raise in household assets (Seendi & Anderson, 2009).

When examining the long-term effect of micro-credit, researchers found some interesting findings. First, Ahkin and Jiang (2008) highlight that in order for micro-credit to have a significant role in long-run development, institutions must focus on micro-saving as well as micro-lending. Since the key of micro-credit's long term effect is for individuals to be self-employed and build up full-scale firms, individuals must gradually accumulate sufficient average returns in self-employment. Second, Cuong (2008) found that the micro-credit program operated by the Vietnam Bank for Social Policies designed to provide the poor with credit actually had a larger portion of participants who were "nonpoor" or who did not meet the poverty criteria. In addition, the "nonpoor" received larger amounts of credit compared to the poor. Similarly, a study in the Philippines found that although micro-lenders typically target female entrepreneurs, increased credit and profits were reported for males but not for female micro-entrepreneurs (Karlan and Zinman, 2009). Finally, Seendi and Anderson (2009) found that while many micro-entrepreneurs in rural areas needed the loans, most institutions offered loans in urban areas. As a result, the accessibility was reduced and the potential of long term effects was decreased.

2.Discussion

By examining the historical context of micro-entrepreneurship, one is able to get a better understanding of the rationale underlying the creation of micro-credit organizations and the processes which micro-entrepreneurs need to follow when they receive a loan from the Grameen Bank. These entrepreneurs are a group of creative individuals who have found ways to obtain small loans despite the challenges in their small business size, poverty situation, lack of collateral, and credit history.

While much of the literature stresses the benefits of micro-entrepreneurship and discusses the success stories of micro-entrepreneurs, a recent article on BBC World Service (July 29, 2009) highlights how some theorists describe micro-credit as a debt trap and how several micro-entrepreneurs have had negative experiences with micro finance institutions.

What can we do to further minimize the weaknesses associated with micro-entrepreneurship? First, institutions should make an effort to reduce the cost structure of lending and interest rates to micro-entrepreneurs. Specifically, MFIs should find creative ways to raise money from funders, foundations, and governments. MFIs may also raise funds by going public and looking for investors, however, their social mission may suffer because profit-maximizing investors will put more attention on the commercial bottom line as seen in the Compartamos case in Mexico. By raising sufficient funds, MFIs will be able to increase their ventures and reach more people.

Second, MFIs may want to further work on identifying tracking mechanisms of the micro-loans. The tracking systems should examine who is receiving the loans. Specifically, poor micro-entrepreneurs who are more in need should be receiving the loans as opposed to others who are more fortunate. In addition, MFIs should examine more closely information on any form of credit history of the micro-entrepreneur. Is the micro-entrepreneur trustworthy? Is he/ she a big risk? Information regarding the PPI can be a useful tool to measure client poverty level as well as the degree of risk of repayment associated with the individual micro-entrepreneur or group. Moreover, there should be more tracking regarding the percentage of micro-entrepreneurs who have "graduated" from using MFIs to formal banking institutions.

Finally, MFIs should consider a hybrid approach regarding lending. Given the difficulties regarding group lending, it may be a good idea to still maintain the group for administrative purposes while focusing on individual liability. BancoSol in Bolivia changed large shares of their group liability portfolio to individual lending. Similarly, Grameen Bank in Bangladesh recently reduced the group liability clause (Karlan, 2009).

Given that research on micro-entrepreneurs remains in its infancy, there are many opportunities for research in this area. First, researchers should examine the factors that contribute to the success and failures of micro-entrepreneurs by conducting in-depth interviews. Second, future research should obtain a better understanding of the motivations of micro-entrepreneurs.

Greater insight in the motivations of micro-entrepreneurs will provide researchers with a richer understanding of this creative group of individuals. Third, since MFIs have expanded globally, researchers should examine how the cultural context interacts with the experiences of micro-entrepreneurs around the world. For example, micro-credit programs in China have been less successful. Theorists have attributed the lack of micro-credit institutions to the legal and financial system (Dean, 2004). Research should examine other cultural factors which impact the success of micro-entrepreneurs. Finally, most research has been conducted in developing countries. Studies should examine micro-entrepreneurs in developed countries, such as the United States and Canada.

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