

## **Microfinance: intervention in challenging contexts**

**Springer**

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### **Call for Book Chapters**

Call for chapter contributions is now open for the book “*Microfinance: intervention in challenging contexts*” to be published by Springer Nature Switzerland AG in 2022.

Poverty remains one of the key global challenges. According to the World Bank, for the first time in over 20 years, the numbers facing poverty are expected to rise from 119 million to 124 million by the end of 2021, particularly due to COVID-19 pandemic (Lakner et al., 2021). This global economic challenge will exacerbate extreme poverty, particularly in low-income and middle-income countries, where the lack of resources to enhance development has become particularly evident within the context of the COVID-19 pandemic crisis. This lack of access to resources has been identified as a key obstacle and blocking further development. Hence, in recent decades, researchers have emphasized the role of microcredit (MC), defined as “the issuance of small, unsecured loans to individuals or groups for the purpose of starting or expanding businesses” (Khavul, 2010: 58), as an important tool for alleviating poverty, boosting entrepreneurial activity, improving economic growth and social inclusion, thus contributing to economic development (de Koker and Jentzsch, 2013).

Conversely, alongside vigorous growth in the worldwide microfinance industry<sup>1</sup>, with an estimated market size of \$124 billion serving in the region of 140 million clients (Convergences, 2019), some scholars raise doubts about its effectiveness for impoverished individuals (e.g., Morduch, 1999; Zheng and Zhang, 2020). These concerns registered an upswing in the current COVID-19 pandemic crisis period with its escalation of credit requests from microfinance institutions (MFI) with uncharted impacts for the microfinance industry (Brickell et al., 2020; European Commission, 2020), as well as for individuals (Azcona et al., 2020). Related to the former, the “microfinance promise” to empower the poor remains inconclusive due the classic challenges faced by MFI, such as mission drift (Gutiérrez-Nieto and Serrano-Cinca, 2019). Concerning the individuals, the lack of ability to generate profits by the financed ventures (Bradley et al., 2012) and the management skills of entrepreneurs, as well as the high interest rates levied (Webb et al., 2013), raise concerns about the capacity of entrepreneurs to generate sufficient income to ensure loan repayment. Thus, the COVID-19 pandemic crisis faced by every country is bringing new challenges to both the supply side, related to the performance of MFI (institutionalists), and the demand side, related to the impact of over-indebtedness, high interest rates and non-performing loans on entrepreneurs (welfarists) (Gutiérrez-Nieto and Serrano-Cinca, 2019). Nevertheless, the emerging problems, exacerbated by this crisis, stimulate the study of new borders between microfinance and entrepreneurial finance as analysis regarding sector-based, family, necessity, social, and refugee entrepreneurship still remain rather scarce (Block et al., 2015; De Massis et al., 2018a; De Massis, et al., 2018b; Saebi et al., 2019; Shepherd et al., 2020).

Entrepreneurship targeting individuals in poverty settings has important outcomes that exceed traditional entrepreneurship research in developed countries. In poor environments, individuals do not have any means of market participation other than entrepreneurship but the lack of financial resources prevents individuals from engaging in entrepreneurial activities despite their ability to perceive promising business opportunities (Stiglitz, 1990; Van Auken, 2002; Yunus, 1998). In a context of scarce capital, through the banking system, MC represents an important tool for

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<sup>1</sup> Often addressed as synonyms for Microcredit, Microfinance is a broader concept relying on “a range of financial instruments including credit, savings, insurance, mortgages, and retirement plans” (Khavul, 2010: 58).

boosting the capacity of impoverished people to start, maintain and grow businesses (Guiso et al., 2004), making MC a buffer that acts against the shocks that threaten vulnerable small ventures (Yunus, 1998) which, in turn, positively impacts on the financial well-being of the individuals. Thus, it is not surprising that entrepreneurial ecosystems research has received growing attention from policymakers, scholars, policymakers, and practitioners (Cao and Shi, 2020). Still, there is little known about the link between these ecosystems and microfinance, which leads scholars to make successive calls for a better understanding not only of the impact of microfinance on encouraging entrepreneurial activities (Newman et al., 2017) but also regarding its role as an instrument bolstering economic development in poverty settings (Chen et al., 2017).

The recent literature also highlights the MC non-financial outcomes; emphasising its impacts on promoting human development in terms of access to health, education, nutrition and the empowerment of women (e.g., Miller et al., 2012). In developing countries, female empowerment, defined as “the process by which those who have been denied the ability to make strategic life choices acquire such an ability” (Kabeer, 1999: 435), is relevant as women are constrained by social norms that restrict their autonomy and rights, and limit their involvement in entrepreneurial activities (Mair et al., 2012). Thus, by targeting women, MC enables them to achieve greater control of their ventures, increase their ability to make decisions, and raise the resources available for their household’s income. Yet, little is known so far on the responses of microfinance as regards fostering financial outcomes as well as individual well-being and women’s empowerment, particularly in the currently challenging times (Brickell et al., 2020). Therefore, the open debate on the social and economic impact of microfinance still remains inconclusive.

Current developments also impact on whether and how MC bolsters economic development in poverty settings (Chen et al., 2017). Nowadays, the MC outreach is changing due to the emergence of prosocial crowdfunding platforms that act as socially orientated lending marketplaces, where MFIs post microloans to be accessed by socially-oriented lenders worldwide (Mollick, 2014) to provide credit, particularly in emerging markets, targeting entrepreneurs in need (Meyskens and Bird, 2015). Thus, through the so-called online *crowdfunded microfinance* platforms, the crowd of lenders provides credit access to start-up capital to impoverished microentrepreneurs underserved by the banking industry as well as a refinancing strategy and

greater liquidity for MFIs. In addition, other alternatives for entrepreneurial finance have emerged, such as Fintech and digital financial services (Cavallo et al., 2019; European Commission, 2020; Hervé and Schwienbacher, 2018; Liu et al., 2020; Pollack et al., 2021; von Briel et al., 2018). These developments continue to challenge the microfinance industry.

This book entitled “*Microfinance: intervention in challenging contexts*” aims to bring new insights into the effectiveness of microfinance (and especially MC) as a tool for boosting entrepreneurial activities which, in turn, enhance the capabilities of individuals living in extreme poverty across several dimensions of human development in these newly challenging times faced by both individuals and the microfinance industry. This book emerges within the context of the project “*The role of microcredit in promoting financial and social inclusion*”.<sup>2</sup>

The editors expect these topics to grow in interest as both developing and developed countries face common challenges, such as rising poverty and unemployment, due to the current worldwide crisis, although with asymmetrical country impacts. Therefore, the book also aims to contribute towards responding to the Sustainable Development Goals (SDG) in the microfinance market, specifically eliminating extreme poverty (SDG1), promoting shared economic growth (SDG8), and reducing the inequalities among countries (SDG10) to ensure all people enjoy prosperity in 2030 (European Commission, 2020).

Thus, the editors invite authors with both theoretical and empirical research addressing the following topics, but not limited to:

Topic	Subtopics
<p style="text-align: center;"><b>Impacts and best conditions for microfinance to thrive</b></p>	<ul style="list-style-type: none"> <li>- Impact of microfinance on entrepreneurship (launching and expansion of ventures)</li> <li>- Impact of microfinance on poverty alleviation, economic development, and well-being</li> <li>- Reduce gender poverty gaps, empower women’s entrepreneurship and foster gender equality</li> </ul>

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<sup>2</sup> This project has been funded by FCT - Fundação para a Ciência e a Tecnologia, I.P., Project PTDC/EGE-OGE/31246/2017.

<b>Alternative forms of entrepreneurial finance</b>	<ul style="list-style-type: none"> <li>- Funding gap and alternative capital sources to enhance microfinance and finance MFI</li> <li>- Fintech and new financial initiatives (e.g. crowdfunded microfinance, impact investors, mobile payments, blockchain): successes and challenges</li> <li>- Digital transformation, MFI transitions to digital channels, digital entrepreneurship and digital economies</li> </ul>
<b>New frontiers between microfinance and entrepreneurship</b>	<ul style="list-style-type: none"> <li>- Sector-based entrepreneurship and family entrepreneurship</li> <li>- Social entrepreneurship and necessity entrepreneurship</li> <li>- Empowering immigrant and refugee entrepreneurship</li> </ul>
<b>Classical and emerging challenges in microfinance</b>	<ul style="list-style-type: none"> <li>- Microfinance and entrepreneurial ecosystems (emerging and/or developed countries)</li> <li>- Sustainable Development Goals, Microfinance, performance and governance of MFIs</li> <li>- Impact of COVID-19 on microentrepreneurs and MFI</li> </ul>

**The timetable for the book is as follows:**

<b>Date</b>	<b>Stage</b>
September 20, 2021	Deadline for proposal submissions
October 29, 2021	Formal invitation/submission guidelines sent to selected authors
February 28, 2022	Submission of draft chapters and initial review process
April 18, 2022	Revision due from authors
May 30, 2022	Submission of the final chapter version
June 30, 2022	Submission of final manuscript to Springer

The full chapter should not exceed 10,000 words, including tables, figures, references, and appendices.

If you are interested in submitting a chapter, please express your interest, in the first instance, by putting together a chapter abstract, as per the guidelines below, and forwarding it to **microcredito@ubi.pt** by **September 20, 2021**.

**Guidelines for the proposal submission:**

1. A title page with the author(s) affiliations and the chapter title
2. Two/three pages (double-spaced) abstract
  - a. Include only title – WITHOUT ANY AUTHOR information
  - b. Research question/purpose of the chapter
  - c. Theoretical background
  - d. Data source(s), variables, and methodology
  - e. Preliminary results and contributions
3. Please submit your proposals via email to: **microcredito@ubi.pt**

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