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Article

Microcredit as a strategy for employment creation: A systematic review of literature

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DEVELOPMENT ECONOMICS | REVIEW ARTICLE

Microcredit as a strategy for employment creation: A systematic review of literature

Djihad Tria^{1*}, Mukaramah Harun² and Md. Mahmudul Alam³

Abstract: National governments and their development partners have considered microcredit as a strategic tool for vulnerable populations. Easy access to finance increases the client's ability to invest and allows clients to use resources to change their behaviour, increase their business opportunities and create employment. This paper aims to review studies that focused on microcredit and employment issues affecting beneficiaries, including gender-based employment creation and the informal sector. Through a systematic search of electronic databases and keywords to identify relevant studies, 40 core articles are identified for the period 1998–2021. The results indicate the significant impacts of microcredit on women's employment creation and business revenue of microenterprises in the informal sector. Moreover, a few studies set out to integrate gender employment creation and the informal sector with reference to microcredit. A framework is proposed to address the relationship between employment structure and microcredit. Finally, this study recommends developing a financial social accounting matrix and run empirical analysis on macro modelling such as input-output or general

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PUBLIC INTEREST STATEMENT

This study aims to systematically review studies that focused on the issue of microcredit and employment creation. Microcredit significantly contributed to reduce poverty, and easy access to finance increases the client's ability to invest and allows clients to use resources to create employment, especially for women and in the informal sector. However, this finding is not same for every country and sector. Therefore, more macro modelling study is required to understand the overall picture. The findings of the study will help policy-makers, including the microcredit authorities, NGOs, government and local and international actors to facilitate the development of microfinance.

equilibrium modelling. Doing so will help obtain better understanding of how microcredit participation is associated with employment creation in different sectors and different types of household groups.

Subjects: Economics; Macroeconomics; Development Economics

Keywords: Microcredit; informal sector; job creation; microenterprise

1. Introduction

Governments have always focused on creating a favourable environment for the private sector to play a leading role in economic growth and employment generation. Microcredit schemes are the one of the important mechanisms of economic and business development for marginal groups, especially women, according to social capital theory. Microcredit programs mainly encourage women to participate in the labour market and help to absorb female informal employment. Thus, offering financial services such as microcredit to a low-income household without a bank account can create new job opportunities, enable the poor to manage their limited financial resources in a rational way and reduce unemployment (East and Southern Africa Banking Supervisors Group (ESAF), 2004; Javed et al., 2006; Latif et al., 2011; Stanila et al., 2014). Various studies have increasingly acknowledged the effectiveness of microcredit programmes in enhancing poor people's well-being by increasing income, production and positively benefiting the economy, adding value, productivity and business development (Al-Mamun & Mazumder, 2015; Thanh et al., 2019).

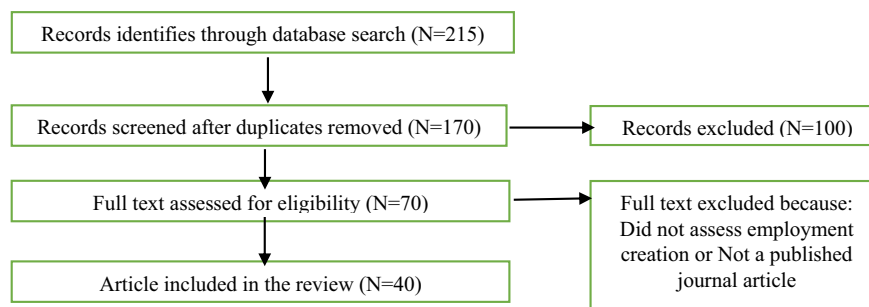
Furthermore, numerous studies stated that microcredit significantly contributes to poverty reduction by providing credit to vulnerable people (Chowdhury et al., 2005; Roodman & Morduch, 2014). (Pomi, 2019; Shirazi & Khan, 2009). However, very little research has investigated the relationship between microcredit and the structure of gender-related employment associated with different economic sectors and types of skills. The employment structure helps to understand the nature of a country's fragmented labour market in which the formal and informal sectors coexist and to identify the sector's contribution to employment (Chowdhury, 2009a; Fapohunda, 2012). Existing published systematic review studies exploring the microcredit impact have focused on health and poverty issues (Arrivillaga & Salcedo, 2014; Awojobi, 2019; Gupta & Sharma, 2021; Kennedy et al., 2014; Mohamed & Fauziyyah, 2020). There is growing evidence that microcredit is an effective approach for creating employment and growing businesses, and improving the productive capacity of a beneficiary (Al-Mamun et al., 2010; Pathak & Gyawali, 2010; Sahu et al., 2021). A significant gap remains in our understanding on how microcredit is associated with employment creation. However, because it has received less attention, it is more significant to conduct research on the impact of microcredit on the structure of employment which includes employment, gender and informal employment to help policy-makers, including the microcredit authorities, NGOs, government and local and international actors. This helps to facilitate the development of the microfinance sector by identifying the factors that influence the accessibility of microcredit, analysing the information and recommending possible solutions.

The purpose of this research, therefore, is to analyse the findings of published literature on microcredit and employment issues mainly affecting gender and the informal sector by applying a systematic literature review. Moreover, based on the findings from the literature this study proposes a framework on the issue to fill the knowledge gaps, in order to create evidence to support decisions in research and practice.

2. Methods

The study uses an integrative concept-centric technique that depend on the analysis of current literature and deductive logical reasoning to produce a new complete scientific understanding about a topic (Tadele et al., 2022).

Figure 1. Flowchart of the research process.



2.1. Main search strategy—peer-reviewed literature

We begin the search process by checking the following electronic databases related to microcredit and employment creation: Science Direct, Scopus, IEEE, JSTOR and Web of Science. The search function in each database has been used for in-depth research on articles related to microcredit and employment creation, gender employment, and informal employment. The following search strategy was used: (“microcredit” OR “microfinance”) AND (“employment” OR “job creation”) AND (“gender” OR “male” OR “female”) AND (“informal sector”) within each database. The keywords used in the search are selected based on our preliminary review of the relevant literature and our understanding of the terms used in microfinance that vary from publication to publication.

2.2. Criteria for selection the sample studies

The initial search results were then checked to see if they met the inclusion criteria. However, working papers are excluded and we only included the peer-reviewed publications for review. Information was put onto an Excel spreadsheet. Full-text articles were then examined and met the eligibility for analysis.

2.3. Final inclusion criteria—and study quality assessment

Full-text articles that met the initial inclusion criteria were then assessed for quality and added to the data extraction form before included in the analysis to reduce any risk of bias.

2.4. Data extraction

Papers identified as eligible for analysis were read and key information extracted, data extraction form was used to extract important information. These include author, title, country, research design, data collection, and key findings.

The study was conducted in July 2021 and all publications since 1998 were checked. A preliminary search found 215 articles, including duplicate ones throughout databases. A total of 45 duplicates article were detached, and titles of articles were reviewed to confirm they met the criteria of inclusion or exclusion. In total, 70 research articles were chosen for review, with 40 finally meeting the final inclusion measures. A total of 30 articles that did not assess the microcredit impacts on employment creation or gender-related employment or the informal sector and not a formally published study (e.g., Working paper), were not included. The last set of articles (N = 40) are assembled on the subject of employment creation and synthesis according to six key components: author, title, country, research design, data collection, and key findings. The search strategy is detailed in figure 1.

3. Results

3.1. Microcredit and employment creation

Table 1 summarises the articles addressing microcredit and employment creation. The list of countries included are Pakistan, Nepal, Algeria, South Africa, Bosnia and Herzegovina, Sri Lanka, Bangladesh (N = 3), Malaysia, India (N = 3) and Ghana (N = 2). Eight of these articles introduced results from

quantitative research evaluating the impact of microcredit and employment creation (Alnaa, 2017; Atiase et al., 2019; Awan & Ibrahim, 2015; Datta & Sahu, 2021a; Khandker et al., 1998; Ncanywa & Getye, 2016; Ruslan et al., 2020; Sahu et al., 2021). Four reviewed studies presented results from mixed methods that evaluate the role of microfinance in employment generation (Augsburg et al., 2015; Banu et al., 2021; Pathak & Gyawali, 2010; Singh et al., 2021). Another study conducted in Algeria used a quasi-experimental assessment (Nacera & Djamil, 2017). Two of the reviewed studies presented results based on qualitative methods (Banerjee & Jackson, 2017; Shaw, 2004).

The seven quantitative studies reviewed stated the positive impact of microcredit on employment creation. For example, Atiase et al. (2019) found that microcredit has a positive impact on employment creation among SMEs in Ghana. The South African study found that microcredit is negatively correlated with unemployment, and it is an effective device for economic development (Ncanywa & Getye, 2016). They also recommend the policymakers to continue to implement measures of this policy given its positive contribution to GDP. Awan and Ibrahim (2015) and Khandker et al. (1998) demonstrated the positive effect of microcredit on self-employment. Correspondingly, Alnaa (2017) stated that accessing to credit has a 46% probability of employment creation. Sahu et al. (2021) confirmed that microcredit has the potential to generate employment. Datta and Sahu (2021a) show that employment generation has a positive association with micro ventures in rural areas of India.

On the other hand, one quantitative study showed no impact of microcredit assessment on employment in Small and Medium Enterprises (SMEs; Ruslan et al., 2020). Pathak and Gyawali (2010) provided insights on the microfinance program initiated by Paschimanchal Grameen Bikash Bank (PGBB); they revealed the effective role of PGBB's micro-finance program in establishing and starting micro-enterprises in rural areas. Singh et al. (2021) stated that micro-credit usage patterns are positively associated with economic activities. Banu et al. (2021) stated the positive significant effect of microfinance on the average income of participants. Augsburg et al. (2015) show evidence of higher self-employment, while the quasi-experimental assessment by Nacera and Djamil (2017) showed the effective role of the ANSEJ system on micro-enterprises during 1999–2013 in Algeria. Results from qualitative studies find that microfinance led to increasing levels of indebtedness in rural areas and to aggravate poverty instead of creating employment for the majority of borrowers (Banerjee & Jackson, 2017; Shaw, 2004).

3.2. Microcredit and gender-based employment creation

The 18 articles addressing microcredit and gender employment creation are listed in Table 2. The countries involved are Indonesia, Brazil, Lebanon, Bangladesh (N = 3), Eritrea, Malaysia (N = 2), India (N = 4) Uganda, Egypt, Sudan, China, and Pakistan. Twelve articles have used quantitative research approaches (N = 12) to examine the impact of microcredit on gender employment creation (Al-Shami et al., 2018; Arouri & Cuong, 2020; M. J. A. Chowdhury, 2009; Corsi & De Angelis, 2017; Datta, & Sahu, 2021b; Li et al., 2011; Maity & Sahu, 2020; Mazumder et al., 2017; Mustafa et al., 2020; Nessa et al., 2012; Sahu et al., 2021; Salgado & Aires, 2018). Out of 12 articles, 9 present results from quantitative studies which confirmed that participation in the microcredit program is consistently important and can improve women's lives, empowerment, and monthly income (Al-Shami et al., 2018; Arouri & Cuong, 2020; Corsi & De Angelis, 2017; Datta & Sahu, 2021b; Li et al., 2011; Mustafa et al., 2020; Nessa et al., 2012; Sahu et al., 2021; Salgado & Aires, 2016). On the other hand, Mazumder et al. (2017) found that the gender of entrepreneurs has a significant impact on obtaining credit, where male respondents were more favoured in terms of obtaining formal credit. Maity and Sahu (2020) show that women entrepreneurs are facing challenges of financing and non-cooperation from their family members. Chowdhury (2009b) found that Grameen Bank helped the husbands of female members to start micro-enterprises, increase the capital of their micro-enterprises and generate their own employment. On the other hand, one qualitative study showed that women who received the loans increased their income significantly (Panjaitan-Drioadisuryo & Cloud, 1999).

Table 1. Literatures on Microcredit and employment creation

Author	Title	Country	Research design	Data collection	Key findings
Singh et al., (2021)	"Microcredit Usage Pattern and its Impact on Economic Activities of the Urban Deprived: A Study of Punjab State, India"	India	Mixed method	Information collected from 499 respondents living in Urban Agglomerations and Cities of Punjab	The research discovered that micro-credit usage patterns are positively associated with economic activities at different income levels
Datta & Sahu, (2021a)	"How Microcredit Supports the Employability in the New Normal Era? A Study on Rural Backdrop of India"	India	Quantitative research	data was collected from 300 borrowers	Results shows that employment generation has a positive association with micro ventures.
Banu et al. (2021)	"Effect of Microfinance Adoption on Rural Household Income in Selected Upazila of Kushtia District of Bangladesh"	Bangladesh	Mixed method	350 respondents were selected randomly	Findings revealed that microfinance has a positive significant effect on the average income of participants
Sahu et al. (2021)	"Effectiveness of microcredit in employment generation and livelihood transformation of tribal women entrepreneurs: evidence from PMMY"	India	Quantitative research	Data was gathered from the "Pradhan Mantri Mudra Yojana (PMMY)"	Results confirmed that microcredit has the potential to generate employment.
Ruslan et al. (2020)	"Impact of Microcredit on SMEs Performance in Malaysia"	Malaysia	Quantitative research	A total of 600 survey questionnaires were distributed	Microcredit has no impact on SME employment growth.
Atiase et al. (2019)	"Investigating the impact of microcredit on employment growth in Ghana"	Ghana	Quantitative research	Primary data was collected from 506 SMEs in Ghana	Finding indicated a positive relationship between microcredit and employment in Ghana
Banerjee and Jackson (2017).	Microfinance and the business of poverty reduction: Critical perspectives from rural Bangladesh	Bangladesh	Qualitative method	Data collection was done in three phases in three villages	Findings indicate that the use of microfinance at the research sites served to exacerbate poverty and rather than create empowerment for most borrowers
Alnaa (2017)	"Microcredit to Rural Women, Intra-household Power Play and Employment Creation in Northern Ghana"	Ghana	Quantitative research	Data was collected from 500 women from northern Ghana of whom 250 are recipients of microcredit	Results indicates that accessing to credit has a 46% probability of job creation
Nacera and Djamila (2017)	« Macro-econometric assessment of the device of enterprise creation: The case of ANSEJ in Algeria"	Algeria	A quasi-experimental assessment	Data was gathered from the "National Youth Employment Support Agency", covering the period 1999–2013	Results shows that the microcredit programme ANSEJ is effective for micro-enterprises during the period 1999–2013.

(Continued)

Table1. (Continued)

Author	Title	Country	Research design	Data collection	Key findings
Ncanywa and Getye (2016)	"Micro-credit finance and unemployment in South Africa"	South Africa	Quantitative research	The authors used quarterly data for the period 1994–2014	Results shows that microcredit has a negative relationship with unemployment
Awan and Ibrahim (2015)	"Role of Micro-Financing in Creation of Self-Employment in Pakistan: A case study District Bahawalpur"	Pakistan	Quantitative research	The authors used a primary data of Bahawalpur city	Findings indicated there is a positive relationship between microfinance and self-employment.
Augsburg et al., 2015	"The Impacts of Microcredit: Evidence from Bosnia and Herzegovina"	Bosnia and Herzegovina	Mixed method	Data collected from 36,000 client data from the EBRD/World Bank	Results show evidence of better performance of loans given to nonmarginal clients of the MFI in terms of self-employment
Pathak and Gyawali (2010)	"Role of microfinance in employment generation: A case study of microfinance program of Paschimanchal Grameen Bikash Bank"	Nepal	Mixed method	115 members were randomly selected as the sample size of this study.	The results show that microfinance has a greater impact on the creation of microenterprises in Nepal. Microfinance can generate jobs and increase the human capital of microenterprises
Shaw (2004).	"Microenterprise Occupation and Poverty Reduction in Microfinance Programs: Evidence from Sri Lanka"	Sri Lanka	Qualitative method	Data was collected from a structured questionnaire administered to 253 respondents and an interview with 87 respondents. interviews with MFI staff	Results shows that microenterprise development is unlikely to facilitate removing poverty in rural areas. In semi-urban areas, poverty alleviation could be strengthened by supplementing loans with nonfinancial interventions
Khandker et al. (1998)	"Income and employment effects of micro-credit programmes: Village-level evidence from Bangladesh"	Bangladesh	Quantitative research	Data was gathered from three institution of microcredit in Bangladesh	Findings shows that microcredit effects positively wage and self-employment of rural household.

Findings from mixed analyses produced different results, while several studies (Al-Mamun et al., 2014; Torri & Martinez, 2014) indicated that microcredit helps to start up income-generating activities and lead to substantial women's empowerment, productive competence, leadership skills and learning abilities. However, Wahidi (2017) and Bahta et al. (2017) showed that although loan repayment rates among women are higher than men, non-governmental organisations and microfinance institutions provide more loans to men than women, indicating that the financial system is still dominated by men so women are less likely to obtain microcredit because of higher barriers such as: low education level; low participation in the formal market economy and having to undertake traditional roles such as household/family activities. Meanwhile, Naeem and Rehman (2016) applying a cross-sectional experimental design, showed that male clients use microfinance services more effectively than female customers.

Table 2. Literatures on Microcredit and gender-based employment creation

Author	Title	Country	Research design	Data collection	Key findings
Sahu et al. (2021)	"Impact of Microcredit on Livelihood Status of Women in Rural India"	India	Quantitative research	selected districts of West Bengal	The findings indicated that microcredit improves the well-being of the beneficiaries in the long run.
Datta & Sahu, (2021).	"Impact of Microcredit on Employment Generation and Empowerment of Rural Women in India"	India	Quantitative research	Data collected from 350 borrowers of West Bengal	Microcredit utilisation helps borrowers start their own income-generating activities
Maity and Sahu (2020)	"Women Entrepreneurs and Determinants of Their Success: An Empirical Study"	India	Quantitative research	Respondents are from four different backward regions in West Bengal, India.	The study shows that women entrepreneurs are facing challenges of financing and non-cooperation from their family members.
Arouri and Cuong (2020)	"Does microcredit reduce the gender gap in employment? Evidence from Egypt"	Egypt	Quantitative research	Data was collected from Labour Market Panel Surveys of Egypt in 2006 and 2012	Findings show a negative impact of microcredit on men and a positive impact for women employment.
Mustafa et al. (2020)	"The Impact of Microfinance on Women Empowerment: A Case Study of the Family Bank, Gezira State, Sudan (2016-2017)"	Sudan	Quantitative research	A sample of 117 women who were clients of the bank were randomly selected for data collection	Microfinance has a significant positive impact on women's empowerment
Salgado and Aires (2018)	"Microcredit and gender: Are there differences in the credit conditions?"	Brazil	Quantitative research	A sample of 4,454 microcredit clients	Results have proved that women get higher credit scores than men, thereby increasing women's incomes
Mazumder et al. (2017)	"Access to Credit and Microentrepreneurship: A Gender Comparison"	Bangladesh	Quantitative research	Data from a recent primary survey conducted in five districts of West Bengal	Findings indicated that gender of the entrepreneur has a leading and significant impact on access to finance where males were the most selected in accessing formal credit than females.

(Continued)

Table2. (Continued)

Author	Title	Country	Research design	Data collection	Key findings
Wahidi (2017)	"Microcredit in Lebanon: First data on its beneficiaries"	Lebanon	Mixed method	Data was collected from the statistical officers of microfinance institutions. The qualitative data highlights the high proportion of male beneficiaries.	The results show that NGOs and microfinance institutions grant more loans to men than women. Results of interviews with microfinance managers indicate that male loan officers can differentiate between male and female beneficiaries and tend to give small loans to men.
Bahta et al. (2017)	"Microcredit and gender empowerment: Policy implications for sustainable agricultural development in Eritrea"	Eritrea	Mixed method	Authors used structured questionnaires to collect data from "November 2011 to December 2012". Among the 360 planned households, 307 households responded to the semi-structured interviews.	Results show that women are less likely to obtain micro-loans compared to men. The probability of obtaining a small loan for men is 34.8%, and that for women is only 17.9%.
Al-Shami et al. (2018)	"The effect of microcredit on women empowerment in welfare and decisions making in Malaysia"	Malaysia	Quantitative research	A cross-sectional survey was used to obtain information from 474 old and new clients	The results show that obtaining microcredit through AIM has a positive impact on women's income. Furthermore, clients can make a range of decisions among household including daily expenditures, early childhood education, mobility, healthcare expenditures, and credit decisions
Corsi and De Angelis (2017)	"Gender Discrimination in Microfinance? Some Evidence from Uganda"	Uganda	Quantitative research	Data was collected from from Uganda's microfinance program	Results stated the non-existence of gender discrimination against women clients. The loan amount is affected by personal characteristics where women are rewarded differently to men according to their credit history.
Naeem and Rehman (2016)	"Gender Based Utilization of Microfinance: An Empirical Evidence from District Quetta, Pakistan"	Pakistan	Cross sectional experimental design	The data was obtained through a structured questionnaire from 80 clients 60 beneficiaries and 20 non-beneficiaries	Findings shows that male clients can utilise microfinance facilities more effectively than females.

(Continued)

Table2. (Continued)

Author	Title	Country	Research design	Data collection	Key findings
Al-Mamun et al. (2014)	"Empirical Investigation on the Impact of Microcredit on Women Empowerment in Urban Peninsular Malaysia"	Malaysia	Mixed method	data was collected from a total of 242 urban low-income clients.	Results indicate that participation in AIM's microcredit program had a positive significant impact on women's empowerment in Urban Peninsular Malaysia.
Torri and Martinez (2014)	"Women's empowerment and micro-entrepreneurship in India: Constructing a new development paradigm?"	India	Mixed research	Data extracted from individual and group interviews as well as from participative observation. A sample of 22 households of Sanghas farmers and of sales representatives	Results show that GMCL improves women's productive capabilities, leadership skills and social learning abilities.
Nessa et al. (2012)	"The impact of microcredit program on women empowerment: Evidence from Bangladesh"	Bangladesh	Quantitative research	Analysis based on a sample of 600 poor women	Participation in the microcredit program is consistently important to explain the overall measure of empowerment and the improvement of women's lives in Bangladesh.
Li et al. (2011)	"The impact of microcredit on women's empowerment: evidence from China"	China	Quantitative research	The data was gathered through a rural household survey	Findings confirmed the significant impact of microcredit on five aspects of women's empowerment.
M. J. A. Chowdhury (2009)	"Microcredit, Micro-enterprises and Self-employment of Women: Experience from the Grameen Bank in Bangladesh"	Bangladesh	Quantitative research	Data gathered from a household-level survey (N = 570)	Findings showed that Grameen Bank helped husbands of women members but did not support women's self-employment.
Panjaitan-Diroadisuryo and Cloud (1999)	"Gender, self-employment and microcredit programs an Indonesian case study"	Indonesia	Qualitative method	Data was collected by interviewing 121 randomly selected women who had received loans at least one year before the interview and 94 low-income women who lived in the same village but had not yet received the loans. These women formed a control group.	The incomes of women who received loans increased significantly, the nutritional status of their families improved, and the loans were repaid.

3.3. Microcredit and informal employment

The seven articles addressing microcredit and informal employment are comprised in Table 3. The countries included in the table are India (N = 2), Madagascar, Bangladesh (N = 2), Kenya, and Ghana. The three articles used a quantitative research approaches (Gubert & Roubaud, 2011; Isaac, 2017; Shahnaz et al., 2018). Four studies used a mixed method (Svensson, 2021; Sahai et al., 2020; Zafarullah & Nawaz, 2019; Kamath & Ramanathan, 2015). Generally, results showed a significant impact of microcredit on informal employment. Gubert and Roubaud (2011) analysed the impact of microfinance loans on small informal businesses in Madagascar. Over time, the authors compared the situation of a representative sample of client firms to a control group. The results indicated a positive impact of the project in which client's companies performed better than companies without funding. Isaac (2017) provides evidence that microfinance has a statistically significant impact on informal sector business revenue in Ghana.

Shahnaz (2018) stated that the constraints in the absorptive capacity of the rural labour sector led to the creation of an informal rural sector and as much as 89% of the total number of jobs in the labour market. Using an analytical exercise, they found that microfinance can effectively help reduce informal employment. Hence, Bangladesh can use its large microfinance operations to achieve poverty reduction goals, leading to greater economic development. Svensson (2021) finds that women participating in microfinance grew their business earnings in the informal economy. Zafarullah and Nawaz (2019) stated a gradual increase in female participation in the workforce where microfinance provide informal employment to unemployed women in rural areas. Meanwhile, Kamath and Ramanathan (2015) generated a description of informal activities involving the sale of vessels and other products in India. They have shown that the microfinance loan is not suited to their business' cash flow. In addition, they reported that informal activities were characterised by seasonality and volatility resulting from the contextual and socio-demographic circumstances of families. Sahai et al. (2020) find that determinants such as market location, value chain, gender of the entrepreneur, investment, cluster, and entrepreneurship of the entrepreneur explain the lack of impact of microcredit and the growth of informal sector micro-enterprises.

3.4. Framework for microcredit leading employment creation

Analysing the literature on microcredit and employment creation, gender-related employment and informal employment have generated different results concerning the relationship between the variables studied. However, the intensification of interest in investigating how microcredit is associated and integrated with different structures of employment is very important in this research. After conducting a deeper analysis of previous studies as a means of clarifying and elaborating the elements of the framework, this paper suggests a framework in order to evaluate the impact of microcredit on employment structure. figure 2 shows that the introduction of microcredit through its institutions to various sectors of the economy will lead to increased sales of goods and services. Moreover, it increases the volume of factors involved in production, mainly labour and create employment categorised by different types of skills, gender, formal and informal employment.

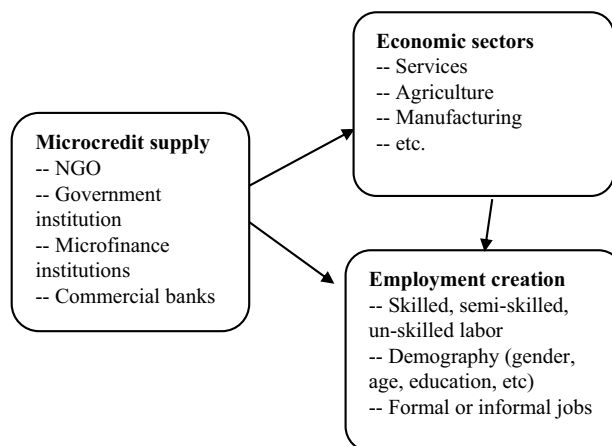
4. Discussion

After a systematic review of the literature, important findings and conclusions were drawn. The results of this review show that microcredit can have a positive impact on employment creation, gender employment and the informal sector. A majority of those articles have focused on gender employment creation. However, despite the rise of the informal sector in developing countries, a few studies have assessed the impact of microcredit participation on different business sectors in that sector (Gubert & Roubaud, 2011; Isaac, 2017; Kamath & Ramanathan, 2015; Shahnaz et al., 2018; Svensson, 2021; Sahai et al., 2020; Zafarullah & Nawaz, 2019). Moreover, a few studies set out to integrate gender employment creation and informal sector related to microcredit. Research on microcredit needs to be expanded to understand employment creation in various industries and different types of households.

Table 3. Literature on Microcredit for informal employment creation

Author	Title	Country	Research design	Data collection	Key findings
Svensson (2021)	"More money for less work—or more work for less money?"	Kenya	Mixed method	data gathered from 118 women at a Kenyan marketplace in Mombasa.	The study finds that women participating in microfinance increased their business earnings in the informal economy
Sahai et al. (2020)	"Determinants of growth for the informal sector micro-enterprises: An empirical study in India"	India	Mixed method	Data collection was through interviews. The questionnaire was based on the determinants identified in the existing literature- Data collection in phase 2 was through a survey of borrowers.	Authors find that determinants such as market location, value chain, gender of the entrepreneur, investment, cluster, and type of entrepreneurship are the main reasons for lack of microcredit success
Zafarullah and Nawaz (2019)	"Pathways to women's empowerment in Bangladesh Employment and microfinance as interventions"	Bangladesh	Mixed method	Primary and secondary sources	Results shows a gradual increase in female participation in the workforce where microfinance provides informal employment to unemployed women in rural areas.
Shahnaz et al. (2018)	"Impact of Microfinance on Informal Employment: The Case of Bangladesh"	Bangladesh	Quantitative research	Analytical exercise	Findings indicated that microfinance can help create informal employment. In addition, microfinance services help to boost economic growth and reduce poverty.
Isaac (2017)	"The Impact of Microfinance on Business Revenue in the Informal Sector of Ghana: Case Study of Four Selected Districts"	Ghana	Quantitative research	Employed a structured questionnaireRandom sampling techniqueRegression analysis	Results indicated that microfinance has a statistically significant impact on the business revenue of informal micro-enterprises
Gubert and Roubaud (2011)	"The impact of microfinance loans on small informal enterprises in Madagascar"	Madagascar	Quantitative research	Survey data	Findings stated a positive impact of microfinance on clients' enterprises. These enterprises have registered better than average performance that enterprises without funding
Kamath & Ramanathan (2015)	"Informal businesses and micro-credit-Evidence from financial diaries: A study in Ramanagaram, India"	India	Mixed method	Combined a quantitative with qualitative data, through a unique methodology of financial diaries	Results show that microcredit is not suitable for their business. The informal businesses were characterised by seasonality and volatility due to contextual and socio-demographic circumstances of households.

Figure 2. Framework of micro-credit leading employment creation.



The articles discussed are concentrated in different locations, most of which are in Asia ($n = 27$) and Africa ($n = 11$). This study found that Asia has the largest volume of MFI activities. The implementation of microfinance schemes provides effective results in terms of employment generating and poverty reduction in most countries. Despite Africa having the poorest economies, internecine conflicts, etc., the continent has seen an increase in microfinance services in recent years. Results from African studies indicate a positive impact of microcredit schemes (Arouri & Cuong, 2020; Isaac, 2017). However, financial services still need to be improved in order to increase the expansion of microfinance activities. One study from Brazil has documented the positive impact of microcredit (Salgado & Aires, 2018) whereas one study from Europe shows evidence of better performing loans extended to nonmarginal clients of the MFI in Bosnia and Herzegovina (Augsburg et al., 2015).

According to Srivastava (2010) microfinance performance in developed and developing countries is associated with socioeconomic and political differences. The author concluded that the U.S. microfinance sector does not provide a conducive environment for asset building among its poor and the different laws and levels of competition have hampered the growth of microenterprises, whereas microenterprises in Bangladesh can flourish in an informal market where losses are small and paying tax on informal businesses is not legally mandatory. In developing countries, microcredit helps poor people to better manage financial resources and to protect themselves. In high-income countries, microcredit is designed to correct the failure of the labour market and serves as a measure for social integration (Balkenhol, 2018). Developing countries has successfully achieved good microcredit results in mitigating poverty, create employment and attain what the social theory states. However, the impact in high-income countries is still in its infancy and give priority to financial performance of MFIs rather than social performance.

In terms of urban and rural areas, most studies showed the significant impact of microcredit on employment, average income of participants in rural, semi urban and urban areas (Al-Mamun et al., 2014; Banu et al., 2021; Datta & Sahu, 2021b; Shaw, 2004; Singh et al., 2021). However, the study by Banerjee and Jackson (2017) indicated that the distribution and use of microfinance in rural sites served to exacerbate poverty and increase vulnerabilities rather than create empowerment for the majority of borrowers. Most articles addressing microcredit and employment found a positive relationship between microcredit and employment creation. They suggested that the government continue to implement the microcredit program given its positive contribution to economic growth, adding value, productivity and business development. Other studies found microcredit had no effect on employment such as the study by Ruslan et al. (2020) which found microcredit has no effect on Small and Medium Enterprises' employment statistics. Regarding the relationship between microcredit and gender employment, the results reveal that microcredit has had a more positive impact on

women entrepreneurs as they play a vital role in the economic growth of families and communities. Akram and Hussain (2011) found that higher percentages of female clients as compared to male clients revealed a positive impact of microfinance on their business's performance.

Microcredit program empowers women economically, socially and politically and changes the client's life standards through the creation of employment. This is the theory of change on the access to microcredit and its positive impact (Awojobi, 2019; Datar et al., 2008). In addition to the change occurred in the beneficiary better social relationships are created. This last point is supported by social capital theory which asserts that social relationships can improve the ability to raise incomes and employment (Coleman, 1990). Since the mid-1980s, women entrepreneurs have received more attention and assistance from governments, international donors and NGOs. Microenterprises were of particular advantage to women because of their flexibility and location. Supporting their entrepreneurship is seen to have important effects on the broader reduction of poverty and gender inequalities (Mayoux, 1995).

Although the significant impact of microcredit on women's employment and income generation is noted in the majority of studies (Alam et al., 2015; Al-Mamun et al., 2014; Al-Shami et al., 2018; Arouri & Cuong, 2020; Corsi & De Angelis, 2017; Hassan et al., 2015; Kamaluddin et al., 2015; Li et al., 2011; Mustafa et al., 2020; Nessa et al., 2012; Salgado & Aires, 2018; Torri & Martinez, 2014), women still suffer from social differences and the gender gap in access to credit (Mazumder et al., 2017). With the growing role of micro-entrepreneurs, women still need to get rid of different obstacles and constraints they face in order for this strategy to succeed, including discrimination in ownership, lack of access to productive resources, lack of skills due to low levels of formal education, inability to access work due to gender and segregation hierarchy criteria, and lack of access to profitable markets (ILO, 1998; Kamaluddin et al., 2018). Moreover, this review stated the significant impact of microcredit on the business revenue and performance of microenterprises when it comes to informal employment.

In this review, we recommend the use of innovative research methods, such as financial social accounting matrix-based analysis (FSAM), and input-output model (Harun et al., 2018; Hassan et al., 2014), which are essential for understanding how microcredit participation is associated with employment creation (Alam & Molla, 2012; Molla et al., 2008). FSAM is a very comprehensive and complete system that offers the advantage of integrating financial instruments and institutions into the social accounting matrix (SAM) and taking over the national account of different economic agents providing information on cash flows. Using this method will aid in investigating the direct and indirect impact of microcredit on employment creation in different sectors and different types of household groups (Alam & Molla, 2012; Tria et al., 2020). This review study only considered published peer-reviewed articles, and there is possibility of many other related and appropriate work in the literature. In addition, due to the search terms and databases used, we may have overlooked important articles. However, this review does indicate that there is an enormous gap in knowledge that needs to be filled regarding the relationships between microcredit and employment variables.

5. Conclusion

The major contribution of this study is finding the link between microcredit and employment creation through a systematic review. This systematic review showed that by following the social capital theory, microcredit has the potential to create employment, especially for women and through the informal sector. This study develops a framework that explains the contribution of microcredit to employment creation. Introducing microcredit through the institutions of microcredit to various economic sectors will lead to increased sales of goods and services, and increase the volume of factors of production, mainly labour and different types of skills, gender, formal and informal employment. This study also found there is still good scope available for utilising microcredit as a tool for accelerating job expansion in the informal sector. At the same time, other factors are required for employment generation. Enhanced skills-training and management skills for borrowers is very essential for better outcomes. Moreover, providing basic education to women will increase their

ability to manage credit. Policymakers should emphasise building awareness and promoting financial literacy for microfinance clients to enhance the empowerment of marginal groups, especially women.

However, further studies are needed in this area given its important contribution to the growth of the economy and to the challenge on how to support and formalise informally created jobs. Moreover, empirical analyses are needed to understand the impact of microcredit on the structure of employment in different economic sectors, especially in order to integrate the variables mentioned in our framework to assess whether microcredit policy can affect the labour force profile, generate equal employment opportunities, create jobs for skill and unskilled labour, and create formal or informal employment. These empirical efforts might offer better information on the productive utilisation of credit based on different types and modes of microcredit programs. To conduct these empirical study based on macro modelling such as input-output or general equilibrium modelling, this study recommends developing a financial social accounting matrix.

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