

Chapter

Potential of Microfinance in Enhancing Capabilities of Entrepreneurs: Amartya Sen's Capability Approach Perspectives

By Shadreck Matindike, Stephen Mago, Jephias Matunhu, Mufaro Dzingirai

Abstract

Microfinance is one of the tools proposed for enhancing capabilities of entrepreneurs though mixed results on its efficacy exist in the literature. It is out of the capability approach by Amartya Sen that this study derived its primary proposition, which states that the evaluation of microfinance effects must be done in the context of capability enhancement. This chapter explores microfinance in sustainable development finance landscape, the capabilities approach, the social and economic calculus of microfinance, channels through which microfinance can enhance entrepreneurs' capabilities and exposes the opportunities and challenges posed by microfinance through a systematic literature review and content analysis. This chapter identified microfinance as a crucial ingredient in enhancing individuals' capabilities to meet their functioning and acquisition of freedom to pursue sustainable entrepreneurial activities as they participate in mainstream economy. Consequently, this chapter helps in ensuring community involvement in microfinance by considering the factors that influence participation and tailoring microfinance solutions to meet the needs of the target population. It also proposes that microfinance packaged help members to establish their own firm, because capabilities and independence are only available when someone involved in creating enterprise. Finally, it provides the training interventions needed by entrepreneurs when it comes to property law, running and developing viable businesses, and the importance of engaging in the wider economy.