



## **ROLE AND IMPORTANCE OF MICRO FINANCE INSTITUTIONS On SMALL-SCALE BUSINESS GROWTH in TELANAGANA STATE**

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### **ABSTRACT**

Microfinance institutions (MFIs) play a key role in the development of micro-enterprises in Telangana. Microfinance is the provision of financial services to low-income households and micro-enterprises. These services include microcredit, saving, insurance, and other financial products. This paper aims to explore the role of MFIs in the development of micro-enterprises in Telangana. The paper will discuss the impact of microfinance on the socio-economic development of Telangana, the various types of microfinance services available, and the challenges faced by microfinance institutions in the region. The paper will also highlight the potential of microfinance for promoting entrepreneurship in the state. Finally, the paper will discuss the implications of microfinance for the development of micro-enterprises in Telangana.

**Keywords:** Microfinance, Micro-enterprises, Telangana, Socio-economic Development, Entrepreneurship, MFIs

### **Introduction**

Following independence, the Indian government implemented socialist policies, which greatly influenced the development of micro- and informal-enterprise sectors. What has happened to India's entrepreneurial scene and how it has evolved is mostly attributable to national policies (Knight, 2005).

Microfinance is in great demand among small businesses, but banks do not see it as a lucrative venture to lend low-income individuals small amounts of money. A 2003 study by the International Labour Organization found that just 8.6% of small company owners used moneylenders as a source



of funding, while 32.8% turned to microfinance institutions and 3.9% borrowed from friends and family. On the other hand, 67.2% of small business owners started their businesses with their own savings. These results show that small businesses have had a hard time getting off the ground and growing because commercial banks won't lend them money.

## **Review of Literature**

According to Bel Hadj Miled (Citation2022), microfinance organizations help women in developing countries create microenterprises that help them overcome social and economic barriers. In order to combat poverty and isolation, integrate into society, and make a living, impoverished women have turned to the unofficial sector.

According to a survey done in Pakistan by Mathur et al. (Citation2021), microfinance institutions' micro-savings services have a major impact on the growth of entrepreneurship.

Meressa (Citation 2020) investigated factors that contribute to the expansion of micro and small businesses in Ethiopia's Benishangul-Gumuz Regional State. Regression analysis results showed that the growth of micro and small businesses is significantly influenced by initial investment, financing availability, sectoral involvement, market connectivity, and business experience.

MFIs are generally used extensively to address problems including female development, financial support for micro-entrepreneurs, and poverty alleviation (Tariq & Sangmi, Citation 2019)

The microfinance industry has been experiencing incredible growth as of late. Most microfinance institutions (MFIs) have grown between 100 and 300 percent annually over the last five years. The top ten private MFIs have grown their clientele by 90% since 2005, reaching 17.4 million people. Microfinance products are available to at least 50% of low-income households. In 2009, there were 76.6 million microfinance institutions in India, up from 59 million in 2008, as reported in the 2009 Report on the Microfinance India Summit. In 2017, the microfinance industry's total loan portfolio was Rs. 106,916 crore, according to the Microfinance Institutions (Microfinance India Summit 2017).

According to 2017 data compiled by the Economic Times, more than 23.62% of India's urban population and nearly 27.09% of the country's rural population are poor. Microcredit in India could be in high demand in 2018, with estimates ranging from 15,000 crore to 45,000 crore. Growing at



an astounding rate, particularly since the late 1990s, SHG Bank Linkage has been around since 1992, when NABARD initially launched it as the Pilot Programme linking 255 SHGs with banks. From 33,000 in 1999 to almost 800,000 in 2003, the number of SHGs affiliated with banks increased significantly. With 6.73 lakh SHGs added to the total as of March 31, 2017, the number of SHGs with savings linkage reached 85.76 lakh. There was a record-high accumulation of Rs. 16114.22 crore in outstanding savings of self-help groups (SHGs) with banks as of March 31, 2017. Despite the slowdown in loan disbursements caused by demonetization since October 2017, banks still managed to disburse a total of Rs. 38781.16 crore in loans throughout the year, marking a 4% growth compared to the previous year. Total bank loans to SHGs increased by 7.81% to Rs. 61581.30 crore as of March 31, 2016, from Rs. 57,119 crore the previous year. Bank loans to SHGs had a gross non-performing assets (NPA) of 6.50% as of 31 March 2017, up from 6.45% as of 31 March 2016. This increase was about 5 basis points.

In order to help aspiring micro entrepreneurs launch their businesses, microfinance institutions provide them with both financial resources and business training. The poor are the main beneficiaries of this assistance for would-be micro entrepreneurs. Giving low-income people the chance to start their own businesses is one way to help alleviate poverty by increasing their income. According to Segado (2005), microfinance institutions also provide services to micro entrepreneurs who already exist.

### **Significance of the study**

The country of India has already been the focus of a great deal of research concerning microfinance. The vast majority of studies have concentrated on the influence that microfinance has on the relocation of people from areas of poverty that are considered to be semi-urban or rural. The extent to which Self-Help Groups contribute to the enhancement of living standards has been the focus of a limited number of studies carried out in the state of Tamil Nadu. Furthermore, the Central Government and State Governments are currently concentrating their efforts on financial inclusion as an additional factor that is of critical importance. There have only been a few studies that the researcher is aware of that investigate the connection between microfinance and economic empowerment. Consequently, the researcher has chosen to focus on both psychological and economic empowerment as the objectives of this study. In addition, the study investigates the role



that financial inclusion plays as a mediator and the impact that microfinance has on the empowerment of small-scale entrepreneurs.

## **Methodology and Data**

The objective of this research is to investigate the influence that microfinance has on the growth of small and medium-sized businesses from an economic standpoint. The researcher conducted in-depth interviews with a variety of individuals, including anthropologists, managers of financial institutions, and senior personnel involved in the provision of loans to small and medium-sized business owners. In addition to that, a thorough literature review pertaining to this field has been carried out.

During the course of this investigation, the researcher utilised statistical techniques to ascertain the perspectives of the participants and evaluate the practicability of the module that they had developed. For the purpose of carrying out its calculations, this study makes use of the statistical package known as SPSS

## **Objectives of the study**

1. To study microfinance-acquired small-business entrepreneurs' demographics.
2. To assess the effects of Financial and Repayment roles of microfinance on economic growth of small-scale business entrepreneurs

## **HYPOTHESIS OF THE STUDY**

**H01:** There is no significant association between entrepreneurs' demographic profile and different roles of microfinance institutions.

(Gender, Marital status, Age, Educational Qualification, Size of Family, Business Experience)

## **Data Analysis & Interpretation**

### **Demographic Profile of the Respondents**



To study the demographic profile such as Age, Gender, Marital Status, Educational Qualification, Size of Family, and Business Experience of the entrepreneurs can be analysed by applying percentage analysis.

### 1.1.1 Age

The participants' ages are categorized into the following five groups:

**Table 1.1.1**

| Age                   | Frequency | Percentage |
|-----------------------|-----------|------------|
| Below 25 years        | 141       | 20.1       |
| Between 25 - 35 years | 202       | 28.9       |
| Between 36 - 45 years | 179       | 25.6       |
| Between 46 - 55 years | 103       | 14.7       |
| Above 56 years        | 75        | 10.7       |
| Total                 | 700       | 100.0      |

(Found in primary sources)

It is evident from the data presented in Table 1.1.1 that of the total respondents, 202 individuals (28.9 percent) were between the ages of 25 and 35, 141 individuals (20.1 percent) were under the age of 25, 179 individuals (25.6 percent) were between the ages of 36 and 45, 103 individuals (14.7 percent) were between the ages of 46 and 55, and 75 individuals (10.7 percent) were over 55. It has been determined from the aforementioned analysis that the age bracket of 25 to 35 years comprises the majority of entrepreneurs.

### 1.1.2 Gender

The respondents are classified into two gender groups, including male and female.



The information specified in Table 1.1.2 below

**Table 1.1.2**

| <b>Gender</b> | <b>Frequency</b> | <b>Percentage</b> |
|---------------|------------------|-------------------|
| Male          | 596              | 85.1              |
| Female        | 104              | 14.9              |
| Total         | 700              | 100.0             |

(Source: Primary Data)

According to the data presented in Table 1.1.2, it is evident that 85.1% of the 596 respondents identified as male, while 14.9% identified as female. It is evident from the aforementioned analysis that the majority of entrepreneurs are male.

### **1.1.3 Marital Status**

Marital Status of the respondents are divided into two groups such as Married and Unmarried.

The details mentioned in the following table 1.1.3

**Table 1.1.3**

| <b>Marital Status</b> | <b>Frequency</b> | <b>Percentage</b> |
|-----------------------|------------------|-------------------|
| Married               | 534              | 76.3              |
| Unmarried             | 166              | 23.7              |
| Total                 | 700              | 100.0             |

(Source: Primary Data)

It is evident from table 1.1.3 that 166 (23.7 percent) of the 700 respondents belonged to the unattached group, while the married group comprised 76.3 percent. It is evident from the aforementioned analysis that the majority of entrepreneurs are married.

### **1.1.4 Business Experience**



Business Experience of the respondents is divided into five groups such as Nil, Less than 5 years, Between 6-10 years, Between 10-15 years, Above 15 years. The details mentioned in the following table 1.1.4.

**Table 1.1.4**

| <b>Business Experience</b> | <b>Frequency</b> | <b>Percentage</b> |
|----------------------------|------------------|-------------------|
| Nil                        | 193              | 27.6              |
| Less than 5 years          | 138              | 19.7              |
| Between 6-10 years         | 141              | 20.1              |
| Between 10-15 years        | 60               | 8.6               |
| Above 15 years             | 168              | 24.0              |
| Total                      | 700              | 100.0             |

(Source: Primary Data)

Based on the data in Table 1.1.4, 193 respondents (27.6%) of the 700 obtained fell within the bracket of zero experience, 168 respondents (24.0%) fell within the bracket of Above 15 years of experience, 141 respondents (20.1%) fell within the Between 6-10 years, 138 respondents (19.7%) fell within the Between 10-15 years, and 60 respondents (8.6%) fell within the Between 10-15 years. The analysis reveals that the majority of employees fall within the bracket of zero business experience.

### **1.1.5 Size of the Family**

Family Size of the respondents is divided into three groups such as Less Than or Equal to 5, Between 5 to 10 members, Above 10 members. The details mentioned in the following table 1.1.5.

**Table 1.1.5**

| <b>Size of the family</b> | <b>Frequency</b> | <b>Percentage</b> |
|---------------------------|------------------|-------------------|
| Less Than or Equal to 5   | 274              | 39.1              |
| Between 5 to 10 members   | 216              | 29.4              |
| Above 10 members          | 220              | 31.4              |



|       |     |       |
|-------|-----|-------|
| Total | 700 | 100.0 |
|-------|-----|-------|

(Source: Primary Data)

Based on the data presented in Table 1.1.5, it is evident that of the total respondents, 274 individuals (39.1%) are in the bracket of Less Than or Equal to 5, 220 individuals (31.4%) are in the bracket of Above 10 members, and 216 individuals (29.4%) are in the bracket of Between 5 to 10 members. Based on the aforementioned analysis, it can be concluded that the majority of the respondents are in the bracket of Less Than or Equal to 5-member family size.

### 1.1.6 Education Qualification

Respondent's Education Qualification can be classified into No/ Below School Education, Diploma / Intermediate, Graduate, Post-Graduate and Any other. The details mentioned in the following table 1.1.6.

**Table 1.1.6**

| Education Qualification    | Frequency | Percentage |
|----------------------------|-----------|------------|
| No/ Below School Education | 62        | 8.9        |
| Diploma / Intermediate     | 96        | 13.7       |
| Graduate                   | 199       | 28.4       |
| Post-Graduate              | 159       | 22.7       |
| Any other                  | 184       | 26.3       |
| Total                      | 700       | 100.0      |

(Source: Primary Data)

Table 1.1.6 presents the following information: 62 respondents (8.9%) have no No/ Below School Education qualifications; 96 respondents (13.7%) have Diploma / Intermediate educational qualifications; 199 respondents (28.4%) have Graduate educational qualifications; and 159 respondents (22.7%) have post-graduate educational qualifications.

### 1.2 Entrepreneur Perception towards Financial and Repayment role of Microfinance Institutions





**Financial role:**

Small businesses need sufficient financial resources to grow, expand, and contribute to economic development. Small businesses often need startup capital for product development, marketing, and infrastructure. Startup capital is crucial for business startup. An organisation needs enough working capital to pay salaries, rent, and inventory. Working capital shortages can hinder business growth. Mall-scale businesses need money for equipment, technology, and infrastructure. This allows them to improve manufacturing, optimise processes, and enter new markets. Small businesses need financial resources to explore new markets for product or service diversification and geographic expansion. Market expansion boosts sales and revenue. Environmentally sustainable practices can boost a company's reputation, growth, and customer base, but they cost money.

**1.2.1 The sample distribution, mean score, and test significance are displayed in Table \6.2.1 in accordance with the Financial Role of Microfinance Institutions**

| SI No. | FINANCIAL ROLE   |   | SD A | D    | N    | A    | SA   | ME AN | SD  | T    | Sig.. |
|--------|--|---|------|------|------|------|------|-------|-----|------|-------|
| 1      | The terms and conditions established for extending credit are equitable.     | n | 68   | 80   | 23   | 180  | 137  | 3.3   | 1.2 | 29.6 | 0.00  |
|        |  | % | 9.7  | 11.4 | 33.6 | 25.7 | 19.6 | 4     | 0   | 5    | 0     |
| 2      | The microfinance institution offers superior financial services as a result. | n | 11   | 10   | 16   | 146  | 161  | 3.1   | 1.3 | 22.4 | 0.00  |
|        |  | % | 16.7 | 15.6 | 23.9 | 20.9 | 23.0 | 8     | 9   | 8    | 0     |
| 3      | The charged rate of interest is rational.                                    | n | 10   | 11   | 16   | 145  | 170  | 3.2   | 1.3 | 23.6 | 0.00  |
|        |  |   | 4    | 6    | 5    |      |      | 3     | 7   | 8    | 0     |



|   |   |   |      |      |      |      |      |     |     |      |      |
|---|---|---|------|------|------|------|------|-----|-----|------|------|
|   |   | % | 14.9 | 16.6 | 23.6 | 20.7 | 24.3 |     |     |      |      |
| 4 | Microfinance offers insight into the evaluation of costs and benefits.                                | n | 68   | 80   | 235  | 180  | 137  | 3.3 | 1.2 | 29.6 | 0.00 |
|   |   | % | 9.7  | 11.4 | 33.6 | 25.7 | 19.6 | 4   | 0   | 5    | 0    |
| 5 | In comparison, microfinance institutions offer superior credit facilities.                            | n | 111  | 92   | 243  | 242  | 12   | 2.9 | 1.0 | 22.7 | 0.00 |
|   |   | % | 15.9 | 13.1 | 34.7 | 34.6 | 1.7  | 3   | 8   | 2    | 0    |
| 6 | Microfinance institutions are dependable sources of working capital for me.                           | n | 59   | 72   | 268  | 195  | 106  | 3.3 | 1.1 | 31.2 | 0.00 |
|   |   | % | 8.4  | 10.3 | 38.3 | 27.9 | 15.1 | 1   | 1   | 5    | 0    |
| 7 | Microfinance enables me to consistently obtain funds to meet all of my financial obligations.         | n | 162  | 72   | 268  | 194  | 4    | 2.7 | 1.1 | 17.0 | 0.00 |
|   |   | % | 23.1 | 10.3 | 38.3 | 27.7 | .6   | 2   | 2   | 8    | 0    |
| 8 | It is possible to monitor financial requirements and arrange a refinance within the repayment period. | n | 62   | 72   | 128  | 239  | 199  | 3.6 | 1.2 | 34.7 | 0.00 |
|   |   | % | 8.9  | 10.3 | 18.3 | 34.3 | 28.4 | 3   | 4   | 4    | 0    |

To determine whether the average score deviates significantly from the average response scale, a one sample t test is employed to compare an average to a constant, in this case the average of response scale 3

Table 1.2.1 presents the results. It indicates that 34.1% of the respondents strongly agree and 28.4% agree with the statement " It is possible to monitor financial requirements and arrange a refinance



within the repayment period." Conversely, 8.9% and 10.3% of the respondents disagree and strongly disagree with the statement, respectively, and 18.3% of the respondents hold a neutral stance on this matter. The calculated mean value of 3.63 is considerably less than the response scale's mean. The findings suggest that the majority of the participants hold agreement regarding the given aspect.

The assertion that "It is possible to monitor financial requirements and arrange a refinance within the repayment period" received the highest mean value of 3.63. As per the viewpoints of the respondents, the assertions "Microfinance institutions are dependable sources of working capital for me" and "The terms and conditions established for extending credit are equitable" are regarded as critical components of the principle "Financial Role". The mean scores for the following significant statements were 3.31 and 3.23: "Microfinance institutions are dependable sources of working capital for me" and "The terms and conditions established for extending credit are equitable". The statement "Microfinance enables me to consistently obtain funds to meet all of my financial obligations" has received the lowest score of 2.72, which corresponds to a neutral value. The p-values associated with each statement are significant at the 5% level of significance.

The computation of the arithmetic mean was performed to determine a variable that represents the aspect of "Financial Role" in the Economic growth of Small-Scale Business. The data is displayed in Table 1.2.2.

**Table 1.2.2**

| <b>Part 1</b>   | <b>Value</b> | <b>t</b> | <b>Sig..</b> |
|-----------------|--------------|----------|--------------|
| <b>Mean</b>     | 3.23         | 23.680   | 0.000        |
| <b>Median</b>   | 3.00         |          |              |
| <b>SD</b>       | 1.374        |          |              |
| <b>Variance</b> | 1.888        |          |              |
| <b>Minimum</b>  | 1            |          |              |
| <b>Maximum</b>  | 5            |          |              |

Source: Primary data



According to the data presented in Table 1.2.2, the composite variable Financial Role ' has a mean value of 23.680. It has a standard deviation (SD) of 1.374, which is greater than the significance level of 3 (5%). This suggests that the respondents hold an agreement with the statement **“Financial Role”**.

A one-way analysis of variance (ANOVA) was conducted to determine the extent to which Entrepreneur perceptions of Economic growth of Small-Scale Business for financial role differed based on their characteristics, including "Age, Gender, Marital Status, Size of Family, Educational Qualification and Business Experience."

1.2.3

| Characteristics           | Category                   | Mean  | SD     | F     | Sig.. |
|---------------------------|----------------------------|-------|--------|-------|-------|
| Age                       | 25 or less than 25         | 3.18  | 1.35   | 6.78  | 0     |
|                           | Between 26 - 35            | 3.32  | 1.32   |       |       |
|                           | Between 36 - 45            | 3.22  | 1.44   |       |       |
|                           | Between 46-55              | 3.17  | 1.44   |       |       |
|                           | Above 55                   | 3.20  | 1.33   |       |       |
| Gender                    | Male                       | 3.156 | 1.3796 | 11.8  | 0.001 |
|                           | Female                     | 3.654 | 1.2677 |       |       |
| Marital Status            | Married                    | 3.298 | 1.3613 | 5.509 | 0.019 |
|                           | Unmarried                  | 3.012 | 1.3969 |       |       |
| Size of Family            | Less Than or Equal to 5    | 3.298 | 1.3540 | 7.711 | 0.000 |
|                           | Between 5 to 10            | 2.757 | 1.3587 |       |       |
|                           | Above 10                   | 3.345 | 1.3745 |       |       |
| Educational Qualification | No/ Below School Education | 3.005 | 1.4343 | 4.024 | 0.003 |
|                           | Diploma / Intermediate     | 3.232 | 1.3897 |       |       |
|                           | Post-Graduate              | 3.142 | 1.3762 |       |       |



|                     |                     |       |        |       |       |
|---------------------|---------------------|-------|--------|-------|-------|
|                     | Graduate            | 3.733 | 1.1625 |       |       |
|                     | Any Other           | 3.381 | 1.3078 |       |       |
| Business Experience | Nil                 | 2.419 | 1.4435 | 13.27 | 0.000 |
|                     | Less than 5 years   | 2.792 | 1.3911 |       |       |
|                     | Between 6-10 years  | 3.166 | 1.4026 |       |       |
|                     | Between 10-15 years | 3.465 | 1.1680 |       |       |
|                     | Above 15 years      | 3.598 | 1.3020 |       |       |

From the Table 1.2.3 it is found that the respondents age group of between 26 - 35 is the highest mean value and as compared to female group, male respondents are having highest mean value. The mean score of married respondents are high with 3.298 compared to unmarried. The respondents having Graduate educational qualification have the highest mean value of 3.733, The respondents of above 15 years of business experience are highest mean value 3.598.

The Mean opinion score of the Entrepreneur perceptions of Economic growth of Small-Scale Business for financial role for the sample characteristics mentioned above is provided in the table. The Table shows that F values of all characteristics including Age, Gender, Marital Status, Size of Family, Educational Qualification and Business Experience have a significance level of less than 0.05. The results show that the opinion of respondents varies considerably with regard to all " Age, Gender, Marital Status, Size of Family, Educational Qualification and Business Experience".

### 1.2.4 Repayment Role

**The sample distribution, mean score, and test significance are displayed in Table 1.2.4 in accordance with the Repayment Role of Microfinance Institutions**

#### 1.2.4

|   | REPAYMENT ROLE                         |   | SDA | D   | N    | A    | SA   | MEAN | SD   | T     | Sig.. |
|---|--|---|-----|-----|------|------|------|------|------|-------|-------|
| 1 | I am capable of timely debt repayment. | n | 48  | 63  | 136  | 270  | 183  | 3.68 | 1.15 | 38.53 | 0.000 |
|   |  | % | 6.9 | 9.0 | 19.4 | 38.6 | 26.1 |      |      |       |       |



|   |   |   |      |      |      |      |      |      |      |       |       |
|---|---|---|------|------|------|------|------|------|------|-------|-------|
| 2 | There are occasions when I am able to prepay my debt obligations.   | n | 68   | 81   | 152  | 204  | 195  | 3.54 | 1.27 | 31.96 | 0.000 |
|   |   | % | 9.7  | 11.6 | 21.7 | 29.1 | 27.9 |      |      |       |       |
| 3 | Between the completion of due diligence and the loan disbursement, there is sufficient time for me to repay the loan. | n | 66   | 76   | 155  | 187  | 216  | 3.59 | 1.28 | 32.74 | 0.000 |
|   |   | % | 9.4  | 10.9 | 22.1 | 26.7 | 30.9 |      |      |       |       |
| 4 | The time lapse for repayment is adequate for monitoring my missions and ensuring quality.                             | n | 44   | 84   | 155  | 198  | 219  | 3.66 | 1.21 | 36.31 | 0.000 |
|   |   | % | 6.3  | 12.0 | 22.1 | 28.3 | 31.3 |      |      |       |       |
| 5 | Regarding the repayment, the fixed deadline for the execution of due diligence is reasonable.                         | n | 102  | 90   | 137  | 176  | 195  | 3.39 | 1.39 | 26.45 | 0.000 |
|   |   | % | 14.6 | 12.9 | 19.6 | 25.1 | 27.9 |      |      |       |       |
| 6 | Credit repayment modes of financing frequently occur  | n | 34   | 58   | 208  | 227  | 173  | 3.64 | 1.09 | 39.84 | 0.000 |
|   |   | % | 4.9  | 8.3  | 29.7 | 32.4 | 24.7 |      |      |       |       |



|                           |  |  |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|--|--|
| during opportune moments. |  |  |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|--|--|

To determine whether the average score deviates significantly from the average response scale, a one sample t test is employed to compare an average to a constant, in this case the average of response scale 3.

Table 1.2.4 presents the results. It indicates that 38.6% of the respondents strongly agree and 26.1% agree with the statement "I am capable of timely debt repayment" Conversely, 9% and 6.9% of the respondents disagree and strongly disagree with the statement, respectively, and 19.4% of the respondents hold a neutral stance on this matter. The calculated mean value of 3.68 is considerably less than the response scale's mean. The findings suggest that the majority of the participants hold agreement regarding the given aspect.

The assertion that " I am capable of timely debt repayment" received the highest mean value of 3.68. As per the viewpoints of the respondents, the assertions " There are occasions when I am able to prepay my debt obligations” and “Between the completion of due diligence and the loan disbursement, there is sufficient time for me to repay the loan” is regarded as critical components of the principle "Repayment Role" The mean scores for the following significant statements were 3.59 and 3.54: " “Between the completion of due diligence and the loan disbursement, there is sufficient time for me to repay the loan” , " Regarding the repayment, the fixed deadline for the execution of due diligence is reasonable" has received the lowest score of 3.39, which corresponds to a neutral value. The p-values associated with each statement are significant at the 5% level of significance.

The computation of the arithmetic mean was performed to determine a variable that represents the aspect of 'Repayment Role' of Microfinance Institutions for economic growth of small scale business . The data is displayed in Table 1.2.5.

**Composite Variable 'Repayment Role' of Microfinance Institutions descriptive statistics**



| Part 1   | Value | t      | Sig.. |
|----------|-------|--------|-------|
| Mean     | 3.64  | 34.490 | 0.000 |
| Median   | 4.00  |        |       |
| SD       | 1.272 |        |       |
| Variance | 1.617 |        |       |
| Minimum  | 1     |        |       |
| Maximum  | 5     |        |       |

Source: Primary data

**Table 1.2.6 One-way ANOVA was used to determine the mean of the composite variable representing " 'Repayment Role' " based on respondent characteristics.**

| Characteristics           | Category                   | Mean  | SD     | F     | Sig.. |
|---------------------------|----------------------------|-------|--------|-------|-------|
| Age                       | 25 or less than 25         | 3.603 | 1.2005 | 4.024 | 0.003 |
|                           | Between 26 - 35            | 3.550 | 1.3120 |       |       |
|                           | Between 36 - 45            | 3.844 | 1.1889 |       |       |
|                           | Between 46-55              | 3.689 | 1.3864 |       |       |
|                           | Above 55                   | 3.440 | 1.2865 |       |       |
| Gender                    | Male                       | 3.700 | 1.2524 | 7.68  | 0.006 |
|                           | Female                     | 3.327 | 1.3398 |       |       |
| Marital Status            | Married                    | 3.689 | 1.2631 | 2.8   | 0.049 |
|                           | Unmarried                  | 3.500 | 1.2922 |       |       |
| Size of Family            | Less Than or Equal to 5    | 3.678 | 1.2285 | 12.66 | 0     |
|                           | Between 5 to 10            | 3.112 | 1.4815 |       |       |
|                           | Above 10                   | 3.845 | 1.1640 |       |       |
| Educational Qualification | No/ Below School Education | 3.762 | 1.1881 | 2.19  | 0.05  |
|                           | Diploma / Intermediate     | 3.442 | 1.2731 |       |       |
|                           | Post-Graduate              | 3.518 | 1.3659 |       |       |





|                     |                     |       |        |      |   |
|---------------------|---------------------|-------|--------|------|---|
|                     | Graduate            | 3.867 | 1.0328 |      |   |
|                     | Any Other           | 3.702 | 1.3383 |      |   |
| Business Experience | Nil                 | 2.968 | 1.4707 | 6.78 | 0 |
|                     | Less than 5 years   | 3.729 | 1.2094 |      |   |
|                     | Between 6-10 years  | 3.533 | 1.3210 |      |   |
|                     | Between 10-15 years | 3.730 | 1.1511 |      |   |
|                     | Above 15 years      | 3.875 | 1.1968 |      |   |

From the Table 1.2.6 it is found that the respondents age group of between 36 to 45 is the highest mean value and as compare to female group, male respondents are having highest mean value. The mean score of married respondents is high with 3.689 compared to unmarried. The respondents having other professional educational qualifications have highest mean value of 3.845, The respondents of above 15 years of business experience group has highest mean value 3.875.

The Mean opinion score of the the Entrepreneur perceptions of Economic growth of Small-Scale Business for repayment role for the sample characteristics mentioned above is provided in the table. The Table shows that F values of all characteristics including Age, Gender, Marital Status, Size of Family, Educational Qualification and Business Experience have a significance level of less than 0.05. The results show that the opinion of respondents varies considerably with regard to all "Age, Gender, Marital Status, Size of Family, Educational Qualification and Business Experience".

## **FINDINGS, Suggestions & Conclusion**

### **Frequencies:**

1. Out of 700 respondents, 202 individuals (28.9 percent) were between the ages of 25 and 35, 141 individuals (20.1 percent) were under the age of 25, 179 individuals (25.6 percent) were between the ages of 36 and 45, 103 individuals (14.7 percent) were between the ages of 46 and 55, and 75 individuals (10.7 percent) were over 95. It has been determined from the aforementioned analysis that the age bracket of 25 to 35 years comprises the majority of entrepreneurs.



2. Out of 700 respondents, 85.1% of the 596 respondents identified as male, while 14.9% identified as female. It is evident from the aforementioned analysis that the majority of entrepreneurs are male.
3. Out of 700 respondents, 166 (23.7 percent) of the 700 respondents belonged to the unattached group, while the married group comprised 76.3 percent. It is evident from the aforementioned analysis that the majority of entrepreneurs are married.
4. Out of 700 respondents, 193 respondents (27.6%) of the 700 obtained fell within the bracket of zero experience, 168 respondents (24.0%) fell within the bracket of Above 15 years of experience, 141 respondents (20.1%) fell within the Between 6-10 years, 138 respondents (19.7%) fell within the Between 10-15 years, and 60 respondents (8.6%) fell within the Between 10-15 years. The analysis reveals that the majority of employees fall within the bracket of zero business experience.
5. Out of 700 respondents, 274 individuals (39.1%) are in the bracket of Less Than or Equal to 5, 220 individuals (31.4%) are in the bracket of Above 10 members, and 216 individuals (29.4%) are in the bracket of Between 5 to 10 members. Based on the aforementioned analysis, it can be concluded that the majority of the respondents are in the bracket of Less Than or Equal to 5-member family size.
6. Out of 700 respondents, 62 respondents (8.9%) have no No/ Below School Education qualifications; 96 respondents (13.7%) have Diploma / Intermediate educational qualifications; 199 respondents (28.4%) have Graduate educational qualifications; and 159 respondents (22.7%) have post-graduate educational qualifications. 184 respondents (26.3%) have other professional educational qualifications. The majority of respondents have Graduate level of educational qualifications, according to the analysis.

### **Findings related to Entrepreneur Perception towards different role of Microfinance Institutions**

7. It is found from the analysis, 34.1% of the respondents strongly agree and 28.4% agree with the statement " It is possible to monitor financial requirements and arrange a refinance within the repayment period." Conversely, 8.9% and 10.3% of the respondents disagree and strongly disagree with the statement, respectively, and 18.3% of the respondents hold a neutral stance on this matter.



The calculated mean value of 3.63 is considerably less than the response scale's mean. The findings suggest that the majority of the participants hold agreement regarding the given aspect.

The assertion that "It is possible to monitor financial requirements and arrange a refinance within the repayment period" received the highest mean value of 3.63. As per the viewpoints of the respondents, the assertions "Microfinance institutions are dependable sources of working capital for me" and "The terms and conditions established for extending credit are equitable" are regarded as critical components of the principle "Financial Role".

8. It is found from the analysis, the composite variable Financial Role ' has a mean value of 23.680. It has a standard deviation (SD) of 1.374, which is greater than the significance level of 3 (5%). This suggests that the respondents hold an agreement with the statement "Financial Role" and F values of all characteristics including Age, Gender, Marital Status, Size of Family, Educational Qualification and Business Experience have a significance level of less than 0.05.

### **Suggestions & Recommendations**

1. Simplify and clarify the processes for obtaining the schemes (the Small-Scale Business Unit should have easy access to the literature containing all the information about the schemes, including versions in the local language). Additionally, the Small-Scale Business Unit may obtain the necessary information from the offices of the industrial estates. Additionally, the GOI may utilise mass communication channels to publicise the schemes and their particulars.

Stand-up Startup and Single Window, which were recently implemented, have demonstrated that implementation of a scheme can be enhanced through the reduction of paperwork. By implementing the same policy across multiple schemes, a greater number of small and medium-sized business units will be able to benefit from those schemes

### **Conclusions**

Microfinance has emerged as a viable alternative funding option for entrepreneurs operating on a smaller scale. According to the body of literature that is currently available, microfinance not only helps small-scale entrepreneurs acquire skills and income, but it also supports the development of businesses and contributes to the advancement of society. It is possible to draw the conclusion that



in order to accelerate the economic growth of small-scale entrepreneurs. the findings suggest that the expansion of small-scale entrepreneurs is significantly and legitimately contributed to by the inclusion of financial services. Therefore, it is imperative that both governmental and non-governmental organisations focus on educating small-scale entrepreneurs about the significance of improving their roles through the implementation of financial inclusion in all of their endeavours and through the organisation of training and development programmes. Not only will this make it possible for them to achieve a higher social standing, but it will also give them the ability to take control of their economic situation.

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