

RELIABILITY OF MICROFINANCE IMPACT ON DEVELOPMENT OF ENTREPRENEURSHIP

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ABSTRACT

The main objective of the microfinance program is to effectively address poverty, particularly in emerging nations. This may be achieved through offering microfinance services such as micro-loans, micro savings, and insurance to historically marginalized populations. Entrepreneurship encompasses the activities undertaken by people to establish and develop an organization or product, starting from the conceptualization stage and continuing through to its actualization. Hence, it is essential for Microfinance institutions to prioritize the fundamental goal of developmental financing. It is important to give precedence to training programs that foster a culture of establishing robust enterprises, characterized by effective risk management practices and a willingness to embrace and respond to changing circumstances. Several states in India are leading the way in implementing innovative strategies to address longstanding issues and are making significant progress towards achieving equitable economic development. This section aims to elucidate the connection between microfinance and the development of entrepreneurship inside the nation. The study findings indicate a good correlation between microfinance institution lending and the growth of entrepreneurship in India.

KEYWORDS: *Entrepreneurship, Microfinance, Lending, Development.*

Introduction

Microfinance is an economic development strategy that aims to provide financial services, such as savings and investment opportunities, to those living in poverty around the globe. Microfinance encompasses more than just providing microcredit to impoverished individuals; rather, it serves as a strategic instrument aimed at facilitating the socioeconomic advancement of the poor, enabling them to overcome poverty by their own efforts. The scope of services provided include a diverse array of offerings, including but not limited to credit, savings, insurance, remittance, as well as non-financial services such as training and counseling. Microcredit provides impoverished individuals in rural regions with the opportunity to obtain financial resources. This enables individuals to engage in self-employment endeavors or establish microenterprises without relying on usurious money-lenders that impose high interest rates. In India, the microfinance sector primarily works via two channels, as seen in Figure 1.

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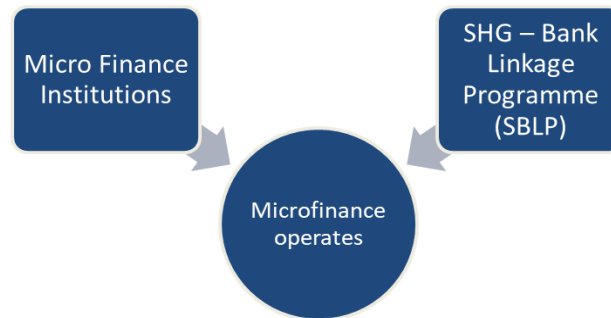


Fig 1: Microfinance Domains

The presence of a robust domestic macro-environment characterized by political stability, policy predictability, transparency, and effective governance, coupled with well-developed physical and social infrastructure, as well as an efficient legal framework and administrative system, constitutes the fundamental pillars that facilitate the growth of the private sector and nurture entrepreneurial activities within a nation. Furthermore, the establishment of a fair and equitable environment, together with the availability of financial resources and the acquisition of relevant information and skills, are essential foundations for the pursuit of entrepreneurial endeavors. The Small and Medium-sized Enterprise (SME) sectors are a crucial component of the Asian economies being examined in this investigation. Different countries have established and launched a range of initiatives and programs aimed at fostering the growth of small and medium-sized enterprises (SMEs). The implications of these efforts and programs have varied, with some yielding good outcomes while others have had neutral effects. Several of these programs have had an indirect influence on entrepreneurship inside small and medium-sized enterprises (SMEs), whilst others have specifically targeted the cultivation of an entrepreneurial mindset among the broader economy. The many initiatives, regardless of their nature as direct or indirect, and regardless of whether they were undertaken by public or private sector entities, were classified into six distinct groups. Self Help Groups (SHGs) in India are a distinctive kind of financial intermediation. The concept integrates the provision of affordable financial services via a self-management process, with the aim of promoting social and economic growth among the members of women's self-help groups (SHGs). The establishment of Self-Help Groups (SHGs) is facilitated either by governmental entities or non-governmental organizations (NGOs). Self-Help Groups (SHGs) are not just connected to financial institutions, but also exhibit associations with broader development initiatives. Self-Help Groups (SHGs) are well recognized for their ability to bestow several advantages, including both economic and social dimensions. There is a growing trend among financial institutions to promote and facilitate women's engagement in saving and credit access. Self-Help Groups (SHGs) may serve as community platforms that foster women's engagement in social activities, particularly in relation to matters that impact their everyday existence. There is a belief that frequent monitoring and auditing of finances would facilitate transparent operations inside businesses, fostering trust and interdependence among them.

Background

It may be hard to distinguish "medium enterprises" from "small" and "big" businesses. Micro, small, and medium enterprises in Kenya employ 50–200 people and hold capital assets of Ksh. 2 million (excluding property). There is no SME definition in Kenya. Lenders often define SMEs as organizations with six to fifty employees or yearly revenues of less than fifty million Kenyan shillings. No matter the quantitative definition, most market actors agree that Kenyan SMEs are the "missing middle." The growth and credit demand of MFIs, which make modest, short loans via group lending, have surpassed their capability. The SME risk profile's capacity and lenders' lack of sophisticated risk assessment methodologies make many of them unsuitable business banking loan clients. Despite their importance to the economy, MSEs do not get official credit from established financial services corporations that finance businesses. Policy makers, international development agencies, governments, and non-governmental organizations have developed a variety of development approaches over the past two decades to empower the poor, particularly through micro, small, and medium enterprises (MSEs), according to Afrane (2002). Since the early 1990s, microfinance programs have been popular. These programs help the working poor save and borrow money, providing financial services. MSEs power numerous economies worldwide including in Sub-Saharan Africa (SSA), and they hold the key to sustained

economic growth and poverty eradication. MSEs power SSA's economy. MFIs have been increasingly active in providing financial services to micro and small companies (MSEs) whose main goal is to improve the poor's economy, according to Asman and Diaymette (2006). The best approaches to provide financial services to low-income persons are being discovered gradually and quickly. Microfinance practitioners, funders, and governments have been interested in how these credit interventions assist recipients as part of this learning process. Our global discussion of microfinance and microcredit has focused on developing nations, where most disadvantaged people live and where microfinance has grown the greatest (Barinaga, 2013). Even if individuals in such locations live in far worse circumstances than in developed countries, wealthy nations should not disregard microfinance because they do not face poverty. Pedrini, Bramanti, Minciullo, and Maria Ferri (2016) found that even in wealthy nations, a portion of the population lacks access to financial services, and the number of Americans and Europeans at risk of poverty is rising. Even while industrialized countries disregard poverty, microfinance organizations have started providing financial services there (Jayo, Gonzalez, & Conzett, 2010a). We shall first discuss the main differences between emerging and established regions in Western Europe before discussing microfinance. We will examine the European microfinance market in the second part of this article, highlighting the differences between Eastern and Western nations, the European authorities' assistance, and some EU microfinance sector numbers. We shall explore the major barriers to microfinance growth in Europe in the last section of this paper.

Importance and role of MSMEs in Indian Economy

- **To provide job opportunities on a massive scale in India,**

Capital is hard to come by, but jobs are plentiful. It is believed that micro, small, and medium-sized enterprises (MSMEs) have lower capital-output and capital-labour ratios than large-scale businesses, and as a result, they better fulfil growth and employment goals. Since 1960, the micro, small, and medium enterprise (MSME) sector in India has had tremendous expansion, with an annual growth rate of 4.4% in terms of the number of units and 4.62% in terms of employment (the sector today employs 30 million people). Not only do micro, small, and medium-sized enterprises provide the most employment per capita investment, but they also go a long way toward preventing people from moving from rural regions to metropolitan areas by giving individuals who live in more remote places access to stable work opportunities.

- **To sustain economic growth and increase exports**

MSMEs provide raw materials, key components, and backward linkages for large-scale sectors like cycle manufacture, accounting for over 95% of MSME exports. These eco-friendly goods are usually handmade.

Making Growth Inclusive

The prioritization of inclusive development has been a prominent focus for the Ministry for Medium, Small, and Medium-sized Enterprises for a number of years. Conversely, the presence of poverty and hardship serves as an impediment to the progress and advancement of India. In addition, the Ministry of MSME has a significant problem in addressing the inclusion of neglected segments of society. Micro, Small, and Medium Enterprises (MSMEs) serve as crucial drivers of inclusive economic development, exerting a significant impact on the well-being of those who are most susceptible to social and economic disadvantages. For several households, it serves as the only means of sustenance. Therefore, rather than adopting a welfare-oriented strategy, this particular sector aims to facilitate the empowerment of individuals in order to disrupt the recurring patterns of poverty and deprivation. The primary emphasis is placed on individuals' abilities and autonomy. However, various socioeconomic groupings exert dominance over different areas of the Micro, Small, and Medium Enterprises (MSME) sector.

Methodology

This section provides an overview of the research design and outlines the precise methodologies used in carrying out the current investigation. The aforementioned components include aspects related to the design of the study, the selection of the sample, the creation of the research instrument, the method used for data collecting, and the techniques employed for data analysis. The study region for this research was selected as the rural district of Barabanki in Uttar Pradesh. The analysis of primary data was conducted using the statistical software SPSS. Tables were used as a means of displaying and comprehending the facts. Additionally, the data was encoded and inputted into a

computer-based application program, namely Excel, in order to analyze the correlation between the independent and dependent variables as previously indicated. The acquired data was analyzed using statistical tools such as frequencies and percentages. The presentation of the analyzed data was conducted using tables.

Population and Size of Sample

The population, often referred to as the universe, encompasses all units that are the primary focus of the investigation. Therefore, the population may include all individuals within a given nation, a specific geographic region, or a certain ethnic or economic subgroup, contingent upon the objectives and scope of the research. A population may also include non-human entities, such as farms, dwellings, or commercial facilities. Therefore, the whole population of Micro, Small, and Medium Enterprises (MSMEs) was deemed as the subject of investigation. In the current research, a total of 114 participants were recruited for the purpose of data gathering.

Sampling Technique, Data Collection and Reliability

The current research has used the Clustered Random Sampling approach. Micro, Small, and Medium Enterprises (MSME) units were chosen in a random manner from each cluster. A questionnaire was devised as a tool for the purpose of data gathering. Data was gathered from the chosen sample using the devised instrument. The instrument's dependability, as determined by test-retest analysis, has been established at a coefficient of 0.72. This level of reliability meets the necessary criteria for data collecting.

Statistical Tools

For the purpose of analysis and inferences, following statistical tools have been used.

- Measure of association: Correlation Coefficient
- Test of significance using Chi-Square
- One way ANOVA

Hypothesis

“Micro-financing is playing an important role in promoting entrepreneurship development”

This research seeks to understand how psychological and social capital mediate the relationship between micro-financing and micro-entrepreneurs' company growth. It will employ quantitative methods to attain its goals. The original data was analysed using SPSS. The information was shown and understood using tables. As said, the data was encoded and entered into Excel to assess the correlation between the independent and dependent variables. The data was evaluated using frequencies and percentages. Tables showed the examined data. The five scale criteria used for assessing the effect of microfinance on entrepreneurship are as follows:

- Obtaining a loan from a micro and small enterprise
- Obtaining a loan from commercial banks
- Awareness Impact
- There has been an increase in the financial earnings of businesses

Table 1: Evaluation Table

Scale	Agree	Strongly Agree	Neutral	Disagree	Strongly Disagree
Obtaining a loan from a micro and small enterprise					
Obtaining a loan from commercial banks					
Awareness Impact					
There has been an increase in the financial earnings of businesses.					

The dependability and consistency of the created assertions will be assessed using Cronbach's alpha. The formula for Cronbach's alpha may be expressed in terms of the quantity of test items and the mean inter-correlation among those items. In the next section, we provide the formula for Cronbach's alpha, mostly for conceptual elucidation.

$$\alpha = \frac{N\bar{c}}{\bar{v} + (N-1)\bar{c}}$$

Here

N is equal to the number of items

- C is the average inter-item covariance among the items and
- V equals the average variance

Table 1: Case Processing Summary

		N	%
Cases	Valid	112	98.2
	Excluded ^a	2	1.8
	Total	114	100.0

a. Listwise deletion based on all variables in the procedure.

The summary of case processing offers the user comprehensive information pertaining to all available data. Table 1 presents a comprehensive overview of the case processing, including the total count of valid cases and indicating the presence or absence of any excluded data in the research. The table of interest, namely Table 2, may be located inside the Reliability Statistics section, specifically the second table. Table 2 presents the values of Cronbach's alpha, together with the corresponding number of items selected for the scale.

Table 2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.730	.712	112

Table 3: Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	2.111	1.150	3.429	2.179	2.743	.231	112
Item Variances	.710	.018	1.959	1.842	110.723	.306	112
Inter-Item Covariance	.040	-.304	.720	1.004	-2.366	.006	112
Inter-Item Correlations	.016	-.383	.779	1.132	-2.031	.032	112

The table under "Item Statistics" presents the mean and standard deviation values for each individual item. The inclusion of a table displaying item-total statistics, namely Table 3, is of utmost importance. The extent of correlation between each item and the total composite score for the scale is shown by the number in the fourth column of this table, denoted as Corrected Item-Total Correlation. The potential for enhancing the reliability of the scale may be achieved by the use of the last column, often referred to as Cronbach's Alpha if Item Deleted. This analysis examines the impact of removing a single item on the overall reliability of the scale. However, in this particular case, deleting all items will not lead to an improvement in Cronbach's alpha.

Conclusion

This study focused on creating surveys to examine how leadership styles affect organizational performance. Competency scales arrange survey sections. The barabank specialists were surveyed using the test-retest method, and SPSS was used to analyze the data. This ensured the questionnaire was valid. Cronbach's alpha, which runs from 0 to 1, measures scale reliability. Survey instruments commonly utilize summed scales to measure the researcher's target constructs. These are indexed responses to dichotomous or multi-point questions that are combined together to get a responder-specific score. Cronbach's alpha measures survey instrument reliability by examining internal consistency and average question correlation. The instrument's Cronbach's alpha of .710, displayed in table 2, indicates its reliability and internal consistency.

The presence of the optimal degree of discovery will result in the following:

- A reliability test demonstrates that the scale that is used to evaluate the several microfinance domains is valid and exceptionally dependable.
- Microfinance institutions that are successful use at least one strategy to encourage entrepreneurial activity. In conclusion, we are in a position to declare that the function of micro finance has always been a positive indicator for employment, and that the current study will be of assistance to future researchers and lecturers who are interested in this field.

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