

## Do Microfinance Institutions Contribute to Sustainable Entrepreneurship from the Borrower's Perspective?

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**Abstract:** Microfinance is a livelihood source of income for most of the poor community. Microfinance in the form of microcredit supports numerous people by way of promoting entrepreneurial culture. Starting an enterprise is not an easy task due to capital formation. In India, microfinance institutions (MFIs) have been instrumental in providing small loans, particularly to underprivileged groups who lack collateral. They are making a significant impact on the country's efforts to foster financial inclusion. The microfinance sector is very diverse comprising various players of different types and legal forms. It includes Banks, SFBs, NBFCs, Non-Profit MFIs, and NBFC-MFIs. Proper business ideas, advisory and guidance services from the proper source are a way for good and successful entrepreneurship. Microfinance has mainly targeted women entrepreneurs with cost-effective funding assistance from microfinance institutions. The success of entrepreneurship depends upon the entrepreneurship's sustainability by achieving their common goals through empowerment. Sustainability is measured in the form of business growth, development and longstanding nature and outreach aspects. The success of any business aims at proper fund management and effective results through the operation. Microfinance is targeted especially at weaker sections community which find it difficult to raise funds for starting a business. Empowerment and growth of the business are reflected in the economic status and soundness of the micro entrepreneurship.

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## 1. Introduction

A microfinance tool helps to alleviate financial hardship among underprivileged rural sections of the population through financial inclusion. The idea over the past 20 years, microfinance has grown to be a vital instrument for reducing poverty; Dr. Yunus of Grameen Bank first advocated it in 1970. (Karanshaw,2007). The microfinance sector has empowered rural communities and served as a banking solution for those who are unbanked. Women entrepreneurs have the opportunity and the ability to grow their businesses through microcredit institutions. As microloans, small amounts of money are loaned to businesses for income generation (Okiocredit, 2005). Microcredit supports entrepreneurship for beginning new microenterprises and for growing existing microenterprises (Anglin et al., 2020). Microfinance provides working capital as well as asset creation for people in rural and urban areas. Microfinance is a service that provides financial services to people, such as loans, savings and insurance (Ledgerwood, 1999). A microloan is a flexible and cost-effective financial solution for entrepreneurs who otherwise do not have access to bank credit. There are a

variety of microfinance institutions dedicated to providing small loans to the poor, specifically microcredit (O'Donohoe et.al, 2009). It has been observed that microcredit institutions are increasingly becoming microfinance institutions (MFIs) that offer innovative, customized services to entrepreneurs (Chowdry, 2011). As a result of access to microcredit, self-employment assets are invested significantly more profits are increased for households with higher borrowing ability and female borrowers are better equipped to make financial decisions (Weber and Ahmad, 2014).

### **1.1 Women empowerment**

Microfinance is a means of providing low-income people with capital for their businesses, helping them out of poverty, empowering them, and delivering long-term social advantages. (Agion & Morduch 2005). The MFI industry is viewed as an efficient and creative way to alleviate financial hardship because it offers a variety of financial assistance for borrowers in need of a modest sum of money for founding startup businesses (Kneiding, 2009). As part of the microfinance program, multidimensional outcomes are produced, like nutrition, health, education, and autonomy (Khavul et al., 2013). In India a group lending initiative promotes the use of microcredit, leading to improvements in small business profitability and expenditure on long-lasting objects, but only partially timeframe. Additionally, group microcredit lending had no significant effects on women's empowerment, health, or education with an emphasis on social capital, group financing, and how they connect to loan repayment and credit availability. (Banerjee et al.,2015). A group lending arrangement can create social networking platforms used other than the family (Attanasio et al., 2015). When microloans are used appropriately, they can improve decision-making within the household and women's welfare, reliant on initial conditions (Ngo and Wahhaj, 2012). Women earn from microcredit only when they can utilize it to participate in mutually beneficial activities and when the majority of their household budget is allocated to public goods. There is a probability that microcredit programs will have different impacts on households, and the use of credit may not improve women's decision-making authority in the household. Small loans are an effective way of promoting the empowerment of women, but MFIs must also be able to understand the characteristics of female debtors to accomplish their mission (Hunt and Kasynatha, 2001). MFIs must follow the rules and fulfil their goals for them to serve the intended purpose for which they were founded. Reviewing the MFIs' operational procedures is therefore strongly advised because their primary goal is to empower and facilitate the impoverished (Shivi & Prabhat, 2014).

## **2. Literature of Review**

Microfinance institutions (MFIs) provide various financial services to millions of microentrepreneurs across the globe, spanning from reputable commercial institutions to self-help organizations (Dokulilova, 2009). The microfinance sector has also adopted Updates on banking technology like ATMs, internet, and online banking access, as well as credit cards to assist investors and to enhance banking services (Havemann,2009). A flourishing global microfinance industry is backed not just by donors not to mention lenders, network organizations, philanthropists, investors, management consulting firms, and several more specialized companies. Together, these institutions make up a thriving global microfinance market. (Gonzalez 2011). The microfinance industry is an emerging tool for economic development, reduction of poverty and empowerment of low-income communities. Microfinance also plays a new role in micro-entrepreneurship (Mondal,2007). Women who are empowered develop resilience and strength, which equips them to make decisions about their lives. This strengthens their control over resources, counters subordination, and represents their social role and empowerment as the people's power and means of self-governance. (Misra,2018) Numerous opportunities, such as expanding markets, lowering poverty rates, and promoting social change, have arisen as a result of microfinance. However, there is a common misconception that microfinance consists solely of providing loans to the poor. But microfinance now addresses concerns of poverty reduction, social impact on the poor, and encouraging the poor how to manage their finances ( Agion & Morduch,2005). Although microfinance institutions aim to uplift their customers and give them the

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money they need to escape poverty, it is critical for both human and corporate well-being to comprehend MFI sustainability (Muwamba, 2012). By rural development program of Islamic financial institutions, offers, interest-free loans to organizations comprising men and women and Islamic microfinance specifically targets women. This article has two main objectives. The first is to investigate the relationship between women's socioeconomic welfare and Islamic microfinance (Hassan and Mollah, 2018). MFIs should concentrate on providing appropriate assistance and training to conduct entrepreneurship in addition to lending operations (Valente, 2011). To support customers with extended loans turning to business, the microfinance institution ought to think about extending the grace period and reducing the repayment schedule. They should also reorganize their training materials to emphasize enhancing clients' business acumen and infrastructure improvements (Chirkos, 2014). Microfinance institutions that finance MSEs must be forced to do so and must be adaptable enough to accommodate MSEs not just through financial institutions but also by offering technical assistance to the MSEs (Waithaka et al., 2014). Small and medium-sized businesses' ability to develop their revenue and profits depends heavily on microfinance, and those that take part in it will experience a notable boost in both their net profits and revenue (Wang, 2013).

### **3. Sustainable Entrepreneurship**

The need for long-term growth and the adoption of sustainable organization practices to safeguard people have been the main forces behind sustainable entrepreneurship. Sustainable entrepreneurship is mostly motivated by positive attitudes about sustainability and entrepreneurship. A significant shift brought about by sustainable entrepreneurship has been the move to service-oriented business models, which comprise generating value for society in addition to economic benefit. Governments may significantly increase the reach and savings of magnitude by creating effective rules and by offering MFIs and their clients a stable financial environment ((Mustafa et al., 2018). The allocation of credit is a vital component in reducing poverty through creative methods of extending credit to the underprivileged as a possible remedy. Encouraging women to participate in longer loan terms decision-making processes, for instance, will boost the empowerment of women (Swain and Wallentin, 2009). Besides having positive effects on individuals and groups, entrepreneurial activity stimulates macroeconomic growth and job creation as well (Sheikh, 2021). The term "sustainable entrepreneurship" refers to a business-driven definition of sustainability that emphasizes boosting both social and commercial value. The term "corporate social innovation," which was coined with the idea that social challenges should serve as a basis for corporations to develop solutions as goods and services, thereby opening up new markets, has been used to describe the social component of sustainable entrepreneurship (Olsson et al., 2014). Sustainable Entrepreneurship is achieved through the empowerment consisting of social as well as business empowerment. Increased sustainability lowers borrowers' levels of poverty (Nanayakkara, 2012).

### **4. Statement of the problem**

The microfinance industry provides a source of livelihood for many people, providing them with what they need to meet their daily needs, as well, as health care, housing, marriage, and other personal necessities. Women constitute the majority of borrowers, and ensuring that they are empowered in business and in terms of their social status can be accomplished by utilizing microloans effectively. Before extending a loan, MFIs ought to educate qualified clients in business skills. Many times, the purpose and objective of microloans are not attained due to various reasons like family issues, natural disasters, failure in business, migration of places etc. Social status empowerment is achieved as a result of their business's sustainable entrepreneurship and the entrepreneur's success is measured through the performance outreach of the enterprises. Continuous monitoring is necessary for the success of the enterprise if the performance does not result in outreach, which leads to the failure of the business. The business is going to dissolve as a result of poor planning and execution, misusing money for personal expenses, and spouse dominance over money usage. Although real empowerment leads to both societal and personal success, microfinance is a useful instrument for assisting low-income women in eliminating poverty and enabling them to work for themselves.

### 5. Objectives of the study

1. To analyse the socio-economic and business profile details of the micro-entrepreneurs
2. To analyse how microfinance is contributing to social and business empowerment for sustainable entrepreneurship for women borrowers.

### 6. Research Methodology

The primary data were collected from the borrowers of NBFC-MFIs through a structured interview schedule. Totally 150 borrowers were interviewed for the study. Stratified random sampling is used for the study. Three NBFC-MFIs functioning in the Coimbatore district of Tamilnadu are taken for the study under registered members of the Microfinance Institution Network (MFIN).

The tools employed in the research study are Simple percentage analysis, analysis of variances and regression. The socio-economic variables and business-related variables were considered for inclusion in the regression model. The overall score for empowerment is found by adding the ratings of the empowerment items on the scale, to be included as the dependent variable in the regression analysis. The fundamental goal of multiple regressions is to construct an equation that yields the predictor variables' coefficients. The general equation for multiple regressions is,

$$Y = a_0 + a_1X_1 + a_2X_2 + \dots + a_nX_n$$

Where Y, the dependent variable

$a_1, a_2, \dots, a_n$  are the regression coefficients for the

Independent variables  $X_1, X_2, \dots, X_n$  respectively.

### 7. Result and discussion

**Table 1 Socio economic profile of the Micro Entrepreneurs and Empowerment Score**

Variables		No of respondents (No = 150)	Percentage (%)	Mean	SD
Age (in years)	28 - 35	23	15.3	62.04	3.55
	36 - 43	77	51.3	62.19	3.76
	44 - 51	37	24.7	60.78	3.27
	52 - 60	13	8.7	58.23	3.11
Educational Qualification	Illiterate	28	18.7	58.75	2.65
	Up to school level	67	44.7	61.19	3.40
	UG Degree	38	25.3	63.32	3.81
	Diploma	6	4.0	61.67	1.97
	PG Degree	2	1.3	68.50	2.12
	Professional Degree	9	6.0	62.67	3.32
Social Category	Backward	54	36.0	61.33	3.61
	Most backward	86	57.3	61.90	3.60

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	SC/ST	10	6.7	58.70	4.30
<b>Type of Family</b>	Nuclear	87	58.0	61.70	3.62
	Joint Family	63	42.0	61.17	3.85
<b>Number of members in the family</b>	1-2	6	4.0	60.50	2.81
	3-4	71	47.3	61.80	3.62
	5-6	51	34.0	61.55	3.47
	7-8	22	14.7	60.55	4.70
<b>Earning members in the family</b>	One	3	2.0	59.00	1.00
	Two	85	56.7	61.94	3.63
	Three	38	25.3	62.00	2.87
	More than three	24	16.0	59.33	4.59
<b>Area of Residence</b>	Urban	43	28.7	61.98	4.45
	Semi urban	54	36.0	62.43	3.59
	Rural	53	35.3	60.11	2.72

Source: Computed from primary data

The socioeconomic profile of the Micro entrepreneurs is observed in Table 1. It's seen based on the data table above that most among the responders were within the age range of 36-43 years (51.3%). Educational qualification of the Micro-entrepreneurs revealed that the majority of them have education at the school level (44.7%), The Social category of the respondents' states, that the majority of them (57.3%) are from the most backward class. According to family status, the majority of respondents (58.0%) were living in a nuclear family and 42.0 percent of respondents living in a joint family. The majority of the respondents (47.3 %) have three to four members in the family, and 56.7 percent of respondents have two earning members in the family. Area of residence of respondent's 36.0 percent belong to semiurban area.

**Table 2 Business Profile & Relationship of respondents with NBFC-MFIs and Empowerment Score**

Variables		No of respondents (No=150)	Percentage (%)	Mean	SD
<b>Years of Experience in business</b>	1-5 yrs	29	19.3	62.07	2.85
	6-10 yrs	81	54.0	62.27	3.85
	11-15 yrs	31	20.7	59.19	3.48
	Above 15 yrs	9	6.0	60.33	2.40
<b>Nature of Business</b>	Vegetable vendor	13	8.7	59.08	4.66
	Fast food Stall	15	10.0	62.07	3.47
	Flower shop	11	7.3	59.55	3.62
	Tailoring shop	16	10.7	62.56	2.78
	Petty shop	16	10.7	61.94	3.80
	Garments	15	10.0	62.93	3.77
	Small Scale Farming	22	14.7	59.23	2.39
	Others	42	28.0	62.60	3.51

<b>Source of initial fund invested</b>	NBFCs-MFI	13	8.7	62.30	3.54
	Own fund	15	10.0	59.27	3.13
	Borrowed from friends and relatives	11	7.3	61.16	3.74
	Borrowed from private money lenders	16	10.7	62.11	4.00
<b>Monthly income from the business (in Rupees)</b>	10000 - 20000	33	22.0	60.61	3.16
	20001 - 30000	38	25.3	60.55	3.26
	30001 - 40000	43	28.7	61.98	4.26
	40001 - 50000	30	20.0	62.43	3.65
	Above 50000	6	4.0	63.83	3.66
<b>Monthly business expenditure (in Rupees)</b>	Up to 5000	5	3.3	61.80	2.68
	5001 - 10000	42	28.0	60.12	3.40
	10001 - 15000	30	20.0	61.40	3.18
	15001 - 20000	44	29.3	61.77	3.82
	20001 - 25000	7	4.7	63.71	3.45
	25001 - 30000	22	14.7	62.82	4.38
<b>Monthly saving out of the business activity (in Rupees)</b>	Up to 5000	5	3.3	60.60	1.34
	5001 - 10000	40	26.7	61.23	3.61
	10001 - 15000	45	30.0	60.78	3.52
	15001 - 20000	42	28.0	62.40	4.27
	20001 - 25000	13	8.7	61.46	3.41
	Above 25001	5	3.3	63.00	2.92
<b>Years of association with NBFC-MFIs</b>	2 - 3 yrs	5	3.3	63.00	3.94
	4 - 5 yrs	30	20.0	62.10	3.27
	6 - 7 yrs	57	38.0	61.44	4.35
	8 - 9 yrs	38	25.3	60.87	3.31
	10 yrs & above	20	13.3	61.45	3.07
<b>Amount of loan taken in a year (In Rupees)</b>	35001 - 45000	31	20.7	60.87	3.84
	45001 - 55000	22	14.7	61.55	2.61
	55001 - 65000	46	30.7	60.57	3.48
	Above 65000	51	34.0	62.65	4.01

Source: Computed from primary data

Table 2 exhibits the majority of the respondents (54.0%) have experience of 6-10 years in doing various business activities. The majority of them, 28.0 percent are doing other businesses like tea stalls, milk businesses, beauty parlors, fancy stores, bakery etc. It is understood that Micro Entrepreneurs are doing various diversified activities, different categories of people doing business based on their skills and knowledge. More number of respondents (28.7%) have an income of 30001-40000. Micro entrepreneurs are earning a sizeable amount of income from their business activity.15001-20000 monthly expenditure incurred for most of the respondents.30.0 percent of the

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respondent's monthly savings from the business is 10001-15000. The majority of the respondents (38.0 %) of them 6-7 years of association in the NBFC-MFIs. The majority of them (34.0 %) availed a loan of above 65000 for business.

#### Association between Socio-economic factors and Empowerment on NBFC-MFIs

The following null hypothesis was framed and tested to find whether scores differed significantly affected by socioeconomic factors.

H0: The Empowerment score on NBFC-MFIs do not differ significantly among the socioeconomic factors of the respondents.

Ha: The Empowerment score on NBFC-MFIs differs significantly among the socioeconomic factors of the respondents.

**Table 3 Association between Socio-economic factors and Empowerment on NBFC-MFIs**

Variables		Sum of Squares	df	Mean Square	F	P	Result
Age (in years)	Between Groups	201.828	3	67.276	5.299	.002	Significant
	Within Groups	1853.612	146	12.696			
Educational qualification	Between Groups	453.669	5	90.734	8.157	.000	Significant
	Within Groups	1601.771	144	11.123			
social category	Between Groups	93.282	2	46.641	3.494	.033	Significant
	Within Groups	1962.158	147	13.348			
Type of family			148		.856 (t value)	.393	Not Significant
Earning members in the family	Between Groups	157.401	3	52.467	4.036	.009	Significant
	Within Groups	1898.039	146	13.000			
Area of Residence	Between Groups	157.939	2	78.969	6.118	.003	Significant
	Within Groups	1897.501	147	12.908			

Source: Computed from primary data

The socioeconomic variable of the respondents like Age (0.02), Educational qualification (0.00), social category (0.033), Earning members in the Family (0.009), and Area of Residence (0.03) have a considerable variation in the average mean of empowerment score on the above variables, As a result, the null hypothesis (Ho) has been rejected about these variables alone.

Concerning the variable like type of family (0.856) there is no significant difference found It is inferred that empowerment on socio socio-economic profile of the respondents like age, educational qualification, social category, earning members in the family, and area of residence is highly significant. There is a correlation between entrepreneurs' socioeconomic status and empowerment in connection with social standards.

**Association between Business Profile & Relationship of Respondents and Empowerment on NBFC-MFIs**

The following null hypothesis was framed and tested to find whether scores differed significantly based on Business profile & Relationship of Respondents

H0: The Empowerment score on NBFC-MFIs do not differ significantly among the Business profile & Relationship of Respondents

Ha: The Empowerment score on NBFC-MFIs differ significantly among the Business profile & Relationship of Respondents

**Table 4 Association between Business profile and Relationship of Respondents and Empowerment on NBFC-MFIs**

Variables		Sum of Squares	df	Mean Square	F	P	Result
<b>Years of Experience in business</b>	Between Groups	234.715	3	78.238	6.274	.000	Significant
	Within Groups	1820.725	146	12.471			
<b>Nature of Business</b>	Between Groups	339.065	7	48.438	4.007	.000	Significant
	Within Groups	1716.375	142	12.087			
<b>Source of initial fund invested</b>	Between Groups	208.384	3	69.461	5.491	.001	Significant
	Within Groups	1847.056	146	12.651			
<b>Monthly income from the business</b>	Between Groups	128.990	4	32.247	2.427	.051	Not significant
	Within Groups	1926.450	145	13.286			
<b>Monthly business expenditure</b>	Between Groups	156.607	5	31.321	2.375	.042	Significant
	Within Groups	1898.833	144	13.186			



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<b>monthly saving out of the business</b>	Between Groups	76.137	5	15.227	1.108	.359	Not significant
	Within Groups	1979.303	144	13.745			
<b>Years of association with NBFC-MFIs</b>	Between Groups	37.413	4	9.353	.672	.612	Not significant
	Within Groups	2018.027	145	13.917			
<b>Amount of loan taken in a year</b>	Between Groups	119.550	3	39.850	3.005	.032	Significant
	Within Groups	1935.890	146	13.260			

Source: Computed from primary data

Variables like years of experience in business (0.000), Nature of Business (0.000), Source of initial fund invested (.001), Monthly business expenditure (.042) Amount of loan taken in a year (0.32) have a significant difference in the business empowerment on business profile and relationship of the respondents with NBFC-MFIs. Based on the above variables, the null hypothesis (Ho) is rejected.

Concerning variables like association (0.612), Monthly income from business (0.051), and monthly savings out of the business (.359) there is no significant difference is found, it is inferred that empowerment on Business profile and relationship of the respondents with NBFCMFIs like Years of experience, Nature of business, and amount of loan taken in a year have highly significant in empowerment. The above result states that a strong business profile and positive relationship between MFIs and borrowers have an impact on empowerment and provide sole economic support for running the business.

**Table 5 Regression Analysis of empowerment score by micro-entrepreneurs**  
**Dependent Variable: Empowerment of micro-entrepreneurs**

Particulars	B	Std. Error	Beta	t	Prob.
<b>(Constant)</b>	58.270	3.005			
<b>AGE</b>	-.006	.065	-.011	-.099	Ns
<b>EDUCATIONAL QUALIFICATION</b>	.665	.264	.220	2.517	**
<b>SCIAL CATOGORY</b>	.197	.501	.031	.394	Ns
<b>Type of Family</b>	.606	.977	.081	.620	Ns
<b>Number of members in the family</b>	-.018	.324	-.007	-.055	Ns
<b>Earning members in the family</b>	-1.474	.564	-.310	-2.613	**
<b>Area of Residence</b>	.172	.441	.037	.391	Ns
<b>Years of Experience in business</b>	-.282	.122	-.310	-2.303	*
<b>Monthly income from the business(Rs.000s)</b>	.074	.080	.250	.930	Ns

<b>Monthly business expenditure (Rs.000s)</b>	.053	.091	.113	.584	Ns
<b>Monthly saving out of the business activity (Rs.000s)</b>	-.106	.094	-.172	1.128	Ns
<b>Years of association</b>	.245	.227	.130	1.081	Ns
<b>Amount of loan taken in a year (Rs.000s)</b>	.056	.033	.181	1.689	Ns

Source: Computed from primary data

### Model summary

R	R Square	F	Prob.
.537	.288	4.229	**

\*\*\* - Significant at 1% level ( $P < 0.01$ )

The regression analysis findings are displayed above, along with information about Multiple R and the variables used in the regression equation. The R-value shows that there is a moderate correlation (0.537) among the dependent variable (Overall empowerment score) as well as the collection of independent variables. The value of R square (0.288) is the squared multiple correlation value, which explains that 28.8 % of the difference in the overall empowerment score is because of the thirteen independent variables finally included within the formula. The value of F-statistic ( $F=4.229$ ), and the similar level of significance ( $P < 0.01$ ) show that the correlation between the total empowerment and the set of independent variables and the dependent variable (score) is significant at the 1% level.

According to the regression table, factors like age, number of members in the family, earning members in the family, year of experience in business and monthly savings out of business have negative effects on the overall empowerment score as the respective regression coefficients are negative. Coefficients of standardized regression (Beta) were found regarding the regression coefficients incorporated into the model. As these variables are independent of portions of measurements and hence, they are comparable. The relative contribution of each variable to the dependent variable, the Overall empowerment score can be found from these standardized regression coefficient values. It is seen from the regression table that monthly income from Business has the highest beta value of 0.250, which contributes more towards the overall empowerment score.

### 8. Conclusion

As stated earlier, one of the most important roles microfinances may play in development is giving the underprivileged, which are largely ignored by the traditional banking industry, for getting financial services. People who successfully combine people and resources are considered good entrepreneurs. While entrepreneurship can have positive effects on individuals or groups moreover, it promotes and sustains macroeconomic expansion and employment prospects for small and medium-sized businesses are widely recognized due to their significant roles in wealth creation, job creation, and economic expansion. The reality that women run or supervise a sizable percentage of small and medium-sized companies worldwide is another important point to emphasize. Empowerment is the social mission to the poor, for social and business status by wealth creation. Here social and business empowerment contributes towards sustainable business ownership. The study also confirmed the positive and significant relationship between wealth accumulation and social integration through empowerment. Higher social status, wealth creation, independent decision, satisfaction of all family needs, business growth, diversification of business, strong business support and convenience and comfort in doing

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business leads to achievement in empowerment status. Sustainable entrepreneurship aims to develop individual entrepreneurship and achievement in the economic development of the country.

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