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Role of Micro Finance Institutions in Development of Micro-Enterprises (MSMEs) in Mumbai - An Empirical Study

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Abstract: *This research paper is based on the evolution of microfinance institutions (MFIs) and their contribution to the development of Micro-Enterprise viz. micro, small and medium scale enterprises (MSMEs) in Mumbai. This study sought to fill in the gap by examining the impact of microfinance institutions on growth and development of small and medium enterprises. A survey was conducted on 110 SME owners using structured questionnaire. Data from the respondents was analyzed and translated into useful information using the statistical package for social sciences (SPSS). Frequency distributions, Crosstabs and Chi square were used to draw conclusions. The study established that 85 SMEs out of 110 SMEs surveyed obtained credit from MFIs. Results show that increased on business sales volume, profits and physical assets are the impact of adequate microfinance access (statistically significant at $P \leq 0.05$ level of significant). Statistically the finding shows that the increased of business capital structure has no direct relationship with microfinance access (insignificant by 0.104 when $P \leq 0.05$ level of significant).*
JEL CODES: *C12, G21, L31*
Key Words: *Microfinance, Micro, Small and Medium Enterprises, Microfinance Institutions and Chi Square*

I. Introduction

Microfinance is a source of financial services for entrepreneurs and small businesses that do not have easy access to banking and related services. The main objective of microfinance is to assist the poor to overcome the poverty and thus help in economic development. Microfinance is not only giving micro credit but it includes wide range of services like insurance, savings, remittance and also non-financial services like training, counselling etc.

Micro-Enterprises sector has been recognized as an important pillar of economic growth all over the world. The sector is characterized by low investment requirement and operational flexibility. Micro-Enterprises play a very important role in the development of country because of its innovative entrepreneurial spirit. In many developing economies including India, Small and medium enterprises (SMEs) plays a crucial role in employment creation and income generation.

What are the key factors influencing Micro-Enterprise to become small than medium enterprise and hence large enterprises? It is Microfinance. Microfinance is an important tool to promote business development. Researches shows that in Bangladesh more than 15 million families are benefited from small loans and other financial products such as micro-savings and micro-insurance and about 40% of the overall reduction of rural poverty in recent years has been due to microfinance provided to Micro-Enterprises.

The fact that in India, the national bodies like Small Industries Development Bank of India (SIDBI) and National Bank for Agriculture and Rural Development (NABARD) are devoting significant time, energy and financial resources on microfinance, is an indication of the reckoning of this sector. But still Micro-Enterprises continue to fail from the problems that microfinance institutions claim to offer solutions to. A gap exists in finding out the effect of Microfinance institutions on the growth and development SMEs. In light of this the main aim of the research is to establish the effect of microfinance institutions on the growth and development of

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small and medium enterprises. The study was guided by the objective; to find out the role of MFIs financing on business expansion, sales volume, profit and physical assets of the SMEs.

II. Concepts And Definition

Concepts and definitions of significant terms used in this study are as under:

1. MICRO SMALL AND MEDIUM ENTERPRISES

Over the last five decades Indian Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly dynamic and vibrant sector. MSMEs not only help in industrialization of rural & backward areas but also play a key role in providing employment opportunities. Thus, MSMEs reduces the regional imbalances and assure ore equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and it contributes immensely to the socio-economic development of India.

As per the Micro, Small and Medium Enterprises Development Act, 2006, A Micro-Enterprise is defined as ‘A enterprise where the investment in plant and machinery does not exceed twenty five lakh rupees; A Small-Enterprise, where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; A Medium-Enterprise, where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees’. Accordingly, as per this definition micro, small and medium enterprise is:

Enterprises	**Investment in plant and machinery/ equipment (excluding land and building)**	
	Manufacturing Enterprises	**Service Enterprises**
Micro	Up to Rs.25 lakh	Up to Rs.10 lakh
Small	More than Rs.25 lakh and up to Rs.5 crore	More than Rs.10 lakh and up to Rs.2 crore
Medium	More than Rs.5 crore and up to Rs.10 crore	More than Rs.2 crore and up to Rs.5 crore

2. FINANCIAL INCLUSION

Financial inclusion is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income groups (for example "no frill accounts"). Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).

The Government of India and the Reserve Bank of India have been making continuous efforts to promote financial inclusion. The fundamental objective of promoting financial inclusion is to reach to the financially backward Indian population. RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country.

The banking industry has shown tremendous growth during the last few decades. Despite the progress and improved profitability of banks, Indian banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services (Thorat, 2007). The share of rural credit in the total credit disbursement by commercial banks, which grew from 3.5 to 15 percent from 1971 to 1991, declined again to 11 percent in 1998 (Sa-Dhan, 2004). The fall in the availability of credit from formal financial system led to the emergence of informal sources as well as SHGs and MFIs (Fisher and Sriram, 2002). At this juncture Micro Finance services are doing well in bringing excluded population to the main stream of formal banking system.

3. MICRO CREDIT

Credit is one of the critical inputs for economic development. Its timely availability in the right quantity and at an affordable cost goes a long way in contributing to the well-being of the people especially in the lower rungs of society. Much of the current interest in microcredit stems from the Microcredit Summit (2-4 February 1997), and the activities that went into organizing the event. The definition of microcredit that was adopted there was: 'Microcredit programmes extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families'.

Micro Credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Microcredit is the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. It has proven an effective and popular measure in the on-going struggle against poverty, enabling those without access to lending institutions to borrow at bank rates, and start small business.

4. MICRO FINANCE

Microfinance refers to an array of financial services to low-income individuals or to those who do not have access to typical banking services. As per the RBI master circular on micro credit, Micro Finance is defined as 'A provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards'.

Microfinance provides the access to financial services to the low-income individuals or to small and medium size enterprises. Microfinance is the supply of loans, savings, and other basic financial services to the poor. Since the clients of microfinance institutions (MFIs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, and remittances. Microloans are given for a variety of purposes, frequently for microenterprise development. As microfinance institutions focuses on the low-income group, it often uses non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal financial sector.

Microfinance is not a new concept. Small microcredit operations have existed since the mid-1700s. However, the pioneering of modern microfinance is often credited to Dr. Mohammad Yunus, who began experimenting with lending to poor women in the village of Jobra, Bangladesh during his tenure as a professor of economics at Chittagong University in the 1970s. In 1983 he formed the Grameen Bank, meaning 'village bank' founded on principles of trust and solidarity and won the Nobel Peace Prize in 2006. Since then, innovation in microfinance has continued and providers of financial services to the poor continue to evolve. Today, the World Bank estimates that about 160 million people in developing countries are served by microfinance. As per Grameen Bank, Microfinance is a source of financial services for small businesses and entrepreneurs lacking access to banking and related services of bank. The two main mechanisms for the delivery of financial services to such clients are:

(i) Relationship-based banking for small businesses and individual entrepreneurs.
(ii) Group-based models, where some entrepreneurs come together to apply for loans and other services as a group.

5. MICRO FINANCE INSTITUTIONS

MFIs are those institutions which have microfinance as their main operation. The main aim of MFIs is to offer microfinance service.

The proposed Microfinance Services Regulation Bill defines Microfinance Institutions as 'an organisation or association of individuals including the following if it is established for the purpose of carrying on the business of extending microfinance services:

i. a society registered under the Societies Registration Act, 1860,
ii. a trust created under the Indian Trust Act,1880 or public trust registered under any State enactment governing trust or public, religious or charitable purposes,
iii. a cooperative society / mutual benefit society / mutually aided society registered under any State enactment relating to such societies or any multistate cooperative society registered under the Multi State Cooperative Societies Act, 2002 but not including :
    - a cooperative bank as defined in clause (cci) of section 5 of the Banking Regulation Act, 1949 or

- a cooperative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services'.

In India microfinance operates through two channels:

a. SHG – Bank Linkage Programme (SBLP)
b. Micro Finance Institutions (MFIs)

a. SHG – Bank Linkage Programme

This is the bank-led microfinance channel which was initiated by NABARD as an Action Research Project in 1989. A self-help group (SHG) is a small group usually composed of 10–20 local women or men. A mixed group is generally not preferred. Members make small savings contributions in the group periodically over a few months until there is enough capital in the group to begin lending. Once the SHGs is settled, it get linked to banks via NGOs, for opening savings account and for other credit requirements. Banks lend to SHGs after assessing their credit worthiness

b. Micro Finance Institutions (MFIs)

Micro Finance Institutions (MFIs) plays a significant role in facilitating financial inclusion and thus helping the poor with finance. A microfinance institution (MFI) is an organization that provides microfinance services. It ranges from small non-profit organizations to larger banks.

III. Need Of The Study

In the context of necessity of credit for the growth of Micro-Enterprises and realizing the importance of Microfinance Institutions, an attempt is made to study the role of Microfinance Institutions on the growth and development of Micro-Enterprises.

IV. Literature Review

Many researchers have studied Microfinance and Micro-Enterprises from different views and in different contexts. The following are very interesting and useful for our research.

Need for Microfinance by Micro-Enterprises:

As per the research report 'The Role of Microfinance in Rural Micro-Enterprises Development' of Prof. Dr. Hans Dieter Seibel, University of Cologne the key issue in agriculture and rural development during the 1960s and 1970s was agricultural production. Later on agricultural credit became an important input alongwith improved seeds and seedlings, fertiliser, pesticides, tools and machines and with the growing population increasing numbers of rural people could not live on agriculture alone. To survive they had to engage in numerous activities: on-farm, off-farm and non-farm. Rural households and rural economies got increasingly diversified. Access to finance was the limiting factor. Agricultural credit had been exclusive to farmers only. Therefore many micro-entrepreneurs, traders and household business units were unsatisfied. This unsatisfied demand prepared the ground for a revolution on the supply side: microfinance. As per Prof. Dr. Hans Dieter Seibel this should be called the *blue revolution*, blue being the bankers' colour.

As per the report 'Microfinance for Micro-Enterprises: An Impact Evaluation of Self Help Groups of Department of Economic Analysis and Research' of National Bank for Agriculture and Rural Development, Microfinance movement in India entered into second phase in 1990s. In the present phase of microfinance processes, sustainability of Micro-Enterprises has become very important. There are many problems faced by Micro-Enterprises like low profit margin, repayment of loan, infrastructure problems etc. This report provides the challenges faced by Micro-Enterprises.

According to NABARD 2003-04 report on SHG bank linkage, in spite of the optimism generated by the expansion of SHG credit and the high recovery rate there is a gap between actual per capita credit provided to the poor and the demand.

As per Srinivasan, research report 2009, by 2008 there were 54 million microfinance customers in India, of these; 39.9 million customers were served by the SHG model while 14.1 million were served by the MFI model. While the SHG model accounted for 77% of the total outreach, its growth rate of 15% in 2007-08, was lower than that of the MFI model which grew by 40%. By March 2009 it is estimated that the total outreach of the sector had grown to 86.2 million with total loans outstanding of Rs.351 billion (Sa-dhan, 2009). This amounts to only around 6% of the total credit outstanding of commercial banks in rural and semi-urban areas in 2008 (RBI, 2009). Some studies such as the Intellecap study entitled "Inverting the Pyramid" (2007) estimate that the potential market may be 245 million individuals, suggesting there is still a lot of scope for the sector to grow.

The role of microfinance in Micro-Enterprises development:
Lack of access to finance has been identified as one of the major constraints hindering the development of small businesses not just in India but in other developing countries also. Commercial banks have traditionally concentrated their lending mainly to large formal enterprises which have expertise of doing business and possess collateral and not on small enterprises as they lack expertise and are riskier investment.

Despite the potential of SMEs to facilitate economic growth, many studies have highlighted lack of access to finance as a major problem which hinders the growth of SMEs (Anyanwu, 2003; Lawson, 2007).

In the Focus Note on Financing Small Enterprises: What Role for Microfinance Institutions?, the authors examine the experience and role of microfinance institutions (MFIs) in serving small enterprises. They started with an overview of small enterprises and their financial needs, suggesting that they require more than just loans. They then analysed the current and potential role of MFIs in serving this market. (CGAP 2012)

Idowu Friday Christopher (2010) conducted a study to find the Impact of Microfinance on Small and Medium-Sized Enterprises in Nigeria. The findings of the study reveal that good number of the SMEs got benefitted from the MFIs loans. The findings also supported the view that, there is a positive contribution of MFIs loans towards the development of SMEs and the enhancement of their market share.

Sam Afrane (2002) conducted a study on Impact Assessment of Microfinance Interventions in Ghana and South Africa Synthesis of Major Impacts and Lessons. This paper reviews two studies conducted in Ghana and South Africa that focused mainly on impact results. The outcomes of the two case studies have established that microfinance interventions have achieved significant improvements in terms of increased business incomes, improved access to life-enhancing facilities, and empowerment of people, particularly women.

All the above studies provide us a solid base and give us an idea regarding Microfinance and its role in the development of MSME sector. While there has been enough research on this topic with reference to other developing countries, there is a dearth of literature and research in Indian context.

V. Research Gap And Research Objectives

The area of Microfinance Institutions in relation to their impact on Micro-Enterprises has been significantly researched. The analysis of the above literature brings across certain limitations of literature. The given literature is based on international study but it fails to address the role of Indian Microfinance on Indian MSMEs.

While there has been enough research available on the problems and challenges faced by Micro-Enterprises and need of Microfinance there is a dearth of literature and research on the impact of Microfinance on the growth of the Micro-Enterprises. A gap still remains in establishing the impact of Micro Finance Institutions in relation to growth of Micro-Enterprises. In the quest of establishing the impact of Microfinance on the development and growth of Micro-Enterprises, researchers have developed the following objectives :

The objectives of this research are:
1. Study the expectations of Micro-Enterprises and the challenges faced by them in obtaining the funds.
2. Determine the role of MFIs in the development of Micro-Enterprises.
3. To understand the impact of Microfinance on the achievement of Sales of Micro-Enterprises.
4. To understand the impact of Microfinance on the achievement of Profit of Micro-Enterprises.
5. To understand the impact of Microfinance on the achievement of Physical Assets of Micro-Enterprises.

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VI. Research Design

The study used a survey design to examine the effect of microfinance institutions on growth and development of Micro-Enterprises. A descriptive survey was suitable in the study owing to the fact that several Micro-Enterprises were sampled. A survey design describes people responses to questions about a phenomenon or situation with aim of understanding respondent's perceptions from which truism is constructed (KIM, 2009). A survey design was particularly useful as the study seeks to establish the perception of respondents in reference to effect of microfinance institutions on growth and development of Micro-Enterprises. Tabular analysis techniques employed are Ratios, Percentages, Frequency Distribution, Crosstab and Chi square. The analysis is done through SPSS software.

1. Coverage

The scope of the study is to cover Micro-Enterprises functioning in Mumbai especially in Thane and Belapur (Navi Mumbai). The study is focused on 30 Micro-Enterprises from different sectors like chemical, engineering, electrical, food processing, textiles, pharmaceutical sector etc.

2. Data Collection

This study is based on the primary as well as on secondary data.

Secondary Research: It is done by studying research journals, business magazines, microfinance reports, newspaper, reports, websites and surveys conducted in the area of microfinance.
Primary Research: It is done by capturing views of 110 Micro-Enterprises owners from different type of business, age group and with different level of experience through a detailed questionnaire.

3. Data Analysis

Data processing is done using appropriate software like Microsoft excel and Statistical Package for the Social Sciences (SPSS).

VII. Data Analysis And Findings

1. Key characteristics of the respondents

To understand the demographics of the respondent's univariate analysis is done using Frequency Tables. The key analysis is as under :

a. Age of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26 yrs. to 45 yrs.	72	65.5	65.5	65.5
	46 yrs. and above	22	20.0	20.0	85.5
	18 yrs. to 25 yrs.	16	14.5	14.5	100.0
	Total	110	100.0	100.0	

Interpretation:

From the frequency table, we observe that out of 110 respondents, 72 respondents i.e. 65.5% of respondents belongs the age group of 26 years to 45 years; whereas 22 respondents or 20% of respondents are above 46 years of age and 16 respondents or 14.5% of respondents belongs to the age group of 18 years to 25 years.

b. Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	56	50.9	50.9	50.9
	Female	54	49.1	49.1	100.0
	Total	110	100.0	100.0	

Interpretation:

From the above frequency table, we observe that out of 110 respondents, 56 respondents i.e. 50.9% of respondents are male; whereas 54 respondents or 49.1% of respondents are female.

c. **Marital Status**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	89	80.9	80.9	80.9
	Single	21	19.1	19.1	100.0
	Total	110	100.0	100.0	

Interpretation:
From the above table, we observe that out of 110 respondents, 89 respondents i.e. 80.9% of respondents are married; whereas 21 respondents or 19.1% of respondents are single.

d. Type of Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturer	54	49.1	49.1	49.1
	Wholesaler	29	26.4	26.4	75.5
	Service Provider	13	11.8	11.8	87.3
	Retailer	10	9.1	9.1	96.4
	R&D - (Technology)	4	3.6	3.6	100.0
	Total	110	100.0	100.0	

Interpretation:
From the above table, we observe that out of 110 respondents, 54 respondents i.e. 49.1% of respondents are manufacturer, 29 respondents or 26.4% of respondents are wholesaler, 13 respondents or 11.8% of respondents are providing services, 10 respondents or 9.1% of respondents are retailers and 4 respondents or 3.6% of respondents provide R&D services.

2. Experience with MFI's

To understand whether MFI's are making any significant contribution to the development and growth of Micro-Enterprises univariate analysis using Frequency table and bivariate analysis using crosstabs and chi square is done.

a. Have you taken credit from MFIs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	85	77.3	77.3	77.3
	No	25	22.7	22.7	100.0
	Total	110	100.0	100.0	

Interpretation :
It is observe that out of 110 respondents, 85 respondents i.e. 77.3% of respondents have taken credit or loan from MFIs; whereas 25 respondents or 22.7% of respondents have not taken any credit from MFIs.

b. Reasons for not taking the credit/loan from MFIs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Internal funds are sufficient	10	9.1	40.0	40.0
	loan taken from banks	6	5.5	24.0	64.0
	because of possible rejection	5	4.5	20.0	84.0
	rate of interest is high	4	3.6	16.0	100.0
	Total	25	22.7	100.0	
Missing	System	85	77.3		
Total		110	100.0		

Interpretation :
In order to understand the reason behind SMEs lack of credit demand, they were asked to provide the reasons for not seeking loan. In response to this question 40% of SMEs responded that they have sufficient internal fund

and there is no need to raise finance from bank or other sources. 24% of SMEs prefer taking loan from banks. 20% of SMEs have not applied for any finance due to a belief that their loan application will be rejected by MFIs. 16% of SMEs did not applied to MFIs due to high interest charged by MFIs.

c. Level of satisfaction of the borrowers of Microfinance

SMEs Satisfaction with Microfinance Products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Satisfied	37	33.6	43.5	43.5
	Dissatisfied	24	21.8	28.2	71.8
	Very Satisfied	12	10.9	14.1	85.9
	Neutral	6	5.5	7.1	92.9
	Very dissatisfied	6	5.5	7.1	100.0
	Total	85	77.3	100.0	
Missing	System	25	22.7		
Total		110	100.0		

Interpretation :
Out of 110 respondents, 85 respondents have taken credit or loan from Microfinance Institutions. These respondents were asked to their satisfaction on the 5 point Likert scale. 1 being very satisfied and 5 being very dissatisfied. 43.5% of respondents are satisfied with the products offered by Microfinance Institutions and 14.1% of respondents are very satisfied. 28.2% of respondents are dissatisfied and 7.1% of respondents are very dissatisfied, whereas 7.1% of respondents are neutral.

d. Impact of MFIs credit on sales revenue of SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased	62	56.4	56.4	56.4
	Stable	36	32.7	32.7	89.1
	Decreased	12	10.9	10.9	100.0
	Total	110	100.0	100.0	

Interpretation :
To understand the impact of microcredit on the growth of the SMEs the factors selected were sales revenue, profitability and the physical assets. From the above table it is observed that out of 110 respondents, 62 respondents or 56.4% of respondents replied that the sales revenue increased whereas 32.7% of respondent's sales remained stable. 10.9% respondents showed a negative change in their sales.

e. Impact of MFIs credit on profitability of SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased	67	60.9	60.9	60.9
	Stable	32	29.1	29.1	90.0
	Decreased	11	10.0	10.0	100.0
	Total	110	100.0	100.0	

Interpretation :
From the above table it is observed that out of 110 respondents, 67 respondents or 60.9% of respondents replied that their profit increased whereas 29.1% of respondent's profit remained stable. 10% respondents showed a negative change in their profit.

f. Impact of MFIs credit on capital structure of SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Stable	48	43.6	43.6	43.6
	Increased	47	42.7	42.7	86.4
	Decreased	15	13.6	13.6	100.0
	Total	110	100.0	100.0	

Interpretation :
From the above table it is observed that out of 110 respondents, 48 respondents or 43.6% of respondents replied that their capital structure remained stable whereas 42.7% of respondent's capital structure increased. 13.6% of respondent's capital structure decreased.

g. Impact of MFIs credit on physical assets of SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased	67	60.9	60.9	60.9
	Stable	38	34.5	34.5	95.5
	Decreased	5	4.5	4.5	100.0
	Total	110	100.0	100.0	

Interpretation :
From the above table it is observed that out of 110 respondents, 67 respondents or 60.9% of respondents replied that their physical assets increased whereas 34.5% of respondent's physical assets remained stable. 4.5% of respondent's physical assets decreased.

h. Role of Microfinance in achievement of sales using crosstabs

Have you taken loan from MFIs * Achievement in sales revenue Crosstabulation

			Achievement in sales revenue			Total
			Decreased	Stable	Increased	
have you taken loan from MFIs	Yes	Count	7	20	58	85
		% within have you taken loan from MFIs	8.2%	23.5%	68.2%	100.0%
	No	Count	5	16	4	25
		% within have you taken loan from MFIs	20.0%	64.0%	16.0%	100.0%
Total		Count	12	36	62	110
		% within have you taken loan from MFIs	10.9%	32.7%	56.4%	100.0%

Interpretation :
Out of 85 respondents who have taken credit from MFIs, 58 respondents or 68.2% of respondents sales have increased due to the credit taken from MFIs, whereas 23.5% respondent's sales remained stable. 8.2% respondent's sales declined.

i. Role of Microfinance in achievement of profit

Have you taken loan from MFIs * Achievement in profitability Crosstabulation

			Achievement in profitability			Total
			Decreased	Stable	Increased	
have you taken loan from MFIs	Yes	Count	6	16	63	85
		% within have you taken loan from MFIs	7.1%	18.8%	74.1%	100.0%
	No	Count	5	16	4	25
		% within have you taken loan from MFIs	20.0%	64.0%	16.0%	100.0%
Total		Count	11	32	67	110
		% within have you taken loan from MFIs	10.0%	29.1%	60.9%	100.0%

Interpretation :

Out of 85 respondents who have taken credit from MFIs, 63 respondents or 74.1% of respondents profit have increased due to the credit taken from MFIs, whereas 18.8% respondent's profit remained stable. 7.1% respondent's profit declined.

j. Role of Microfinance in achievement of Capital Structure

Have you taken loan from MFIs * Achievement in Capital Size Crosstabulation

			Increase in Capital Size			
			Decreased	Stable	Increased	Total
have you taken loan from MFIs	Yes	Count	14	33	38	85
		% within have you taken loan from MFIs	16.5%	38.8%	44.7%	100.0%
	No	Count	1	15	9	25
		% within have you taken loan from MFIs	4.0%	60.0%	36.0%	100.0%
Total		Count	15	48	47	110
		% within have you taken loan from MFIs	13.6%	43.6%	42.7%	100.0%

Interpretation :
Out of 85 respondents who have taken credit from MFIs, 38 respondents or 44.7% of respondents capital structure have increased due to the credit taken from MFIs, whereas 38.8% respondent's capital structure remained stable and 16.5% respondents capital structure decreased.

k. Role of Microfinance in achievement of physical assets

Have you taken loan from MFIs * Achievement in physical assets Crosstabulation

			Achievement in physical assets			
			Decreased	Stable	Increased	Total
have you taken loan from MFIs	Yes	Count	0	22	63	85
		% within have you taken loan from MFIs	.0%	25.9%	74.1%	100.0%
	No	Count	5	16	4	25
		% within have you taken loan from MFIs	20.0%	64.0%	16.0%	100.0%
Total		Count	5	38	67	110
		% within have you taken loan from MFIs	4.5%	34.5%	60.9%	100.0%

Interpretation :
Out of 85 respondents who have taken credit from MFIs, 63 respondents or 74.1% of respondents physical assets have increased due to the credit taken from MFIs, whereas 25.9% respondent's physical assets remained stable.

e. Relationship between Microfinance and achievement of sales, profit, capital structure and physical assets using chi square

Chi Square is used to measures if there is difference between microcredit accesses and increased in SME Sales, Profit, Capital Structure and Physical Assets. The hypotheses are as under:

Testing of Hypothesis:

H_0a: Increase in Salesis independent of Microfinance
H_1a: Increase in Salesis dependent of Microfinance

H_0b: Increase in Profitis independent of Microfinance
H_1b: Increase in Profitis dependent of Microfinance

H_0c: Increase in Capital Structureis independent of Microfinance
H_1c: Increase in Capital Structureis dependent of Microfinance

H_0d: Increase in Physical Assetsis independent of Microfinance
H_1d: Increase in Physical Assetsis dependent of Microfinance

Chi-Square Tests

Chi Square	Dependent Variables			
	Increase in Sales	Increase in Profit	Increase in Physical Assets	Increase in Capital Structure
Value	21.471	27.501	35.838	4.531
Df	2	2	2	2
Asymp. Sig. (2-sided)	.000	.000	.000	.104

Interpretation :
The Pearson Chi-Square value for the first three hypothesis is 0.000 and it is less than α which is 0.05, so we reject H_0 but for the last hypothesis the Pearson Chi-square value is 0.104, which is greater than α so we accept the null hypothesis. The above table indicates that there is significant association between increase in sales, profit and physical assets and microcredit at a level of significant 5% ($P \leq 0.05$). But capital structure had insignificant association with the microcredit at a level of 5%. This implies that increases on capital structure might be caused by other variables out of credits. Although, it is not necessary always that credit will lead to increase in capital. It may have led to increase the working capital. Thus, it can be concluded that the increase in sales, profit and physical assets are all dependent on Microfinance but capital structure is independent of Microfinance credit/loan.

VIII. Conclusion

An attempt has been made in this study to understand the role of Microfinance on the growth and development of Micro-Enterprises. The paper assessed Micro-Enterprises owners who have received credits from Micro Finance Institutions. It is observed that 57.6% of respondents are satisfied or very satisfied with the products offered by Microfinance Institutions. The findings also revealed that most of the respondents in this study reported that their business had expanded and their income and physical assets had increased significantly as a result of having taken microfinance loans. Findings showed that Microfinance lead to increase of business sales, business profits and business physical assets. Except increased of capital structure has no direct relation to microfinance access. All these, were observed to be statistically significant. Statistically, there seems enough evidence to prove that Micro-Enterprises that received loan from Microfinance Institutions succeeded than those that did not receive.

The study concludes that accessibility to the products offered by Microfinance Institutions affects financial performance of Micro-Enterprises positively.

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