



# Role Of Microfinance For Saving Facilities To Small Enterprises

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## ARTICLE INFO

## ABSTRACT

Microfinance savings facilities are crucial for the financial empowerment and expansion of small businesses, especially in emerging nations. Savings facilities not only bolster the financial stability of small enterprises but also contribute to wider economic growth by fostering entrepreneurship and generating employment opportunities. A total of 185 participants, including bank workers, managers, and consumers, were questioned using questionnaires. The gathered data were analyzed using SPSS and Excel and shown as tables illustrating frequencies and percentages. The findings indicated that microcredit is the primary determinant in ensuring the long-term viability of microfinance. Enhancing the provision of microcredit and micro saving services to individuals with low income results in a boost in the long-term viability of microfinance and the creation of more employment prospects.

**Keywords:** Microfinance, Economic, Savings, Microcredit, Businesses

## I.INTRODUCTION

For a long time, microfinance has been seen as a key player in the fight against poverty and for economic growth by bringing banking services to those who have never had access to them before. Among the many services provided by microfinance institutions (MFIs), saving facilities are essential but sometimes overlooked, especially by small businesses. Due to rigorous criteria like collateral, credit history, and copious paperwork, conventional banking services are often inaccessible to these tiny firms, which are vital to many emerging economies. In response to these difficulties, microfinance institutions provide small businesses with accessible, adaptable, and trustworthy ways to save money, which in turn promotes financial stability and allows for long-term development (Islam, M. A., et al., 2011). To address the requirements of low-income people and small firms without access to traditional banking, microfinance offers a variety of financial services such as microloans, savings, insurance, and money transfers. The main idea behind microfinance was to help low-income people establish or grow their own small companies by giving them modest loans without the need for conventional collateral. Because microfinance institutions have come to understand that providing access to credit isn't enough to encourage long-term economic growth, they have expanded their product offerings to cover a wider range of financial needs.

### Importance of Microfinance for Small Enterprises

When it comes to emerging nations, small businesses are the engine that keeps the economy moving, creating jobs and fostering innovation. Nevertheless, these companies often encounter substantial challenges when trying to get the capital necessary for starting out, running, and growing. There is a significant gap between the lending standards of traditional banks and the realities faced by small businesses, particularly those operating in the informal economy (Hussen, Sufiyan et al., 2021). Microfinance fills this need by providing small businesses with individualized financing solutions that are easier to obtain and better meet their specific requirements.

1. **Access to Capital:** Startup, ongoing, or expansion financing is commonly necessary for small businesses. These businesses are able to invest in merchandise, equipment, and infrastructure thanks to the microfinance that helps them get the money they need.
2. **Economic Empowerment:** Small business owners may become economically independent with the help of microfinance, which provides them with access to financial services. In order to promote sustainable development, entrepreneurs may make money, hire people, and impact the economy as a whole.

3. **Risk Management:** To better handle the risks inherent with running a small company, microfinance institutions provide services like savings and insurance. You may protect yourself financially from unexpected occurrences like natural disasters or medical crises with an insurance policy, and you can protect yourself economically from shocks with a savings account.
4. **Financial Inclusion:** When it comes to expanding access to formal financial services, microfinance is essential for small businesses. These firms' financial stability is improved, and they also become more financially literate and creditworthy, which opens doors to future development potential, thanks to this inclusion.

### Role of Saving Facilities

Microfinance plays a crucial role in facilitating small enterprises' access to conventional banking services. This inclusion enhances the financial stability of these enterprises and also enhances their financial literacy and creditworthiness, hence creating opportunities for future growth potential.

1. **Capital Accumulation:** Financial institutions provide small businesses with the means to gradually collect funds, which may be used for future investments or to cushion against unexpected financial setbacks. This skill is crucial for organizations who do not have access to other sources of funding or investment.
2. **Cash Flow Management:** Consistent savings assist small businesses in mitigating cash flow swings, so assuring operational stability. This is especially crucial for firms that experience unpredictable or seasonal fluctuations in their revenue patterns.
3. **Investment Readiness:** Small firms may enhance their readiness for investment possibilities by having savings. Having easy access to capital may have a substantial impact on growing operations, updating technology, or entering new markets.
4. **Creditworthiness:** Small firms may improve their creditworthiness by maintaining a continuous record of saving. Microfinance institutions (MFIs) often see consistent savings habits as a sign of strong financial discipline and dependability, which might enhance the chances of obtaining loans.
5. **Security and Peace of Mind:** Savings serve as a financial cushion, alleviating the anxiety and unpredictability linked to company activities. This assurance empowers businesses to prioritize strategic planning and innovation above daily survival.

## II. REVIEW OF LITERATURE

Kimaro, Prosper. (2023) The significance of small and medium-sized businesses (SMEs) in both emerging and industrialized nations' economies is crucial. Microfinance institutions (MFIs) claim to provide answers to several difficulties, including a lack of access to capital, however a huge proportion of small and medium-sized enterprises (SMEs) still fail despite their critical role in the economy. The goal of this research was to find out how much of an impact microfinance institutions have on the expansion of SMEs. The specific objectives of the research were to look at how microfinance institutions (MFIs) use loans, how much of an impact entrepreneurial training has on SME development, and how much of an impact technology advancements have on SME growth. The data used for the study came from 231 participants who were part of a cross-sectional research design. The data was analyzed using descriptive statistics and Multiple Regression Analysis (MRA), and the findings were presented visually using graphs and tables. Findings highlight the significance of MFIs' service provision to SMEs. The adjusted R<sup>2</sup> for access to financing was 50.3%, showing a very good correlation between the two variables and the expansion of SMEs.

Sundararaju, Ashvini & Manickavasagam, Theivanayaki. (2023) The objective of this research is to determine the effect on the economic empowerment of street vendors in India of the factors of financial inclusion, access to capital, and financial knowledge with respect to microfinance institutions. Among India's many forms of informal commerce, street selling stands out. However, street sellers do not have a good grasp of economics, thus they are unaware of microfinance programs. Street vendors have challenges when trying to get capital for their company operations due to a lack of understanding of microfinance institution (MFI) plans. Street vendors' economic empowerment is the dependent variable, with financial inclusion, access to finance, and financial knowledge serving as the independent factors. The employment of conventional research tools has allowed for the collection of quantitative data. Using AMOS, we evaluated primary data obtained from 393 street sellers in South India. There is little doubt that microfinance institutions (MFIs), financial inclusion, and access to capital all play a role in the economic empowerment of street sellers. In order to economically empower street vendors in India, this study offers insights into how these sellers might make the most of microfinance services.

Idrees, Muhammad et al., (2022) The purpose of the study was to investigate how microfinance has impacted the relationship between SME growth in Karachi, Pakistan, and access to capital. This led to the discovery of the hypothesis. Theoretically, the study looked at the link between providing microfinance and the growth of small and medium-sized businesses, and it speculated on the effects of access to microfinance on the growth of these businesses. Examples of areas that were constructed and managed were culled from SMEs as part of the inquiry. Consequently, crucial data was collected by means of a plethora of structured questionnaires, for instance, 250 SMEs. With eight components, the plausible model was complete. The first was the inclusion of objects in the assessment of the free factor, which was based on the three factors of openness, usage, and

quality. There were fifty-one components to this metric. Predictor factors for the amount of offers and resources evaluated were the development of small and medium enterprises. Eight components made up the quantitative computation. Company auditors and small business owners compile this data.

Akinadewo, Israel (2020) The relationship between microfinance banks and the expansion of SMEs in Nigeria was the focus of this research. The study's research design technique relied on respondents completing a questionnaire on their own time. In Lagos State, Nigeria's commercial center, the micro, small, and medium company owners and managers as well as employees of microfinance institutions made up the respondents. Out of 250 participants, 223 provided valid responses for this research. Logit regression analysis was used to evaluate two hypotheses in the research. Microfinance institutions in Nigeria were able to direct their funds where they were meant to go, according to the first hypothesis ( $t$ -calculated of 8.181 is larger than  $t$ -tabulated of 0.000 at 5% level of significance), thereby rejecting the null hypothesis.

Gyimah, Prince & Boachie, Williams (2018) Emerging economies rely heavily on small enterprises, and their capacity to expand and thrive depends on their access to financial services. The purpose of this research is to determine whether small company expansion in Ghana is influenced by microfinance products such as savings, loans, insurance, and education. A total of 248 owners of small businesses had their replies analyzed using descriptive and inferential statistics in the research. Microloans had the most impact on small company development, although all microfinance products had a favorable effect, according to the study's multiple linear regression analysis. Existing research on the nexus between microfinance institution (MFI) products and small companies in developing country, Ghana, has been greatly enhanced by this study. In addition to helping microfinance institutions (MFIs) evaluate their product's efficacy, the research shows them how to make the most of limited resources, which might boost the expansion of small companies in developing nations.

Taiwo, J.N. et al., (2016) Small and medium-sized enterprises (SMEs) are vital to the development of nations worldwide. Because it employs so many people in the nation where it is located, that's why. Both researchers and industry professionals have begun to question the funding mechanisms of these "gooses" that have been producing so many beneficial outcomes. Microfinance banks were set up by the Nigerian government in 2007 to facilitate the provision of capital to small and medium-sized enterprises (SMEs) after the importance of this sector was acknowledged. The impact of microfinance institutions and banks on small and medium-sized firms was investigated in this research, along with the degree to which these firms had profited from microfinance banks' loan schemes. A total of fifteen small companies located around the state of Lagos were surveyed for primary data, and the results are presented in tables. This research argues that microfinance institutions should be recapitalized so that they can better assist small businesses in expanding and growing. It also aims to educate the management of such institutions about the consequences of requiring collateral when lending small businesses money.

Kumari, Prasansha (2014) The term "microfinance" refers to the practice of lending money to small businesses and individuals with modest incomes. For decades, it has been a weapon in the fight against poverty and economic inequality throughout the globe. Microfinance has been actively promoted in Sri Lanka by several governmental and non-governmental organizations (NGOs) for the last 30 years, with the goals of empowering individuals, decreasing income disparity and poverty, and encouraging entrepreneurship. Finding different microcredit services that allowed low-income women a chance to become self-sufficient is the goal of this article, which aims to examine the influence of microfinance on women entrepreneurs in Sri Lanka.

### III. RESEARCH METHODOLOGY

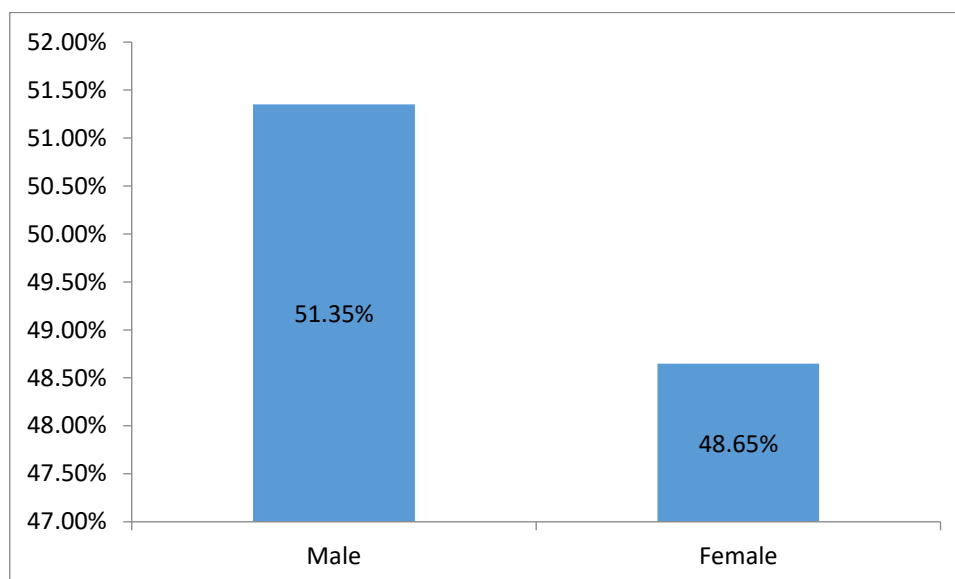
The research was carried out using a qualitative survey approach. A total of 185 persons participated in the survey and provided their opinions. The target demographic was indeterminate due to the study methodology being an online survey conducted using specific techniques to reach a small group of individuals who are experts in the topic.

In this study, the data was gathered using online means. The researcher created a survey using Google Forms and distributed the survey link over various social media platforms such as email and Facebook. Subsequently, the researcher endeavored to collaborate with the respondents in order to accurately complete the questionnaires. The collection of secondary data on microfinance included a comprehensive evaluation of both published and unpublished papers, books, journals, and other relevant resources. The data was examined using the Statistical Package for the Social Sciences (SPSS) Version 23.0 and Microsoft Excel. SPSS was used for statistical analysis, while Excel was used to organize the data and make graphics. Furthermore, we conducted a reliability analysis to validate and enhance the consistency between our survey questions. We also performed a descriptive analysis to determine the frequencies and percentages of the participants who responded to the survey. This analysis included examining their characteristics, education levels, and their level of perception regarding the matter at hand.

#### IV. DATA ANALYSIS AND INTERPRETATION

**Table 1: Gender of the Respondent**

Particular	Frequency	Percent
Male	95	51.35
Female	90	48.65
Total	185	100.0

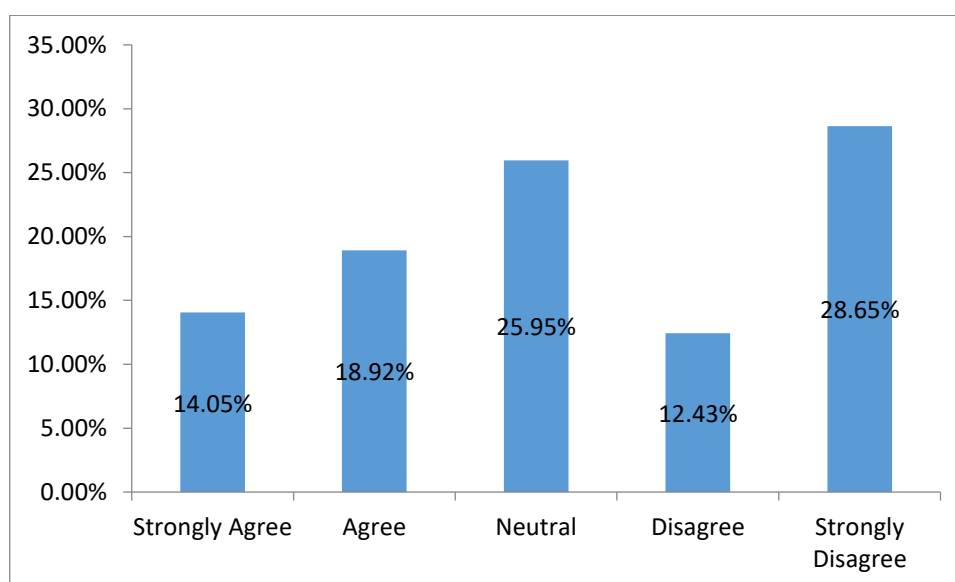


**Figure 1: Gender of the respondents**

There were 185 responders, with 51.35 percent being male and 48.65 percent being female, as shown in the table.

**Table 2: Contribution of Microfinance for Saving Facilities to Small Enterprises**

Particular	Frequency	Percent
Strongly Agree	26	14.05
Agree	35	18.92
Neutral	48	25.95
Disagree	23	12.43
Strongly Disagree	53	28.65
Total	185	100.0

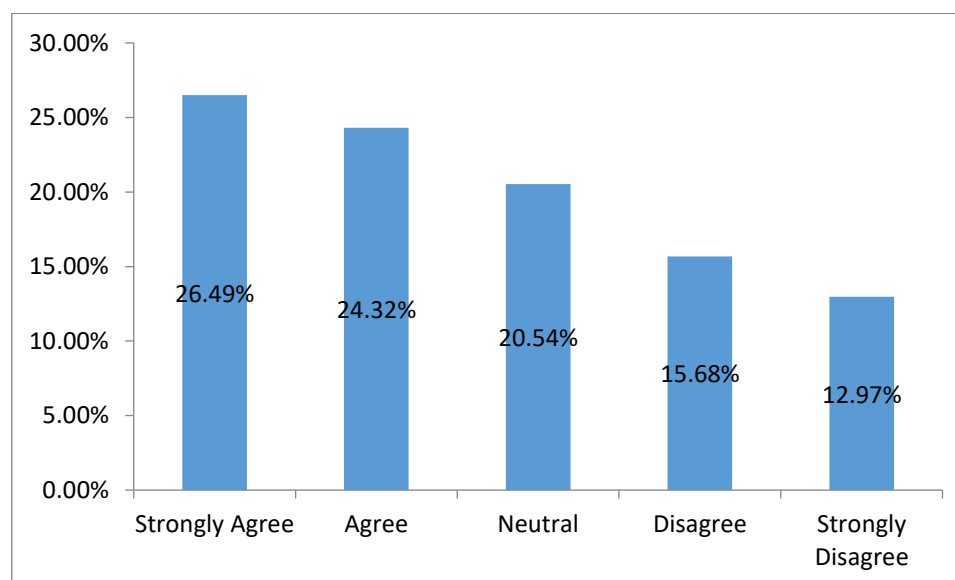


**Figure 2: Contribution of Microfinance for Saving Facilities to Small Enterprises**

Microfinance contributed to the provision of saving facilities to small enterprises, according to the data in above table and figure. Out of the total respondents, 14.05% strongly agreed, 18.92% agreed, 25.95% were neutral, 12.43% disagreed, and 28.65% strongly disagreed.

**Table 3: Individual savings such as Credit facilities provided by the Microfinance for efficient liquidity management**

Particular	Frequency	Percent
Strongly Agree	49	26.49
Agree	45	24.32
Neutral	38	20.54
Disagree	29	15.68
Strongly Disagree	24	12.97
Total	185	100.0



**Figure 3: Individual savings such as Credit facilities provided by the Microfinance for efficient liquidity management**

Above Table and Figure show that most respondents agree or strongly agree that microfinance provides useful instruments for managing liquidity via personal savings and loan facilities. Of them, 26.49% are in strong agreement and 24.32% are in agreement. A total of 20.54% were agnostic, 15.68% disagreed, and 12.97% were vehemently opposed. Based on these findings, it seems that most people think microfinance helps with good money management by providing savings and loan choices.

## V.CONCLUSION

In emerging economies in particular, microfinance saving facilities are crucial for the financial empowerment and expansion of small businesses. By incorporating savings into microfinance services, small businesses are not only made more resilient and creditworthy, but entrepreneurship and job creation are encouraged, leading to greater economic growth. To get the most out of these facilities, we need to solve problems like financial literacy, technology integration, and product customisation. Growing and improving savings services is an important part of microfinance's future trajectory since it will help small businesses stay afloat, which in turn will boost economies and stabilize communities throughout the world.

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