MICROFINANCE INSTITUTIONS AND BANKS: JOINT ACTION IN FAVOUR OF MICRO-ENTREPRENEURS

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ABSTRACT

This particular research is all about analysing the implications of Microfinance institutions and banks and their joint actions to enhance the workability and efficiency of the micro-entrepreneurs. This entire research has been conducted with different sections, and each of the section is different from the other. The summary of each of the section is as follows
Introduction: It describes the background information and the scope of the research which is very broad in nature
Literature Review: The section inculcated about the previous literatures which have been conducted in the same domain. Based on the literature, it is found that there are certain researches which have been conducted in the domain of microfinancing and microfinance institutions.
Methodology: Quantitative method is used in this particular research with primary data collection method.
Analysis and Discussion: Based on findings of the same section, a positive connection and relationship are found between microfinance institutions and banks and its connection with the micro-entrepreneurship. Hence, Government of every country has to educate their individuals about the importance of microfinancing and their contribution to the economy.

Keywords: Microfinance, Micro-Entrepreneurs, Entrepreneurship through Banks.

INTRODUCTION

The existence of financial institutions deems highly conducive and effective for the sake of an economy. Without the existence of a fervour financial system, no economy can have an economic appreciation. One of the main functions of the financial institution is to maintain the money supply factor within an economy (Bruhn-Leon, Eriksson and Kraemer-Eis 2012). In addition, a strong financial system is also welcoming for the international investors to put their investment into the economy. In short, a strong financial system is always a need of an economy. Financial Institutions need full support from the Government and the Central Bank that gave them the Goosebumps to continue their innovation in the respective market.
During the recent economic crisis of the year 2009-2010, most of the economic analysts revealed that inefficient money supply was one of the main reasons behind the economic collapse (Belwal, Tamiru and Singh, 2012).

The stance of approaching to loans from the micro-entrepreneurs became highly difficult. However, civil states such as the United Kingdom (UK) and the United States (US) revealed the importance of making the loan granting facility highly easy and smooth even for the small entrepreneurs as well. Lowering the key policy rate is one of the decisions taken at that time. This particular research is all about analysing the implications of Microfinance institutions and banks and their joint actions to enhance the workability and efficiency of the micro-entrepreneurs. The scope of this research is broad, as it focuses on two different aspects at the same time. One is the micro-entrepreneurs who are in favour of accessing easy loans for their businesses, while second is the researchers who are likely to conduct the research in the same domain. Therefore, this research can carpet certain grounds for them to get actual information for the prime analysis purpose.

LITERATURE REVIEW

The word "Entrepreneur" is a broad one, as there are certain things that direct connection with the same. According to Ihugba et al. (2013), an entrepreneur is defined as a person who sets up a business or businesses by considering and taking all the financial risks in pursuit to attain economic profit. Milana and Ashta, (2012) endorsed and further that idea by revealing that an entrepreneur is the one that has the vision and innovation within their mindset through which they can bring maximum satisfaction to their workability and try to contribute positively in the economic glorification of a country. Most of the times, an entrepreneur is a sole trader who has the tendency to take timely actions and decisions with the consideration of all the risks and challenges.

There are certain types that are specifically associated with the word entrepreneurs. One of the prime types associated with the same aspect is micro-entrepreneurs. Micro-entrepreneurs are the entrepreneurs who are prone to commence business on a very small scale. A maximum of nine or ten individuals is likely to work in such organisations, with a very limited capital. As per the research conducted and presented by Diniz, Birochi and Pozzebon, (2012), micro-entrepreneurship has been initiated to give sufficient opportunities to the small investors and encourage them to start their work in accordance with the skill-sets they have. These individuals have equal worth for the economy, and they can contribute easily in the efficiency and effectiveness of the economy. There are numerous countries around the world wherein Government supports micro-entrepreneurs to commence their businesses, as it is helpful for them to achieve their goals of rolling of money. Some of the common examples are of Bangladesh and Indonesia. Due to increasing population and limited resources, problems of unemployment and very low purchasing power parity (PPP) are continuously increasing in these states. However, their respective Governments have initiated microfinancing options especially for the micro-entrepreneurs to maintain the employment level and money supply in the country.

Addae-Korankye, (2014) remarked that micro-entrepreneurship should be differentiated with Small and Medium Enterprises (SMEs). SMEs are proper businesses that have a specific capital and specific amount of individuals that worked within them. On the other hand, micro-entrepreneurs can be started with very low investment, and employs a very small amount of individuals. However, micro-entrepreneurship is essential for an economy wherein the distribution of income is not efficient, and poor people are not getting sufficient amount of money for the business purpose. Therefore, the importance and implications of the joint venture between the microfinance institutions and banks are always rationalised and enhance in different parts of the world (Grimm and Paffhausen, 2015). Governments of different parts of the world are currently facing different problems and challenges, and one of the major problems is to facilitate the citizens with the limited resources they have.

There are numerous studies which have been conducted in the same domain of micro-entrepreneurship and how it can be efficient and valuable for the economy as a whole. The consideration and using the study of Bastiaensen et al., (2013) is essential here. The study was conducted within the region of Thailand, which is yet another third world country of the world. The study was conducted through the dependent and independent variables. The dependent variable according to the research was the reduction in the unemployment level and the independent variable was the micro-entrepreneurship. The research has been conducted via the quantitative method in which the data was collected from 92 individuals. Primary Data Collection method has been used for the data collection purpose in which the data was collected via close-ended questionnaire. From the implication of the statistical measure, the researcher has managed to find a strong and positive relationship between the dependent and independent variable. It institutionalised that the higher the factor of micro-entrepreneurship in an economy, the higher would be the reduction in the unemployment rate, which is a positive and highly effective criterion for the long run economic efficiency of a country.

There is another study which has been conducted in the same domain. The study was initiated by Gandja et al., (2015). The study contained dependent and independent variables for the consideration of the study. The dependent variable according to the research was the management of the money supply and the independent variable was the micro-entrepreneurship. The research has been conducted via the quantitative method in which the data was collected from 150 individuals through stratified sampling. Primary Data Collection method has been used for the data collection purpose in which the data was collected via close-ended questionnaire. From the implication of the statistical measure such as ANOVA and Regression, the researcher has managed to find a strong and positive relationship between the dependent and independent variable. It institutionalised that the higher the factor of micro-entrepreneurship in an economy, the efficiency would be money supply factor, which is an important element that associated with the financial and economic well-being of an economy in the long run.

Previous researches were focusing entirely on the nexus between the micro-entrepreneurship and economic well-being of the economies (França et al., 2012). But, this particular research will be focusing on the connected working of the micro finance institutions and banks to increase the existence of micro-entrepreneurship within the economies. Hence, this particular research will fill the gap pertaining to the same research in which the importance and implications of micro-entrepreneurship have been analysed critically and thoroughly in order to take maximum satisfaction and workability. The hypothesis to be tested for the completion of the same research is as follows
HO: There is no significant relationship between the microfinance institutions and banks and its impact on the micro-entrepreneurship
HA: There is a significant relationship between the microfinance institutions and banks and its impact on the micro-entrepreneurship

METHODOLOGY

The methods that should have been used by a researcher for the data corroboration is known as Research Methods. These methods are fully applicable and usable in the researches in order to apply different things at the same time. The applicable research methods connect fully with the main aim of the research. There are certain elements that are directly and indirectly connected with the research methods. The first one is the research philosophy. It is defined as the philosophy that is undertaken by a researcher specifically for the purpose of collecting, assimilating and analysing the data is known as research philosophy. It is divided into different types such as positivism, interpretivism and pragmatism (Ayayi, 2012). Based on the same analysis that contain a hypothesis that needed to be tested, the applicable research philosophy is positivism. Apart from the philosophy, the next important thing that is associated with the same aspect is research approach. Theoretically, it is defined as the approach that is used for data substantiating that further used for the purpose of analysis. It is also divided into different types such as Deductive Approach and Inductive Approach. The main aim of this assignment is to analyse the importance of microfinance institution and its link with the banks to increase the factor of micro-entrepreneurship. The research approach used in this particular analysis is Deductive. The main rationale behind the implication of this research approach is relating to the hypothesis which has been used here for the analysis.

The most important thing that associated with the research methodology is the methods of the research to undertake the research professionally (Mago and Toro, 2013). It is further divided into three main types such as quantitative, qualitative and mixed methodology. Quantitative method is a type of research method in which quantification is needed for the data, while the qualitative method is a method in which interviews will be conducted. Mixed methodology is a type of methodology in which both of the methods have been taken into the account. Testing of the hypothesis is itself a quantification process, and the same is prone to be applicable here. Therefore, the research method used here is Quantitative. Moving forward, there is an element of data collection method as well. Data Collection Method is a method in which the factor of data collection is analysed. Primary Data Collection Method and Secondary Data Collection Method are the two main types of data collection. Primary Data Collection Method is the method in which the data will be collected from the questionnaire and semi-structured interviews. On the contrary, secondary data collection method is a method in which past researches have been taken into the account. This particular research has been collected through the close-ended questionnaire. Hence, the primary data collection method is used for the same aspect. The data has been collected with 100 individuals which are associating with micro-entrepreneurship. Therefore, stratified sampling is used. After the collection of the data, the next important thing is the analysis of the data. The analytical tools which have been used here for the analysis purpose are descriptive statistics, correlation and regression analysis. All of these statistical measures are valuable and helpful in collecting the data professionally and analysing the same in an effective manner. Moreover, these tools are quite effective in terms of analysing the hypothesis, and equally efficient in analysing the connection between the dependent and independent variable. There is no ethical consideration connected with this research and the selective data collection method, because no personal information has been acquired from the respondents.

RESULTS

The result part is divided into three main sections which are Descriptive Statistics, Correlation Analysis and Regression Analysis.

Descriptive Statistics

It is a statistical measure this at used to summarise the data and extract meaningful results from the same. The descriptive Statistics pertaining to the same research is as follows

Micro-Entrepreneurship	
Mean	2.98337
Standard Error	0.08271
Median	2.5379
Mode	2.55754
Standard Deviation	0.82706

Sample Variance	0.68403
Kurtosis	-1.0486
Skewness	-0.0117
Range	2.96622
Minimum	1.03241
Maximum	3.99863
Sum	248.337
Count	100

There are numerous elements that come under the umbrella of descriptive statistics. From the table above, it is found that the mean value is "2.98" which is equivalent to "3". As per the coding, it can be said that most of the individuals Somewhat Agreed with the fact that microfinancing and banks can contribute efficiently in the micro-entrepreneurship factor. The mean value is somewhat equal to the median value which is showing that the analysis was right. The standard error connected with the same analysis is 0.08%. It can be said that the factor of standard error is on a lower level, which is efficient from the viewpoint of the researcher. Another important element that found in the same aspect is a measure of dispersion which has been analysed through the standard deviation. The standard deviation is 0.83, showing that the mean value may deviate with the same amount in particular.

Correlation Analysis

Another important statistical tool that connects with the same aspect is Correlation Analysis. Correlation means the analysis of the relationship between the variables. The correlation factor should be between 0 and 1. The correlation table is as follows

	Microfinance Institutions and Banks	***Micro-Entrepreneurship***
Microfinance Institutions and Banks	1	
Micro-Entrepreneurship	0.31123	1

The above-mentioned table is showing the relationship between the dependent and independent variable. The variables are microfinance institutions and banks and the micro-entrepreneurship. The correlation value is "0.311", which is a positive value. It means that the higher the factor of microfinance institutions and banks the higher will be the chance of micro-entrepreneurship. Therefore, based on the same outcome and analysis, it can be said that the Government should proceed and consider the importance of microfinance institutions and banks.

Regression Analysis

Regression analysis is yet another major statistical measure that used to analyse the linkage between the dependent and independent variables. The hypothesis is as follows

HO: There is no significant relationship between the microfinance institutions and banks and its impact on the micro-entrepreneurship
HA: There is a significant relationship between the microfinance institutions and banks and its impact on the micro-entrepreneurship

This particular hypothesis is likely to analyse the connection between microfinance institutions and its impact on micro-entrepreneurship. The regression output is as follows;

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.121231
R Square	0.014697
Adjusted R Square	0.0046429
Standard Error	0.7770735
Observations	100

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.8826897	0.8826897	1.4617862	0.229555
Residual	98	59.176635	0.6038432		
Total	99	60.059325			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	2.7799126	0.2470421	11.25279	2.371E-19	2.2896656	3.2701595	2.2896656	3.2701595
Micro-Entrepreneurship	-0.114169	0.0944292	-1.2090435	0.229555	-0.3015608	0.0732227	-0.3015608	0.0732227

There are numerous elements that found interactive in the same analysis. The first element is Multiple-R. It is defined as the connection between dependent and independent variables. The value is positive such as “0.12”. R-Square is another important element that stride under the same ambit which is 0.014. This particular aspect is showing that the regression model is connected to the same argument. Standard Error is another element which analyses the error associated with the data collection and analysis. The standard error value is “0.77%”. It is clearly found that the factor or element of error is on a lower value. The total observation is 100 that matches with the sample size. The significance-f factor is known as the most important element that found interactive in the analysis of the hypothesis. The Significant-F value which is connected to the same aspect is 0.229. This particular regressive value is way higher than the standard value of 0.05. It means that the value is lying in the critical region which means that alternative hypothesis should be selected and the null hypothesis should be rejected. Rejecting the null hypothesis and accepting the alternative hypothesis it is found that there is a significant relationship between the microfinance institutions and banks and its impact on the micro-entrepreneurship. It means that the microfinance institutions and banks have to work in connection to each other to maximise the financial institution and increasing the micro-entrepreneurship valuably.

DISCUSSION

This particular research is all about analysing the implications of Microfinance institutions and banks and their joint actions to enhance the workability and efficiency of the micro-entrepreneurs. The research has included a hypothesis for the analysis purpose. The hypothesis was all about analysing the connection between microfinance institutions and banks with the micro-entrepreneurship. With the implication of the rigorous statistical measures, it is found that the connection between both of these aspects is positive. This particular research endorsed completely by Aigbokhan and Asemota, (2011) through their research. According to the main crux of the same research, it is found that the existence of microfinance institutions is essential for the micro-entrepreneurship. These institutions have the ability to provide complete resources and opportunities to the micro-entrepreneurs to value their position and maintain a strong connection with them. The same study has identified the importance of micro-entrepreneurship in an economy, as the economies which are able to promote micro-entrepreneurship are comparatively efficient and better than the economies which are not favourable in the same aspect. The same study has recommended the economies to value micro-entrepreneurships within their premises, as it is helpful in terms of contribution in the economy.

CONCLUSION

This particular research is all about analysing the implications of Microfinance institutions and banks and their joint actions to enhance the workability and efficiency of the micro-entrepreneurs. This particular research has been conducted via quantitative method in which the data has been collected via close ended questionnaire. On the collected data statistical measures such as descriptive statistics, and regression has been applied. The analytical result identified a strong connection between the dependent and independent variable. It means that the relationship between microfinance institutions and banks is efficient in terms of increasing the micro-entrepreneurship. Therefore, it is more than essential for the economies to enhance the workability of their microfinance institutions. Based on the same analysis, it should be urged on the Government as well to provide extensive opportunities to the entrepreneurs so that they can work efficiently and contribute efficiently within the economy professionally.

Time and budget constraints are two major limitations that associated with the same research. It restricted the researcher to collect the data with a large sample and analysed it accordingly. Only 100 individuals have been selected here that needed to be increase in the future research to make the research more transparent.

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