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## IMPACT OF MICRO FINANCE SERVICES ON WOMEN ENTREPRENEURIAL SUCCESS

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### ABSTRACT

The women population of Sri Lanka is 53% out of total population and the majority of women are below the poverty line. Therefore, the women are doing micro level businesses to increase the living standard of their families. The Micro Finance Institutes provide both financial and non-financial services to enhance the women entrepreneurs. The objective of this study is to examine the impact of micro finance services on women entrepreneurial success. Micro Credit, Micro Savings and Skill Development Programmes were used as independent variables and the women entrepreneurial success was the dependent variable. The purposive sampling technique was applied to obtain the quantitative data from 103 women entrepreneurs out of 123 women entrepreneurs registered in Gampaha Divisional Secretariat using structured questionnaires with likert scale questions. Correlation and Multiple Regression were used to analysis the data. The finding reveals that there is a statistically significant positive impact of both Micro Credit and Micro Savings on Women Entrepreneurial Success. The researcher used Skill Development Programmes as non-financial services with Micro Credit and Micro Savings to identify the impact on Micro finance services on women entrepreneurial success rear the previous researchers have not use. It is recommended to the policy makers to provide convenient repayment procedures in micro credit and providing attractive product options in micro savings. There are numbers of researches done on the above topic and in Sri Lankan contest this research is done for specifically.

**Keywords:** *Micro Credit, Micro Finance, Micro Savings, Skill Development Programmes, Women Entrepreneurial Success*

## **1 INTRODUCTION**

### **1.1 BACKGROUND**

About 70% of poor people in the worlds' are women (Kato & Kratzer, 2013). Also 51.8% of Sri Lankan women populations, majority of women are belong to low income category and 14.5% are below to the poverty line (Bernard, Kevin, & Khin, 2017). Poverty can be identified as one of the major issues effect to the development of the world. Each of every country always tries to avoid the poverty to increase living standard. As a developing country we have alleviating poverty of women. Micro finance is one of best mechanism to increase the living standard of people and reduce poverty. Micro finance is expected to expand and improve income generation activities and capacities of low income persons. It is expected that through micro finance the living condition of low income persons would improve, while they take an active role in the economic development of the country. Micro finance is supporting to low income people who are excluded from formal financial institutions. Because they unable to offer sufficient collateral. It provides both financial and non-financial services such as micro credit, micro savings, micro insurance, micro leasing, micro factoring and skill development programmes. Micro finance is expanded and improves the income generating activities and capacities of low income peoples. Women in Sri Lanka play vital role in income generation for their families. They always do activities to increase living standard of their families. Therefore they start small business. But they face many challenges and barriers when established new business, running and developing the business (Bernard, Kevin, & Khin, 2016). Micro finance institutions have capacity to help women for avoid above barriers. Financial services help to avoid financial barriers also non-financial services help to avoid other barriers. Evaluating micro finance services in achieving entrepreneurial success of women is vital especially in the context of having diverse views on the outcome. In this study I am going to investigate impact of micro finance services on women entrepreneurial success.

### **1.2 Research Problem**

Most of women started small business as the way of income generating to their household economy. But they face many challenges and barriers when they started new business, running business or developing their business. Therefore they want guidelines and good service provider to procure their financial necessities. The micro finance institutions use different models and mechanisms for improve their performance. Therefore the research problem is arising as the following questions. What is the impact of micro finance services on women entrepreneurs' success?

### **1.3 Objectives of the Study**

The main objective in this study as follow, Evaluate the impact of micro finance services on women entrepreneurs' success. These are the sub objectives in this study such as,

Evaluate the impact of micro credit on women entrepreneurial success.  
Evaluate the impact of micro savings on women entrepreneurial success.  
Evaluate the impact of skill development on women entrepreneurial success.

### **1.4 Significance**

This study provides a better understand what are the services of micro finance institutions are provide and how affect that services on women entrepreneurial success.

## **2 LITERATURE REVIEW**

Women in the developing countries have to play two vital roles as productive role and reproductive role for improve family living conditions (Swapna, 2017). Women need empowerment as they are constrained by the norms, believes, customs and values through which societies difference between women and men (Bernard, Kevin, & Khin, 2017). There are some factors influences to the success of entrepreneurs' such as characteristics of entrepreneur, educational level and social capital. Other than that previous management experience, family history, functional skills and relevant sector knowledge influence to a business growth (Onkoba, 2017). The main role of micro and small enterprises is play and continues the business. Sure enough sub roles are innovation, employment creation, income generation and improve social welfare. Other than that developed skills and produced goods and services (Owuor, 2015).

According to (Bernard D. K., 2015)recommended microfinance service provider would facilitate to design the services offers to enhance entrepreneurial outcomes of their clients. Also policy maker would be facilitated in taking initiatives in developing the micro finance sector in Sri Lanka.

There is an impact credit and training on income other than survival and growth. As suggestions researcher mentioned the monitoring and skill training facilities are essential to the survival and growth of the business (Rathirane & Samarasingha, 2016).

There is a motivation from loans women for to reinvest and expand their business. The impact of micro finance institutes on women empowerment in urban and rural areas to identify similarities and difference of women empowerment through micro finance institutes (Kinyanjui, 2016).

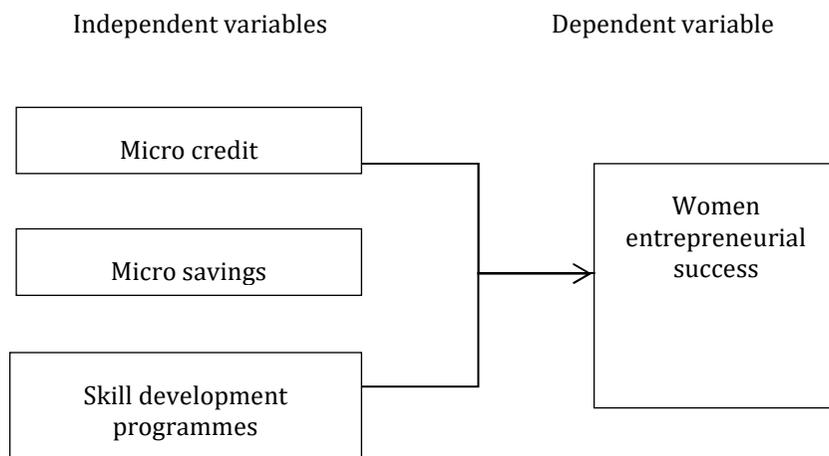
### 3 METHODOLOGY

#### 3.1 Research Approach

The main purpose of this to examine the impact of micro finance services on women entrepreneurial success. This research involves the use of structured questions, co-relation analysis and run a regression model.

#### 3.2 Research Context

Considering this research with explanatory research design due to this study measure the impact of independent variables on dependent variable and also clearly confirm and defined hypotheses in order to investigate the impact of micro finance services on women entrepreneurial success.



**Figure 1: Conceptual Framework**

In this study used primary data to identify the impact of micro finance services on women entrepreneurial success in Gampaha divisional secretariat area. Sample contained in entrepreneurial women who members of women societies directed by Gampaha divisional secretariat office.

By using structured questionnaire data collected from women entrepreneurs in Gampaha Divisional Secretariat area who members of women activities societies.

In this research, follow Women entrepreneurs who are members of the women societies in Gampaha divisional secretariat area, taken as the target population.

The purposive sampling technique applied to obtain the data from selected women activities societies. Among the members of women societies are doing different types of business. The sample included 123 women who have access micro finance facilities. But they return questionnaires only 103.

The primary data that gathered through questionnaires have analyzed by using the SPSS software. The procedures use during the data analysis stage of the research comprised descriptive statics such as mean, frequency distributions (percentages), correlation coefficient and analysis of variance.

#### 4 DATA ANALYSIS AND RESULT

The three determinants of entrepreneurs' success, micro credit and micro savings scale have an overall reliability level over 50% and it is in the acceptable level (Table 1).

**Table 1: Reliability**

Variable	Cronbach's alpha	Acceptable item
Entrepreneurial success	0.632	9
Micro credit	0.626	5
Micro savings	0.675	5
Skill development	0.461	5

All variables were significance and all the value of KMO and Bartlett were higher than 0.5, since the scales were validated, output can generalize to the population (Table 2).

**Table 2: Validity**

Variable	KMO & Bartlett's value	P value
Entrepreneurial success	0.701	.000
Micro credit	0.671	.000
Micro saving	0.721	.000
Skill development	0.585	.000

**Table 3: Descriptive Analysis of Variables**

Variable	Mean	Minimum	Maximum	Skewness	Kurtosis	Std. deviation
Entrepreneurial Success	3.8209	3.00	4.78	0.747	4.081	0.23246
Micro Credit	3.9903	3.80	5.00	2.844	11.343	0.202461
Micro Savings	4.0466	3.60	5.00	2.418	5.740	0.29132
Skill Development	4.0854	3.80	5.00	2.988	8.270	0.24189

**Table 4: Correlation Analysis**

Dependent Variable		Independent Variable		
		Micro Credit	Micro Savings	Skill Development
Women Entrepreneurs Success	Pearson correlation	0.316	0.221	0.244
	P value	0.001	0.012	0.007

**Table 5: model summary**

Model	R	R square	Adjusted R Square	Std. error of the estimate	Durbin Wotson
1	0.385	0.148	0.122	0.21777	1.747

**Table 6: ANOVA table**

Model		Sum of squares	Degree of freedom	F	P value
1	Regression	0.817	3	5.743	0.001
	Residual	4.695	99		
	Total	5.512	102		

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

$\beta$  Value or standardized coefficient value enable to compare the impact of independent variables on dependent variable. According to above regression equation, constant term ( $\beta^0$ ) is 1.619. This emphasis that, it is expected to have 1.619 women entrepreneurial success, when there is no effect of micro credit. As far as, 0.275 is the regression coefficient of micro credit, 0.125 of micro savings and 0.147 of skill development. According to that these all independent variables are positively impact on dependent variable.

## 5 DISCUSSION OF THE FINDINGS

As the findings of the study, the independent variables positively impact on dependent variable. Then there is the positive impact of micro finance services micro credit, micro savings and skill development on women entrepreneurial success.

The coefficient of micro credit 0.275 and P value 0.016. So, there is the positive impact of micro credit on women entrepreneurial success. The micro savings having 0.125 coefficients and 0.10 P value means there is positive impact on women entrepreneurial success. The skill development having a 0.147 coefficient and 0.12 P value indicates that there is positive impact of skill development on women entrepreneurial success.

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According to hypotheses that the researcher developed the outcome of the study:

H<sub>1</sub>: positive impact of micro credit on women entrepreneurial success

According to the result of regression analysis, output P value of 0.016 is less than the critical P value of 0.10; there is enough evidence to reject H<sub>0</sub> at 90% confidence level. It can be determined that micro credit has a positive impact on women entrepreneurial success.

H<sub>2</sub>: positive impact of micro savings on women entrepreneurial success

According to the result of regression analysis, output P value of 0.10 is similar to critical P value of 0.10; there is enough evidence to reject H<sub>2</sub> at 90% confidence level. It can be determined that micro savings have an impact on women entrepreneurial success.

H<sub>3</sub>: positive impact of skill development on women entrepreneurial success

According to the result of regression analysis, output P value of 0.12, there is enough evidence to reject H<sub>3</sub> at 90% confident level. It can be determined that skill developments have an impact on women entrepreneurial success.

## **6 CONCLUSION AND CONTRIBUTION**

The researcher examines the impact of micro finance eservices on women entrepreneurial success women who are members of women activities societies in Gampaha Divisional Secretariat Area. Data collected using structural questionnaires.

After statistical analysis the researcher finds the outcome of the study, there is a significant positive impact micro finance service on women entrepreneurial success. Further, there is a positive impact of micro credit on women entrepreneurial success. The P value (0.016) less than 0.10 and the coefficient is 0.275. Therefore, the researcher finds the positive significant impact micro credit on women entrepreneurial success. Further the overall model significant as the P value 0.001.

There is a positive impact of micro savings on women entrepreneurial success. The P value (0.10) similar to 0.10 and the coefficient is 0.125. Therefore, the researcher finds the positive significant impact micro savings on women entrepreneurial success.

There is a positive impact of skill development on women entrepreneurial success. The P value (0.12) the coefficient is 0.147. Therefore the researcher finds the positive significant impact skill development on women entrepreneurial success.

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According to result of the study the researcher finds micro credit as the highly impacted variable. The highest coefficient (0.275) value comes under the micro credit and the lower P value (0.016) comes under the micro credit. Therefore micro credit has the highest impact on women entrepreneurial success.

There is a positive impact of micro finance on women entrepreneurial success. According to findings of study, women have opportunity improving their business when access the micro finance services. And the women already tend to micro finance to enhance their day to day business activities. From that, women have a chance to improve their living standards and income level of the family.

Micro finance institutions have a responsibility when providing micro credit facility; make the loan interest rate as reasonable rate, provide loans with simple obtaining procedure, easy repayment procedure and provide sufficient repayment period.

When providing micro savings micro finance institutes should provide reasonable interest rate, attractive product options, simple savings procedure and simple withdrawal procedure.

When considering skill development programmes they should conduct useful skill development programmes frequently to improve entrepreneurs' social status, family life, and personal qualities.

Moreover micro finance institution should provide market place or opportunities to sell the women products it is very important to the micro level business women. Because they require the reasonable finance services as well as efficient market place or opportunities for sale their products.

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## Appendix

### 1. Demographic factors

- I. Name  
.....
- II. Age  
Below 25 ( )      Between 25 - 40 ( )  
Between 41 - 55 ( )      Above 55 ( )
- III. Education level  
O/L ( )      A/L ( )  
Professional certificate ( )      Diploma ( )  
Degree ( )
- IV. Name of the business .....
- V. Location of business  
.....
- VI. Nature of your business .....
- VII. Date of commence the business  
.....
- VIII. Turnover of business (monthly)  
Below 50000 ( )      Between 50001-100000 ( )  
Between 100001-150000 ( )      Above 150000 ( )
- IX. What are the assets the business has?  
.....
- X. Nature of employees of the business (ex: family members/  
relations/others)  
.....
- XI. What are the products or services the business provides?  
.....
- XII. Is your business registered?      Yes ( )      No ( )
- XIII. If yes, registration number and place  
.....
- XIV. Are follow any eco-friendly practices/what are them?  
.....
- XV. What is your the business vision/ what are the future plans?  
.....
- XVI. Did you have obtained any micro finance facility?  
.....
- XVII. What is the source you obtain micro finance?  
.....

## **2. Entrepreneurial success**

### **Business**

- 01 Business Profit is increases within last 5 years
- 02 Business Turnover is increases within last 5 years
- 03 Capital is increases for employees or machinery within last 5 years
- 04 Services capacity or products are increase within 5 years
- 05 Market shear of the business is increases within 5 years

### **Family**

- 06 Income of the family increases within last 5 years
- 07 Expenditure of the family increases within last 5 years
- 08 Assets of the family increases within last 5 years
- 09 Savings of the family increases within last 5 years

## **3. Micro credit**

- 01 The loan interest is reasonable
- 02 The loan obtaining procedure is simple
- 03 The loan amount is sufficient
- 04 The repayment period is sufficient
- 05 The repayment procedure is easy

## **4. Micro saving**

- 01 The saving interest is reasonable
- 02 The savings product options are attractive
- 03 The procedures are simple

04 The savings withdrawal is easy

05 The savings is compulsory

**5. Skill development**

01 Skills development programmes are useful in running my business

02 Frequency of skill development programmes are enough

03 These programmes are useful to improve my social status

04 These programmes are useful to improve my family life

05 These programmes are useful to improve my personal attributes/qualities