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The Effect of Microfinance on the Business Performance of Women Entrepreneurs in Galgamuwa, Sri Lanka

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Abstract: Microfinance plays important role in the women entrepreneurship in the developing countries as well as Sri Lanka. This study examined the effect of microfinance on the business performance of women entrepreneurs in Galgamuwa, Sri Lanka. The major problem of the study is whether there is an effect of microfinance factors on the business performance of women entrepreneurs in Galgamuwa, Sri Lanka. It has been observed that women entrepreneurs have been facing several problems, with the limited access to finance and the complex procedure of formal financial institutions, and the absent to overcome the barriers to uplift the women entrepreneur's performance. So, the importance of microfinance as a financial tool for women entrepreneurs is highlighted here. This study specially examined the effect of microfinance credit, saving and training service on the performance of women entrepreneurs in Galgamuwa, Sri Lanka. Data were collected through structured questionnaire from a sample of 100 women entrepreneurs. The sample was chosen using a convenient sampling technique. Analyzing of the collected data done by using Statistical Package for Social Sciences through reliability, correlation and regression analysis. Thereby it was revealed that microfinance have positive effect on performance of women entrepreneurs in Galgamuwa, Sri Lanka. The study concludes that microfinance factors significantly affect the business performance of women entrepreneurs in Galgmuwa, Sri Lanka. Thus, the study was only done based on Galgamuwa area which has not reflected the entire island. In addition, researcher was unable to address the decided sample size. Therefore, further researches should be focused on those aspects in order to improve the result.

Keywords: Business Performance, Women Entrepreneurs, Microfinance, Microfinance credit services, Microfinance training services

1. Introduction

Women play an important role in the economic development of their families and communities and most of them are engaged in entrepreneurial activities to support their families. (Ramajeyam et.al, 2016). Women entrepreneurs are women who take part in the overall entrepreneurial activities and take the risk to mobilize resources in a unique way to take advantage of the opportunity identifies in their immediate environment through the production of goods and services. (Okafor and Mordi, 2010). Women entrepreneurship is seen as an 'extra income' for the survival of their family or simply to improve their standard of living. (Swapna, 2017). Jalbert (2000) explains that entrepreneurship provides incredible opportunities for everyone, especially women around the world, to open the door to self-sufficiency, self-esteem, education and growth for themselves and their families. Although entrepreneurship is a greater motivator for women than men in low-income countries, it has been found that women entrepreneurial performance is lower than that of men. (Allen, Elam, Langowitz & Dean, 2008). This is usually due to factors such as lack of credit, savings, education or training and social capital. (Shane, 2003).

There are different tools that can be used to enhance the performance of women entrepreneurs. Among them microfinance is considered as a one of the key factors to enhance the performance of women entrepreneurs. According to Bernad (2015) Microfinance is considered as a tool eradicate poverty, according to research studies conducted across a wide range of countries focusing on the development of entrepreneurship among poor women. Development programs for the economic empowerment of women have been continued since the introduction of microfinance institutions. (Diaka & Asenge 2019). Microfinance institutions provide a wide range of services to poor/ low-income households and their enterprise including deposits, loan repayment services, money transfer and insurance. (Chijoriga, 2000; Conford, 2001; Pilipinas, 2002). Basu (2006) explains these institutions aim to empower women with a clear goal of empowering them. It is hoped that increasing women's access to microfinance will increase their incomes, which lead to improved well-being and broader changes as well as gender equality.

The connection between microfinance and women entrepreneurs in the Sri Lankan context is discussed in a very small number of researches and they have not captured over the Galgamuwa area. Researcher highlights the importance of microfinance for women entrepreneurial performance in the Galgamuwa area.

Objectives of the study

The general objective of the study is to find out the effect of microfinance on women entrepreneurs' business performance in Galgamuwa, Sri Lanka.

The specific objectives of this are to;

i) Study the effect of microfinance credit services on the business performance of women entrepreneurs in Galgamuwa, Sri Lanka;
ii) Assess the effect of microfinance saving services on the business performance of women entrepreneurs in Galgamuwa, Sri Lanka;
iii) Examine the effect of microfinance training services on the business performance of women entrepreneurs in Galgamuwa, Sri Lanka.

2. Literature Review

There is no universally accepted definition of entrepreneurship (Shane & Venkataraman, 2000). Different researchers have defined the concept of entrepreneurship in different ways. Entrepreneurship is the process of investing one's resources in terms of time, expertise and money to add value to an existing product or to provide new goods and services for profit (Hisrich, 2015). Entrepreneurship is a major contributor to economic growth and poverty alleviation both in rural and urban areas (Siddiqui, 2003). Women entrepreneurship is considered to be the most important source and decisive factor in the economic growth of a developing country like Sri Lanka as women constitute more than half of the total population of the country (De Silva & Wijewardene, 2019). Women who still organize and manage resources in business ventures and bear all the risks in the hope of making a profit can be called women entrepreneurs (Tiwari, 2017).Women entrepreneurship plays a crucial role in the economic development of societies (Ocholah et al., 2013).According to Hisrich (1982) women entrepreneurship creates new job opportunities for the society and new management solutions for the business world. Although many advantages can be identifying, there are a number of barriers to a woman's entry into the business world, such as gender discrimination, material problems, cultural barriers, and lack of finance. According to Ankunda, (2009) the performance of women entrepreneurs means the effectiveness of women in achieving their goal. Women entrepreneurs have low business performance than male entrepreneurs, but the women participation rate in the informal sector of the economy is higher than that of males (Akanji, n.d., 2014).

Microfinance plays as a source of capital for entrepreneurs and creates opportunities for entrepreneurs to generate income (Brana,2008). Microfinance involves providing financial services and managing small amounts of money across a range of products and a system of intermediary activities aimed at low-income clients (Diaka & Asenge, 2019). Microfinance is emerging as one of the most powerful and effective tools to reduce poverty among various tools, and many microfinance programs are aimed at reducing poverty and empowering women (Omotayo, Ademola S, & Oluwayemi, 2017).

Micro credit are small loans and kind loans to small entrepreneurs to enhance their business operations (Danjuma & Zhiri, 2017).It is believed that providing credit will lead to social and gender equality in the country which will improve poverty eradication and thereby reduce poverty among women (Maheswaranathan and Kennedy, 2010).Different scholars discussed the relationship between microcredit and business performance in different ways (Yogendrarajah 2016). According to Gangaiah et al., (2006) in their study revealed that microfinance banks' lending through their support groups has a significant impact on income generation among rural women. Lakwo (2007) finds that credit also has a positive effect on the income and well-being of women Uganda. Micro finance loan services have a positive impact on the performance of women-owned micro enterprises in the Benue State. (Diaka & Asenge, 2019). According to Arif et al (2017) micro credit has a positive relationship with micro-enterprise success.

According to Diaka & Asenge (2019) microfinance banks generally encourage entrepreneurs to save money as a way to empower them to invest in entrepreneurial ventures.Ojo, (2009); Rahmat et al., (2006) their studies highlight that savings has a positive contribution to the performance of women entrepreneurs. No significant relationship was found between saving mobilization and the performance of women entrepreneurs(Maru & Chamjor, 2013). Micro savings are highly effective on the performance of micro entrepreneurs(Swarnika & Pushpanathan, 2020). According to Ekpe et al., (2010) savings positively related to women entrepreneurs' performance in Nigeria. When micro-credit services and savings services are jointly applied, women entrepreneurs' economic empowerment would be achieved (Rashid et al., 2015).

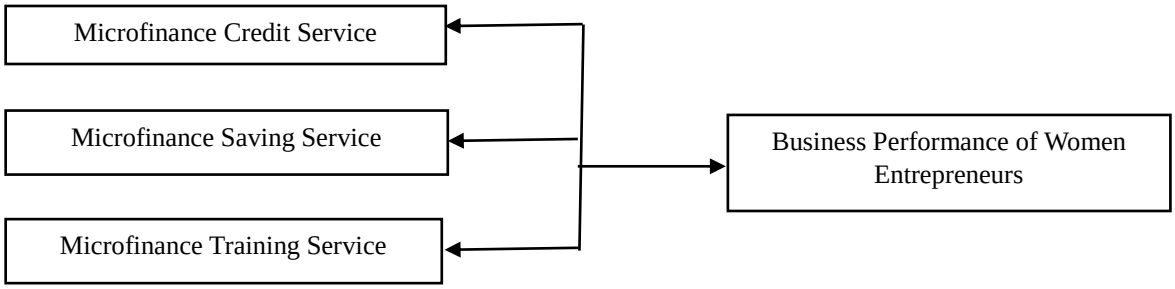
Training is a very important microfinance factor for women entrepreneurs as it provides the skills and experience required for business (Akanji, 2006). Micro-enterprises in Nigeria have reported better skills development results from training and skills development activities received from microfinance institutions (Oni,2012). Maru and Chemjor (2013) found that training is an important microfinance factor as it gives women entrepreneurs the experience and skills they need for business. Birhanu (2016) has found that training has a

positive effect on the performance of women entrepreneurs.Some studies also confirm that skills training and tertiary education have a positive impact on enterprise performance (Akanji, 2006; Kuzilwa, 2005)

3. Methodology

The population of this study was all 400 women entrepreneurs who have registered their business in the Divisional Secretariat of Galgamuwa area. Depending on the target population has calculated sample size as 100 women entrepreneurs were selected as sample based on simple random sampling method. Data was collected the self-administered, structured questionnaire with 5-point Likert Scale. The questionnaire consists with three parts as part I, II and part III. Part I prepares to get the demographic information, part II prepares to get information regarding the factors influencing to business performance of women entrepreneurs including the dimensions of micro finance credit service, saving service, training service and part III prepares to get information regarding business performance of women entrepreneurs. It includes 32 questions to measure the independent and dependent variables. After collecting the data by using structured questionnaire from the respondents (women entrepreneurs) were analyzed through SPSS, 21.0 software and employed descriptive statistic, correlations and regression analysis.

Figure 1: Conceptual Framework



Model Specification

The model specify as follows:

$BPWE = \beta o + \beta CF + \beta SF + \beta MT + \varepsilon i$

Where,

BPWE = Business Performance of Women Entrepreneurs (Dependent Variable)

βO = Intercept/ constant of the equation

β = Slope

CF = Credit Facility (Independent Variable 1)

SF = Saving Facility (Independent Variable 2)

MT= Microfinance Training (Independent Variable 3)

εi = Random Error

4. Result and Discussion

According to the demographic analysis 39% of women entrepreneurs represent the age group of 26-35 and 35%of women entrepreneurs represent the 36-45 age group. That means young middle-aged women entrepreneurs are more tend to get microfinance services. 82% microfinance beneficiaries represented married category. When analyzing the education category of microfinance beneficiaries, 9.0 percent of the respondents had below O/L and 40.0 percent had O/L, 47.0 percent had studied A/L and the remaining 2.0 percent of respondents had studied diploma and degree. Finally, it can be said that most women entrepreneurs who get microfinance services are well educated. Considering the legal structure of the business, a significant majority of 80.0 percent belonged to a sole proprietorship. In summary, most of the microfinance recipient women entrepreneurs showed a prefer to start a sole proprietorship. Considering the year established, 34.0 percent of the people represent less than 1 year and 63.0 percent represent the period between 1-5 years. This shows that women entrepreneurs also tend to use microfinance services in the 1-5 years after they establish the business.

Table 1: Descriptive Statistics Analysis

Dimensions	N	Mean	Std. Deviation	Variance
Credit Facility	100	3.9371	.81582	.666
Saving Facility	100	4.0317	.64515	.416

Microfinance Training	100	3.9783	.69051	.477
Business Performance of Women Entrepreneurs	100	3.8125	.84788	.719

Source: Compiled by the author based on the survey data

The table 1 descriptive statistics show that the overall period under the study, the micro finance measured by micro credit, micro saving and training averaged 3.9371, 4.0317 and 3.9783 respectively.

Table 2: Reliability Test with Cronbach's Alpha Value

Dimensions	**Cronbach's Alpha Value**	**Comment**	**No. of Items**
Credit Facility	.932	Accepted	07
Saving Facility	.813	Accepted	06
Microfinance Training	.863	Accepted	06
Business Performance of Women Entrepreneurs	.930	Accepted	08

Source: Compiled by the author based on the survey data

Based on the results, dependent variable Cronbach alpha value of business performance is 0.930 and independent variables are microfinance credit, saving and training have 0.932, 0.813, 0.863 respectively. Cronbach's alpha in this study were all above 0.8 and the researcher can conclude that the variables were reliably measured by the developed questionnaire.

Table 3: Correlation Analysis

Correlations

		Business Performance	**Credit Facility**	**Saving Facility**	**Microfinance Training**
Business Performance	Pearson Correlation	1	.939**	.893**	.878**
	Sig. (2-tailed)		.000	.000	.000
	N	100	100	100	100
Credit Facility	Pearson Correlation	.939**	1	.824**	.817**
	Sig. (2-tailed)	.000		.000	.000
	N	100	100	100	100
Saving Facility	Pearson Correlation	.893**	.824**	1	.855**
	Sig. (2-tailed)	.000	.000		.000
	N	100	100	100	100
Microfinance Training	Pearson Correlation	.878**	.817**	.855**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	100

** Correlation is significant at the 0.01 level (2- tailed)
Source: Compiled by the author based on the survey data

Table 3 shows the result of the correlation analysis between business performance of women entrepreneurs and dimensions of key factors. Key factors have three dimension of credit facility, saving facility and training facility. Table shows that all independent variables have positive relationship with dependent variable.

Correlation coefficient (r) measures the linear relationship between two variables. The value of r can range from -1 to +1. According to the details include in the table 3 the credit facility has the highest relationship with the business performance of women entrepreneurs. The value of the Pearson's Correlation is 0.939. The

significant level of credit facility is 0.000 at 95% confidence level. So, there is a strong positive relationship between credit facility and business performance of women entrepreneurs.

Next the highest relationship can be seen between business performance of women entrepreneurs and saving facility. The value of the Pearson's Correlation is 0.893. The significant level of saving facility is 0.000. Hence it is significant at 95% confidence level. There is a strong positive relationship between business performance of women entrepreneurs and saving facility.

Microfinance training and business performance and women entrepreneurs has a strongly positive relationship with the value of Pearson's Correlation 0.878. The significant level of microfinance training is 0.000 at 95% confident level. Accordingly, the results indicated that increase of CF, SF and TF will increase the BP of the women entrepreneurs.

Table 4: Regression Analysis; Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.967[a]	.935	.933	.220

a. Predictors: (Constant), Microfinance Training, Credit Facility, Savings Facility
Source: Compiled by the author based on the survey data

Table 4shows the model summery of regression analysis. Value of the explanatory power (R2) shows the degree to which extent the variance of the dependent variable is explained by independent variables. The value for R is 0.967 while the value for R-square is 0.935 which indicates the data are closely fitted to the regression line.

Table 5: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	66.516	3	22.172	457.213	.000[b]
	Residual	4.655	96	.048		
	Total	71.172	99			

a. Dependent Variable: Business Performance of Women Entrepreneurs
Predictors: (Constant), Microfinance Training, Credit Facility, Savings Facility Source: Compiled by the author based on the survey data

Analysis of Variance (ANOVA) test shows that the regression model is significant or not, if the output P value is less than 0.05 model is significant (Sekaran 2010). According to this study all P value is less than 0.05, (significant level 0.000) so this model is significant.

Table 6: Coefficients

Coefficients[a]							
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**	**Collinearity Statistics**	
	B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
(Constant)	-.834	.143		-5.840	.000		
Credit Facility	.588	.052	.566	11.343	.000	.274	3.648
Saving Facility	.349	.073	.266	4.793	.000	.222	4.514

Microfinance Training	.232	.067	.189	3.471	.001	.230	4.354

a. Dependent Variable: Business Performance of Women Entrepreneurs
Source: Compiled by the author based on the survey data

Table 6 shows the coefficient table of the regression analysis. B value of the table represents the degree to which extent the dependent variable can be affected by a certain independent variable while other independent variables remain constant.

B coefficient for credit facility is 0 .588 indicates that increasing 1 unit of CF causes to increase BPWE in 0.588 units while other independent variables remain constant. This conclusion can be done with 100% confident interval since the significant level is 0.000

Saving facility involves 0.349 B value, which denotes, when SF increases 1 unit, BPWE also increases by 0.349 units and vice versa. This conclusion can also be done with 100% confident interval since the significant level is 0.000

Microfinance training has 0.232 B value which indicates that, when microfinance training increases by 1 unit, BPWE increase by 0.232 units while other independent variables remain constant and vice versa this conclusion can also be done with 100% confident interval since the significant level is 0.001

5. Conclusions and Recommendations

This study investigated the factors influencing the business performance of women entrepreneurs. Three independent variables were used to investigate the research problem. They are micro credit, micro savings and micro training. Correlation analysis and regression analysis were implemented to achieve the research objectives and reliability analysis shows that the three factors have reliability. Micro credit, micro savings and micro training shows a positive relationship with women entrepreneurs' business performance. In summary, the study concludes that micro credit, micro savings and micro training have a greater impact on the business performance of women entrepreneurs in accordance with the chosen field of study.

Based on the findings of the study, the study recommends that microfinance banks should provide loans at low interest rates to encourage women entrepreneurs in Galgamuwa to expand their businesses. Otherwise, women entrepreneurs are reluctant to take loans because they feel that the interest rates are too high. Micro Finance Institutions should provide credit when they need it to avoid disappointment and avoid turning to other sources of credit that may be expensive in the long run. Micro saving plans should be customized according to client needs and withdrawal procedures should be made easier. Microfinance institutions should reduce the cost of training sessions to allow a larger number of women entrepreneurs to access training. Otherwise, they should offer the first year as a free service to all their customers. Also, microfinance banks should train women entrepreneurs properly to avoid business failure. Also, micro finance institutions should confirm which type of training is suitable for each entrepreneur. Therefore, this study recommends improving the knowledge of microfinance facilities to develop their businesses.

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