

**ROLE OF MICRO FINANCE ON FINANCIAL PERFORMANCE
OF SMALL AND MEDIUM ENTERPRISES:
A CASE OF GULMI DISTRICT**

A Dissertation submitted to the Office of the Dean of Management in Partial
fulfilment of the requirements for the Master's Degree

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that have researched and submitted the final draft of dissertation entitled “**Role of Micro Finance on Financial Performance of Small and Medium Enterprises: A Case of Gulmi District**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

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Prakash Puri

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ABBREVIATIONS

ADB	Asian Development Bank
BFI	Banking and Financial Institutions
CSA	Central Statistics Authority
GBBs	Grameen Bikas Banks
GDP	Gross Domestic Product
JLL	Joint Liability Lending
LPS	Logic Programming System
MFI	Microfinance Institutions
MFO	Microfinance Organizations
MTI	Ministry of Trade and Industry
SACCOS	Saving and Credit Cooperative Organizations
SFCL	Small Farmer Cooperative Limited Model
SME	Small and medium-sized enterprises
UNIDO	United Nation Industrial Development Organization
VB	Village Banking Model

ABSTRACT

The main goal of this study was to evaluate the impact of microfinance on the financial performance of small and medium-sized businesses in the Gulmi District. Other main goals included looking at the effects of savings, loan, and financial training and advisory services offered by microfinance on small and medium-sized business financial performance. The demographic for data collection in this study was small and medium-sized businesses that operate within the Gulmi district and rely on microfinance institutions for services. 385 businesses in the Gulmi district that used microfinance services for their operations were chosen as the sample size. For the aim of the study, convenience sampling was employed. To collect data about the study's objectives, a structured questionnaire was created. To gather main data, multiple choice, rating scale, Likert scale, and additional demographic questions were included in the questionnaires. Lean six sigma, financial growth, and microfinance credit theories served as the foundation for this investigation.

According to the report, the financial success of SMEs is positively correlated with loan, savings, and training and consulting services. In particular, the study found a very substantial positive correlation between the financial success of SMEs in the Gulmi district and Loan services. The study concluded that while microfinance services have a favorable impact on SMEs' financial performance, the adoption of these services by SMEs in the Gulmi district is still low.

According to the paper, surveys should be carried out by microfinance institutions that provide services to small and medium-sized businesses (SMEs) in order to learn more about their needs and the obstacles they encounter when trying to obtain microfinance services. The results of the survey may be used to customize services to meet the unique needs of SMEs. Small and medium-sized firms can improve their financial performance with the help of microfinance. By raising awareness of funding possibilities and enhancing enterprises, this study seeks to allay worries over self-employment activities.

Keywords: *Saving service, Lending service, financial performance*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Microfinance has been acknowledged as playing a crucial and pivotal role in the development of underprivileged communities, according to the proponents of the practice. It possesses three primary benefits, namely: firstly, it enables the most impoverished households to meet their primary require and safeguards them against risks. Secondly, it is connected with advancements in the economic security of households. Thirdly, it empowers people by facilitating their economic participation, thereby promoting gender equity.

Microfinance grants the poor access to productive capital. When combined with human being capital, obtained through schooling and training, and social capital, attain through local body building, it empowers individuals to escape poverty. Providing substance capital to poor individuals strengthens their sense of dignity, thereby enabling them to participate more effectively in the economy and society.

According to Otero (1999), the ultimate objective of microfinance is not limited to the provision of capital to the poor as a means of addressing individual poverty. It also seeks to establish institutions that offer financial services to the indigent, who are often overlooked by the formal banking sector.

Microfinance refers to the provision of financial services, including loans, savings, and insurance, to low-income individuals residing in both rural and urban settings, who are unable to access such services from formal financial institutions. Despite the significance of the financial sector, it remains a pervasive and perplexing issue in society. The ability of Microfinance Institutions (MFLs) in Nepal to attain financial viability while simultaneously reaching a substantial number of impoverished households is limited. Hence, the question of how microfinance policies, programs, and efforts have been implemented to alleviate poverty in Nepal, and whether MFLs are sustainable and viable in the long run, is pertinent (Sharma, 2011)

The challenge of reaching the poorest and achieving financial sustainability remains an enigma for Nepalese MFLs. Consequently, it is imperative to explore the

microfinance policies, programs, and efforts that have been put in place in Nepal to alleviate poverty. Furthermore, determining the feasibility of MFLs in the long run is equally important. Development of the financial sector is fundamental for societal progress, and the production and related activities that it supports are essential for providing impetus to society's growth.

In both developing and established nations, small and medium-sized enterprises (SMEs) are essential for fostering innovation, growth, competition, and entrepreneurship (Chipangura & Kaseke, 2012). However, SMEs in these two categories of nations encounter challenges when trying to obtain enough financing to grow their companies even more. Notwithstanding their growing responsibilities in generating money, lowering poverty, fostering economic growth, and creating employment possibilities, the greatest obstacle to their expansion and development is still the restricted access to financial services.

Banks often hesitate to offer services to small and medium-sized businesses (MSMEs) because they struggle to cover the high costs associated with working with small enterprises and many SMEs are unable to provide the required collateral. Moreover, banks are reluctant to engage with micro and small enterprises due to the risks involved in lending to them. Lenders face challenges in evaluating the likelihood of repayment, the qualifications of the entrepreneur, and the potential success of the business due to the historically high failure rates of small enterprises.

In the Gulmi district of Nepal, small and medium-sized enterprises (SMEs) generate income, create employment opportunities, enhance living standards, and contribute to the growth of the economy. In addition to providing financial resources to the underprivileged to alleviate poverty, microfinance aims to establish organizations that offer financial solutions to individuals who are commonly disregarded by traditional banking institutions. For the underprivileged, who are frequently excluded from the conventional banking system, this represents a crucial role of institutions in providing financial services.

The objective of this research is to identify the impact of micro-finance on the financial performance of small and medium-sized enterprises (SMEs) in the Gulmi region. A comprehensive literature review was conducted to examine the challenges

faced by both developed and developing nations. This review enabled us to identify potential barriers that could hinder future business success.

The most underprivileged class should be targeted to achieve overall poverty reduction in the country. Gulmi is a developing district with a high concentration of conservation organizations. The members of these groups founded them under different governmental and non-governmental organizations. The organizations raise money, deposit it in banks or finance companies, and then lend it to other group members at cheap interest rates with no hidden fees. There are a lot of saving organizations in the expanding district of Gulmi. Under different governmental and non-governmental organizations, these groups are founded by their own members. The organizations raise money, deposit it in banks or finance companies, and then lend it to other members of the organization at low interest rates with no fees.

Despite the benefits of these groups, members are not capable of making decisions regarding household and financial matters. They cannot meet their own needs or those of their children without taking financial support from their family, particularly their husbands. Therefore, this research aims to analyze the impact of microfinance on female empowerment, which, in turn, affects the economic status of the family. This topic is crucial to analyze the impact of micro-finance on the social development of SMEs, particularly after the new normal.

This study is of great importance to the academic community and policymakers alike, as it seeks to contribute to the existing body of knowledge on microfinance, and to provide evidence-based recommendations for promoting SME growth and reducing poverty in Gulmi and other similar regions.

1.2 Problem Statement

Microfinance institutions are set up to offer different financial services to a population's underprivileged segment in order to accomplish different growth goals. The means of eradicating poverty is microfinance. As microfinance develops traction and becomes more mainstream, it may increase the availability of services for the impoverished, improving their effectiveness and outreach while lowering costs. Research on the effects of microfinance credit on business development, including

financial performance, high payback rates, and outreach, was conducted by Buckley in 1997. Research carried out by Buckley in 1997 in Kenya indicated a positive connection between the growth of SMEs and microfinance services, leading to increased employment, income, and profits. However, Bamwesigye (2008) discovered that 65% of SMEs struggle or underperform due to the lack of access to microcredit for expansion and the introduction of new products and services to the market. Despite the presence of numerous microfinance institutions, SMEs are facing challenges in the Gulf market. This raises questions about the impact of microfinance institutions on the financial performance of small and medium-sized businesses in the Gulmi district.

The expansion of SMEs, driven by their financial success, would contribute to job creation and the advancement of Gulmi's economic development. Despite previous claims, there is a lack of concrete data demonstrating the extent to which MFIs have supported MSEs in achieving their objectives and fulfilling their aspirations. In light of this, the researcher's objective is to assess the impact of microfinance on the growth of SMEs in the Gulmi district. With an increasing number of microfinance institutions in Gulmi offering a wider array of financial services, many SMEs are encountering challenges in expanding their businesses. It demonstrates the dearth of appropriate opportunities for credit and microfinance services, which are detrimental to the Gulmi people due to their high interest rates and short repayment terms. Research on the impact of microfinance on the financial performance of SMEs in Nepal's Gulmi district, however, has not been done.

Prior research on the effects of microfinance on SMEs has not addressed the variables influencing SMEs' financial outcomes in Nepal. In the Gulmi district, this research seeks to elucidate the relationship between microfinance and the financial performance of micro and small businesses.

Research questions:

- How are small and medium-sized enterprises (SMEs) in the Gulmi district affected financially by the loan and saving services?
- How do the financial outcomes of SMEs in the Gulmi district correlate with the loan and saving services?

- In what ways do the financial performances of SMEs in the Gulmi district vary in relation to the influence of financial guidance and training?

1.3. Objectives of the Study

The General objective of the research is to study the effect of microfinance on the financial performances of SMEs in the Gulmi district.

The specific objectives of the research are:

- To assess the situation of loan services, saving service and financial performances of SMEs.
- To examine the relationship between saving services and financial performance of SMEs.
- To investigate the role of financial training and advisory services offered by microfinance institutions on financial performance of SMEs.

1.4. Hypothesis

In order to determine how microfinance services affected the financial performance of SMEs in Rwanda's Muhanga district, Omwono (2019) carried out a study. The study's conclusions show that microcredit and SMEs' financial performance are positively correlated. The majority of SMEs in Kiambu County seek credit for capital investments and have used loans to build their businesses, according to a 2014 study by Wakaba on the impact of microfinance on SMEs' financial performance. SMEs exhibiting there don't have any other sources of finance for their companies.

According to Monge (2016), the majority of SMEs in Tanzania demonstrate a greater ability to reduce loan amounts and increase market share, employment, net profits, and sales income through the use of microfinance loans. Improvements in the microcredit findings thus demonstrate a noteworthy impact on business growth. To investigate the influence of microfinance in the financial success of SMEs, the following hypothesis might be formulated based on previous empirical studies.

Loan services have a significant impact on the financial performance of SMEs, according to numerous studies from earlier literature. As Gyimah and Boachie (2018) also find, there is a direct correlation between credit services and financial performance. Kihara (2017) demonstrates that loan service has a favorable impact on

the financial success of enterprises. This research has made the following assumptions based on literature.

H1: The state of loan services, savings services, and financial performances of SMEs are all significantly assessed.

In their research, Kisaka and Mwewa (2014) found a substantial correlation between loan service, savings service, and financial performance. This demonstrates unequivocally that saving services will improve the financial performance of small and medium-sized businesses. Therefore, it is essential to investigate how saving services affect financial success. Thus, this investigation has postulated that:

H2: Lending, saving, and the financial health of SMEs all play important roles.

This study proposed the following based on the literature, as indicated by Haider, Asad, and Fatima's 2017 study, which found positive relationships between loan service, savings service, and financial performance. It also indicates that financial counseling and guidance will be crucial terms to be examined in this study.

H3: The financial performance of SMEs and financial advice and training are significantly correlated.

1.5. Rationale of the Study

Since the goal of every research is to expand knowledge and add fresh material to an already established topic, each study has intrinsic value. Because microfinance programs unquestionably improve the economic position of rural poor, disadvantaged, and society-deprived people, this study is extremely important. This study project's primary goal is to examine the function of microfinance. Thus, this study is also crucial to solving the aforementioned issues. The idea of microfinance is crucial for the underprivileged in Nepal. Through the use of microfinance instruments, kids can grow personally and actively participate in fundraising initiatives. Many research studies on microfinance have been conducted recently in a number of industrialized nations, including Bangladesh, India, and Nepal.

Thus, in the context of Nepal, it is more relevant, as far as the researcher is aware. In view of the aforementioned claims, the researcher thinks that the study would investigate a novel area in the context of Nepalese microfinance and contribute fresh insights to the body of knowledge regarding the microfinance industry. Scholars, educators, decision-makers, financial planners, and other training providers will also benefit from it.

Nepal has almost thirty years of experience with microfinance, which is only acknowledged as a program for reducing poverty that aims to raise the income and social status of those who are impoverished.

Factual evidence is provided by the study to support the impact of microfinance services on the earnings of SMEs in the Gulmi district. The findings of this study may be useful to microfinance organizations and the Nepali government, providing insight into how to enhance microfinance services. This research will produce significant findings that will aid governmental and nongovernmental organizations in improving microfinance services to small and medium-sized enterprises (SMEs) and ensuring that improved laws and regulations are in place to enable access to these services. The study's findings will help future research on the relationship between microfinance and the performance of SMEs.

This study is to examine the impact of the microfinance on livelihood improvement of the people living through employee opportunity, income level, consumption expenditure, capital expenditure and social information.

1.6. Limitations of the Study

This study provides insight into a number of microfinance-related topics. Additionally, this research aims to provide a more comprehensive understanding of the microfinance industry and its effects. The study's primary limitations are listed below.

- The main sources of information on the dependent and independent variables form the basis of this investigation. The correctness of the data that

respondents submitted, therefore, determines how reliable the study's conclusions will be.

- The total sample size of primary data observations is a mere 385. The expected outcome of decreased significance could arise from a smaller sample size.
- The scope of the study was restricted to examining the impact of financial consulting and training services, savings and loan services on the financial performance of SMEs in the Gulmi district.
- The approach of convenience sampling is employed to gather data; nevertheless, it fails to yield results that are representative.
- SPSS and Smart PLS software have been utilized for data analysis.

CHAPTER II

LITERATURE REVIEW

The definition of Micro and Small Enterprises (SMEs) is subject to variation across countries and organizations. In 2011, the country modified its SMEs definition to incorporate certain characteristics used by other countries and international organizations. The revised definition distinguishes between the service and manufacturing sectors. Nevertheless, there persists a lack of clarity among various government agencies such as the Ministry of Trade, Central Statistics Agency, and Federal Micro and Small Enterprises Development Agency (FeMSEDA) in defining SMEs based on variables such as the number of workers, sum of assets, and yearly sales. As both sum of assets and yearly sales are similar in the definition, the selection of assets is preferred for its ease of data availability. Furthermore, the revised definition exclusively focuses on small and medium-sized enterprises and does not differentiate between small and medium, and medium and large enterprises. It should be noted that a universally accepted definition of SMEs is non-existent, as the definition significantly varies from country to country. This variation can be attributed to factors such as the economic development of countries, the strength of the industrial and business sector, and the size of SMEs, among other factors.

The definition of small and medium-sized enterprises (SMEs) in Ethiopia varies depending on the source. The Ethiopian Ministry of Trade and Industry MTI (1997) defines SMEs based on the level of capital investment, while the Ethiopian Central Statistics Authority (CSA) categorizes sectors into different enterprises based on the number of workers employed in the firm and the level of automation of firms.

SMEs in Ethiopia are a heterogeneous group encompassing a broad spectrum of business activities. These can range from a single artisan producing agricultural implements for the village market to a small, sophisticated engineering or software firm selling in overseas markets, as well as a medium-sized automotive parts manufacturer selling to multinational automakers in domestic and foreign markets. These businesses operate in a variety of marketplaces, including local, national, regional, and worldwide ones, and their ownership may be diversified. SME

operations can be either formal or informal, and they represent varying degrees of money, expertise, complexity, and growth direction.

Each country has its own definition of a small and medium-sized firm (SMEs), which is typically determined by the number of employees, sales volume, and/or asset worth. Because it is the easiest to gather, the number of employees is the most often utilized variable. The two primary categories of SME definitions that can be distinguished are "economic" and "statistical" definitions.

As per the economic definition, a company is deemed small if it satisfies three requirements: (1) it holds a comparatively small portion of its market; (2) it is overseen by owners or co-owners in a customized manner, without the need for a formalized management structure; and (3) it is autonomous and not a part of a larger enterprise. The "statistical" definition, on the other hand, is applied in three primary contexts: (1) measuring the GDP, employment, and export contribution of the small firm sector; (2) assessing the degree to which the economic contribution of the small firm sector has varied over time; and (3) analyzing the economic contribution of small firms from different countries. These definitions do have certain shortcomings, though.

The economic definition, for instance, contradicts its statistical definition of a small manufacturing firm, which may employ up to 200 people, by stating that a small business is controlled by its owners or part-owners in a personalized manner rather than through a formal management structure.

The primary focus of policy formulation and execution, according to UNIDO, is the definition of SMEs, which is contingent upon the classification's intended use. UNIDO normally recommends governments to take both the quantitative and qualitative components into consideration when developing policies.

2.1 Theoretical Review

The theories utilized in this research were explained as follows in this section:

2.1.1 The Lean Six Sigma theory:

The Lean Six Sigma model, first introduced by Motorola in 1986, posits that the financial performance of any enterprise can be significantly improved by adopting the Six Sigma methodology. This approach advocates for managing quality in all profit-looking businesses (Ananthukrishna, 2019). The Lean Six Sigma theory aims to achieve a production rate of 99.99966% with zero defects by continuously improving the quality of products and services provided to customers. This is achieved by utilizing statistical tools such as Define, Measure, Analyze, Improve, and Control (DMAIC) to solve problems and ensure customer satisfaction. Singh & Malhotra (2014) highlight that the Lean Six Sigma approach is also geared towards reducing costs and process cycle time while simultaneously increasing profitability and customer satisfaction. It is important to remember that Six Sigma initiatives should only be undertaken when all parties involved can clearly see the potential savings they would bring about. As suggested by Kumar, Antony, and Tiwari (2011), management is one of the components that contribute to Six Sigma's success. involvement, employee attitudes, and project management skills.

The Lean Six Sigma model's relevance extends to research as it sheds light on improving financial performance, the dependent variable. By continuously improving the quality of products and services offered by micro and small businesses, costs can be reduced, leading to increased profitability. This can be achieved through providing training services to microfinance institutions. Ultimately, improving product quality is an essential step towards generating profits for Small and Medium-sized Enterprises (SMEs).

2.1.2. Financial Growth Theory

Berger & Udell (1998) posited a theory of financial growth for small businesses that centers on their financing needs and options as they mature. Specifically, this theory suggests that these businesses depend on size, age, and data continuity to determine their financing options. At the lower end of the continuum, smaller and younger firms that lack transparency rely on insider financing, trade credit, and angel investors. As the firm grows, it may access venture capital and medium-term loans. Finally, when the firm is more experienced and transparent, it may access public equity or long-term

borrowing. This theory is particularly germane to small and medium-sized enterprises (SMEs) that require capital infusion. Microfinance is often the sole source of financing available to them. However, financing small businesses is generally more costly than financing larger firms. This is due to the size of loans and limited information about small firms, which prompt lenders to demand higher rates of return. Additionally, when lending to small businesses, lenders frequently require the owners to personally guarantee the loan, which safeguards the lender in the event of a default.

In summary, the theory proposed by Berger & Udell (1998) provides insights into how small businesses can obtain financing as they grow and develop. For SMEs, microfinance may be the only viable source of funding, but it entails higher costs and necessitates personal guarantees from the owners.

2.1.3 Microfinance Credit Theory

The lack of world widely accepted theory on microfinance services provoked Smith (1977) to develop the Micro Credit Theory, that subsequently evolved into the Economic Theory. This theory posits that microfinance institutions are capitalistic endeavors that generate private profits while also driven by social consciousness. The idea emphasizes how crucial it is for these organizations to assess the welfare of their consumers in order to provide a standard loaning model with a dual system to control and coordinate adverse risks. Through microfinance services, these institutions can remedy limited resources, providing capital to vulnerable populations like those with disabilities. The Economic Theory assumes that microfinance institutions can support the financial performance of small and medium enterprises (SMEs) by enhancing their goal of profit maximization. However, for this to be achieved, capitalistic enterprises must be willing to give MSEs a helping hand. In microfinance, gathering financing is typically the first step towards overcoming the shortcomings of imperfect credit markets, specifically information deviations. These deviations may lead to opposing assurance and moral hazard. To counter these challenges, the standard model of crediting typically employs assortative planning or screening to manage adverse decisions and peer observation to overcome moral hazard.

This concept has practical implications for improving the success of small and medium-sized enterprises (SMEs) by providing them with access to microfinance

services. It is particularly helpful when businesses require funding and aim to grow their SMEs. By tackling the constraints of imperfect credit markets, microfinance services can assist in overcoming information imbalances and improving the financial performance of SMEs. Smith (1977) developed the Micro Credit Theory in response to the dearth of a generally acknowledged theory on microfinance services. This theory ultimately transformed into the Economic Theory.

This theory posits that microfinance institutions are capitalistic enterprises that generate private profits while also driven by social consciousness. The theory highlights the importance of these institutions reviewing their clients' welfare in providing a loaning model that is standard and contains a duo system to manage and coordinate unfavorable risks. Through microfinance services, these institutions can remedy limited resources, providing capital to vulnerable populations like those with disabilities.

The Economic Theory assumes that microfinance institutions can support the financial performance of small and medium enterprises (SMEs) by enhancing their goal of profit maximization. However, for this to be achieved, capitalistic enterprises must be willing to give MSEs a helping hand. In microfinance, gathering financing is typically the first step towards overcoming the shortcomings of imperfect credit markets, specifically information deviations. These deviations may lead to opposing assurance and moral hazard. In order to address these issues, the conventional crediting model usually uses peer monitoring to prevent moral hazard and assortative planning or testing to manage poor decisions.

This theory has practical implications in enhancing the performance of SMEs through access to microfinance services. It is particularly useful when firms require access to advances and need to grow their SMEs. By providing a solution to the shortcomings of imperfect credit markets, microfinance services can help overcome information deviations and improve SMEs' financial performance.

2.1.4. Small and Medium Enterprises

Micro, small, and medium-sized firms, or SMEs for short, are mainly involved in other than agriculture economic activities like mining, manufacturing, trading, and

services. Because there isn't a one, globally accepted definition, different nations use different size measures to define SMEs based on factors including workforce size, sum of capital investment, and revenue. According to one such indicator, a business conducting financial transactions totaling fewer than twenty lakhs in a year must actively supervise up to nine people. Both men and women can lead micro-enterprises, which are tiny businesses with 10 to 15 employees that are focused on making a profit. The manufacturing of textiles, home and consumer goods, and food items for both local and international markets is the main business activity of Nepalese SMEs. Particularly, small companies are in charge of producing a wide range of household commodities, including water, vegetables, noodles and sweets, processed foods, grains, oil, and dairy products, as well as aerated drinks, juices, and biscuits.

Furthermore, small and medium-sized enterprises (SMEs) in Nepal operate in a variety of forest-related industries, including handicrafts, timber, textiles, clothing, carpets, and leather goods. Other industries include the production of plastic, metal furniture, timber presses, utensils, jute fiber products, tire rubber, plywood for construction, boards, zinc oxide, and colorful paint tubes. Moreover, agro-based industries like tea, vegetables, dairy, animal, and floral goods have seen an increase in investment from small companies.

There are numerous unregistered businesses that operate seasonally at the micro, cottage, and family levels in Nepal (Kharel & Upadhyaya 2021). Finally, private sector investment in small hydropower, tourism, and infrastructure development has been increasingly active in recent years.

2.2 Empirical Review

2.2.1 Review of International Artica

Chioma Dorothy Oleka (Ph.D), Esther Nneka Maduagwu, and Chinelo Mercy Igwenagu (Ph.D) (2023) The study aimed to evaluate “The role of microfinance banks in financing SMEs in Nigeria”, including how SMEs access funds from these banks to finance their operations and how these funds affect their performance. The study covered a ten-year period from 2003 to 2013 and used both primary and secondary data generated from questionnaires and annual reports of 300 randomly selected

SMEs that accessed funds from microfinance banks in Nigeria. The data were statistically analyzed using regression analysis, and the results showed that access to microfinance significantly enhanced the growth of small and medium enterprises in Nigeria. The study recommends that microfinance banks be recapitalized to enhance their lending capacity to support small and medium business growth and expansion.

Dr. M. Sudha Paulin in (2022) The study aimed “To analyze the current status and financial performance of S.M.I.L.E Microfinance Limited in Chennai, Tamilnadu, South India”. The data were collected through a research system primarily designed to outline the research process and the tools to be used for the project. The research approach was designed to find the financial performance of S.M.I.L.E Microfinance Limited. The study found that the P-Value was more than 0.05, indicating that the null hypothesis could be rejected. The collected data showed a significant difference in the operating leverage ratio. However, the Return on Assets ratio for S.M.I.L.E Microfinance Limited had a P-Value higher than 0.05, indicating that the null hypothesis was accepted, and there was no significant difference in the mean ROA. Both studies provide useful insights into the role of microfinance banks in financing SMEs and their impact on performance. These findings can be valuable for policymakers, practitioners, and researchers interested in promoting SME growth and development.

Dhungana (2022) titled "Impact of microcredit on micro-enterprise development: A Case of Bangalore in India." The objective of this study is to investigate the effect of microcredit on the development of micro-enterprises in Bangalore, India. A structured questionnaire was given to microfinance clients who had been connected to microfinance institutions for a minimum of five years in order to collect data for this research. In order to investigate the impact of a microfinance program on microenterprise development, the study used an explanatory research approach. The study's conclusions show that, with the aid of microcredit, the promotion of microfinance has significantly impacted the success of microbusinesses and enterprises. The results of the regression analysis revealed that microcredit has aided the augmentation of investments, revenue, and profits of micro-businesses, thereby helping to expand them and generate employment opportunities. It is crucial to utilize

microcredit efficiently to ensure the success and sustainability of microcredit enterprises.

Bwisa (2021) is titled "Effects of microfinance and small enterprises in Kitale municipality." Small and micro-enterprises (SMEs) are defined as productive activities that involve the production or distribution of goods and services, typically carried out in the informal sector. A micro-enterprise is one that has fewer than five employees, while a small enterprise has 5-49 employees, a medium enterprise has 50-100 employees, and a large enterprise has more than 100 employees. The oversupply of labor, which neither the public sector nor large private firms can use, is what propels the growth of small and medium-sized enterprises (SMEs), even in the face of their low productivity and pay. The SME sector emerges in reaction to the rise in unemployment and serves as a last choice for people who are unable to find work in the formal sector. A number of theoretical frameworks have been created to explain how SMEs are growing. It's important to note that the Ethiopian government has recognized growth-oriented SMEs based on their capacity to create jobs, fight poverty, use locally available raw materials, and quickly grow into medium- and large-scale enterprises. Therefore, SMEs involved in the following industries are classified as growth-oriented: trade (wholesale and retail); services (hotels, tourism, solid waste collection, etc.); manufacturing (metal, leather, textile, woodwork, and agro-processing); construction (contractors and producers of construction materials); and urban farming (dairy, cattle fattening, poultry, honey production, and animal food production).

Mengesha & Tănase (2021) focuses on "The role of microfinance in funding small and medium enterprises (SMEs) in Harekello town, located in the Goro Dolla district of Ethiopia". The research aims to investigate the contribution of microfinance institutions (MFIs) to the growth of SMEs and the benefits that small businesses derive from the credit schemes offered by these institutions. Specifically, the study seeks to determine the extent to which microfinance leads to increased sales volume for participating SMEs and to identify other factors that impact their growth. To achieve its objectives, the study employs a mixed-methods approach, which involves collecting primary data through questionnaires and interviews with key informants, as well as using secondary sources of data. The literature review covers the goal and role

of MFIs, microfinance policies, challenges and opportunities in SME development and policy, and the relationship between MFIs and SMEs.

Bhantana (2020) focuses on “The impact of microfinance banks on the growth of SMEs”. The study argues that the SME sector is vital in many economies, as it provides jobs, pays taxes, and drives innovation, making it a key participant in the global market. Moreover, the SME sector covers non-farm economic activities, including manufacturing, mining, commerce, and services. The study's findings reveal that SMEs play a productive role in making better income, creating employment, and enhancing the standard of life of the member in the research area.

Kumari et al. (2019) highlights that micro-finance presents a energetic approach to improving the incomes of lower-level groups, which ultimately helps to eradicate poverty. The research also emphasizes that microfinance provides a means for small-scale businesses to operate efficiently by empowering poor women entrepreneurs. The study underscores the need for establishing a framework by governing bodies to ensure easy access to credit facilities offered by MFIs. Overall, these studies provide valuable insights into the role of microfinance in funding SMEs and the impact that such funding has on economic growth and development. The findings suggest that microfinance can be an effective means of promoting entrepreneurship, creating jobs, and reducing poverty, especially in developing countries.

Gyimah & Boachie (2018) examined the relationship between microloans and small business expansion in Ghana. The study employed a structured questionnaire in a descriptive research design, surveying 248 small business proprietors. The research reports a positive correlation between small business expand and the application of microfinance service. The examiner calls for Microfinance Institutions (MFIs) to bolster their insurance solutions to provide financial confidence to business owners in the event of operational shortcomings. Moreover, the study recommends that MFIs should provide innovative training programs to promote growth and profitability. However, the research is subject to a methodological limitation since it employed a descriptive research design instead of an explanatory one.

Omondi & Jagongo (2018) examined the performance of young Small and Medium Enterprises (SMEs) in Kisumu County, Kenya, in the context of their engagement

with microfinance programs. The study utilized a descriptive research design to collect data from 135 young SMEs. The research establishes a positive impact of microfinance products on SME performance. The study recommends that before extending loans or any form of financial assistance, MFIs should provide SME owners with fundamental financial management training to ensure optimal utilization of the funds. However, because insurance was researched in a separate field and was not seen as a microfinance service, the study is constrained by its contextual setting.

Pei-Wen, Zariyawati, Diana-Rose, & Annuar in (2016) was titled "Impact of Microfinance Facilities on Performance of Small Medium Enterprises in Malaysia." The study's main focus was on the role that Small and Medium Enterprises (SMEs) have had in Malaysia's economic development, particularly in the areas of productivity, employment, and growth. The study set out to find out how Malaysian SMEs were affected by microfinance services. Primary sources and questionnaires given to microenterprise SME owners in the Klang Valley provided the study's data. The results' analysis shows that microfinance has a significant effect on SMEs' earnings. For this reason, we propose that additional microfinance institutions (MFIs) help SMEs by offering microfinance facilities in order to promote SMEs' development.

Laetitia, Shukla, & Luvanda (2015) to evaluate the business expand of certain small and medium-sized enterprises (SMEs) in Kicukiro District. The study analyzed the influence of micro-finance service on the business growth of selected women owned SMEs in the same area. The research methodology used for the study was Pearson correlation coefficient. The study concluded that the business performance of the SMEs was fair before acquiring microfinance loans. Therefore, the entrepreneurs required microfinance loans to improve their business performance. Despite the high interest rates charged on the loan amount, the study found that the profitability, growth, and income of the SMEs increased after taking out the loans.

Fauster (2014) studied "The impact of micro-finance on the performance of small-scale enterprises: association and sinapi Aba Trust in Comparison. According to GJDS," research on how microfinance institutions (MFIs) affect small and medium-sized businesses (SMEs) has yielded contradictory findings, with some studies reporting favorable effects and others negative ones. The purpose of this study is to

assess how the study-MFIs are affecting the SME clients they serve in the Wa Municipality. For the study, a with-and-without strategy in conjunction with a quasi-longitudinal method was employed. Documents and surveys from the study's MFIs were used to gather data. The growth in mean sales revenue was calculated as a straightforward percentage change. Analysis of variance (ANOVA), Spearman's correlation coefficient (r), and coefficient of determination were used to examine a number of hypotheses. The study concludes that the study-MFIs have a positive impact on the mean sales revenues of their SME clients, and there are significant differences between the SAT and MTA clients' sales revenues and those of the control group. Differences in management approaches accounted for the slight differences between the two study-MFIs. There is a strong positive correlation between average sales revenue, micro loans, and level of education and training.

Jeremiah (2014) titled "Impact of micro-finance on small and medium enterprises in Zimbabwe: the case for Masvingo Town". The study aimed to evaluate the influence of microfinance on small and medium-sized enterprises (SMEs) in Zimbabwe. A sample of 105 SMEs was selected randomly, and questionnaires were used to collect data. The collected data was presented and analyzed using graphs and charts. According to the study, most SMEs were able to access microfinance loans, but only a few of them were able to obtain the full amount they needed. The study also revealed that many SMEs that received MFI loans utilized the loans for business purposes, which helped them grow. The SMEs reported that MFI loans had a positive impact on their product quality, range, branch networks, cash flow levels, and market share. The study recommended that commercial banks and privately-owned MFIs should provide financial management training to SMEs before offering them loans. Additionally, For the SMEs, the government and local government (City council) should supply sufficient infrastructure facilities such more restrooms, electricity, and permanent workstations.

Olowe, Moradeyo, & Babalola in (2013) titled "Empirical study of the impact of microfinance bank on Small and Medium Growth in Nigeria," aimed to assess the impact of microfinance on the growth of small and medium-sized enterprises (SMEs) in Nigeria. The study employed Pearson correlation coefficient and multiple regression analysis to examine the relationship between microfinance and SME

growth. The results of the study revealed a significant positive impact of microfinance on the growth of SMEs in Nigeria. Specifically, the findings suggest that SMEs can benefit significantly from financial services provided by microfinance institutions (MFIs). Additionally, the study found that the duration of the loan has a positive impact on SME growth. However, the study also identified several factors that could hinder the expansion of SMEs in Nigeria. These include high interest rates, collateral security, and frequent loan repayment requirements. Therefore, these factors should be considered when providing financial services to SMEs in Nigeria. In conclusion, the study by Olowe, Moradeyo, and Babalola provides empirical evidence of the positive impact of microfinance on the growth of SMEs in Nigeria. The study's findings have important implications for policymakers, microfinance institutions, and other stakeholders seeking to promote the growth of SMEs in Nigeria.

Wanambisi & Bwisa (2013) titled "Effects of microfinance lending on business performance: a survey of micro and small enterprises in Kitale Municipality, Kenya" examined the impact of microfinance institution loans on the performance of micro and small enterprises in Kitale Municipality. The research used multivariate logistic regression as a methodology, and a sample of 120 SME owners was taken for data collection through a questionnaire. According to the survey, respondents favored MFI loans over bank loans as they didn't need collateral. Most people who obtained loans also stated that they could pay them back with interest from their businesses. Additionally, the study demonstrated a highly substantial beneficial association between the loan amount and the performance of SMEs, which raised sales and income.

Ahiabor (2012) investigated the impact of microfinance on the development of small-scale enterprises in the Ledzorkuku-Krowor Municipality in the Greater Accra Region of Ghana. The study found that microfinance positively influenced the development of SMEs in the region by providing role models, analyzing repayment options, and generating reasonable profits. However, exorbitant financial costs were identified as a major challenge for SMEs seeking loans, hindering their ability to create sustainable gains for loan repayment. The study recommended that financial institutions should observe international standards and regulations to ensure that SMEs can access the financing they need to grow. Additionally, SMEs should work to address their lack of

qualified personnel to effectively manage their activities. These findings are particularly significant given the dynamics of globalization and corporate liberalization around the globe, which have increased the importance of having access to financing.

Quaye (2011) “The Effect of microfinance institutions on the growth of small and medium-scale enterprises (SMEs): A Case Study of Selected SMEs in the Kumasi Metropolis,” to examines the influence of Microfinance Institutions (MFIs) on the growth of SMEs in the Kumasi Metropolis of Ghana. The study provides an analysis of the profile of SMEs in the region, the role of MFIs in promoting entrepreneurial growth, the challenges faced by SMEs in accessing credit, and the rate of credit utilization by SMEs. The study reveals that the majority of SMEs in the Kumasi Metropolis are in the Micro stage, employing less than six people, and the commerce sub sector dominates the sector. Additionally, the study shows that MFIs promote the expansion of SMEs. More credit availability, improved savings potential, and management, financial, and business training are all provided by MFIs and are essential support for SMEs. Even while MFIs help SMEs, there are still issues that have an impact on how they operate. The hardest thing for SMEs to deal with is the lengthy credit application process; high interest rates and collateral security are two big obstacles. MFIs also have to deal with issues like credit theft and withholding pertinent information about their companies. The research study concludes by demonstrating unequivocally the beneficial impact of MFIs on the expansion of SMEs. It is imperative to offer client-oriented credits instead of product-oriented ones in order to support SMEs' operations and promote their continued and accelerated growth. For clients who receive loans, appropriate and thorough monitoring procedures should also be in place to guarantee the money' responsibility.

The details of the review study have been presented in table 2.1

Table2.1: Summary of Review

S. No	Author (Year)	Topics	Objective	Methodology	Findings
1	Chioma Dorothy Oleka (Ph.D), Esther Nneka Maduagwu & Chinelo Mercy Igwenagu (Ph.D) (2023)	The Impact of Micro-Finance Banks on the Performance of Small and Medium Scale Enterprises in Nigeria”	The study is aimed at evaluating the extent to which Micro finance banks have helped in financing small and medium enterprises (SMEs) in Nigeria, how they access funds from the micro finance banks to finance their productions and how these accessed funds affect their performances	Both primary and secondary data from surveys and yearly reports of 300 randomly chosen small and medium-sized businesses in Nigeria that had received funding from microfinance institutions were used. Regression analysis was used as a tool to statistically examine these data in order to ascertain the link between the variables taken into consideration, depending on the study hypothesis.	The findings provide compelling evidence that microfinance availability greatly accelerates the expansion of small and medium-sized businesses in Nigeria. This indicates that the performance and expansion of small and medium-sized businesses are boosted by the operations of microfinance banks. However, other firm level variables such as business size, business age, business location, loan size, loan maturity etc. are found to have positive effect on enterprises’ growth.
2	Dr. M.Sudha Paulin (2022)	A Study On Financial Performance Of S.M.I.L.L.E Microfinance Limited in Chennai, Tamilnadu	1. To analyze the financial performance and present state of S.M.I.L.L.E microfinance Limited.	A research system is mostly needed to describe the exploration cycle as well as the plans and tools that will be used for the enterprise. An	The results indicate that the P-Value exceeds 0.05, so ruling out the incorrect theory. The existence of this creates a significant difference in the proportion of working independence. Restricted Return on Assets for S.M.I.L.L.E Microfinance. A P-Value greater than 0.05 indicates that

		,South India	2. To examine the proportionate patterns and patterns of S.M.I.L.E. microfinance from Limited.	explanation of the research methodology is provided for the purpose of locating S.M.I.L.E. Microfinance Limited's financial execution.	the hypothesis is faulty and that the mean ROA does not exhibit a critical difference.
3	Bwisa, (2021)	Effects of microfinance and small enterprises in Kitale Municipality	To analyze the Effects of microfinance and small enterprises in Kitale Municipality	The explanatory research design is used to find the impact of microfinance intervention on micro-enterprise development The data is collected through questionnaire from microfinance clients involved in microfinance institutions.	Growth-oriented SMEs include those in the following industries: wholesale and retail trade; construction (contractors and producers of construction materials); urban agriculture (dairy, cattle fattening, poultry, beekeeping, and animal food production); manufacturing (steel, leather, fabric, wood work, agro processing); and services (hotel, tourism, solid waste collection, etc.).
4	Mengesh a & Tănase (2021)	The Role of Microfinance in Funding Small & Medium Enterprises: Harekello Town of Goro Dolla District in Focus, Ethiopia.	This study examines the role of the Microfinance on funding of the Small and Medium Enterprises (SMEs) in Gorodola Harakallo town.	Primary data for research is gathered through surveys and key informant interviews. Furthermore, secondary data sources have also been utilized. In the end, by combining qualitative and quantitative	The results of the study showed that SMEs had a beneficial impact on the income, employment, and general well-being of the participants in the study area's businesses.

				methods,	
			The specific objectives of this study were as follows; to determine at what extent role of microfinance lead to increase the volume of gross sales of participants and to understand other factors that affect SME's growth.		
5	Bhantana (2020)	Empirical Study of the impact of microfinance bank on small and medium growth.	Objective of the study is to analyze empirical the impact of microfinance bank on small and medium growth.	The explanatory research design is used to find the impact of microfinance intervention on micro-enterprise development	Economic development is an arrangement of economic exchange that includes industrialization, GDP growth, and income per capita to structurally restructure an economy. Contrarily, economic growth promotes the economy's prosperity and durability by enabling it to consume and produce more products and services through an increase in the labor force, the effective utilization of inputs to increase output, and technological advancement.
6	Kumari et al. (2019)	The microfinance business presents a	To analyze the Effects of microfinan	The study's MFIs' paperwork and the distribution of questionnaires	It showed appositve relationship between microfinance business by providing more microfinance facilities.

		dynamic way to deal with work on the types of revenue.	ce on business	provided the data. The growth of the mean sales revenue was measured using a simple percentage change.	
7	Gyimah & Boachie (2018)	Micro-finance products and small business growth in Ghana	To analyze the Effects of Micro-finance products and small business growth in Ghana	Correlation and Multiple regression analysis	It showed appositive relationship between microfinance items and the development of little undertakings.
8	Omondi and Jagongo (2018)	Microfinance Services and Financial Performance among youth SMEs in Kisumu	To analyze the Effects of Microfinance Services and Financial Performance among youth	Correlation and Multiple regression analysis	Microfinance services have a positive relationship with the financial performance among youth of SMEs.
9	Pei-Wen, Zariyawati, Diana-Rose & Annuar (2016)	Impact of Microfinance Facilities on Performance of Small Medium Enterprises in Malaysia.	The purpose of this study is to investigate the effect of microfinance facilities on SMEs in Malaysia.	The Klang Valley's microenterprise owners who own SMEs were given questionnaires to complete, and primary sources provided the data for this study.	Regression analysis results show that microfinance significantly affects the incomes of SMEs. Therefore, we propose that more microfinance institutions (MFIs) will help in providing more microfinance facilities to SMEs in order to boost SMEs' development
10	Laetitia,	assessed the	Objective	The Pearson correlation	Prior to receiving a microloan, business performance was

	Shukla, & Luvanda (2015)	business growth level of selected SME's in Kicukiro District	of the study is to before and after acquiring Microfinance services and analysed the contribution of microcredit on business growth of selected Women SME's in Kicukiro District.	coefficient was one of the study methodology's components.	deemed acceptable, indicating that the entrepreneurs required the loan in order to enhance their business performance. The business's performance in terms of profitability, growth, and income grew after taking out the loan, despite the high interest rate on the total amount.
11	Fauster (2014)	The Impact of Micro-Finance on the Performance of Small-Scale Enterprises: A Comparison of Sinapi Aba Trust and Maata-N-Tudu Association in Wa Municipality, Ghana. GJDS.	The objective of the study is to analyze impact of Micro-Finance on the Performance of Small-Scale Enterprises: A Comparison of Sinapi Aba Trust and Maata-N-Tudu Association in Wa Municipality, Ghana. GJDS.	The study's MFIs' paperwork and the distribution of questionnaires provided the data. The growth of the mean sales revenue was measured using a simple percentage change. Through a variety of hypothesis tests, the analyses also included the use of coefficient of determination, Spearman's correlation coefficient (r), and analysis of variance (ANOVA).	The study concludes that MFIs have a favorable effect on the average sales revenues of the SMEs they work with. However, there are notable variations between the control group's revenues and those of the SAT and MTA clients. A little distinction between the two MFIs under investigation was explained by variations in their management strategies. The average sales revenue and microloans, as well as the degree of education and training, are highly positively correlated.

12	Jeremiah (2014)	Impact of microfinance on small and medium enterprises in Zimbabwe: the case for Masvingo Town.”	This research study impact of Microfinance on Small and Medium Enterprises (SMEs) in Zimbabwe.	Using the questionnaires, information was gathered from 105 SMEs that were chosen at random. Data analysis and presentations were done using graphs and charts.	The study's conclusions showed that while most SMEs could obtain MFI loans, only few of them were able to obtain the entire amount needed.
13	Wanambisi & Bwisa (2013)	Effects of microfinance lending on business performance : a survey of micro and small enterprises in Kitale Municipality, Kenya”	Research investigated the effects of microfinance institutions lending on micro and small enterprises performance within Kitale Municipality.	Multivariate logistic regression was the methodology employed by the researcher. 120 SMEs' owners made up the sample, and information about them was gathered via questionnaires. According to the research study, respondents favored MFI loans over bank loans since they did not require collateral.	According to the study, most borrowers said they could pay back their loans plus interest from their businesses. The study found a highly substantial positive association between the loan amount and the performance of SMEs, as measured by an increase in sales and income.
14	Olowe, Moradeyo & Babalola (2013)	Empirical Study of the impact of microfinance bank on small and medium growth in Nigeria	Research investigated the impact of microfinance on SMEs growth in Nigeria.	Pearson correlation coefficient and multiple regression analysis	The expansion of SMEs in Nigeria is positively and significantly impacted by financial services acquired from MFIs. The results also showed that the length of the loan had a favorable effect on the expansion of SMEs. The growth of SMEs in Nigeria may be severely hampered by

				high lending rates, collateral security requirements, and loan payback frequency.	
15	Ahiabor (2012)	The impact of microfinance on the development of small scale enterprises in the Ledzorkuku-Krowor Municipality in the Greater Accra Region of Ghana.	Microfinance and the development introduced of SME in the variables such as Ledzorkuku-rolemodel, analysis Krowor of Ghana repayment of sensible gains for Loan and reasonable profits.	Analysis of the study's correlation model was completed. SMEs were being prevented from generating sensitive gains for advance reimbursement due to excessive financial costs.	The financiers will have crucial information and insight on to how they might plan, if at all they are willing to continue supporting SMEs. The majority of SMEs in the nation are understaffed with qualified individuals to oversee their operations.
16	Quaye Daniel Nil Obli (2011)	“The Effect of Micro Finance Institutions on the Growth of Small and Medium Scale Enterprises (Smes); A Case Study of Selected SMEs in the Kumasi Metropolis”.	This study discusses the effects of Microfinance Institution (MFIs) on the growth of Small and Medium Scale Enterprises (SMEs) in the Kumasi Metropolis. The study examined the detailed profile of SMEs in	Data were gathered from the examination of MFIs' records and distribution of questionnaires. The growth of the mean sales revenue was measured using a simple percentage change. Spearman's coefficient of correlation (r) and analysis of variance (ANOVA).	On the other hand, the MFIs deal with issues like credit theft and failing to reveal important information about their companies. Ultimately, the study unequivocally shows that MFIs contribute positively to the expansion of SMEs. Credits ought to be client-oriented rather than product-oriented in order to support SMEs' operations for rapid and steady growth. Clients who receive loans should be subject to thorough and appropriate monitoring.

			the Kumasi Metropolis of Ghana, the contribution of MFIs to entrepreneurial growth, the challenges encountered by SMEs in accessing credit and the rate of credit utilization by SMEs.		
17	Dhungana & Ranabhat (2022)	Impact of Microcredit on Micro-Enterprise Development: A Case of Gandaki Province of Nepal	To analyze the COVID-19 and microcredit : dissecting an NGO's training, financial support in SMEs and women empowerment programmes.	A standardized questionnaire is used to gather data from microfinance clients who have been enrolled in microfinance institutions for a minimum of five years. To determine how a microfinance intervention affects the development of microenterprises, an explanatory study design is employed.	Microcredit has enabled microfinance intervention to bring about major transformations in the development of micro-businesses and enterprises. Based on the results of the regression analysis, microcredit has helped microbusinesses grow and create jobs by increasing their investment, revenue, and profitability. For microcredit businesses to succeed and last, proper use of microcredit is essential.

18	Dhungana (2022)	Impact of Microcredit on Micro-Enterprise Development: A Case of Gandaki Province of Nepal	This study examines the impact of microcredit on micro-enterprise development in the Gandaki Province of Nepal.	A standardized questionnaire is used to gather data from microfinance clients who have been enrolled in microfinance institutions for a minimum of five years. To determine how a microfinance intervention affects the development of microenterprises, an explanatory study design is employed.	The study finds that With the aid of microcredit, microfinance intervention has significantly altered the development of microbusinesses and enterprises. The findings of the regression demonstrate that microcredit has boosted microbusiness investment, income, and profits in addition to assisting in their expansion and job creation. The viability and longevity of microcredit businesses depend on the effective use of microcredit.
19	Sapkota (2019)	Empirical Study of the impact of microfinance bank on small and medium growth in Khotang	Research investigated the impact of microfinance on SMEs growth in Khotang	Descriptive and analytical research design was used. Pearson correlation coefficient and multiple regression analysis	Financial services obtained from MFIs have positive significant impact on SMEs growth in Khotang. The results also showed that the length of the loan had a favorable effect on the expansion of SMEs. The growth of SMEs in Khotang may be severely hampered by high lending rates, collateral security requirements, and loan payback frequency.

20	Sharma (2018)	Impact of Microfinance Facilities on Performance of Small Medium Enterprises in Gorkha	The purpose of this study is to investigate the effect of microfinance facilities on SMEs in Gorkha.	The Gorkha microenterprise category's SMEs' owners were given questionnaires to complete, and primary sources provided the data for this study.	Analysis results show that the incomes of SMEs are significantly impacted by microfinance. Therefore, in order to promote the development of SMEs, we propose that additional microfinance institutions help to provide SMEs with more microfinance facilities.
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2.3. Research Gap

Upon conducting a comprehensive review of several articles and dissertations, it is evident that the current research paper seeks to After conducting a comprehensive and thorough review of several articles and dissertations, it is apparent that the current research paper endeavors to contribute novel insights to the field of microfinance. What sets this research apart is its emphasis on analyzing the liquidity position and profitability of selectively chosen microfinance institutions, assessing the relationship between liquidity and profitability, and examining the impact of liquidity on the profitability of microfinance. In particular, the research paper aims to delve into the financial conditions of the most impoverished members of society who are engaged in small and medium-sized enterprises. This paper scrutinizes the effects of various financial activities, including saving activities, loan activities, loan disbursement, recovery, investment, and income, on the financial well-being of this vulnerable population.

Moreover, the paper aims to examine the different profiles of respondents involved in microfinance. The research will provide a comprehensive picture of the characteristics of the respondents and their financial status. Additionally, the paper will assess the profitability position of the microfinance institutions in focus, analyzing factors such as cost efficiency, asset quality, and management quality. Overall, this research paper aims to provide a thorough and comprehensive understanding of the financial conditions of individuals engaged in small and medium-sized enterprises, the microfinance institutions that serve them, and the relationship between liquidity and

profitability in the microfinance industry contribute novel insights to the field of microfinance.

What sets this research apart is its emphasis on examining the liquidity position and profitability of selectively chosen microfinance institutions, analyzing the correlation between liquidity and profitability, and assessing the impact of liquidity on the profitability of microfinance. Furthermore, the paper aims to delve into the financial conditions of the most impoverished members of society who are engaged in small and medium-sized enterprises. In particular, this paper scrutinizes the effects of saving activities, loan activities, loan disbursement, recovery, investment, and income on this vulnerable population. Additionally, the research elucidates the characteristics of the respondents involved in microfinance.

CHAPTER III

RESEARCH METHODOLOGY

The framework of this chapter describes various procedures the researcher will follow in order to investigate the study issue, along with the justification for each action. Generally speaking, this chapter looks at and offers the following subjects: Research design, population and geographic description, sample size, frame of reference, sampling techniques, types and sources of data, data collection strategies, data presentation, and data analysis.

3.1 Research Design

A research design is a structured plan that outlines how data will be collected and analyzed. It is not a random collection of unrelated ideas, but rather a systematic approach to achieving research goals. The design includes the tools to be used, as well as the sampling plan to be followed. It provides guidance to the researcher on how to proceed in order to achieve their objectives. The design outlines the various steps involved in conducting research, which includes selecting a research problem, formulating a hypothesis, clarifying the concepts and methodology, reviewing literature, creating a bibliography, collecting data, testing the hypothesis, interpreting the results, and presenting and writing a report.

The study used a descriptive and casual comparative approach to analyze the relationship between income, investment, and other variables. The descriptive approach was used mainly to conceptualize the research objectives and problem.

3.2 Population and Sampling

The phrase "population" designates a collection of individuals, subjects, things, or occurrences that the researcher is interested in and that have recognizable traits in common. The population of this research study is made up of all the micro and small businesses in the Gulmi district that use microfinance to start up or grow their operations. Entrepreneurs who started or grew their firm with loans from microfinance organizations were taken into consideration while choosing study participants. The study's target demographic consists of every small and medium-sized firm in the Gulmi district.

Convenience sampling is a non-probability sampling method that was utilized in this study. Because it was convenient for those who participated to share their information with the researcher, convenience sampling was selected. The 385 respondents who completed the questionnaire were all company owners who had used MFIs for lending services.

3.3 Nature and Source of Data

This study was mainly based on primary data. These primary data were both qualitative as well as quantitative. Secondary data was used in this study was collected from different sources such as: Various research studies, dissertation and article related to the study. Annual reports from municipality.

Primarily, this research was grounded in primary data. From the various primary data collection methods, primary data was gathered.

a) Primary Data:

During field visits, primary data was gathered using:

- Questionnaire:

To obtain qualitative data, a questionnaire was utilized. Nonetheless, the program's group managers and sample numbers are among the significant quantitative data that is also gathered from questionnaire survey respondents.

- Field Observation:

In this technique direct observation on field was done. Member's condition about economy and other facilities is considered.

(a) Secondary Data:

Secondary data was collected from reports of municipality, Journals of microfinance, published books, unpublished books, thesis, and newspaper and other related published journals and article.

3.4 Method of Analysis

The accessible data was modified, categorized, and properly tabulated. The computer processed the data using Microsoft Excel.

Analysis is the process of carefully examining the information at hand in order to comprehend and make decisions based on accepted wisdom and reason. There are several instruments for analysis. The data analysis method used the following techniques:

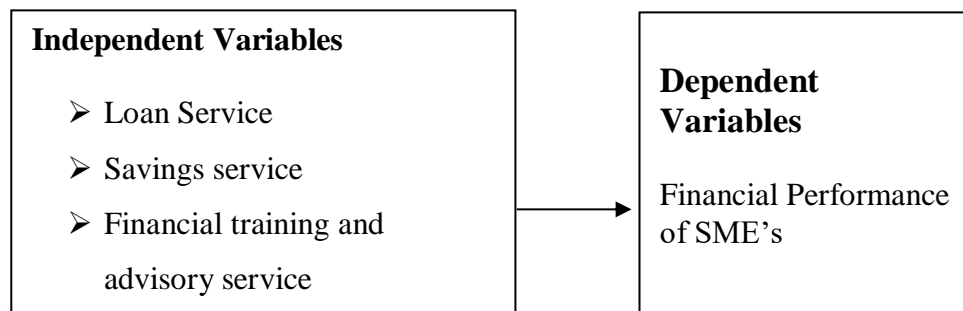
- The gathering of pertinent data.
- Finding the data that will help the study achieve its goal.
- Data tabulation and classification.
- Utilizing averages, ratios, and percentage charges.
- Based on the data analysis, the drive conclusion, summary, and recommendations were developed.

A few statistical methods are employed, such mean. The central value of an average is its mean. The total of the values is divided by the number of observations to obtain a basic arithmetic mean.

3.5 Research Framework and Definition of Variables

The purpose of this study is to look into how microfinance affects the financial health of small and medium-sized businesses in the Gulmi District. The literature of is the foundation for the conceptual framework's formulation (Omwono, 2019). Financial performance of SME will be considered the dependent variable in this study, whereas the three aspects of microfinance services loan service, savings service, and financial training and advice service would be considered independent variables.

Figure 1: Research Framework



Source: Omwono, (2019)

The relationship that exists between the predictor and outcome variables is highlighted by the framework that is illustrated. The predictor variable is "microfinance services," while the outcome variable is "financial performance" of MSEs. The independent variable, microfinance services, is operationalized into loan services (long-term and short-term loans), savings services (voluntary and involuntary savings), and advisory and training services (pre-disbursement, post-disbursement, and management training) within a conceptual framework. All of these have an impact on MSEs' financial performance based on sales turnover, production ratio, and profit level.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter comprises a presentation of pertinent data and information regarding the outcome of microfinance services and the financial performance of small and medium enterprises in the Gulmi district. A comprehensive analysis of the data was conducted using various statistical tools as discussed in the 'Research Methodology' section to attain the objectives set forth in the introduction chapter. The main aim of this study is to examine the role of microfinance in the financial performance of small and medium enterprises in the Gulmi District. This chapter provides a detailed account of the analysis and results.

4.1 Result

In total 385 responses were collected for this study and the questionnaire were distributed to them through online form as well as printed form through different social media or personally reaching them. among them all 385 of the respondents were Gulmi district people and were asked about financial knowledge.

4.1.1 Demographic profile of Respondents

The following table shows the respondent's demographic profile:

Table 1: Respondents' demographic characteristics

		Numbers	Percent
Sex	Male	256	66.5
	Female	129	33.5
Age	Under 19 years	21	5.4
	20 - 29 years	137	35.7
	30 - 39 years	167	43.4
	40 - 49 years	48	12.4
	Over 50 years	12	3.1
Marital status	Single	104	27
	Married	253	65.8
	Others, please specify	28	7.2
Education	SLC/SEE or below	124	32.3
	Intermediate	152	39.5
	bachelor's degree	60	15.5
	master's degree	49	12.7

Source: Survey data (2024)

Table 1 indicates that in the sample, there are more male respondents than female respondents, with a total sample size of 385. This suggests a higher number of male entrepreneurs engaged in small and medium enterprises compared to females in Gulmi district. The research reveals that a majority of the respondents, particularly those in the age group of 30-39 years, are actively involved in business activities. This demographic distribution signifies that the study gathered insights from a diverse range of age groups among small and medium business owners. Table 1 also shows that the number of married respondents are involve in business activities rather than unmarried people.

Running a business is not affected by the marital status of the individuals. The table indicates that a significant number of the participants have completed intermediate education.

4.1.2 Business Information

Table 2: The following table displays the respondent's business profile:

		Number	Percent
Ownership	Individual	320	83
	Partnership	65	17
Business duration	Below 3 years	123	31.9
	4- 6 years	194	50.4
	More than 6 years	68	17.7
Employees numbers	below 5	269	69.9
	5-10	103	26.7
	above 10	13	3.4
Business type	Retail shop	108	28
	Restaurants and food service	116	30.1
	Services	73	19
	Manufacturing	67	17.4
	Animal Husbandry/ Farming	21	5.5
Annual turnover	less than 15,00,000	64	16.6
	15,00,000 - 300,00,000	175	45.5
	above 30,00,000	146	37.9

Source: Survey data (2024)

Table 2 It is indicated by the data that there are more respondents who own businesses solely, and a small proportion of respondents are involved in business partnerships. The table also indicates that there are fewer business owners who have been conducting business activities for 0-3 years, but the majority of respondents are engaged in business activities for 4-6 years. Furthermore, the table shows that the

majority of businesses with less than 5 employees are involved in their business activities.

4.1.3 Descriptive Analysis

This section deals with the descriptive analysis of the data collected through the questionnaires during the research process. Descriptive statistics is the discipline of quantitatively describing the main features of a collection of data. Descriptive statistics provides simple summarized about the sampled and about the observation that have been made. Descriptive statistics helps us to simplify large amounts of data associated with these variables to the respondents with from strongly disagree, disagree, neutral, agree and strongly agree which from 1, 2, 3, 4, and 5 respectively. Number of respondents of each question items was 385.

Table 3:Level of loan facilities Ratings

Code	Item	N	Min.	Max.	Mean	S. D
LS1	Flexible landing repayment schedules of MFIs have enabled me increase my sales.	385	1	5	3.81	1.07
LS2	Using MFI loans with low interest rates to invest increases my business surplus.	385	1	5	3.58	1.03
LS3	Small loans to meet short-term business shortfalls increase my business sales level	385	1	5	3.6	1.08
LS4	My company's production levels are raised via short-term loans from microfinance institutions.	385	1	5	3.55	1.11
LS5	The market-available MFI loan terms are reasonable and adequate for my company's sales operations.	385	1	5	3.56	1.19

Table The text below should be remembered. The table presents the descriptive statistics of Loan Services. It indicates that the mean value of all items is above 3, suggesting that the average respondent business firms are influenced by Loan Services provided by Microfinance institutions. All the items have responses ranging from strongly disagree to strongly agree. The highest mean, 3.81, is recorded in LS1, indicating the highest level of agreement for the statement by the average respondent. Similarly, the highest standard deviation, 1.19, is from LS5, indicating the maximum deviation of responses. The lowest standard deviation, 1.03, is from LS2, indicating the minimum deviation of responses.

Table 4: Microfinance Saving services Ratings

Code	Item	N	Min	Max	Mean	S. D
SS1	The marginal tendency of people to save has improved because to MFI's saving programs.	385	1	5	3.71	1.15
SS2	The wealth collection-related growth and expansion of microenterprises has been aided by MFI's saving services	385	1	5	3.57	1.12
SS3	People's saving habits have improved thanks to MFI's saving programs.	385	1	5	3.64	1.15
SS4	My company grows in size and sales as a result of my annual withdrawals from savings.	385	1	5	3.41	1.11
SS5	People have benefited from MFI's saving services by being able to manage their household finances.	385	1	5	3.58	1.16

Table 4 The given text describes the statistics of Saving Services. The table indicates that the average value for all items is above 3, suggesting that the business firms surveyed are influenced by the Saving Services offered by Microfinance institutions. All the items received responses ranging from strongly disagree to strongly agree. The highest mean, 3.71, is for SS1, indicating the highest level of agreement among the

average respondents. Similarly, the highest standard deviation is 1.16 for SS5, indicating the highest deviation in responses.

Table 5: The connection between financial performance, consulting services, and training

Code	Item	N	Min	Max	Mean	S. D
FT1	Gaining fundamental business knowledge from MFIs has increased my sales.	385	1	5	3.66	1.15
FT2	Training and keeping track of my business changes have made it possible for me to calculate my profits.	385	1	5	3.55	1.1
FT3	MFIs' instruction in financial management has increased my business.	385	1	5	3.57	1.09
FT4	Training programs offered by MFIs help small firms gain critical skills for managing their operations, which eventually increases long-term profitability.	385	1	5	3.55	1.14
FT5	I've been able to boost my sales revenue thanks to the pre-loan training provided by MFIs.	385	1	5	3.52	1.21

Table 5 displays the descriptive statistics for advice and training services in finance. The table demonstrates that the average respondent business enterprises are impacted by financial training and advising services offered by microfinance institutions, since the mean value of all items is larger than 3. All of the items have replies that range from strongly disagree to strongly agree, but the average respondent's level of agreement with the statement is highest when indicated by the highest mean, 3.66, which is reported in FT1. Similarly, the largest variation of replies is shown by the

highest standard deviation of 1.21 from FT5. On the other hand, 1.09 represents the least variation of replies and the lowest standard deviation from FT3.

Table 6: Financial performance Indicators

Code Item	N	Min	Max	Mean	S. D
FP1 I have increased my business capital within the last three years.	385	1	5	3.72	1.16
FP2 The past three years have seen a rise in my cash collecting.	385	1	5	3.59	1.1
FP3 Over the past three years, my profits have increased.	385	1	5	3.6	1.09
FP4 Every year, we witness a rise in the volume of sales.	385	1	5	3.62	1.07
FP5 Our output has increased.	385	1	5	3.55	1.079

Table 6 presents the financial performance descriptive statistics. Financial Performance has an impact on average respondent company enterprises, as the table demonstrates, with the mean value of all items being more than 3. Responses range from strongly disagree to strongly agree on all of the items, but the average respondent's level of agreement with the statement is highest (3.72) in FP1, the item with the highest mean. The biggest variance of replies is indicated by the highest standard deviation, 1.16 from FP1. Conversely, the minimal deviation of responses, or 1.07, is the lowest standard deviation from FP4.

4.1.4 Normality Test

Shapiro-Wilk and Kolmogorov-Smirnova tests were performed to verify and assess the normality of the data set, which included the variables under investigation. Table

7 indicates that for every variable analyzed, the significance of the Kolmogorov-Smirnova and Shapiro-Wilk tests was less than 0.05, indicating a sufficient deviation from normalcy. The test revealed that the variables' distribution was not normal.

Table 7: Shapiro-Wilk Test

	Shapiro-Wilk		
	Statistic	Df	Sig.
Saving Service	0.908	385	.000
Lending Service	0.899	385	.000
Training and education service	0.901	385	.000
Financial Performance	0.897	385	.000

The Shapiro-Wilk test is shown in Table 7 to determine whether the data are normal. The analysis's findings indicate that the test is significant, indicating that the data are not distributed regularly

Table 8: VIF

Model	VIF
Saving Service	2.096
Lending Service	2.652
Training and advisory services	3.007

Table 8 indicates the existence of collinearity with VIF. When the degree of correlation between the independent variables is strong, multi-collinearity is present. Tests for multicollinearity are conducted since its presence influences the research's output. One tool to measure multi-collinearity is the VIF analysis. Multi-collinearity between the variables does not exist because the VIF value is less than 3.

4.1.5 Correlations Analysis

The correlation analysis is typically used to show how closely two variables are related. It helps determine whether there is a positive or negative link. A positive correlation indicates that a rise in one variable's value will lead to a corresponding

increase in the other variable's value, whereas a negative correlation indicates a decrease in the other variable's value following an increase in one variable's value. The range of a correlation coefficient is +1 to -1. A score of +1 for a perfect positive correlation and a coefficient of -1 for a perfect negative correlation indicate the perfect correlation between two variables. Furthermore, no association between the variables is shown by a correlation value of 0.

Table 9: Correlations Matrix

		Saving service	Lending service	Training and education service	Financial Performance
Saving service	Pearson Correlation	1	.653**	.703**	.669**
	Sig. (2-tailed)		0.000	0.000	0.000
	N	385	385	385	385
Lending service	Pearson Correlation	.653**	1	.774**	.777**
	Sig. (2-tailed)	0.000		0.000	0.000
	N	385	385	385	385
Training and education	Pearson Correlation	.703**	.774**	1	.729**

service	Sig. (2-tailed)	0.000	0.000		0.000
	N	385	385	385	385
Financial Performance	Pearson Correlation	.669**	.777**	.729**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000
	N	385	385	385	385

** . Correlation is significant at the 0.01 level (2-tailed).

Given that Table 9 shows a correlation coefficient of $r = 0.669$, there is a moderately strong positive linear link between business development and service preservation.

Table 9 discovers that the correlation coefficient, or $r=0.635$, indicates a strong positive linear association between capacity development and service preservation. The value of the correlation coefficient, $r=0.777$, indicates a significant positive linear association between business development and financing services. Table 9 reveals that the correlation value

value of 0.722 indicates a moderately positive linear association between capacity development and lending services. Table 9 reveals a correlation coefficient of $r = 0.729$, indicating a robust positive linear association between business development and training education services. Table 9 indicates that there is a strong positive linear association between training education services and capacity development, with a correlation coefficient of $r = 0.681$.

4.1.6 Regression Analysis

Regression analysis is a potent statistical method that lets you look into the relationship between two or more relevant variables. Regression analysis comes in a variety of forms, but it always centers on the relationship between one or more independent variables and the dependent variable.

4.1.6.1 Saving, loan, training and education services with Business Development.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.815a	0.664617	0.661240324	0.34155	1.804

a. Predictors: (Constant), training, saving service, loan service

b. Dependent Variable: financial performance of SME's

Table 10 displays the coefficient of determination (R²) and the model description of the correlation coefficient (R) between the independent and dependent variables. The dependent variable and every independent variable have a correlation value of 0.815. This number shows that, overall, there is positive correlation between the independent and dependent variables.

Table 11:ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.88955	3	22.96318	196.8452	.000 ^b
	Residual	34.76351	382	0.116656		
	Total	103.6531	385			

a. Dependent Variable: financial performance of SME's

b. Predictors: (Constant), training advisory services, saving service, loan service

The model at $F=196.84$, $p=0$, is significant, as shown by Table 11's significant value of 0.000, which is less than the 0.05 significance criterion. A high F value indicates that the model is useful and that the regression equation effectively accounts for most of the variance in the dependent variable. There is hence a strong linear relationship between the dependent and independent variables.

Table 12:Coefficient Table of Dependent and Independent Variable

Model	Unstandardized		Standardized		Collinearity Statistics	
	Coefficients		Coefficients		t	Sig.
	B	Std. Error	Beta			
					Tolerance	VIF

1	(Constant)	0.743	0.152	4.862	0.000			
	Saving service	0.203	0.047	0.207	4.266	0.000	0.477	2.091
	lending service	0.415	0.047	0.473	8.661	0.000	0.377	2.652
	Training and advisory service	0.224	0.060	0.217	3.735	0.000	0.332	3.007

a. Dependent Variable: financial performance of SME's

Table 12 shows a positive slope and a coefficient value and significant value (p value) that are both below the 0.05 level of significance. This indicates that the independent variables have a considerable impact on the dependent variable.

The p-value of each independent variable, including training, education, and loan services, is less than 0.05, as can be observed. This indicates that these variables have a substantial influence on the success of financial performance.

4.1.6.2 Saving, Lending, Training and education services with Capacity Development.

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.762 ^a	0.580	0.576	0.375	1.751

a. Predictors: training, saving service, lending service

b. Dependent Variable: financial performance of SME's

Table 13 displays the model summary for the coefficient of determination (R²) and correlation coefficient (R) between the independent and dependent variables. There is a 0.762 correlation coefficient between the dependent variable and every independent variable. This number shows that the dependent and independent variables as a whole have a positive association.

Another name for R² is coefficient of determination. The degree to which the data match the regression line is shown by this statistical metric. The percentage of

response variable variance that a linear regression model captures is how it is defined. R-square is a constant that ranges from 0% to 100%; the greater the percentage, the better the model matches the data.

A summary of the results of the multiple regression analysis for the H1 research hypothesis is provided in Table 13. Here, the R square of 0.580 indicates that the independent factors account for 58.0 percent of the variance in the dependent variable. A Durbin Watson test score of 0 to fewer than 2 points corresponds to a positive autocorrelation with a value of 1.751.

Table 14: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	58.148	3	19.382	137.63	.000
	Residual	41.968	382	0.1408		
	Total	100.116	385			

a. Dependent Variable: financial performance of SME's

b. Predictors: training, saving service, lending service

The model at $F=137.63$, $p=0.000$ is significant since Table 14's significant value of 0.000 is smaller than the significance criterion of 0.05 when the value of F is high, it means that the regression equation accounts for a significant portion of the variation in the dependent variable, indicating the utility of the model. In light of this, the dependent and independent variables have a substantial linear relationship.

Table 15: Coefficient Table of Dependent and Independent Variable

Coefficients

Model		Unstandardized		Standardized		Collinearity			
		Coefficients		Coefficients		t	Sig.	Statistics	
		B	Std. Error	Beta					Tolerance
1	(Constant)	1.009	0.167			6.011	0.000		
	Saving service	0.209	0.052	0.217		4.010	0.000	0.477	2.096
	Lending service	0.368	0.052	0.427		6.995	0.000	0.377	2.652

Training and advisory service	0.200	0.066	0.196	3.027	0.000	0.332	3.007
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Dependent Variable: financial performance of SME's

Considering the slope, it is positive and the coefficient value and significant value (p value) are both less than the 0.05 level of significance. This indicates that the independent variables significantly and favorably affect the dependent variable. As can be observed, the p-value of each independent variable—savings, lending, training, and education—is less than 0.05, indicating that these variables have a positive and statistically significant impact on the success of capacity development.

4.1.7 Summary of Hypothesis

Table 16: Hypothesis Testing Summary

Hypothesis	P –value	Result
Saving Service	.000	Supported
Lending services	.000	Supported
Training and Education services	.000	Supported

Table 16 displays the summary of the results of the hypothesis testing. As can be observed, every hypothesis—H1, H2, H3, and H4—has received support. Since the p-value of 0.000 is less than the 0.05 level of significance, the first hypothesis—which holds that there is a significant positive relationship between service cost savings and SME financial performance—has been supported. The p-value of 0.000, which is less

than 0.05, indicates that there is a substantial positive link between the financial success of SMEs and lone services, supporting the second hypothesis as well.

The third hypothesis has also received support because the p-value, which indicates that there is a significant positive relationship between training and advising services and SME financial performance, is 0.000, which is less than the 0.05 level of significance.

4.2 Discussion

The study "Microfinance programs and financial performance on SMEs" investigates the relationship between the dependent variable of SMEs' financial performance and independent variables including loan, savings, and financial training and advisory services. These variables have a strong and positive association, according to the study. To give a more complete understanding of the results, the findings are further compared and contrasted with those of earlier investigations.

The study finds a positive correlation between loan service, savings service, and financial performance of small and medium enterprises, which aligns with previous research. The regression analysis in the study also identifies loan service and access to finance as significant predictors for the financial performance of SMEs. These findings are consistent with previous studies, including Pei-Wen, Zariyawati, Diana-Rose, and Annuar's (2016) research.

Furthermore, the study provides valuable insights into the specific context of Gulmi District. The findings can help policymakers and financial institutions to design and implement effective microfinance programs that can improve the financial performance of SMEs. Overall, the study highlights the importance of loan service, savings service, and financial training and advisory service in enhancing the financial performance of small and medium enterprises.

According to the findings of this study, the majority of the survey respondents believed that regular savings with microfinance institutions (MFIs) can help protect business profits. However, individuals running small and medium-sized enterprises (SMEs) did not consider the interest earned on voluntary savings to be a factor in increasing their profits. The majority of participants gave saving services an overall good rating. These observations suggest that because microfinance services give

SMEs access to savings, they are essential to their financial performance. Consequently, these results concur with the recognition made by Kisaka et al. (2014) that the financial performance of SMEs is greatly influenced by the combination of micro-savings, microcredit, and financial training.

According to the third hypothesis of this study, there is a significant and positive association ($p < 0.05$) between financial success and financial training services. This shows that the differences in the financial performance of small and medium-sized businesses (SMEs) in the Gulmi region may be significantly explained by the financial training and advising services that were the subject of the study. This means that when people operating SMEs fully embrace training and advisory services, their financial performance improves in terms of sales revenue, profits, and increased production levels. These findings are consistent with the findings of Kisaka et al. (2014), who found that instruction give significantly to the financial performance of micro and small enterprises (MSEs). The study revealed that most respondents agreed that the financial performance of their business was significantly influenced by training programs, but accessing such programs was difficult.

The majority of respondents stated that in order for small firms to increase their earnings over the long term, they must possess business management skills. This finding is consistent with a study conducted by Edgcomb in (2002), which highlighted that the outcomes of participants are significantly influenced by their training. Additionally, individuals who run SMEs in Gulmi district rated the contribution of training and advisory services to financial performance as poor. The purpose of this section is to provide a summary of the discussion, conclusion, and future implications of the research.

To determine the importance of loan service accessibility for the financial performance of SMEs in Gulmi District, a study was carried out. The results of the study showed that financial advice and training can help people save money. The study's findings further confirm the existing literature that there is a strong correlation between loan services, saving services, and the financial performance of SMEs. The regression analysis emphasized the importance of financial training and advisory services in developing the financial power of SMEs in Gulmi District. The study found that saving services and training and advisory services have a direct impact on

the financial performance of SMEs. According to a different study by Mengesha and Tānase (2021), SMEs contribute positively to the improvement of participants' quality of life, employment opportunities, and income in the study area. Regression analysis results demonstrated that microfinancing significantly affects SMEs' incomes. Therefore, the study suggests that more microfinance institutions should provide more facilities to SMEs to enhance their development, as suggested by Pei-Wen, Zariyawati, Diana-Rose, and Annuar (2016).

A study was carried out to evaluate the effects of microfinance on small and medium-sized businesses (SMEs). The study's findings supported the notion that microfinance institutions (MFIs) help SMEs grow their branch networks, market share, and product quality, quantity, and diversification. SMEs have disclosed that while they can obtain MFI loans and other services, the majority of them do not receive the entire amount requested. In order to address this, MFIs should strengthen the financial management (bookkeeping) training they provide to SMEs, either prior to or following loan issuance. However, this shouldn't delay loan issuance. In conclusion, SMEs use the loans that MFIs grant them for commercial purposes, mostly to keep up their operations and get beyond financial difficulties and the 80% unemployment rate that they currently face. Prior to making loan offers to SMEs, the study advises commercial banks and privately held MFIs to provide financial management training. In addition, enough financial support should be provided by the government and local authorities, such as the City Council, for things like more ablution facilities, electricity, and permanent work stations.

CHAPTER V

SUMMARY AND CONCLUSIONS

This section serves to summarize the research study's summary, conclusion, and implications for the future. This part deals with the data results from Chapter IV. The analysis is investigated and contrasted on the basis of earlier literary works and notions brought up throughout the investigation. This chapter provides findings that may be helpful in future research and has consequences for the future.

5.1 Summary

The study aims to examine how microfinance programs impact the financial performance of small and medium-sized enterprises (SMEs) in Gulmi District. The research involved reviewing literature to identify the various microfinance programs offered in Gulmi district and globally. A summary of the reviewed literature is presented at the end of Chapter Two. To achieve the research objectives, a descriptive and correlational research design was used, and the study population was women involved in savings schemes of two microfinance institutions operating in Gulmi district. The data was obtained through random sampling of 385 respondents, and different descriptive and inferential statistics were used to analyze the data.

This research study's main goal was to assess how loan services affected the financial performance of small and medium-sized businesses (SMEs) in the Gulmi area of Nepal. The study's preliminary results showed a substantial favorable link between loan services and the financial performance of SMEs in the Gulmi district. This implies that improved lending services can improve SMEs' financial results. The findings show that SME owners' financial performance improves when they systematically use loan services, which results in higher sales and profits as well as longer-lasting firm operations. Thus, these results align with earlier research by different researchers who have discovered a positive relationship between microfinance loan services and company expansion, like the study by Olowe, Moradeyo, and Babola (2013) on the effects of microfinance on business expansion in Ibadan, Nigeria.

The findings of the study showed that SMEs' profits increased when they used low-interest loans, as revealed by the analysis presented in table 4.3. The study's observation is consistent with previous research conducted in Nigeria, which also found that little interest loans are probable to boost the extension of MSEs.

According to the majority of respondents, loan services had a positive impact on SMEs' financial performance, which is consistent with the results of Oleka et al.'s (2014) study. The study also demonstrated a favorable correlation between the financial performance of SMEs in the Gulmi district and service conservation. This suggests that business owners of SMEs who completely embrace saving services will likely see improvements in their financial performance, including more sales, higher production levels, higher profits, and longer business continuity. This result bolsters earlier research that found SMEs' financial performance to be positively impacted by micro savings, microcredit, and financial education.

Although most SMEs' owners disregarded the notion that the interest they may obtain from voluntary savings could improve their bottom line, the study's findings also demonstrated that persistent savings with MFIs can maintain corporate profitability. MSEs' financial performance is greatly dependent on microfinance services since they provide them with access to savings. All things considered, most participants rated saving services favorably.

According to the study, there is a significant and favorable relationship between SMEs' financial success and financial training. Therefore, there is a greater chance that SMEs' financial performance including sales income, profitability, and production levels will improve when these owners completely adopt training and advising services. The results of earlier research that recognized the impact of training on MSEs' financial success are in line with this finding.

The survey did note, however, that SMEs' owners found it difficult to obtain financial training programs. A substantial impact of training on participants' final outcomes has been observed in prior study, and the majority of respondents thought that business management skills may help small enterprises boost their earnings in the long run. The contribution of training and advising services to financial performance, however, was deemed inadequate by those running SMEs in the Gulmi district.

In conclusion, the study's findings suggest that low-interest loans, saving services, and financial training play a crucial role in the financial performance of SMEs. The study also highlights the challenges SMEs face in accessing these services. Future studies could explore ways to overcome these challenges and provide more effective financial services to SMEs.

5.2 Conclusion

The study's findings suggest that there is a positive relationship between microfinance services and the financial growth of small and medium-sized enterprises (SMEs). The research revealed that a lack of funding is hindering the development of SMEs, and that micro-credit facilities have a significant impact on their financial performance.

In conclusion, the study emphasizes the importance of loan services in influencing the financial success of SME owners. To enhance access to loan services, it is key for micro-finance organization to reduce rates of interest and simplify loan applications. Supporting SMEs through microfinance institutions improves their operations and encourages entrepreneurial activity. The study found that savings services had a significant impact on SMEs' financial performance, with a p-value of less than 0.05. Therefore, it is critical to enhance savings programs in order to attract more firms and encourage savings.

Moreover, the research revealed that loan services have a more significant impact on financial performance as compared to saving, advisory, training, and other types of services. Thus, it is essential for SME owners to adopt loan services to expand their financial base. They might become more interested in these services if loan interest rates are lowered. Since loan services allow owners to enhance turnover, which eventually boosts income, they are the primary factor improving the financial performance of SMEs. Therefore, loan services are an essential service provided by microfinance institutions for the growth of SMEs.

5.3 Implications

The study's findings suggest that there is a positive relationship between microfinance services and the financial growth of small and medium-sized enterprises (SMEs). The

research revealed that a lack of funding is hindering the development of SMEs, and that micro-credit facilities have a significant impact on their financial performance.

In conclusion, the study emphasizes the importance of loan services in influencing the financial success of SME owners. To enhance access to loan services, microfinance institutions must reduce interest rates and simplify loan applications. Supporting SMEs through microfinance institutions improves their operations and encourages entrepreneurial activity. The study found that savings services had a significant impact on SMEs' financial performance, with a p-value of less than 0.05. Therefore, it is critical to enhance savings programs to attract more firms and encourage savings.

Additionally, the study found that loan services as opposed to saving, advising, training, and other service categories have a greater influence on financial performance. In order to increase their financial basis, small business owners must use loan services. Their interest in these services may increase if loan interest rates are lowered. Since owners can enhance turnover, which eventually results in higher business revenue, loan services are the primary component improving the financial performance of SMEs. Consequently, lending services are a crucial product that microfinance organizations offer to help SMEs expand.

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APPENDIX

Questionnaire

Namaste,

I am a student of the Tribhuvan University Faculty of Management Shanker Dev Campus writing my MBS Graduate Research Project is entitled on: “**Impact of microfinance on the financial performance of small and medium enterprises (SMEs) in Gulmi District**”. I would expect your time and cooperation for providing some information that will be helpful for me to carry out this research work and expected to provide important policy feedback. Your response shall be treated confidentially and anonymously.

Your honest opinion is extremely valuable for completing this research.

Yours Sincerely

Prakash Puri

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MBS, Tribhuvan University Faculty of Management Shanker Dev Campus.

Thank you.

Section-A

Demographic Information

(Tick where appropriate please)

1. Gender

Male

Female

2. Age Group

Below 19 years

20-29 years

30-39 years

40-49 years

Above 50 years

3. Education Level

Below SLC/SEE

Intermediate

Bachelor's degree

Masters 'degree

4. Marital Status

Single

Married

Others, please specify.....

Business questions

5. Ownership

- Individual
- Partnership

6. Nature of business

- Retail shop
- Restaurants and food service
- Services
- Manufacturing
- Animal Husbandry/ Farming

7. Business Experience

- below 3 year
- 3-5 years
- more than 5 years

8. Annual turnover

- Less than Rs1500,000
- Rs.15,00,000- Rs.30,00,000
- Above Rs.30,00,000

8. Number of Employees

- below 5
- 5-10
- above 10

Section B:

This section deals with the various microfinance services in the study. Please indicate the extent to which you agree with the statements below by TICKING [√].

The response options are, 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree and 5 = Strongly Agree.

Part: I Loan facilities on financial performance of Small and Medium Enterprises.

SN	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree.
I	Flexible landing repayment schedules of MFIs have enabled me increase my sales.					
II	Using MFI loans with low interest rates to invest increases my business surplus.					
III	Small loans to meet short-term business shortfalls increase my business sales level					
IV	My company's production levels are raised via short-term loans from microfinance institutions.					
V	The market-available MFI loan terms are reasonable and adequate for my company's sales operations.					

Part II: Savings services on financial performance of Small and Medium Enterprises.

SN	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree.
I	The marginal tendency of people to save has improved because to MFI's saving programs.					
II	The wealth collection-related growth and expansion of microenterprises has been aided by MFI's saving services					
III	People's saving habits have improved thanks to MFI's saving programs.					
IV	My company grows in size and sales as a result of my annual withdrawals from savings.					
V	People have benefited from MFI's saving services by being able to manage their household finances.					

Part III: Financial skills training and financial performance of Small and Medium Enterprises.

SN	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree.
I	Gaining fundamental business knowledge from MFIs has increased my sales.					
II	Training and keeping track of my business changes have made it possible for me to calculate my profits.					
III	MFIs' instruction in financial management has increased my business.					
IV	Training programs offered by MFIs help small firms gain critical skills for managing their operations, which eventually increases long-term profitability.					
V	I've been able to boost my sales revenue thanks to the pre-loan training provided by MFIs.					

Part IV: Financial Performance of SME's.

SN	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree.
I	I have increased my business capital within the last three years.					
II	The past three years have seen a rise in my cash collecting.					
III	Over the past three years, my profits have increased.					
IV	Every year, we witness a rise in the volume of sales.					
V	Our output has increased.					