EFFECT OF MICROFINANCE ON ENTREPRENEURSHIP DEVELOPMENT:
A CASE STUDY OF KANCHANPUR DISTRICT

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Exam Roll no: 747/19

TU Reg. No.: 7-3-28-45-2019

A Graduate Research Report Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION (MBA)

at the

School of Management

Faculty of Management

Tribhuvan University

Kritipur

August, 2022

RECOMMENDATION

CERTIFICATION

DECLARATION OF AUTHENTICITY

I, **Birendra Sawad**, hereby declare that no portion of the work referred to in the dissertation has been submitted in support of an application for another degree or qualification of this campus or any other university or another institute of learning.

I confirm that this dissertation is entirely my own original work.

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Birendra Sawad

August, 2022

ACKNOWLEDGEMENTS

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ABBREVIATIONS

ADB   Asian Development Bank

BFIs   Banking and Financial Institutions

GBBs   Grameen Bikas Banks

JLL   Joint Liability Lending

MFIs   Microfinance Institutions

SACCOS   Saving and Credit Cooperative Organizations

SPSS   Statistical Package for Social Science

SCC   Saving Credit Union

SFCL   Small Farmer Cooperative Limited Model

SHGs   Self Help Groups

SMEs   Small and medium-sized enterprises

VB   Village Banking Model

EXECUTIVE SUMMARY

This graduate research project entitled 'Effect of Microfinance on Entrepreneurship Development: A case study in Kanchnpur District". The main objective of this study is to examine the effect of Microfinance on entrepreneurship development in the Kanchanpur district. Based on the literature review, various dependent variables were identified. These variables were Saving service, Lending service and training and education services.

The researcher collected the primary data from 302 respondents with the help of self-administered questionnaire by distributing questionnaire through in printed form. This research used convenience sampling method for the research. The research is quantitative in nature. The questionnaires were multiple choices, Likert scale and other demographic information were used to collect primary data. All the variables were measured in five-point Likert scale.

A research design was adopted which involved descriptive and explanatory research. A research design was adopted which involved descriptive, correlation and regression which were analyzed through the use of Statistical Package for Social Science (SPSS). Based on literature review, three independent variables were identified which saving service, lending service and training and education services. The study was done to determine whether or not the independent variables have significant e effects on dependent variable i.e. entrepreneurship development

The study was conducted among the entrepreneurs in Nepal. A total of 302 respondents participated in survey. The data were analyzed using SPSS software where the researcher analyzed respondent profile. Other than that, descriptive analysis, correlation and regression were also conducted with the help of the software in order to determine the survey results.

The research study used descriptive statistical tools to analyze the data and correlation is used to find the significance of relationship between variables.

A sample of 302 entrepreneurs and findings revealed that there is a positive significant relationship between saving service, lending service and training and education service and entrepreneurship development.

The empirical findings of the research showed that there is significant relationship between independent variable and dependent variables. i.e. saving service, lending service and training and education and entrepreneurship development. So, it concludes that success of business development and capacity development depends on saving service, lending service and training and education service.

CHAPTER I

INTRODUCTION

1.1 Background of the study

Microfinance, which meaning "little loan," is made up of the two terms "micro" and "finance." It continues to give small loans to those in need. The facility of microfinance financial services to the underprivileged is grounded on market theory, and business practices. The financial services included in this description include saving, money transfer, payment, remittance, insurance, and others services. Because of shared responsibility lending, it is required to borrow money from a collection of other borrowers. Microfinance serves as the medium for each loan. One of the finest options for encouraging self-employment is microfinance. It offers services to communities with native talent and strong desire to engage in economic activities for self-employment and income production but no collateral to pledge as security for the loans they borrow. Levine (1993) a Schumpeterian theory of financial intermediation is suggested. According to this approach, the financial industry encourages productivity investment through boosting activities by entrepreneurial choice and financial intermediaries. With the hope and a big part of it that if the poor had fair access to credit, they would use it to behave entrepreneurially and increase their earnings to escape poverty. (Bradley, 2012). Micro-lending, a novel approach of providing financial services, has emerged in recent years as the preferred financial intervention for promoting economic expansion and reducing poverty (Pellegrina, 2011). Rapid development in the microfinance industry has now given rise to a national movement for women's emancipation. Microfinance is essential to help the rural poor, especially women, escape exploitation and develop the confidence they need to become economically independent.

The act of creating new enterprises, especially those based on possibilities like financial support or business training, can be regarded to be part of entrepreneurship. The item or service may or may not be novel or distinctive, but the entrepreneur must nevertheless provide value by acquiring and securing the required competencies and resources (Anokhin, Grichnik, & Hisrich, 2008). These definitions lead to an examination of essential entrepreneurial skills, that are related to the entrepreneurial

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ability which are entrepreneurial acumen competitiveness, and recognizing small business benefits to ensure the sustainability of the company (Ligthelm, 2010). These characteristics are significant because they are linked to better results for low-income households, including company development and greater income risk tolerance. The dimensions comprise the necessary skill sets such as entrepreneurial acumen, product innovation, market orientation, risk propensity, and strategic competence.

In the context of Nepal, Microfinance intermediation started with the established of Gramin Bikas Banks (GBBs) in the 1990s, which provided financial services to the poor (Sharma, 2007). Within the three decades of growth in MFIs, there are sixty-six microfinance operating in Nepal (NRB, 2022) which provide different services to the four different categories of clients including A, B, C, and D. Along with credit and non-credit facilities the microfinance in Nepal, has also been providing non-financial services including business development trained and leadership training. Microfinance is a method of delivering loans and mobilizing savings that is specifically designed to fulfill the distinctive financial needs of the underprivileged. Saving services give businesses the ability to save extra cash for later use and earn returns on their investments. Credit services make it possible to use projected revenue for present purchases or expenditures. Through access to more funds for commercial purposes, the financing plan enables the participants to raise their standard of living. The microfinance strategy has developed as a tool for economic development aimed towards low-income women and men, especially independent contractors. One of the best strategies for reducing poverty and promoting economic growth and development in the economy is microfinance. According to the Asian Development Bank (ADB), microfinance involves the provision of a wide variety of financial services to low-income people and their microbusinesses (ADB, 2000).

Microfinance encouraged as a source of capital, especially for small business owners. People from low-income groups may have an original company concept in developing nations, but even as store owners or producers of domestic goods, they lack the financial wherewithal to implement their ideas, therefore they have stayed in a condition of economic inactivity or low activity (Ledgerwood, 2000). Low levels of economic activity in low-income areas cause them to live in poverty and with subpar conditions of living. Even while promoting entrepreneurship has been suggested,

Khavul (2010), slight learned work has attempt to incorporate the works on the entrepreneurial expansion of microfinance services. Similarly, in Nepal, most of the studies address the research gap, to determine the effect of microfinance services development of entrepreneurship among service recipients and its contribution to their business sustainability.

1.2 Statement of the problem

Insufficient cash remains the key source of some small and medium enterprises unproductive activities and closure, which is why microfinance banks become the major sources of capital providers for entrepreneurs in rural areas (Obasan, 2011). In addition, many microfinance banks offer social intermediation services to group members, including group creation, confidence building, training in financial literacy, and company management skills (Bashyal, 2008). These are targeted to develop a more sustainable business and to raise the living standard of the clients. A comprehensive range of financial services are provided through microfinance to low-income people. These services are including deposit, loan, payment service, money transfer, and insurance product. The Fundamentals of Microfinance include. Microfinance is a powerful instrument for reducing poverty because the poor require access to adequate financial services, can repay loans, pay the true cost of loans, and can save money. (Randhawa and Gallardo, 2013).

From the previous studies, entrepreneurship skills have been identified and the types of services provided by microfinance have been categorized. Since such a study has not been conducted in Nepal; the research examines the impact of types of services provided by microfinance in Kanchanpur district on entrepreneurship development of its clients. This research deals with issues like:

- To what extent do the finance services and non-finance services provide by Microfinance effect entrepreneurship development?

1.3 Research Questions

This research purpose to clarify the connection between the growth of entrepreneurship and microfinance. This study intends to examine how the saving, lending and training and education services taken from microfinance effect

entrepreneurship development in Kanchanpur District. The research aims to address following question:

- What is the effect of saving services in entrepreneurship development in Kanchanpur district?
- What is the effect of lending services on entrepreneurship development in Kanchanpur district?
- What is the effect of training and education services on entrepreneurship development in Kanchanpur district?

1.4 Objectives of the study

The major purpose of this study was to examine the effect of Microfinance on entrepreneurship development in the Kanchanpur district.

The specific objective of the research are;

i. To examine the effect of microfinance saving services on entrepreneurship development.
ii. To analyze the effect of microfinance lending services on entrepreneurship development.
iii. To assess the effect of microfinance training and education services on entrepreneurship development.

1.5 Significance of the study

Inadequate funding is the major root cause of several SMEs' unproductive activities and closure which is, which finance banks become the major sources of capital providers for entrepreneurs in rural areas (Obasan, 2011). In addition, many microfinances offer social intermediation services to group members, including group creation, confidence building, training in financial literacy, and company management skills (Bashyal, 2008). These are targeted to develop a more sustainable business and to raise the living standard of the clients.

Micro-finance is defined as a financial service provided to small businesses and members of disadvantaged communities in order to assist them in creating chances for self-employment and other sources of income. In many nations, the microfinance

revolution has transformed perceptions of the poor, and in some, it has significantly increased credit flows, frequently to households or groups with extremely low incomes that would otherwise be turned away by traditional financial institutions. The study provides actual proof of how microfinance services affect customers' ability to become entrepreneurs in the Kanchanpur area. The result of this research helpful to governments and microfinance organizations in understanding how to enhance microfinance.

This study helped the microfinance institutions increase their market share because they learned more about the benefits of these services and the most effective ways for customers to use them. As a result, the MFIs has been forced to be more explicit about the entrepreneurial development that has most. The administration also helped because they able to put laws into place that allowed to inform MFI of the effects that microfinance services have on customers. The study was necessary because it provided a framework for academics who want to conduct additional research on the topic of repeated borrowing.

1.6 Research Hypothesis

Hadidi (2018) research the impact of microfinance on entrepreneurial development of small scale enterprises that are aiming for growth and development in Egypt. The finding of the study showed the positive relationship between microfinance services and entrepreneurship development. According to Wakaba (2014) topic effect of microfinance in entrepreneurship development of small and medium microenterprises in Kiambu which reveal that most of the small medium entrepreneurs takes credit for capital investment, they have used loan for their business growth. Small and medium entrepreneurs presenting in that place doesn't have other source of funding for their business. Olu (2009) research investigated the impact of microfinance on entrepreneurial development of small scale enterprises that are craving for growth and development in a stiffened economy called Nigeria. The study reveals that there is a positive significant difference in the number of entrepreneurs who used microfinance services.

Kisaka and Mwewa, (2014) in their study established there is presence significant relation among saving service & Financial Performance. This clearly tells that saving

service will help small and medium enterprises in their financial performance. Hence, it is crucial to examine the role of saving service on the financial performance. Therefore, this study has hypothesized that:

H1: There is a significant relationship between saving services and entrepreneurship development.

Many studies from literatures in the past have revealed that loan service plays an important role in business development. Kihara (2017) reveals loan service have positive impact on business development as Gyimah and Boachie, (2018) also find there is direct relations between loan service and business performance. Based on literature this study has hypothesized the following.

H2: There is a significant relationship between lending services and entrepreneurship development.

Gedion (2016) study also showed that MFIs' training and educational services encouraged the growth of entrepreneurship. The research found that the majority of respondents felt that MFIs' training and educational programs have changed people's attitudes regarding microbusinesses. The low p values further suggest that microfinance training education service have a major impact on the growth of entrepreneurship.

H3: There is a significant relationship between Training and education services and entrepreneurship development.

1.6 Limitation of the study

The limitation of this study can be highlighted in the following points:

- The study is completely based on the primary sources of data regarding dependent andindependent variables. Therefore, all findings are established on the information provided by the respondents, the data include potential biases of the clients

- The study has been conducted within the Microfinance clients of Kanchanpur district only, so the results cannot be generalized.

- Total number of sample of observations of primary data is only 302. Less sample size might lead to the less significant result as expected.

- The measure of the impact of MFI on entrepreneurial skills is a relatively new field of research in Nepal. This renders less evidence use of an international scale may mislead the finding.

1.7 Structure of the Study

The preliminary report, the body, and the supplemental make constitute the three main portions of the entire research. The title page, certification, declaration of authenticity, acknowledgments, table of contents, list of tables, list of figures, list of acronyms used, and executive summary make up the preparatory section. The report's five chapters that make up its body include the introduction, a review of related literature, a theoretical framework, research methods, data analysis and findings, discussions, a conclusion, and implications. A supplemental section with references and an appendix makes up the report's last portion. This study is divided into five chapters overall. Below is a short summary of these chapters:

Chapter I: Introduction

This chapter includes the background of the study, statement of the problem, research questions, objectives of the study, research hypothesis, and limitations of the study.

Chapter II: Related Literature and Theoretical Framework

This section comprises of review of related literatures and theoretical framework where the theoretical framework explains the independent and dependent variables and research gap.

Chapter III: Research Design and Methodology

This section that comprises of research design, population and sample for study, nature and sources of data, software, and procedures of collection and analysis of data.

Chapter IV: Analysis and Result

This section presents data analysis and the results obtained. This chapter's goal is to present the data analysis and outline the findings. It includes: presentation of data, analysis of data, inferential analysis and major findings. SPSS and MS-Excel software had been used for the data analysis.

Chapter V: Discussions, Conclusions and Implications

It consists of discussion of the findings, conclusions and its implications. The research of the study, the integration of theory with study data, and the development of conclusions and consequences are all included in the discussion section.

CHAPTER II

RELATED LITERATURE AND THEORETICAL REVIEW

This chapter examines the writings of numerous academics and authors who provided information for this study. Additionally, it includes conceptual framework, empirical literature, theoretical literature, and research gap.

2.1 Theoretical review

2.1.1 Microfinance

When Grameen Bank was founded in Bangladesh in the 1970s, the idea of microfinance became a reality. The need for microfinance is driven by the underprivileged groups of society who are shut out of the official financial intermediaries and social networks sector (Sinha, 2011). So, this concept has been practiced mainly in Asia and several African countries.

The key characteristics of microfinancing are that it targets the underprivileged who lack access to capital to begin with and enforces collective recovery on clusters and groups of these borrowers. This microfinance technique, referred to as "joint liability lending" (JLL), is aimed at the underprivileged members of society who cannot borrow on their own but must do so in a group with other borrowers (Kirru, 2007).

With the increasing concern towards alleviating poverty, the products and services of microfinance are broadening including insurance, savings, remittance, and also non-financial services (Newman, Donohue, & Nathan, 2017). BRAC categorizes implied non-financial services as social-related services, which include, among other things (Biosca, Lenton, & Mosley, 2011).

2.1.2 Theories of Microfinance

Microfinance is critical to the development of entrepreneurship because innovative ideas by micro-enterprises are useless in the absence of access to finance. Entrepreneurs, especially the poor, can only see their ideas come to fruition if they have access to microfinance services. The Grameen Model, which originated in Bangladesh, the Banco Sol Model, which originated in Bolivia, and the Interest-Free

Islamic Microfinance Model are the three most well-known microfinance models. Professor Muhammad Yunus' work in Bangladesh in 1976 inspired the Grameen Model. Its targeted poor and low-income households. Given the depth of poverty and high unemployment in Bolivia, to help impoverished businesses get loans, the progressive lending idea was developed, and in 1992 it was formally recognized as a financial organization (Aghion & Morduch, 2006). It has become commonplace for MFIs to issue microloans at high interest rates of up to 30%, which are greater than those provided by traditional banks. Micro entrepreneurs are increasingly concerned about this issue. This results in a high level of pressure on borrowers that could hurt their successful companies.

A number of financial theories, including agency theory, profit-incentives theory, trade-off theory, pecking-order theory, and life-cycle theory, have been developed and tested among researchers due to the unique funding structure of microfinance institutions. These theories are briefly discussed below:

One party acts as the principle and another as an agent in accordance with agency theory, which uses principal agents to carry out the wishes of the principal (Jensen & Meckling, 1976). However, there is a conflict of interest since in this instance, the donors, who are the principle, continue to focus on their welfare mission, while the managers of the MFIs are more concerned with profitability. The financial literature, for instance, has examined this cost-efficiency and benefit-efficiency issue. When MFIs rely on commercial finance rather than donor money to satisfy the needs of the poor while still being financially sustainable, the Profit-Incentives hypothesis, commonly known as the venture capitalist model, is applicable. This is due to donor funding's quantitative limitations and widespread criticism.

According to Myers' (1984) trade-off theory, the firm's decision-maker compares the advantages and disadvantages of various forms of leverage programs. In the context of microfinance, it has to do with balancing outreach and profitability, between pursuing an institution's social goal, helping the underprivileged, or financial mission, and maintaining its financial stability. In earlier research, these mission drift concerns have been hotly contested.

Life-Cycle Theory is connected to the growth of MFIs, where the changeover to private capital occurs (Farrington & Abrams, 2002; de Sousa-Shields & Miamidian, 2004). As MFIs mature, they concentrate on recruiting private money to finance their sources financially sustainable. Based on reviews of all the aforementioned theories, this paper applies the Life-Cycle Stage Theory as a lens to develop testable hypotheses about MFI funding patterns regarding how the sources of funding MFIs choose at various stages of their institutions' life cycles may affect the institutions' objectives to reach the poor and progress toward financial sustainability. Over the last four decades of the contemporary history of microfinance, several developments in microfinance ideas and practices have been noted (Cull & Morduch, 2017). The foundation of microfinance has undergone a paradigm shift, which we have dubbed.

For obvious reasons, microfinance has received special recognition as a successful development tool. The poor and the poorest of the poor can be specifically targeted by the services offered through microfinance. These services have the potential to significantly improve the socioeconomic standing of the community that they are intended for, and the institutions that provide them have the potential to grow within a few years into viable organizations with steadily expanding reach. Additionally, the four distinct goals of microfinance are eradicating poverty, boosting agricultural output, supporting small business owners, and empowering women.

2.1.3 Entrepreneurship and entrepreneurial skills

Entrepreneurship is the act or process of finding business possibilities and arranging to launch a successful commercial activity, albeit the definition of the term is still developing. Entrepreneurial aptitude and company management expertise are recognized as the strongest business sustainability indicators (Ligthelm, 2010). Technical, managerial, and interpersonal skills are included in the entrepreneurial skill set. This prompts the study to look at crucial entrepreneurship abilities that are connected to competitiveness and spotting small company benefits for firm survival (Ligthelm, 2010). The skillset of an entrepreneur comprises business acumen, market orientation, product innovation, risk propensity, flexibility, and strategic competence. These services are crucial due to they are associated with enhancements in result for low income (Bauchet, Marshall, Starita, Thomas, & Yalouris, 2011). This analysis emphasized that the degree to which the firm has utilized and grown in terms of

assets; sales as well as employees determine the entrepreneurs' success (Erofeev, 2002).

2.1.4 Theories of entrepreneurship

There are several ways to go about the entrepreneurial process, and each one provides a unique definition of entrepreneurship in terms of the social environment, innovation, and profit maximization, as well as in terms of creativity and taking risks. An entrepreneur can therefore locate an external opportunity to take advantage of and benefit from it. Due to this, having creative resources on hand and the chance to utilize them to develop skills that would enable the entrepreneur to secure outside finance for the start-up or development of a firm are both necessary for the entrepreneur to be able to adapt to the market. Several of the abilities necessary for entrepreneurial success include:

The Theory of Economic Development is one school of thought that describes entrepreneurship. The entrepreneurial theory of Joseph Schumpeter. The Austrian Theory of Kirzner and the Theory of Entrepreneurship by Mishra and Zachary.

Theory of Economic Development – Schumpeter

Schumpeter (1934) placed a strong emphasis on the entrepreneur's function as an inventor and the carrier of the economic change mechanism in his Theory of Economic Development. According to Schumpeter (1934), an entrepreneur's job is to create new goods by fusing various productive variables. This practice helps the entrepreneur keep a competitive advantage in the industry. When defining economic progress, Schumpeter emphasizes the value of entrepreneurs' activity in producing fresh concepts and product combinations through the introduction of novel goods and novel production techniques.

Theory of Entrepreneurial Discovery – Kirzner's perspective

The entrepreneurial discovery hypothesis was first presented by Kirzner (1973), who emphasized the crucial function of the entrepreneur in eliminating price 22 discrepancies and establishing market equilibrium. The profit-making motive of purchasing items at a discount and reselling them at a premium drives the

entrepreneur. Kirzner holds the opinion that market prices are set by businesspeople. As a result, the market's potential profit prospects drive the entrepreneur. The creation of the individual entrepreneurial process, which requires the capacity to recognize an external opportunity, was driven by Kirzner's (1973) theory that entrepreneurs look for chances to attain market equilibrium.

The Theory of Entrepreneurship – Mishra, and Zachary

According to Mishra and Zachary (2014), the entrepreneurial value creation theory examines the core of the entrepreneurial process by taking into account a two-stage value creation process and a proper ion framework. The goal for entrepreneurial reward and the discovery of an outside opportunity are said to be the major motivators for the entrepreneur throughout the initial phases of venture formation, according to the authors.

2.1.5 Models of Microfinance Institutions in Nepal

A sort of financial service called microfinance is designed for those with low incomes or who don't have easy access to standard banking services. A wide range of financial services is included in microfinance, including microcredit, micro lending, micro insurance, savings, and money transfers. A microfinance institution (MFI) is a type of financial organization that offers financial services to borrowers who cannot offer collateral for the loans they take out but who have the skills and motivation to participate in self-employment and other forms of economic activity. MFIs come in a variety of sizes, from little nonprofits to big banks. Based on the idea that access to financial services may aid low-income people in escaping poverty, microfinance projects are carried out in Nepal with a strong rural alignment, particularly directed at the poor. MFIs in Nepal have long used a few well-known microfinance models. These include cooperatives, small farmer cooperatives, Grameen banks, community-based organizations, and self-help groups (SHGs). In Nepal, Village Bank (VB) is recognized as a distinct microfinance program or concept. These models' succinct explanations are as follows:

Cooperative Model

The most prevalent type of cooperative, saving and credit cooperatives (SCCs), provide members a variety of lending and saving choices. Regardless of their social or economic status, all members of a community are addressed by the SCCs. On the other hand, organizations established via development projects have more of a focus on helping the underprivileged. These cooperatives accept savings deposits from their members, and anyone who wishes to do so is granted membership. SCCs often impose mandatory savings requirements on their members. Members can, however, select from a variety of options.

Small Farmer Cooperative Limited Model (SFCL)

A multi-service cooperative called an SFCL was established to offer its members—mostly farmers—in rural regions both financial and non-financial services including social mobilization, training, and technical assistance. Additionally, it offers wholesale financial loans and is run by the members themselves. The services provided by an SFCL are solely intended for small farmers, and they are often limited to a single Village Development Council (VDC) that serves 500 or so homes and 200 to 700 customers in a given community.

Grameen Bank Model

This well-known model was developed in 1976 by Nobel Laureate Professor Muhammad Yunus in Bangladesh. It has since been adopted by several organizations all around the world. The Grameen Bank concept, which was first implemented in Nepal in the early 1990s, is considerably more practical in Terai, where economic activity is thriving with a relatively better established market and transportation infrastructure. Under the Deprived Sector Lending (DSL) program, RMDC (Rural Microfinance Development Centre) funds Microfinance Development Banks (MFDBs) alongside commercial banks and financial firms. Some Nepalese MFIs using the Grameen Bank Model include Nirdhan Utthan Bank Limited, Chhimek Bikas Bank Limited, and Swabalamban Bikas Bank Ltd.

Self-Help Group Model (SHG)

Based on the idea of "self-help," SHGs are small groups of people organized into groups of 10 to twenty people that employ a savings-first business model to finance loans. Typically, women from the same region and social level create a SHG, a savings and credit association. To provide its members with minor interest-bearing loans, they combine their financial resources. The group's chosen members decide on the loan's terms, conditions, and accounting. One such instance of a very old kind of a self-help organization in Nepal that has been in existence for more than 40 years is the "Dhukuti" system.

Village Model

Village banks are cooperatives for the management and operation of loans and deposits. VBs were developed by NGOs to give members access to financial services, and they aid in the formation of neighborhood self-help organizations and the accumulation of funds for members. A typical village bank has 25 to 50 members who are all low-income people trying to better their lives by starting their own businesses. The primary goal of VBs is to increase female involvement in order to improve women's social position and intra-household bargaining power.

2.1.6 Microfinance and Entrepreneurial dimensions

A study by (Bradley, 2012) shows that loan enhances entrepreneurship where innovation may not have much of an influence on revenue due to less established marketplaces, as financial means allow for time for the adoption of new industries to create products and services, learn business processes, and identify a market place. But for microfinance to support entrepreneurship, the venture must be enduring. Diagnoses by (Brau & Woller, 2004) led logically to two main conclusions: Financial self-sufficiency was a required condition for institutional sustainability, and institutional sustainability was a prerequisite to the successful provision of financial services to the poor. This means that only firms having the potential to develop into small, medium-sized, or entrepreneurial businesses (Kuzilwa, 2005).

Potential micro-entrepreneurs are helped by microfinance institutions by receiving funding and training so they may launch a business. This benefits potential micro

entrepreneurs mostly for the poor. Targeting the underprivileged aims to help them to launch their own businesses, boost their incomes, and lower their degree of poverty. Existing micro entrepreneurs can also receive services from microfinance organizations (Segrado, 2005). So the effectiveness of microfinance's financial services as an entrepreneurial Many practitioners who have reexamined the claim that microfinance has to be paired with other non-financial services to successfully increase the entrepreneurial abilities of clients have begun to cast doubt on the instrument. As studies have shown that Microfinance empowers entrepreneurial spirits supports best practices among those working in small and medium sized businesses and makes it easier to start microenterprises (SMEs) (Ojo, 2009).

Levine (1993) constructed an endogenous growth model that explains how microloans help to foster entrepreneurship. The two primary economic entrepreneurship strategies are the foundation of this strategy. First, the model considers Knight's (1951) observations, which define entrepreneurs as those who start economic activity. By constantly looking for temporary plots, the model assigns entrepreneurs a crucial role as inventors. The Schumpeterian entrepreneurial paradigm served as the foundation for this second concept. First, since economic growth and development have migrated toward emerging economies, where microfinance is particularly essential, microfinance has attracted more attention from scholars and the general public (Lewin et al., 2016). Second, it is generally known that entrepreneurship and innovation are critical to the expansion, advancement of the economy (Ahlstrom, et.al.2010; Siegel, et.al.2015).

While the growing management literature on entrepreneurship and microfinance (Bauchet et al.,2011), only a small number of studied have examined whether and how microfinance contributes to the creation and development of ventures and entrepreneurship skills (Banerjee et al.,2015; Newman et.,2014), so knowledge in this area is still limited. Also, there is a lack of adequate studies that examine the effectiveness of microfinance services in develo1ping the entrepreneurial skills of the participants of underdeveloped countries (Ferdousi, 2015).

The limited research that have been done in this area, however, promote two opposing views on the connection between entrepreneurial abilities and microfinance services. According to one school of thinking, entrepreneurship and a lack of microfinance go

hand in hand. According to the second school of thinking, microfinance discourages the emergence of new businesses among its most vulnerable clients.

2.2 The Role of Microfinance Institution

Nearly 90% of individuals in developing nations lack access to institutional financial services, whether for borrowing money or saving it. The impoverished, who already have few assets, are particularly vulnerable in this position. Even though tiny amounts of capital are normally required for microenterprises, disadvantaged individuals nonetheless find it challenging to handle even these meager amounts. As a result, these financial constraints prevent the expansion of microenterprises (Gibb & Haskins, 2005).

Entrepreneurship term concept that is often used in sectors such as business, management, economics, and others and beneficial to the economic process for increasing economic growth, job creation, and national income as well as generating new ideas (Robinson, 2001). The Austrian theory of entrepreneurial discovery and Schumpeter's theory of entrepreneurship are the two schools of thought that primarily examine entrepreneurship. For the Austrian theory of entrepreneurship, entrepreneurs accurately and correctly predict the market and the needs of customers, produce more cheaply than rivals, and make a profit. The Schumpeter theory defines entrepreneurship as innovation with a combination of tools and forces and the different methods to produce new innovative products.

Additionally, the microcredit program is founded on innovative payment techniques, social collateral, and group lending, among other original procedures. Since it bases loans on character rather than factors like credit histories, income sources, and bank balances, it has been able to issue loans to those without credit records. Additionally, they are excluded from normal financing. forms a Grameen bank formally, marking an important turning point in the growth of the microfinance sector. This bank's mission is to provide small loans at reasonable interest rates to the underprivileged, particularly women. The bank has achieved outstanding results, as seen by the large number of customers and exceptionally high payback rates.

One of the best strategies for reducing poverty and boosting in the economy is microfinance. According to the Asian Development Bank (ADB), microfinance

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involves the provision of a wide variety of financial services to low-income people and their microbusinesses, including deposits, loans, payment services, money transfers, and insurance (ADB, 2000). Women can be economically and socially empowered through microfinance. Additionally, using lending, saving, and other pertinent services from microfinance institutions has a good impact on women's business indices. The research also revealed that Rupandehi district women's economic and social conditions have improved after they had obtained microloans (Thapa & Chowdhary, 2022).

There are three different sources of microfinance. informal sources like money lenders and business owners, as well as formal institutions like non-government organizations (NGOs) and rural banks and cooperatives. Financial and non-financial services are both offered through microfinance. Saving, microcredit, money transfers, micro insurance, etc. are all examples of financial services. Services that are not pecuniary include education, health, counseling, and training. Microfinance organizations provide help for two different kinds of micro entrepreneurs: those who are already operating and those who have the capacity to do so. The extension of an established business is what existing entrepreneurs and micro-entrepreneurs refer to.

Potential micro-entrepreneurs are helped by microfinance institutions by receiving funding and training so they may launch a business. This benefits potential micro entrepreneurs mostly for the poor. Targeting the underprivileged aims to help them to launch their own businesses, boost their incomes, and lower their degree of poverty. Existing micro entrepreneurs can also receive services from microfinance organizations (Segrado, 2005). Money transfers using mobile banking to simplify their transfers and other financial operations, micro insurance to ensure their business operations, and the unexpected that affects the smooth operation of the business like the micro entrepreneur's illness or death are other financial services available to the existing micro-entrepreneurs. Existing micro-entrepreneurs may expand and improve their businesses, as well as their skills and self-confidence, with the help of the non-financial services that the microfinance institutions also provide. The non-financial services offered to current micro entrepreneurs include management training, technical support, and industry analysis (Swedberg, 2000).

Microfinance is being promoted as a source of capital, especially for small business owners. People from low-income areas may have creative business ideas in developing nations, but even as store owners or producers of domestic goods, they lack the financial wherewithal to implement their ideas, therefore they have stayed in a condition of economic inactivity or low activity (Ledgerwood, 2000). Low levels of economic activity in low-income areas cause them to live in poverty and with subpar conditions of living. Financial services often include serving and credit activities, which are the same as MFIs. However, Ledgerwood (2000) MFIs offer insurance and payment services to their consumers as part of their overall financial services operations. Not only do MFIs serve as financial intermediaries and provide social services to their clients, but this is also a crucial feature (ADB, 2008). Financial literacy exercises and social management development Additionally, many MFIs gather knowledgeable individuals to mentor others in a variety of business-related areas, such as by providing helpful advice, pointers, and other strategies for developing and sustaining their businesses. As a result, microfinance combines financial services with social services that are not available through the traditional banking system. In light of this, microfinance is more than just a banking institution; it is also an instrument for development that combines social and financial intermediation (Ledgerwood, 2000).

By enabling struggling people and even entire communities to obtain financial services and, ideally, escape poverty, microfinance played a role in economic growth. In order to help the needy, microfinance institutions were often nonprofit or governmental entities. Microfinance companies have never sought to make a profit. Microfinance may entail extremely tiny loans and financial services, yet during the past 40 years or more, it has had an influence on the whole world. For a small firm that needs a little additional money or credit to seize a fresh opportunity, microfinance may be the perfect solution. Microfinance also opens up a world of potential for small lending or banking firms searching for new business ventures, one tiny loan or financial service at a time.

2.3 Review of Empirical studies

Olurinola and Alege (2007), MFI was found to be helpful to micro-enterprise owners in the rural parts of Lagos State by employing pre-loan training, group networking,

and company management training as the non-financial services in addition to microcredit. The research proved that the customers' entrepreneurial development was positively benefited by pre-loan training, group networking, and business management training. Watjatrakul (2005) thinks that both strategic and non-strategic resources are essential for a company's success, and that it is strategic resources that allow companies to sustain a competitive edge. Strategic resources are those that are scarce, expensive, non-replaceable, and only partially imitable.

Claudia et al., (2009) postulate that both official and informal kinds of assistance have an influence on an entrepreneur's success. In contrast to informal assistance, which is provided by personal and community-based networks, formal support comes from financial and strategic collaborations, industry ties, and technology (Linda et al., 2003).

Simojoki (2003) clarified how micro-entrepreneurs have profited from credit and financial services by analyzing the impact of microfinance and prospects for female micro entrepreneurs in the informal sector in Nairobi, Kenya. The study demonstrated how social and economic empowerment are related. Women had to engage in jobs that generated income. Control over finances and company has been found to be a key sign of empowerment. Any microfinance program's capacity to succeed and empower women depends in large part on related activities. Neo-liberal microfinance might provide them the self-assurance and useful tools they need to enhance their life. Women's engagement and the development of their sense of responsibility are the most critical components of successful microfinance. The author contends that microfinance initiatives for women's empowerment require a defined policy of empowerment and accompanying activities.

The government needs to battle against the exploitative aspects of the informal sector while promoting other opportunities. Although different stakeholders have responded to microfinance in different ways, there seems to be broad consensus that it is effective in reducing poverty. Microfinance's potential to help rural impoverished households remains understudied, nevertheless. This study made an effort to add to the discussion of whether approaches to microfinance and poverty alleviation are effective and ineffective. Our fundamental objective is to ascertain the circumstances under which microfinance enhances wage employment, generates jobs, and boosts

incomes in rural regions. The welfare effects of microfinance on rural households and the patterns of behavior of microenterprise entry, exit, and growth were examined in this study using a rich panel data set collected from the southwest of the Makueni district with three observations over the course of eighteen months. These findings were contrasted with mainstream theoretical and empirical work on rural development through entrepreneurship (Kirru, J.M. 2007).

Khan and Rehman (2007) imply that those who get microfinance services also empower themselves and become very active members of the economy. Additionally, there is a strong correlation between income and loan recipients by Priya (2006). The findings showed that program participation results in an increase in income by almost 10%. A study by Thapa, Thulaseedharan, Goswami, & Joshi (2008) showed that entrepreneurs with higher education and experience are more likely to be successful while Mehralizadeh & Sajady (2006) state that several less hangs on a number of socio-economic factors including training, skills, and education. David (2004) believes that having ownership in the company, having role models, and having a high degree of education are some of the key variables that create revenue in small enterprises.

While the study conducted by Lanao-Flores, I., & Serres, P. (2009), Microfinance institutions (MFIs) can provide non-financial services in addition to their traditional products, such as vocational training, technical assistance, and agricultural or health education. A comparison of five Latin American MFIs (including FINCA Peru) reveals that performance varies depending on how non-financial services are integrated into regular activities, but that diversification is possible and even appears to improve portfolio quality. However, the integration model ("linked," "parallel," or "unified") chosen and implemented must be carefully tailored to the context.

While the study by Roxin (2010) in Sierra Leone, also confirmed that micro-services had a substantial impact on women entrepreneurial skills empowerment. A research conducted by Crepon et al. (2010) and Banerjee et al. (2010), Based on their research in Morocco and India, a beneficial effect of microfinance services on business income and profitability has been proven.

Babajide (2011) analyzed the impacts of non-financial services provided by microfinance institutions on the development of entrepreneurial skills using cross-sectional data from a survey conducted across the southwestern geopolitical zone using multiple regression techniques. She substituted non-financial services with advising services, pre-loan training, and oversight. The outcome tended to show a favorable correlation between the dependent and independent factors.

Lahimer, Dash, and Zaiter (2013) among the sub-African countries, also supported the previous finding as a significant impact of microfinance and its services were found on the development of five categories of entrepreneurship skills among clients. Bichanga and Aseyo (2012) expected that clients with self-perceived skills in entrepreneurship and business will apply for loans. It has been demonstrated that loan clients who participate in formal and informal client development programs improve their business performances and may improve business performance.

The study by Muhammad (2014) evaluated how the performance of women business owners in Kaduna State was affected by the non-financial services provided by microfinance banks. According to the study's findings, women entrepreneurs' firms operate significantly better when they have access to MFIs' non-financial services, which also have a major influence on their increased sales, asset acquisition, saving, and networking opportunities.

Jailia (2014), identified the degree of women's entrepreneurship development is affected by microfinance services in the majority of small and medium enterprises. Jin and Lee (2009), indicates there is a clear correlation between the multidimensionality of microfinance and the independent effect of creativity, initiative, and risk-taking. Raven and Le (2014) by analyzing the results of business training programs for women receiving microcredit in rural Vietnam, it is possible to conclude that business training can enhance the performance of micro enterprises and has a number of other advantageous effects, including raising innovation, success, and the perception of entrepreneurs.

The study by Farhana (2015), showed that micro-entrepreneurs in addition to facing financial challenges, they also lack a number of business skills and expertise necessary for the long-term growth of their company, including those related to

markets, technology, and other areas. In order to support the micro-entrepreneurs' acquisition of some business skills, training, and market knowledge by the customers, MFIs have assisted in the development of their capacity.

The study in Western Africa among 300 small business owners also came to the conclusion that there was a strong connection between microfinance services and the growth of innovative skills (Nair, 2016). A study by Manaf (2017), in Malaysia, also concluded that the impact of the microcredit scheme has a weak but positive relationship with the development of entrepreneurial skills among low-income households.

A study by Sussan & Obamuyi (2018), showed that microfinance significantly impact the development of entrepreneurship at Anambra State; some problems militate the effective financing of entrepreneurial businesses.

While from the aforementioned studies, the positive impact of Microfinance on entrepreneurship skills of the clients supporting the first school of thought was obtained nut, results of some of the studies have proven otherwise validating the second school of thought. The second school of thought advocates that microfinance hurts the poor due to the necessity of entrepreneurship.

Ranasinghe (2008), had found six aspects, including entrepreneurial skills, formal and informal learning, outside assistance, culture, early life experiences, and psychological traits, that contributed to the success of women entrepreneurs in Sri Lanka. According to the facts discussed above, women who use microfinance services to develop their entrepreneurial abilities have both triumphs and failures. There also exists a heated argument about whether microloans are a successful technique for decreasing poverty and if those who receive them are entrepreneurially capable. (Chowdhury, Mosley, & Simanowitz, 2004). The results of these studies, who have varied points of view while affirming the role of microfinance in the development of women's entrepreneurial abilities, indicate the downsides of using microfinance as a tool to support entrepreneurship in various nations. MFI was shown to not significantly improve venture results for microloan borrowers. Given that MFIs were not sponsoring entrepreneurial endeavors generally linked to development and wealth creation, this was a noteworthy discovery (Alvarez & Barney, 2014).

Karlan & Zinman (2011) studied the impact of microfinance training programs and determined that these training programs do not improve the entrepreneurial skills of the clients. They also found that increased access to microfinance in the Philippines has led to a decrease in the number of businesses run by entrepreneurs and the number of people employed.

Similarly, the study in Sri Lanka among women entrepreneurs by Bernard, Kevin, & Khin, (2017) found that the products/policies offered by microfinance are insufficient and do not support female entrepreneurs, thus it is important to consider these former-oriented services in order to expand the industry.

Within limited empirical studies conducted by development economist Karlan and Zinman (2011) the results are comprehensive and place a little amount of emphasis on how microfinance services affect entrepreneurship.

If women are given easy access to financial services, they can become active entrepreneurs. Microfinance enables people to gain access to financial services and can assist women in improving their economic situation by increasing possibilities for women's empowerment through entrepreneurship and facilitation It means micro-finance can develop and expand economic opportunities economically self-sufficient. As a result, this study focuses on women's issues and experiences with microfinance programs focused on empowering women entrepreneurs (Rakhal, 2015). Raza (2017) the primary goal of this study was to determine the part and success of microfinance in the development of entrepreneurship. For economic growth and development, Microfinance is one of the most important and effective tools for achieving sustainability mechanisms. Based on the results, a sample of 350 respondents was chosen. Using a Likert scale analysis, determine the basic conditions for becoming a micro-entrepreneur. The availability of microfinance for young people, women, and poor people has proven to be a tool for entrepreneurship growth and poverty reduction provision of job opportunities, and a path to economic improvement to develop the country. On a micro level, the need for entrepreneurship is highly valued because future technologies have the potential to save resources and those materials are available for use in a more productive manner with better results.

In a complementary examination of the financial and non-financial services of microfinance, Korankye & Abada (2017) discovered that microfinance does, in fact, directly correlate with profit and, thus, with women's socioeconomic well-being. It was discovered that microfinance has had a favorable influence on women's companies, profits, and therefore their socioeconomic well-being. After joining SHG, the members' influence over decisions and status inside the home both rose significantly.

Hameed, Mohammad, & Shahar (2018) discovered that microfinance institutions' non-financial services—such as training and skill-development initiatives and social capital development—had a favorable impact on women's empowerment. In addition, the association between social capital and women's empowerment was tempered by vulnerability. Only those clients who are using microfinance services like training/skill development and social capital building activities were chosen for this study. Data analysis was conducted using Smart PLS (SEM).

Table 1

Literature Review Matrix

Study	Methodology	Major Findings
Babajide (2011)	Utilizing the multiple regression approach, cross-sectional data collected through a survey of the southwestern geopolitical zone was used to investigate the impact of non-financial services provided by MFIs on the development of entrepreneurial abilities.	The result tended towards establishing a positive relationship between the dependent and the independent variables.
Muhammad (2014)	The research used cross-sectional survey research design. A total of 392 women were selected using a stratified sampling technique. The analysis of data was done using (PLS-SEM).	The results of this study led researchers to draw the conclusion that MFBs' non-financial services significantly affect how well women-owned companies perform in the areas of training, which in turn

		significantly affects extra sales, asset acquisition, saving, and network meetings.
Karymshakov (2014)	This survey was conducted by the National Statistics Committee of Kyrgyzstan and includes a sample of 5000 households and representatives at the national level, as well as for urban and rural areas of the country. Also, this survey includes a wide range of data information.	Estimation results show that participation in the microloan raises the probability of an individual being an entrepreneur.
Farhana (2015)	A judgment sample, a kind of purposive sampling employed in exploratory research, served as the sample in this study. STATA 10 software tools were used to examine the data. The data were examined using econometric models and basic statistical techniques..	The purpose of research was to assess the impact of such microenterprise loans on boosting entrepreneur earnings and innovation. Our results back up those who favor lending to business owners. According to research, greater loans improve revenue, but less creative company methods might jeopardize that income.
(Gedion, Maizs, & Toroitich (2016)	A cross sectional survey research approach was employed to collect data from a population of 114 people, with 92 MFI employees serving as the sample size due to their homogeneity for this study. The primary data gathering tool was a structured questionnaire.	The study discovered that the growth of entrepreneurship was positively impacted. According to the report, in order to prevent company failure, microfinance institutions should educate

	Inferential statistics like Pearson's Product Moment Regression analysis were employed, as well as descriptive statistics like frequencies, percentages, and standard deviations.	entrepreneurs on good business practices..
Raza (2017)	A survey was conducted which consists of a methodically designed questionnaire based on the view to draw relevant information. The survey comprises close-ended questions on a Likert scale. A quantity of 350 filled questionnaires was selected from respondents.	Confirms that there was a significant positive impact of the provision of microfinance facility on the performance of Micro-entrepreneurship in Pakistan.
Sussan and Obamuyi (2018)	For this study, a descriptive research strategy was chosen. 734 employees from ten (10) carefully chosen entrepreneurial enterprises in Anambra State made up the study's population. Since it was not feasible to research the entire population, 259 staff members were sampled using a stratified sampling method.	The results showed that microfinance banks have a substantial influence on the growth of entrepreneurship in Nigeria and that there are obstacles to the efficient financing of entrepreneurial ventures in the state of Anambra.
Hameeda et al., (2018)	Cross-sectional study design and a quantitative research strategy were used. The data were analyzed with Smart PLS.	It was discovered that non-financial services provided by microfinance organizations, such as training and skill-building initiatives and social capital development, had a good impact on the empowerment of women. In addition, the

		association between social capital and women's empowerment was tempered by vulnerability.
Sahu (2018)	The methodology used standard of Living Index and Garret Ranking Technique.	The findings reveal that the post-SHGs (Self Help Groups) Have started savings and borrowing with banks. This has resulted in their financial inclusion.
Bika and Subalova (2021)	A sophisticated empirical investigation of the connection between microfinance and common entrepreneurial practice(s) in Kazakhstan using mixed methods.	Our data-based technique for examining the various interactions that borrowers have with microfinance organizations (MFOs) provides insights into the many routes that these organizations might take to expand their business.

2.4 Review of Nepalese Studies

The initial attempts to develop microfinance in Nepal date back to 1956, when the first 13 credit cooperatives were set up in the Rapti Valley of the Chitwan region thanks to a government executive decree and the assistance of USAID Nepal. The microfinance program was started through cooperatives and maintained in a number of ways, including SFDP, PCRW, MCPW, etc. Later, the NG and NRB established 5 regional Grameen bank replicators, known as "Grameen Bikas Banks," one in each of the five development regions, along with the formal financial institutions, between the years of 1992 and 1998. The second-tier institution was known as the "Rural Microfinance Development Centre (RMDC). During the same time period, the NGO sector also launched Nirdhan and CSD-SBP, two further replicas of the Grameen bank. Later, these two NGOs developed Nirdhan Uthan Bank and Swabalamban Bikas Bank as microfinance development institutions (Sharma, 2007).

Since then under BAFIA, sixty-seven MFIs have been registered to date (NRB, 2022) whereas the services of the MFI have also broadened which was originally targeted only to provide credit for poverty alleviation (ADB, 2000). Microfinance which is operated in a rural area is also providing micro-insurance, money transfer, informal education, first aid health services training, and business skill development asides from the credit and saving facilities (Pandey, 2010). But the indicators measuring the depth, which focus on how effectively the services are targeted to the poor to reduce the poverty and breadth, that focus on what varieties of services are available to the clients to achieve financial sustainability of the MFIs are yet to be developed (Sharma, 2008).

There has been a rapid growth of the microfinance sector in Nepal along with its services, but the assessment has only been to measure the depth of the impact of the services on the socioeconomic aspect, and employment generation of the clients focusing on the basic objectives of poverty alleviation (Sharma, 2008). Where the findings have been showing significant growth in the economic and social status of the clients, at the household level.

But, the measure of the breadth which represents the sustainability of the performance of clients' business and microfinance remains insubstantial. Some of the studies conducted in this area have only extraneously linked entrepreneurship development with microfinance services.

The study by CMED (2004), The members have not been inspired by the growth of entrepreneurship to appreciate the value of belonging to the organization. The majority of respondents did not get any training in entrepreneurship development, and those who did not found the instruction to be ineffective in fostering micro entrepreneurial abilities. The finding of the research by Sharma (2013), indicated that microfinance services did not significantly impact the entrepreneurial development of the clients. But, the study made by Rakhal (2015) showed the positive impact of microfinance services on women's entrepreneurial development.

The paper used were paired sample t-tests, chi-square tests, and Wilcoxon signed-rank tests to investigate the impact of microfinance on business creation in Nepal. The study was based on primary data gathered via structured questionnaires. 500

microfinance clients from four districts in the Western Development Region participated in the survey and have participated in a microfinance program for the past five years. There was a positive relationship between the loan size and application Clients who took out small loans spent the majority of their money on domestic purposes and discovered poor loan application in micro-businesses, whereas large loan size clients have greater loan applications in productive sectors. The study concluded that participation in a microfinance program has significantly improved people's microbusiness and enterprise creation. Microfinance institutions should prioritize non-financial services such as financial literacy and the provision of entrepreneurship skills through government and nongovernment organizations, which will ultimately help to channel microcredit into productive sectors (Dhungana, 2018).

Nepal, as a developing country, faces a number of socio-economic challenges, and in this regard, microfinance can be a ray of hope. Women entrepreneurs have benefited from microfinance in terms of education, which is the foundation for women's empowerment (Paudel, 2013). Because many areas of Nepal remain underdeveloped, microcredit can assist these sectors in expanding their opportunities. Women's empowerment in Nepal is only possible if women's income generations are raised (Guvaju & Sherpa, 2020).

Dhungana and Ranabhat (2022), find that the impact of microcredit on microenterprise development in Nepal's Gandaki Province was investigated in this study. The information was gathered through a structured questionnaire from microfinance clients who have been involved with microfinance institutions for at least five years. The explanatory research design was used to determine the effect of microfinance intervention in the development of microenterprises. The study shown microfinance intervention has resulted in significant changes in micro business and enterprise development through the use of microcredit. The regression results show that microcredit increased micro-business investment, revenue, and profits, allowing them to expand and create jobs. Microcredit utilization is critical to the success and sustainability of microcredit enterprises.

Despite the contradiction, in the Nepalese context studies have not been made to measure the development of entrepreneurial skills among the clients receiving the services of MFI which is a key indicator of sustainable entrepreneurial development

among them. So, this study addresses the research gap by categorizing the types of services availed by microfinance in Nepal and their impact on the development of entrepreneurial skills for sustainable business development among their clients.

2.5 Conceptual Framework

The conceptual framework presented in the figure depicts the relationship of independent variables (Microfinance Services i.e. saving, lending and training and education) with dependent variable entrepreneurship development.

Figure 2.1

Conceptual Framework

Independent Variable   Dependent Variable
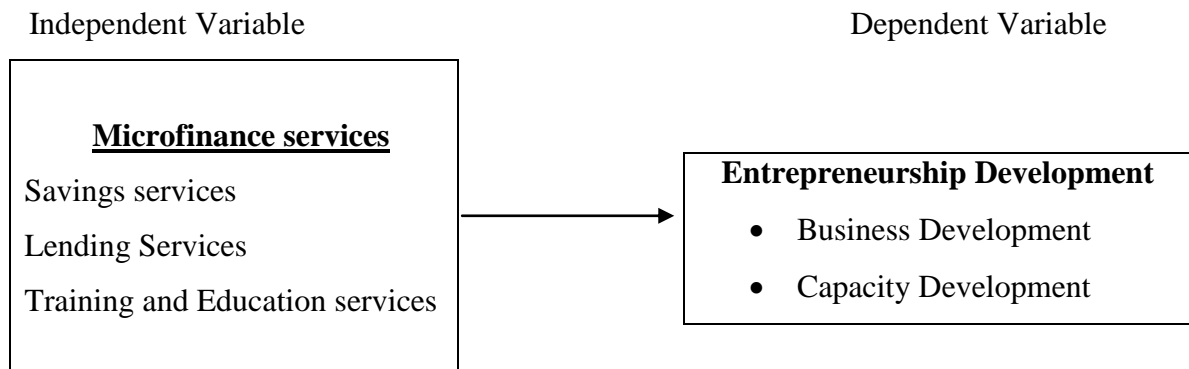
Source: (Sheng & Mohamed, 2020)

2.5.1 Independent Variables

Microfinance service is the independent variable. Microfinance companies provide two types of savings options: required and optional. The term "mandatory saving" refers to the amount of savings that microfinance clients must maintain as a condition of receiving future loans, whereas the term "voluntary saving" refers to the amount of savings maintained by MFI clients that are not necessary as a condition of receiving a current loan. Mandatory and voluntary savings are crucial for strengthening the poor's capacity to deal with economic shocks, lowering the cost of lending, and securing a reliable supply of funding (Ledgerwood, 1999; Robinson, 2001). The potential to assist the poor in acquiring big size loans and consolidating their financial situation lies in the interest rate on the deposited savings of the customers. Additionally, having access to savings accounts enables low-income consumers to weather unforeseen shocks. enables the poor in rural, semi-urban, and metropolitan regions to

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increase their income levels and improve their living conditions by providing thrift, credit, and other financial services and goods of relatively modest amounts. Small loans are given to business owners who are too impoverished to be eligible for standard bank loans through microcredit. It has proven to be a successful and well-liked strategy in the ongoing fight against poverty, allowing those without access to traditional lenders to borrow money at bank rates and launch small businesses. The primary offering of microfinance organizations is referred to as a loan, which is a modest amount of credit provided to low-income individuals at a fair interest rate to enable them to engage in self-employment. The conditions of the loan are crucial factors in determining the clients' well-being, home progress, and company performance. For instance, raising the loan amount is crucial to expanding the market and the size of micro and small businesses. The flexibility of loan disbursement, which includes the advantages of quick response times, ease of access to services, and provision of appropriate information about service terms, is a key factor in determining how well clients are treated. Additionally, it's important to consider the flexibility of the loan repayment policy, which includes the loan grace period, payback length, and interest rate, when assessing the impact of microfinance services on clients' welfare (Hulme, 1996; Ledgerwood, 1999; Robinson, 2001).

The non-financial services, such as enterprise development trainings, are crucial for clients to use financial services successfully, improve their well-being, and grow their businesses. The commercialization of micro lending organizations sparked fierce rivalry in the micro lending sector. This competition encouraged microfinance organizations to expand and strengthen their goods and services, which helped such organizations become more sustainable by reaching a large number of customers. But in order to attain deep outreach, the cost and service quality of microfinance must be improved. Trainings in entrepreneurship and business development are widely acknowledged as the key to using financial services in a way that improves customer performance. In order to create successful entrepreneurs, financial services must be integrated with entrepreneurial and company development training. Ledgerwood (1999) says that microfinance is more than just a lender; it is also an instrument for enhancing human capacities and skills.

2.5.2 Dependent Variable

Entrepreneurship development as a dependent variable which is define by business development and capacity development. Programs for microfinance were first heavily focused on the credit component alone. However, starting a few years ago, several initiatives have been undertaken to provide micro financing consumers with entrepreneurial development programs. Putting in place training programs and company development services may be utilized to improve entrepreneur capacity building. forming and supporting business groups that may provide workshops, offer assistance and mentorship programs, make it easier for people to access loans and markets, engage in advocacy activities, and share best practices. However, it is noted that this extra form of intervention has not yet been widely employed in the majority of developing nations as a result of MFIs' lack of specific focus on entrepreneurship development programs and their unwillingness to commit necessary resources. (Cheston and Kuhn 2001). The microfinance service provider and the projected need for financial services should be taken into consideration when choosing a target market. Every nation has underserved businesses and families, from the extremely impoverished who may not engage in any economic activity to tiny, developing businesses that support local communities through employment. The scope or continuity of this demand is what makes up the size of the microfinance market. The demand side frequently does not provide an equivalent continuum service. MFIs must offer services to close gaps and include underserved groups in the market. (Guerin, 2006)

2.6 Research Gap

Though there had been few research regarding the effect of microfinance services on the development of entrepreneurship outside Nepal, it is likely unsearched from clients and institutional perspectives in our context. From the previous studies, entrepreneurship development has not been identified and the types of services provided by microfinance have been categorized, no such research is in the Kanchanpur district, creating a research gap. The contribution of Microfinance services in the development of entrepreneurship has not received adequate research attention in the Kanchanpur district. By analyzing the situation in Kanchanpur and presenting actual data on the impact of microfinance on small company customers'

performance across the nation, the study aims to close a research gap. While there is a dearth of literature and study on the impact of microfinance on the development of the firm, there is ample information on the issues and difficulties encountered by micro-enterprises and the need for microfinance.

CHAPTER III

RESEARCH DESIGN AND METHODOLOGY

This chapter's structure outlines numerous processes that the researcher uses to explore the research topic, along with the reasoning for each step. In general, the chapter examines and provides the following topics: Research design, Description of the research region and population, Sampling frame, Sample size, Sampling procedures, Types and sources of data, data collecting methods, and data presentation and analysis.

3.1 Research Design

The research design applied to descriptive analysis. Primary data collection has been based on a questionnaire survey. A literature review is done from secondary sources. Both descriptive and explanatory research considered the relationship between the dependent and independent variables. The self-administered questionnaires have been distributed to collect the data from respondents.

3.2 Population and Sample

This study has been conducted under a primary survey and the Kanchanpur district has been selected for this study. The population consists of all the clients of microfinance in the Kanchanpur district. The nonprobability sampling approach is the sampling methodology employed in this study. Convenience sampling, one of several non-probability sampling approaches, was used for the research's purposes. Respondents found it convenient since they were free to express and share their knowledge with the researcher. The total number of respondents that were surveyed through the questionnaire was 302. To justify the sample size, we can consider a sample to variable ratio recommended by Hair et.al (2018). Hair et al. (2018) proposed a minimum observation to the variable ratio of 5:1, but strongly recommended variable ratios of 15:1 or 20:1. This means we can take a minimum of thirty responses for each independent variable in the model. The study has three independent variables, which makes the minimum sample size to be ninety. Therefore, we can consider the sample size of 302 to be adequate.

3.3 Source of Data

Data sources are the methods used to access and collect data from the respondents for the study purpose. For conducting research, the data were collected directly with the help of a questionnaire i.e., only primary data is the main source for the research. The required primary data was collected directly from the Microfinance clients. This was done through the distribution of the questionnaire directly distributed physically by the researcher. In this research, the primary source of data was used by Self – administered questionnaires survey method with four study variables, and thirty items questionnaires was used to collect such data.

3.4 Instrumentation

Research instruments are the measures that are used to collect data for the study. Also known as research questionnaire, there are two types of research instruments; self-developed research instruments and already developed and used research instruments. In this study, five instruments were used, saving service, lending service and training education service and entrepreneurship development categorized into business development and capacity development these research instruments were used.

The survey included closed-ended inquiries about closed-ended variables. The major tool used in the survey research was questionnaire which translated research objectives into specific questions. A structured questionnaire was developed to gather the information regarding microfinance clients of entrepreneurship development on the basis of few. Questionnaires previously exercised in another similar studies Sheng & Mohamed (2020) and Gedion, Maizs, and Toroitich (2016).

In order to answer the basis questions raised, the questionnaire was prepared with three parts. The respondents' demographic profile, which was created in a closed-ended style, made up the first section. The second section, which was equally produced in a closed-ended manner, comprised the respondents' information on saving, lending, and training and education services. The last section dealt with entrepreneurship development, which was also designed using the close ended format. The process structure that was used in the research questionnaire consisted of the following questions;

- Dichotomous questions (closed, structured questions)

- Likert scale questions (closed, structured questions)

Total 302 set of questionnaires were distributed to the sampled respondents in order to get actual and accurate information. Distribution work has been done through personal visit and electronic means to get accurate and actual information. The questionnaire has been used as a research instrument with 5-point Likert scale which indicated by 1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree.

3.5 Methods of Data Analysis

After the information had been gathered, the reaction on questionnaire survey were sorted, organized, handled and investigated with the assistance of SPSS and MS-Excel. Descriptive as well as inferential statistical tools were implied to achieve the intent of the study. Frequency distributions, tables, percentage, means, variation, comparison of means and non-parametric tests were performed. Based on the distribution of the descriptive statistics obtained from the study, the following techniques were used to perform simple linear regression to explain the relationship between the independent variables and the dependent variables. Reliability analysis using Cronbach's alpha to evaluate whether the value obtained in this research can be trusted or not. It measures how well a set of variables or items measures a single, one-dimensional hidden aspect of individuals, recommended a minimum level of .7. If the p value was less than the significance level (0.05), then the null hypothesis was rejected. If p-value was greater than or equal to significance level, the null hypothesis was not rejected.

In the first sections of the questionnaire, respondents were asked to provide background information on their gender, age group, educational level, marital status and business type were analyzed using simple statistical tool i.e. table. Second sections include questions regarding the independent variables, saving service, lending service, and training education service. Each variable consists of various questions derived from various literature studies. All together 30 The respondents were asked to rate their level of agreement and disagreement on a 5-point Likert scale, with 1 denoting "strongly disagree," and so on up to 5 denoting "strongly

agree." All of these were then followed by the appropriate conversations and interpretations in order to get the intended outcomes. Descriptive narrations were encompassed in the process of interpretation which was observed through questionnaires and informal interviews with the researcher.

To determine if there are any statistically significant differences between the more independent groups, the one-way analysis of variance (ANOVA) is utilized. In this study, ANOVA is conducted to examine whether age, educational qualification status, and year of business operation have a significant influence on entrepreneurship development. Multiple linear regression analysis is an analysis of dependent and independent variables. In this study, business development and capacity development, measure to entrepreneurship development as a dependent variable while saving service, lending service, and training education service as independent variables.

Microsoft Excel and the Statistical Package for Social Sciences, Version 25 (SPSSv25), were used to analyze and interpret survey-derived variables.

3.6 The Model

The study was based on the following regression equation:

Model-1

$$BD = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: Y = Business development

β_0 = Constant

β_1, β_2, β_3 = Coefficient of regression which measures how strong each independent variable impacts the dependent variable.

X_1 = Saving Service

X_2 = Lending Service

X_3 = Training and Education Service

ε = Error term

Model-2

$$CD = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: Y = Capacity development

β_0 = Constant

β_1, β_2, β_3 = Coefficient of regression which measures how strong each independent variable impacts the dependent variable.

X_1 = Saving Service

X_2 = Lending Service

X_3 = Training and Education Service

ε = Error term

CHAPTER IV
ANALYSIS AND RESULTS

In this chapter, to achieve the objectives, which are set in introduction chapter, the relevant data and information on outcome of microfinance services and entrepreneurship development in the Kanchanpur district presented. In this chapter, analysis and result part of the research methods study. So, we analyze the data to achieve our objective of this study, using the various statistical tools discussed in 'Research Methodology. The main purpose of this study is to find out the chapter focuses on effect of microfinance on entrepreneurship development in the Kanchanpur District which are described in this chapter.

4.1 Respondents Demographic Profile

This segment deals with the demographic features of different respondents who have participated in this research. The demographic information of the respondents includes gender, age, marital status, and education, and business information.

Table 2

Demographic characters of respondents

		Frequency	Percent
Gender	Male	182	60.3
	Female	120	39.7
Age	Below 19 years	5	1.7
	20-29	71	23.5
	30-39	128	42.4
	40-49	80	26.5
	Above 50 years	18	6.0
Marital status	Single	65	21.5
	Married	224	74.2
	Others	13	4.3
Education	Below SLC/SEE	97	32.1
	Intermediate	132	43.7
	Bachelor's degree	64	21.2
	Master's degree	9	3.0

Source: Survey data (2022)

Table 2 shows that the numbers of the male and female respondents in the sample are 182 (60.3%) and 120 (39.7%) respectively. This shows that there are more male microfinance clients who are engaged in entrepreneurship development rather than females. The study showed that most of the respondents are from the age group 30-39 years representing 42.4 percent while 26.5 percent are from the age group 40-49 years while also 23.5 percent are from the age group 20-29 years and only 1.7 percent are the age of below 19 years and also there are 6 percent are from age over 50 years. Table also shows that the number of respondents who are married or single is nearly representing 21.5 percent of single and 74.2 percent of married respondents and there are 4.3 percent who are others. This represents that running a business is indifferent to the marital status of the people. The table also shows that a large proportion of the respondents are equipped with intermediate representing 43.7 percent, while 32.1 percent have education of SLC or below also 21.2 percent have done bachelor's degree and only 3 percent have done master's degree.

4.2 Business Information

Table 3

Business profile of the respondents

		Frequency	Percent
Annual turnover	below 100,000	74	24.5
	100,000-500,000	126	41.7
	above 500,000	102	33.8
Duration of Business	less than 1 year	65	21.5
	2-5 years	148	49.0
	above 5 years	89	29.5
Type of Business	traditional agriculture	44	14.6
	retail store	72	23.8
	animal husbandry	80	26.5
	Manufacturing	64	21.2
	Services	42	13.9

Table 3 Shows the annual turnover which represents 5 percent have turnover less than 100,000 while 41.7 percent have turnover in between of 100,000 to 500,000 and there are 33.8 percent businesses with annual turnover of more than 500,000. The table also shows that there are 21.5 percent owners who are doing their business activities less than a year. The majority 49 percent of respondents who are engaged in business activities from 2-5 years and 29.5 percent respondent are involved in business from more than 5 years. Similarly, table shows that 14.6 percent respondents are traditional agriculture where as 23.8 percent own retail store and 26.5 percent are animal husbandry also 21.2 percent clients MFI's who are involved in manufacturing sector and 13.9 percent are also respondent from service sectors.

4.3 Descriptive Statistics

Different respondents have different roles in their effect of microfinance services on entrepreneurship development in the Kanchanpur District which are listed below in the table on the basis of an opinion of respondents and have been refined and processed by SPSS software.

4.3.1 Reliability and Validity

Validity and Reliability are two fundamental elements in the evaluation of a measurement instrument. Reliability analysis measures the overall consistency of the items that are used to define a scale. Validity is concerned with the extent to which an instrument measures what it is intended to measure. Reliability is concerned with the ability of an instrument to measure consistency.

Table 4

Reliability of Construct

Variables	Number of items	Cronbach Alpha
Saving service	7	0.675
Lending service	6	0.748
Training and Education service	6	0.696
Business development	6	0.725
Capacity development	5	0.670

Table 4 shows Cronbach's alpha for five different variables that have been used in this research. The table shows that saving Service, Lending service, and Training and education service with reliability statistics of 0.675, 0.748, 0.696, 0.725 and 0.670 respectively. Cronbach's alpha of all five variables are greater than 0.6 therefore, the scales are considered to be reliable and consistent to measure the respective variable.

4.4 Descriptive Statistics

Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire population or a sample of a population. Descriptive statistics are broken down into measures of central tendency and measures of variability (spread). Measures of central tendency include the mean, median, and mode, while measures of variability include standard deviation, variance, minimum and maximum variables.

Table 5

Descriptive statistics for Saving Services

Code	Item	N	Min	Max	Mean	SD
SS1	MFIs saving services help to improve on marginal propensity of the people to save.	302	1	5	3.6	1.2
SS2	MFI's saving services helped improve on growth and expansion of microenterprises due to wealth accumulation.	302	1	5	4.2	1.0
SS3	MFIs saving services help people to improve on their saving programs.	302	1	5	4.1	1.0
SS4	MFI's saving services have helped people in managing liquidity at their households.	302	1	5	4.2	0.9
SS5	MFI's saving services have helped in managing frequent cash inflows.	302	1	5	4.0	1.1
SS6	MFI's saving services have helped cushion people against familiar risks such as illness, theft, job losses etc.	302	1	5	4.2	0.9
SS7	MFI's saving services have helped bring down interest chargeable on loans.	302	1	5	3.9	1.1

Table 5, shows the respondents' level of agreement regarding various constructs of Saving services. There are 7 statements in the table with mean value ranging from minimum of 3.6 to maximum of 4.2; it shows that responses are inclined towards agreement. The highest mean of 4.2 indicates that maximum respondent agrees with this statement.

The standard deviation statistics indicated the average of deviation between the respondents Furthermore, the table shows that has the highest standard deviation of 1.2 whereas lowest standard deviation of 0.9.

Table 6

Descriptive statistics of lending services

Code	Item	N	Min	Max	Mean	SD
LS1	MFI's lending services help in growth and expansion of microenterprises	302	1	5	4.05	0.96
LS2	MFI's lending services have helped cushion microenterprises from stiff competition from established firms.	302	1	5	4.25	1.05
LS3	MFI's lending services help microenterprises avoid business failure.	302	1	5	3.94	0.96
LS4	MFI's lending services help microenterprises to increase their profitability	302	1	5	4.24	1.02
LS5	MFI's lending services have improved their business through innovation.	302	1	5	3.98	0.98
LS6	MFI's lending services help to increase in household venturing into business.	302	1	5	4.25	1.06

Table 6, shows the respondents' level of agreement regarding various constructs of Lending services. There are 6 statements in the table with mean value ranging from minimum of 3.94 to maximum of 4.25; it shows that responses are inclined towards agreement. The highest mean of 4.25 indicates that maximum respondent agrees with the statement MFI's lending services help to increase in household venturing into business.

The standard deviation statistics indicated the average of deviation between the respondents Furthermore, the table shows that has the highest standard deviation of 1.06 whereas lowest standard deviation of 0.96.

Table 7

Descriptive statistics of Training and education services

Code	Item	N	Min	Max	Mean	SD
TE1	Training and education services have enhanced the efficient management of the business.	302	1	5	4.1	0.9
TE2	Training and education services helped to improve people's attitudes towards micro enterprising.	302	1	5	4.4	1.2
TE3	MFI's training and education services have helped to improve on performance undertaking task.	302	1	5	4.0	0.9
TE4	Training and education services have helped to people on how to manage loans	302	1	5	4.3	0.9
TE5	MFI's training and education services have helped drive down the cost of operations.	302	1	5	4.0	0.8
TE6	MFI's training and education services have made it possible for use of new technology among microenterprises.	302	1	5	4.3	0.9

Table 7, shows the respondents' level of agreement regarding various constructs of training and education services. There are 6 statements in the table with mean value ranging from minimum of 4.0 to maximum of 4.4; it shows that responses are inclined towards agreement. The highest mean of 4.4 indicates that maximum respondent agrees with the statement training and education services helped to improve people's attitudes towards entrepreneurship development.

The standard deviation statistics indicated the average of deviation between the respondents Furthermore, the table shows that has the highest standard deviation of 1.2 whereas lowest standard deviation of 0.8.

Table 8

Descriptive statistics for Business Development

Code	Item	N	Min	Max	Mean	SD
BD1	MFI's services helped in the creation of employment opportunities.	302	1	5	4.2	0.7
BD2	MFI's services helped to improve low incomes	302	1	5	4.4	0.9
BD3	MFI's services have helped in creating economic diversity.	302	1	5	4.1	0.9
BD4	MFI's have helped to reduce poverty.	302	1	5	4.3	1.0
BD5	MFI's services have helped address inequalities within rural population.	302	1	5	4.1	0.9
BD6	MFI's services have helped to the low level of social welfare.	302	1	5	4.3	0.9

Table 8, shows the respondents' level of agreement regarding various constructs of business development. There are 6 statements in the table with mean value ranging from minimum of 4.1 to maximum of 4.4; it shows that responses are inclined towards agreement. The highest mean of 4.4 indicates that maximum respondent agree with the statement MFI's services helped to improve low incomes.

The standard deviation statistics indicated the average of deviation between the respondents Furthermore, the table shows that has the highest standard deviation of 1.0 whereas lowest standard deviation of 0.7.

Table 9

Descriptive statistics for capacity development

Code	Item	N	Min	Max	Mean	SD
CD1	MFI's services have increased my leadership skills.	302	1	5	4.11	0.95
CD2	MFI's services have increased my risk-taking behavior.	302	1	5	4.36	0.87
CD3	MFI's services have enhanced networking skills.	302	1	5	4.13	0.81
CD4	MFI's services helped the ability to take on the challenges of starting new ventures.	302	1	5	4.31	0.86
CD5	MFI's services helped to use of new technology in my business.	302	1	5	4.15	0.89

Table 9 shows the respondents' level of agreement regarding various constructs of capacity development. There are 5 statements in the table with mean value ranging from minimum of 4.11 to maximum of 4.36; it shows that responses are inclined towards agreement. The highest mean of 4.36 indicates that maximum respondent agree with the statement MFI's services have increased my risk-taking behavior.

The standard deviation statistics indicated the average of deviation between the respondents Furthermore, the table shows that has the highest standard deviation of 0.95 whereas lowest standard deviation of 0.86.

4.4.1 Normality Test

Table 10

Shapiro-Wilk Test

	Shapiro-Wilk		
	Statistic	Df	Sig.
Saving Service	.821	302	.000
Lending Service	.679	302	.000
Training and education service	.711	302	.000
Business development	.649	302	.000
Capacity development	.714	302	.000

Table 10 exhibits the Shapiro Wilk test to test the normality of the data. The results of the analysis show that the test is significant which means that the data are not normally distributed.

Table 11

VIF

Model	VIF
Saving Service	2.096
Lending Service	2.652
Training and education service	3.007

Table 11 shows whether the collinearity is present with VIF. Multi-collinearity is present when there is high degree of correlation present between independent variables. If multi-collinearity is present, then it affects output of the research so multi-collinearity is tested. VIF is one of the tools to measure multi-collinearity. Since the value of VIF is less than 3, there is no multi-collinearity between the variables.

4.5 Correlations Analysis

In most cases, the correlation analysis is used to describe how closely one variable is connected to another. It aids in identifying if a favorable or unfavorable association occurs. The positive correlation shows that an increase in one variable's value will result in a rise in the value of the other variable, while the negative correlation shows that an increase in one variable's value will result in a drop in the value of the other variable. Correlation coefficient ranges from +1 to -1. The perfect correlation between two variables is shown by a value of +1 for perfect positive correlation and a coefficient of -1 for perfect negative correlation. Additionally, a correlation value of 0 indicates no relationship between the variables.

Table 12

Correlations Matrix

		Saving service	Lending service	Training and education service	Business development	Capacity development
Saving service	Pearson Correlation	1	.653**	.703**	.669**	.635**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
	N	302	302	302	302	302
Lending service	Pearson Correlation	.653**	1	.774**	.777**	.722**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000
	N	302	302	302	302	302
Training and education service	Pearson Correlation	.703**	.774**	1	.729**	.681**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000
	N	302	302	302	302	302
Business development	Pearson Correlation	.669**	.777**	.729**	1	.775**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000
	N	302	302	302	302	302
Capacity development	Pearson Correlation	.635**	.722**	.681**	.775**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	302	302	302	302	302

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

Since from Table 12, found the value of correlation coefficient r= 0.669 which means there is moderate positive linear relationship between saving services and business development.

Table 12, it is found that the value of correlation coefficient r= 0.635 which means there is a strong positive linear relationship between saving services and capacity development. it is found that the value of correlation coefficient r= 0.777 which means there is a strong positive linear relationship between lending services and business development. Table 12, it is found that the value of correlation

coefficient r= 0.722 which means there is moderate positive linear relationship between lending services and capacity development. Table 12, it is found that the value of correlation coefficient r= 0.729 which means there is a strong positive linear relationship between training education services and business development. Since from Table 12, it is found that the value of correlation coefficient r= 0.681 which means there is a strong positive linear relationship between training education services and capacity development.

4.6 Regression Analysis

A strong statistical technique that enables you to investigate the relationship between two or more relevant variables is regression analysis. Although there are many different kinds of regression analysis, they always focus on how one or more independent variables affect the dependent variable.

4.6.1 Saving, lending, training and education services with Business Development.

Table 13

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, lending service

b. Dependent Variable: business development

Table 13 shows the model summary of correlation coefficient (R) between dependent and independent variables as well as coefficient of determination (R2). The correlation coefficient between dependent variable and all independent variable is 0.815. This value indicates that, there exist positive correlation between dependent and independent variables as a whole.

Table 14

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.88955	3	22.96318	196.8452	.000[b]
	Residual	34.76351	298	0.116656		
	Total	103.6531	301			

a. Dependent Variable: business development

b. Predictors: (Constant), training, saving service, lending service

Table 14 displays a significant value of 0.000, less than the threshold of significance of 0.05, indicating that the model at F=196.84, p=0, is significant. A high value of F denotes that the regression equation adequately captures the majority of variance in the dependent variable and that the model is helpful. The dependent and independent variables so have a considerable linear connection.

Table 15

Coefficient Table of Dependent and Independent Variable

Model		Unstandardized Coefficients			Standardized Coefficients	t	Sig.	Collinearity Statistics	
		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 education service	0.224		0.060	0.217	3.735	0.000	0.332	3.007

a. Dependent Variable: business development

Table 15, Looking at coefficient value and the significant value (p value) is lower than the level of significance of 0.05, and slope is positive. This means that there is significant effect of independent variables on dependent variable.

It can be seen the p-value of all independent variable i.e., saving service lending service, training and education is less than 0.05 which means that there is a significant impact of saving service, lending service and training and education service on success of business development.

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

Table 16

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: (Constant), training, saving service, lending service

b. Dependent Variable: capacity development

Table 16 shows the model summary of correlation coefficient (R) between dependent and independent variables as well as coefficient of determination (R2). The correlation coefficient between dependent variable and all independent variable is 0.762. This value indicates that, there exist positive correlation between dependent and independent variables as a whole.

R2 is also called coefficient of determination. It is a statistical indicator that indicates how well the data match the regression line. It is described as the proportion of response variable variation that a linear regression model. R-square is always between 0% to 100% and higher the percentage better the model fits the data

Table 16 gives a summary of the multiple regression analysis' findings for the H1 research hypothesis. Here, the dependent variable's variance explained by the independent variables to the tune of 58.0 percent, as indicated by the R square of 0.580. A result of 0 to less than 2 points in the Durbin Watson test indicates a positive autocorrelation with a value of 1.751.

Table 17

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	58.148	3	19.382	137.63	.000[b]
	Residual	41.968	298	0.1408		
	Total	100.117	301			

a. Dependent Variable: capacity development

b. Predictors: (Constant), training, saving service, lending service

Table 17 shows the significant value of 0.000 which is less than the level of significance 0.05, thus the model is significant at F=137.63, p=0. 000.A large value of F indicates the most of the variation in dependent variable is explained by the regression equation and the model is useful and vice versa. Thus, there is a significant linear relationship between the dependent and independent variables.

Table 18

Coefficient Table of Dependent and Independent Variable

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
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 education service	0.200	0.066	0.196	3.027	0.000	0.332	3.007

a. Dependent Variable: capacity development

Looking at coefficient value and the significant value (p value) is lower than level of significance of 0.05, and slope is positive. This means there is a positive significant effect of independent variables on dependent variable.

It can be seen the p-value of all independent variable i.e. Saving service, lending service and training and education service, training and education is less than 0.05 which means that there is a positive significant effect of saving service, lending service and training and education on success of the capacity development.

4.7 Summary of Hypothesis

Table 19

Hypothesis Testing Summary

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

Table exhibits the hypothesis testing result summary. It can be seen that all hypotheses i.e. H1, H2, H3 and H4 have been supported. The first hypothesis has been supported because the p-value which is 0.000 is less than the 0.05 level of significance which states that there is a significant positive relation between saving services and entrepreneurship development. The second hypothesis has also been supported because the p-value is 0.000 which less than 0.05 which states that there is significant positive impact of lending service on entrepreneurship development. The third hypothesis also has been supported because the p-value is 0.000 is less than a 0.05 level of significance which states that there is significant a positive relation between training and education services and entrepreneurship development.

4.8 Major findings

- A total of 302 people responded, 60.3 percent of were men and 39.7 percent were women.

- The majority of respondents (42.41%) fall into the 30-39 age category, followed by those under the age of 19, those between the ages of 20 and 29, those between the ages of 40 and 49, and those beyond the age of 50.

- The majority of respondents are intermediate (43.7%), followed by those below SLC/SEE, bachelor's degree, and master's degree with 31.1%,21.2%, and 3% respectively.

- Despite the 74.2 percent of the clients are married but single and others are 21.5 and 4.3 percent respectively.

- The study established that the large proportion of the respondent possess experience of doing business of 2-5 years having numbers 148 (49%) while 89(29.5%) having business activities of above 5 years and there are only 65(21.5%) doing business less than 1 year.

- The study established that the number of respondents who are engage in animal husbandry representing 80(26.5%) while 72(23.8%) are engage in retail store also 64(21.2%) are doing business relating manufacturing sector and 44(14.6) are doing business in traditional agriculture and finally remaining 42(13.9%) are doing business in services sector.

- The study shows that there are only 74(24.5%) business firms whose

annual transaction is less than 100,000 while 126(41.7%) are having turnover of 100,000-500,000 and about 102(33.8%) are having more than 500,000 annual transactions.

- The average mean scale of saving service of microfinance is 4.0345 with standard deviation of 0.598 which suggests that respondents inclined towards agreement. This means respondents agree that saving service of microfinance has effect on entrepreneurship development.

- The average mean scale of lending service is 4.11 with a standard deviation of 0.668 which shows that respondents are inclined towards agreement. This means respondents agree that lending service has an impact on entrepreneurship development.

- The average mean scale of training and education service is 4.19 with a standard deviation of 0.567 which suggest that respondents are inclined towards agreement. This means respondents agree training and education service has an effect on entrepreneurship development.

- The average mean scale of business development is 4.21 with a standard deviation of 0.586 which suggests that respondents are inclined towards agreement.

- There is a significant relationship between saving services and entrepreneurship development of MFI's clients is supported which indicates that the perception about saving services influences entrepreneurship development in the Kanchanpur district.

- There is a significant relationship between lending services and entrepreneurship development of MFI's clients is supported which indicates that the perception of lending services influences entrepreneurship development in the Kanchanpur district.

- There is a significant positive relationship between training education service and entrepreneurship development supported which indicates perception of influence on the entrepreneurship development in the Kanchanpur district.

CHAPTER V

DISCUSSION, CONCLUSIONS, AND IMPLICATIONS

The purpose of this section is to sum up the discussion, conclusion, and future implications of the study. The data results from Chapter IV are addressed in this section. Based on previous works of literature and theories mentioned during the research, the analysis is explored and compared. This chapter also has future implications and offers insights that could be useful in a future study.

5.1 Discussions

The purpose of the research was to examine the effect of microfinance services on entrepreneurship development in the Kanchanpur district. Specifically, the research sought to determine the effect of saving services, lending services, and training education services on entrepreneurship development in the Kanchanpur district. A research was made on the entrepreneurship development of microfinance clients who use different types of financial and non-financial services. A self-administered questionnaire was distributed to the MFI clients of Kanchanpur.

The results from data analysis are in-congruent with previous research and serve the purpose of the research. This research has examined and determined the effect of microfinance services on the development of entrepreneurship in Kanchanpur District. The study reviewed conceptual review, theoretical review, review of related studies and research gaps etc., to explore the Microfinance (MFIs) services. Various statistical methods were used to evaluate and interpret the data from the questionnaire. The study's first section covers the respondent's demographic information. It provides demographic data about the respondents, including age, gender, educational background, experience, annual turnover, and nature of business. The descriptive analysis of several factors was looked at in the second section. The last section covers inferential analysis, which made use of various methods including regression and correlation. Correlation and regression analyses were completed to evaluate the hypothesis that was developed in the first chapter. All of the independent factors significantly affect the dependent variable, according to the correlation analysis.

The first purpose of the study was to examine the effect of saving services on entrepreneurship development of microfinance clients in the Kanchanpur district. The results showed that saving services significantly boosted the entrepreneurial growth of the chosen microfinance clients. This contradicts the earlier claim that saving programs help small businesses grow and thrive and assist them in managing frequent cash flows by acting as a safety net against business hazards (Agboola, & Osunde, 2012; Ferdousi, 2015; Gedion et al., 2016). Furthermore, the second objective of the study was to investigate the effect of lending services on entrepreneurship development of microfinance in Kanchanpur district. The findings showed that certain MFI clients' entrepreneurial growth is significantly impacted by lending services. The outcomes confirm that these initiatives have helped small firms grow and become more profitable. The findings also confirm that lending services help small businesses grow their innovation and prevent failure. The results are consistent with other studies in this field, which discovered that loan programs aid in the expansion and improvement of small firms (Olusola & Oluwaseun, 2015; Kumah, 2017). Considering the final purpose of the research which was to assess the effect of training and education services on entrepreneurship development especially small businesses in Mogadishu. The result showed that training and education services have a significant and positive effect on the entrepreneurship development of the selected microfinance clients in small businesses. This result is consistent with the previous studies (such as Boateng, 2014; Awale & Mohamud, 2016; Kumah, 2017; Sussan & Obamuyi, 2018) that shown offering training and education programs would help small companies increase their productivity, communication, and technology use, build their leadership, and management abilities, and impact on the survival and development of small firms. The goal of study to determine how microfinance services affect the growth of entrepreneurship in the Kanchanpur district. The services that were taken into consideration for microfinance were financing, training, and education services. The study demonstrates that following MF intervention, there is a beneficial influence on people's ability to start micro-businesses and their level of income, and change in lifestyle. After applying microloans to productive industries, one of the major effects of MF is to raise customers' income levels. Through the use of microfinance services, MF involvement has helped to provide chances for employment and self-employment. According to research, forty percent of clients who participated in the MFI program had a favorable effect on the development of

microbusinesses. The study reveals a beneficial relationship between loan size, saving and training services and entrepreneurship development in Kanchanpur district. Small loan size borrowers have spent the majority of their money on domestic expenses and have discovered that microbusinesses seldom use loans, but large loan size borrowers have a bigger percentage of their money being used for business objectives. In the Kanchanpur district participation in the MFI's programs, microfinance causes the borrowers' social and economic circumstances to alter. A rise in income among borrowers is associated with improvements in food security, nutritional intake, child health care, health awareness and preventative measures, child education, house upkeep, and repair.

5.1.1 Relationship between Microfinance Saving Services and entrepreneurship development in Kanchanpur district

The study's conclusions demonstrated how MFIs' saving services affected the growth of entrepreneurship in the Kanchanpur district. The majority of respondents believed that MFI saving services had significantly aided in the growth and expansion of microenterprises because of wealth accumulation. MFI saving programs have also assisted in lowering loan interest rates. The result of inferential statistics, such as unstandardized regression coefficients, demonstrate a favorable impact on the growth of entrepreneurs. The low p values further suggest that microfinance saving services had a major impact on the growth of entrepreneurship.

5.1.2 Relationship between Microfinance Lending Services and entrepreneurship development in Kanchanpur district

The study's findings also showed that MFIs' loan services had an effect on the growth of entrepreneurship in the Kanchanpur district. According to the results, the common of respondents thought that MFIs' loan services had aided microenterprises in starting up their own businesses. The results also showed that microenterprises have benefited from the innovative business improvements made possible by MFI loan services. Unstandardized regression coefficients, one type of inferential statistic, show that entrepreneurship is growing favorably. The low p values further suggest that microfinance loan services had a major effect on the growth of entrepreneurship.

5.1.3 Relationship between microfinance training education services and entrepreneurship development.

The research also showed that MFIs' training and educational services had an effect on the growth of entrepreneurship in the Kanchanpur district. Results showed that most respondents agreed that MFIs' training and educational programs have improved people's attitudes toward micro businesses. Unstandardized regression coefficients, one type of inferential statistic, show that entrepreneurship is growing favorably. The low p values further imply that the development of entrepreneurship is significantly influenced by microfinance training and education services.

5.2 Conclusion

Microfinance has evolved from its first conceptualization and practice, with increasing concern for poverty alleviation. In light of the fact that the economically disadvantaged have not only financial challenges but also lack the necessary business skills and knowledge of the market, technology, and other information for the long-term success of their enterprises (Farhana 2015). MFIs have become an important tool to fill this gap. This study's objective was to determine how microfinance services effect the growth of entrepreneurship in the Kanchanpur area. According to the study's findings, substantial positive link between the variable, training education service, lending service, and savings service. Additionally, the results show that saving service, lending service, training, and education services respectively, have a substantial effect on the growth of entrepreneurship. The majority of studies show the significant positive effect of Microfinance on the entrepreneurship development of the clients. This development of entrepreneurship skills is also one of the necessary factors for ensuring sustainability by increasing business performance. Clients using non-financial services have been found to have higher entrepreneurial skills than clients using only financial services. The business performance has also increased over the subsequent year. A client who is opportunity-driven has better business performance than the clients who are opportunity driven. Thus, the orientation of the client is trending more towards the manufacturing and services business as they are yielding better. Training has to be provided by focusing the participation of the family members. Thus, the MFIs need to improve diversity of their non-financial services and encourage the use of finance plus services. The entrepreneurship

development trainings are needed to be provided frequently ensuring the sustainable development of the performance of clients as well as MFIs itself.

5.3 Implication

The outcome of the research indicates a direct positive relationship between saving service, lending service and training and educational services with entrepreneurship development of microfinance clients, which imply that small business owners and clients has been aware about the effect microfinance services for better performance of entrepreneurship development and can create such favorable condition for the better financial and personal performance. Future research in this field, especially in the microfinance sector, will look back on this work as a turning point. In this study analyze MFIs services effect in the Kanchanpur district were the focus of this study for generalizations. It is advised that a thorough research conducted to examine the effect of MFI services on the growth of entrepreneurship based on this fact and other relevant factors. This study should encompass all Kanchanpur MFI clients and their engagement. Future study is advised to concentrate on MFI services and microbusiness performance.

The findings of this study were strongly supported by the existing literature. The direct relationship between saving service, lending service and training and education service and entrepreneurship development were found to be positive. According to the study's findings, certain small firms' entrepreneurial growth is significantly affected by lending programs. This study comes to the conclusion that loan facilities help small businesses expand, increase their profitability, prevent company failures, and foster innovation. Additionally, the findings demonstrated that savings programs had eligible beneficial effect on the emergence of entrepreneurship among certain small business of microfinance clients. It has been determined that offering saving programs has positive effect on the expansion and growth of certain small business of microfinance clients. According to the findings of this study, it is also possible to draw the conclusion that providing training services helps small businesses perform better, communicate and use technology effectively, and develop their leadership and management skills, all of which eventually aid in the growth and sustainability of small businesses. Finally, it can be said that microfinance programs are useful tools for fostering entrepreneurship because of the variety of chances they offer and the

functions they play in the expansion and development of small enterprises. This research is used for future prospective, mainly in the microfinance division. First, this study focused on the MFIs in Kanchanpur districts. Therefore, recommended for micro-enterprises and small businesses microfinance clients.

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APPENDIX-I

Effect of Microfinance on Entrepreneurship Development: A Case Study of Kanchanpur District

Namaste,

I am an MBA student at the School of Management at Tribhuvan University. As a part of the academic requirement of a Master's degree, I am conducting research entitled" Effect of Microfinance Services on Entrepreneurship Development: A case study of Kanchanpur District". The purpose of this study is to find the level of change that you have experienced in the following variables. You are requested to answer all the questions. Please take a few moments to read over all the questions carefully. This is purely academic research and your response has been kept confidential. Your honest opinion is extremely valuable for completing this research.

Yours Sincerely
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Section-A
Demographic Information

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. Annual turnover
   - Less than Rs100,000
   - Rs.1,00,000- Rs.5,00,000
   - Above Rs.5,00,000

6. Nature of business
   - Retail store
   - Manufacturing
   - Services
   - Animal Husbandry
   - Traditional Agriculture

7. Business Experience
   - Less than 1 year
   - 2-5 years
   - Above 5 years

Section B: Specific Questions, Likert Scale Questions

8. Please specify the level of agreement to the following statements:

For each statement below tick the box which best represents how you feel.

(1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree)

Saving Services

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
MFI's saving services have helped improve the marginal propensity of people to save.					
MFI's saving services have helped improve on growth and expansion of microenterprises due to wealth accumulation.					
MFI's saving services have helped people improve their saving programs.					
MFI's saving services have helped in managing frequent cash inflows.					
MFI's saving services have helped cushion people against familiar risks such as illness, theft, job losses etc.					
MFI's saving services have helped people in managing liquidity at their households.					
MFI's saving services have helped bring down interest chargeable on loans.					

Lending Services

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
MFI's lending services have helped in growth and expansion of microenterprises.					
MFI's lending services have helped cushion microenterprises from stiff competition from established firms.					
MFI's lending services have helped microenterprises avoid business failure.					
MFI's lending services have helped microenterprises increase their profitability.					
MFI's lending services have helped improve their business through innovation.					
MFI's lending services have helped increase in household venturing into business.					

Training and Education services

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Training and education services have enhanced the efficient management of the business.					
Training and education services helped improve people's attitudes towards micro enterprising.					
MFI's training and education services have helped improve performance undertaking task.					
Training and education services have helped to people on how to manage loans.					
MFI's training and education services have helped drive down the cost of operations.					
MFI's training and education services have made it possible for use of new technology among microenterprises.					

Entrepreneurship Development

Business Development

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
MFI's services helped in the creation of employment opportunities.					
MFI's services have helped improve low incomes.					
MFI's services have helped in creating economic diversity.					
MFI's have helped reduce poverty.					
MFI's services have helped address inequalities within the rural population.					
MFI's services have helped the low level of social welfare.					

Capacity Development

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
MFI's services have increased my leadership skills.					
MFI's services have increased my risk-taking behaviour.					
MFI's services have enhanced networking skills.					
MFI's services helped the ability to take on the challenges of starting new ventures.					
MFI's services helped to use of new technology in my business.					