

# Impact on Micro Credit on Upward Entrepreneurship - A Study on Micro Enterprises

Dr.R.Ramki<sup>1</sup>, Dr.S.R.Deepika<sup>2</sup>, Dr.T.Sakthi Vel<sup>3</sup>, Ms.M.Alagumeenal<sup>4</sup>

<sup>1</sup>Assistant Professor (SG), Department of Commerce, Hindustan Institute of Technology & Science, Chennai

<sup>2</sup>Assistant Professor & Head, Department of Commerce with (CA), Velmanoharan Arts and Science College for Women, Ramanathapuram District

<sup>3</sup>Assistant Professor & Head, Department of Economics, Avichi College of Arts & Science, Chennai

<sup>4</sup>Assistant Professor, Department of Commerce, Idhaya College, Sarugani, Sivagangai District

**Abstract**—Micro Credit is an extension of Micro amount loan, given to people who are in Below Poverty Line (BPL), designed to Encourage Entrepreneurship although the poor people have got a very little entrance in the conventional financial institutions which are used to give different types of financial assistance to Entrepreneur. Micro credit is a tool for Socioeconomic Development, it is a financial innovation that is generally considered to have originated with the Grameen Bank in Bangladesh. It has successfully enabled extremely impoverished people to engage in self-employment project that allows them to generate an income and in many cases, begins to build wealth and poverty. Micro Credit emphasizes on building capacity of Micro – Entrepreneurs, Employment Generation, trust buildings and helps the micro-entrepreneur on initiation and during difficult times. This area has to implement the micro credit process to minimize the poverty and to improve the growth of the individual economy of the public through the micro credit

**Index Terms**—Entrepreneur, Entrepreneurship, Micro credit, Micro Entrepreneur, Factors & Evils

## I. INTRODUCTION

Microcredit has emerged as a powerful financial tool for promoting upward entrepreneurship, especially among micro enterprises in developing economies. By providing small, collateral-free loans, microcredit enables aspiring entrepreneurs to start, sustain, and expand income-generating activities. It plays a crucial role in empowering individuals who are traditionally excluded from formal banking systems. Access to microcredit encourages innovation, self-employment,

and risk-taking at the grassroots level. Moreover, it supports business formalization and improves productivity among micro enterprises. The upward mobility created through entrepreneurial success contributes to poverty reduction and inclusive economic growth. Hence, studying the impact of microcredit on upward entrepreneurship is vital for understanding its role in micro enterprise development.

## II. SCOPE OF THE STUDY

This study is mainly restricted to identify the sources of inspiration to start and manage the micro business units and to analyze the impact of micro credit on the sample of beneficiaries in the study area. The impact is measured in terms of changes in the levels of income, employment, expenditure, savings and borrowings after availing micro credit loan. The empowerment of micro credit through micro entrepreneurs is measured on social, economical, managerial and political aspects after availing themselves of micro credit amount. The loan repayment aspect of the target group is also studied. Further the present study intends to focus on the various constraints faced by the micro credit on entrepreneur's beneficiaries and to analyse the perception of micro credit beneficiaries towards the level of satisfaction.

## III. STATEMENT OF THE PROBLEM

Finance is an vital ingredient to economy as fuel to an engine. Whoever it is rich, poor or the middle class, all

need finance to pursue their respective vocation and eke out a living. Experience shows that the rich have a relatively easier access to the bank credit, but to some extent the middle class and to a large extent the poor, find it difficult to avail any banking facility. A survey of rural households shows that nearly 85 percent of Indian rural population faces ‘exclusion’ of some kind from the formal sources of credit for various reasons. About 605 do not have a bank account. The Percentage of beneficiaries availing credit from institutional sources is just 21%. The plight of marginal farmers is pitiable, reportedly just about 30 percent only have bank accounts and 23% have availed loans. This reflects poorly on the delivery channels of formal credit to the low income groups.

IV. OBJECTIVES OF THE STUDY

1. To revision on the Motivational Factor influence to the establishment of Micro Enterprises through Entrepreneurs

2. To analyze the Problems faced by the Micro Entrepreneurs through Micro Enterprises

Motivational Factors of Micro Enterprises Through the Micro Credit Loan

The Micro entrepreneurs have to start and function smoothly micro entrepreneurship. A great foremost motivational factor is providing micro credit by the banks and financial institutions. The micro credit agencies provide various services for availing the loan or financial assistance by the bank. The Table 1.1 shows that the banking services are motivational factors of the micro entrepreneurship to start an enterprises and functioning of micro enterprises. The micro credit agencies provide various micro credit services to the micro enterprises . The Table 1.1 shows the services provide through the micro credit to the micro entrepreneur by the credit of the banks.

Table No:1.1

Micro Entrepreneurs opinion towards service provided by bankers	Sum	Mean	SD	Rank
Promoting through the Entrepreneurship oriented	1553.00	4.44	0.66	I
Reasonable banking charges levied	1527.00	4.36	0.68	II
To improve the Quality of services of the banker in Entrepreneurship meet.	1480.00	4.23	0.73	III
Reasonable Time taken for sanctioning the loan	1458.00	4.17	0.76	IV
Polite behavior of bank Employees	1455.00	4.16	0.71	V
Convenience of installments for repayment of loan	1453.00	4.15	0.61	VI
Easy accessibility of the banks services	1444.00	4.13	0.75	VII
Service accessibilities Working hours	1414.00	4.04	0.64	VIII
Friendly approach by bankers	1403.00	4.01	0.71	IX
Reasonable Rate of interest on loan amount	1400.00	4.00	0.77	X

It is inferred from the above table 1.1 that, among the opinions provided by the respondents about the services provided by the bankers, promoting the through o entrepreneurship is the first rank of service by the banks (Sum is 1553,Mean 4.44 ,SD 0.66). which is followed by reasonable banking by charges levied the bank, to improve the quality of services on entrepreneurship meet of the banker and which are followed by other factors like, reasonable time taken for sanctioning the loan, polite behavior of the bank employees, convenience of instalments in repayment of loan (Sum is 1453 ,Mean is 4.15 and SD 0.61) , easy accessibility in bank services, available services

on working hour, friendly approach by bankers and the entrepreneur opinion and the final rank is given to reasonable rate of interest on loan (Sum is 1400,Mean is 4.00 and SD 0.77). So it is concluded that, the rate of interest charged by the banks is given to least rank by the respondents.

V. PROBLEMS FACED BY THE MICRO ENTREPRENEURS ON MICRO CREDIT

The respondent faces many problems for availing credit from micro credit agencies and its function of the micro enterprises. The researcher has identified 25

problems on this aspects. The researcher has applied factor analysis for measuring the problem of micro credit and function faced by the micro entrepreneurs. The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of Sphericity is used . The KMO statistic varies between 0 and 1. A value of 0 indicates that the sum of partial correlations is large relative to the sum of correlations, indicating diffusion in the pattern of correlations (hence, factor analysis is likely to be inappropriate). A value close to 1 indicates that patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors. Kaiser (1974) recommends accepting values greater than 0.5 as acceptable (values below this should lead you to either collect more data or rethink which variables to include). Furthermore, values between 0.5 and 0.7 are mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb (Hutcheson and Sofroniou, 1999). For these data the value is 0.891,(Table 4.41)which falls into the range of being superb: so, the researcher should be confident that factor analysis is appropriate for these data. Bartlett's measure tests the null hypothesis that the original correlation matrix is an identity matrix. For factor analysis of this work need some relationships between variables and if the R- matrix were an identity matrix then all correlation coefficients would be zero. Therefore, the researcher wants this test to be done. (i.e. have a significance value less than 0.05). This significant test tells us that the R-matrix is not an identity matrix; therefore, there are some relationships

between the variables. The researcher hopes to include all in the analysis. For these data, Bartlett's test is highly significant ( $p < 0.001$ ), and therefore factor analysis is appropriate. Table 1.2 shows the KMO test of factor analysis

TABLE: 1.2

KMO Test-An Analysis

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.894
Bartlett's Test of Sphericity	Approx. Chi-Square	6000.496
	Df	300.000
	Sig.	0.000**

\*\*Significant at 1 percent level

The Table 1.2 above shows the communalities before and after extraction. Principal component analysis works on the initial assumption that all variance is common; therefore, before extraction the communalities are all 1. The communalities in the column labeled Extraction reflect the common variance in the data structure. For example, the researcher can say that 7.18% of the variance associated with question 1 is common, or shared variance. Another way to look at these communalities in terms of the proportion of variance is explained by the underlying factors. After extraction some of the factors are discarded and so some information is lost. The amount of variance in each variable that can be explained by the retained factors is represented by the communalities after extraction.

Table 1.3  
Communalities

Factors	Initial	Extraction
Complicated length procedures of loan sanctioning	1.00	0.718
High rate of interest and processing charges	1.00	0.732
Tight repayment schedule	1.00	0.544
Inability to provide collateral securities	1.00	0.528
Reluctance by banks to extend credit to the entrepreneur	1.00	0.771
Lack of skilled labour	1.00	0.644
High salary /wages /bonus	1.00	0.654
High turnover of the workers	1.00	0.728
Strained labour relations	1.00	0.767
Absenteeism	1.00	0.545
Availability of raw materials	1.00	0.650
Inability to keep pace with recent advancement in technology	1.00	0.673
Inadequate availability of proper working area	1.00	0.641
Difficulties for repair and maintenance of machinery	1.00	0.611

Scarcity of power supply	1.00	0.735
Stiff competition	1.00	0.785
Exploitation by middlemen	1.00	0.851
High cost of advertising	1.00	0.812
Lack of adequate marketing orientation	1.00	0.809
Fluctuation in the price of product	1.00	0.743
Resistance from family at the time of establishment	1.00	0.812
Negative attitude of labour force	1.00	0.827
Indifferent attitude of the society	1.00	0.844
Various sorts of rumors	1.00	0.781
Non-availability of infrastructure	1.00	0.677

Extraction Method: Principal Component Analysis

Figure 1: Screen Plot

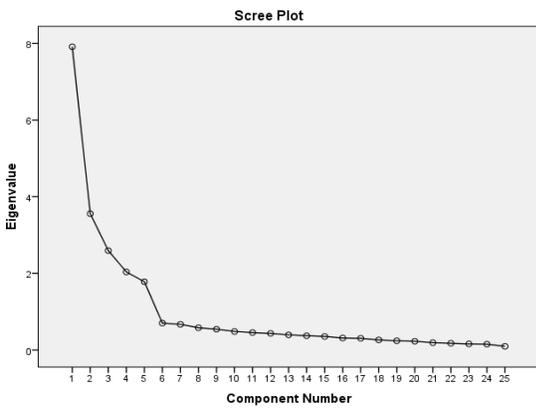


Table 1.4  
Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	4.67	18.69	18.69
2	4.64	18.58	37.27
3	3.97	15.87	53.14

4	2.58	10.34	63.47
5	2.01	8.06	71.53

Table 1.4 shows the eigen values of the factors after rotation. Rotation has the effect of optimizing the factor structure and one consequence for these data is that the relative importance of the five factors is equalized. From this table, it is concluded that first component accounts for 18.58% of variance, second component accounts for 18.69% of variance, third component accounts for 15.87% of variance, fourth component accounts for 10.34% of variance and the last component accounts for 8.06% of variance. All five components totally explain 1.53% of variance. In principal components, the first factor describes most of variability. To spread variability more evenly among factors, Rotation has been done. Varimax rotation was chosen. Varimax rotation redefines factors such that loadings on various factors tend to be very high (-1 or 1) or very low (0), thus making sharper distinctions in the meanings of the factors. Based on rotation component matrix, 25 items are classified into five components.

Table 1.5  
Rotated Component Matrix

Factors	Component				
	1	2	3	4	5
Indifferent attitude of the culture	0.900				
Negative attitude of labour force	0.890				
Resistance from family at the time of start	0.867				
Various sorts of rumors	0.865				
Fluctuation in the price of product	0.848				
Non availability of infrastructure	0.811				
Strained labour relationships		0.859			

Reluctance by bank to extend credit to the entrepreneur		0.848			
High turnover of the staff workers		0.832			
Lack of skilled labour conditions		0.778			
High salary /wages/bonus		0.765			
Inability to provide collateral securities		0.689			
Long Absenteeism		0.674			
Exploitation by the middlemen			0.895		
Lack of adequate marketing orientations conditions			0.876		
High cost of advertisement charge			0.870		
Stiff competitions			0.853		
Scarcity of power supply on EB			0.796		
Inability to keep place with recent advancement in technology				0.783	
Inadequate availability of proper working era conditions				0.772	
Availability of raw materials on business hours				0.767	
Difficulty in repair and maintenance of machinery				0.723	
High rate of interest and processing charge on loan amount					0.855
Complicated length procedure of loan sanctioning					0.845
Tight repayment schedule time					0.728

Extraction Method: Principal Component Analysis. From the above table 1.5 it is concluded that, first component includes 6 factors and it is named as “social reasons”. Second component includes 7 factors and it is named as “Bank reasons”. Third component consisting 5 factors is named “Market reasons”, fourth component includes 4 factors and it is named as “Technology reasons” and fifth component includes 3 factors and it is named “Procedural reasons”.

Hypothesis Testing Difference Between Micro Business Establishment And The Motivational Factor The micro entrepreneur has developed some motivational factor such as Demand for the identified

product, Self-Initiative inclination to the business, Provide quantitative goods and service to the society, Create job to others/ Provide quantitative goods and service to the society, Encouragement from the Government incentives/benefits, Previous experience, and Encouragement by family members. Shows that the result of the establishment of micro enterprises and their motivational factor of the business.

H<sub>0</sub>: There is no significant difference between business establishment and their motivational factor of the micro enterprises.

Table 1.6  
Anova - Establishment and Motivational Factors of the Business

Factors	F value	P value	Result
Demand for the Products	3.709	0.001**	H <sub>0</sub> Rejected
Self-Initiative inclination to the business	30.976	0.000**	H <sub>0</sub> Rejected
Provide qualitative goods and service to the society	0.516	0.796	H <sub>0</sub> Accepted
Create job Opportunities to others	0.327	0.923	H <sub>0</sub> Accepted
Encouragement from the Government incentives / benefits	1.068	0.381	H <sub>0</sub> Accepted
Previous experience on Business	0.374	0.895	H <sub>0</sub> Accepted
Encouragement by family members and Support	0.905	0.491	H <sub>0</sub> Accepted

\*\*Significant at 1 percent level

The above Table 1.6 reveals that the demand for the product and self-initiative inclination to the business is less than 0.01, hence null hypothesis is rejected and it concludes that there is a significant difference exists that between business establishment with regards to entrepreneurial motivational factors like demand for the product and self-initiative inclination to the business at 1% significant level.

## VI. FINDINGS

### Factor Analysis of Problems Faced By the Micro Entrepreneurs on Micro Credit Amount

From the factor analysis to fount out

- In this study the factor analysis has been used to find the dominant variables that influence them when faced by problems.
- In the first factor found among the variables such as, 'Resistance from family at the time establishment ', 'Negative attitude of labour force', 'Indifferent attitude of the society', 'Various sorts of rumors' and 'Non-availability of infrastructure' Fluctuation in the price of the product are indemnified . Indifferent attitude of the society(0.900) has the greater significant positive loading .the factor I is Characterized as Social Reasons.
- In the Second factor found among the variables namely, 'Inability to provide collateral securities', 'Reluctance by banks to extend credit to the entrepreneur', 'Lack of skilled labour', 'High salary /wages /bonus demand', 'High turnover of the workers', 'Strained labour relations' and 'Absenteeism' are indemnified. Strained labour relations (0.859) has the greater significant positive loading .the factor II is Characterized as Bank reasons.
- The Third factor consists of the variables like, 'Stiff competition, 'Exploitation by middlemen', 'High cost of advertising', 'Lack of adequate marketing orientation', and 'Fluctuation in the price of product' ' Scarcity of power, are indemnified. Exploitation by middlemen (0.895) has the highest significant positive loading .the factor III is Characterized as Market reasons.
- The Fourth factor consists of the variables like, 'Inability to keep place with recent advancement in technology', 'Inadequate availability of proper working era', 'Availability of raw materials',

'Difficulties for in repair and maintenance of machinery' are identified . Inability to keep place with recent advancement in technology(0.783) has the highest significant positive loading . the factor IV is characterized as Technology reasons.

- The Fifth factor consists of the variables like, 'High rate of interest and processing charge', 'Complicated length procedure of loan sanctioning' , and 'Tight repayment schedule' High rate of interest and processing charge (0.855) has the highest positive loading . the factor V characterized is Procedural reasons.

Through the factor analysis it is inferred that most of the respondents and their living standard have significantly improved .Out of twenty five factors, fifteen factors are identified and these factors are influenced on their problems faced by entrepreneurs.

## VII. SUMMARY

Entrepreneurs can play the role of catalyst in social and Economic Development of our country like in India. They face many obstacles specifically in finance and marketing of their produce. Micro Credit is playing a vital role in the success of entrepreneur, particularly the entry of rural people in Micro enterprises will be encouraged and aggravated. Rural people can do wonders by their effectual and competent involvement in entrepreneurial activities. The entrepreneurs are having basic indigenous knowledge, skill, potential and resources to establish and manage enterprise. Now, what is the need is knowledge regarding accessibility to loans, various funding agencies procedure regarding certification, awareness on government welfare programmes, motivation, technical skill and support from family, government and other organization. More over formation and strengthening of rural women Entrepreneurs network must be encouraged. Entrepreneur networks are major sources of knowledge about entrepreneurship and they are increasingly recognized as a valuable tool for its development and promotion. This will motivate other entrepreneurs to engage in Micro Entrepreneurship with the right assistance and they can strengthen their capacities besides adding to the Family Income and National productivity through Entrepreneurship.

REFERENCES

- [1] Narayanasamy, Micro credit and Rural Enterprises”, Journal of Rural Development ,2005
- [2] D.Nagayya and D.KoteswaraRao “ Micro Finance and Support Organisation in the Southern States of India” Journal of Rural Development ,2004
- [3] Dr.R.B. Patil, “ Gandhi an Philosophy of A Self Reliant Village : Study of Kuthambakkam in Tamilnadu”, International Journal of Rural Studies (IJRS) 2008