The Effect of Microfinance on Entrepreneurship Development in Rolpa District, Nepal

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Abstract

The main objective of this study was to evaluate the effect of microfinance in entrepreneurship development. This study guided from the descriptive and casual comparative research design and it is based on deductive research approach. For this study, non-probability convenience sampling method was applied to collect four hundred survey data from the small entrepreneurs as well as the clients of microfinance intuitions in Rolpa District of Nepal. The five point Likert type scale data was consisted from primary sources. The descriptive analysis is investigated using central tendency of variables and Pearson Correlation was also applied. Multiple Linear Regression Models were used to examine the effect of microfinance on entrepreneurship development. The result showed that 60.30 percent of the variation in dependent variable is explained by independent variables.

The results suggested that all the independent variables contributed to the creation of entrepreneurship development and also played a significant role in the entrepreneurship development of small entrepreneurs. Further, the result indicated that there is a positive relationship between all independent and dependent variables. The results also found that lending services, training and education services, barriers and financial resources have positive and statistically significant impact on success of entrepreneurship development. But, saving services have insignificant positive impact on success of entrepreneurship development.

Therefore, the study reveals that microfinance is the effective instrument and contributes significant role for the growth and success of small entrepreneurship. It also helps policy makers, microfinance institutions, and small entrepreneurs for new insights to improve the entrepreneurship development and take right decision on microfinance related activities in Nepal.

Keywords: *entrepreneurship development, microfinance, normality test, regression model*, perceived disadvantage
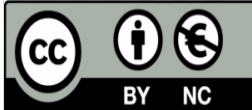
Introduction

Microfinance as offering financial services to low-income clients without traditional banking access, providing loans, savings, micro-insurance, and remittances tailored for the poor (Karn, 2018). Sharma (2010) emphasizes its role beyond mere banking, portraying it as a development tool with a social and private sector driven financial goals. According to Barr (2004), microfinance targets poverty alleviation by offering microcredit, financial services, insurance, and savings opportunities to the underprivileged, fostering economic empowerment. Other scholars Apalia (2017), Palanisamy and Parthasarathy (2015), Sowmyan, Sakthi and Praveen (2011) and Barr (2004) have defined microfinance provides essential financial services like credit, savings, financial literacy, insurance, empowering entrepreneurs and the financially underserved, fostering business growth, and leasing to low-income individuals particularly for those micro entrepreneurs excluded from traditional banking, enabling business growth and self-investment, employment, decision making power. Microfinance fights poverty by providing capital, educating clients, fostering saving habits, facilitating self-employment, job creation, and income elevation.

Similarly, in Robinson (2001), microfinance is an umbrella term for small scale financial services to individuals and groups in developing regions, enabling diverse income-generating activities in rural and urban areas. However, Ledgerwood (2000) has added some parts of the social intermediation such as group formation, training and management capabilities. ADB (2000) defined, microfinance refers to a wide range of financial services that are offered to low-income and impoverished people and their microenterprises, including deposits, loans, payment services, money transfers, and insurance. Microfinance encompasses the provision of diverse financial services to individuals with low income and their microbusinesses, and it is a tool that helps people get out of their current situations and get extra money. The World Bank (2000) defined the supply of financial services to low-income clients, especially independent contractors, is referred to as microfinance, and it is a development tool, not only a kind of banking. According to United Nations Millennium Development Goal (UNMDG), microfinance is a strategy to change the life of the poor people in terms of generating revenue to cover the necessary cost and institutions meet the demand. Many microfinance banks have developed a range of support programs to encourage the growth of entrepreneurship, including funding, training, expansion and advisory services, and the supply of essential infrastructure. Thus, microfinance can improve efficiency of small entrepreneurs in the context of generating money and becoming self-sufficient (Dwibedi, 2015).

In the context of Nepal, when Gramin Bikas Banks (GBBs) were founded in the 1990s to offer financial services to the underprivileged, microfinance intermediation got its start (Sharma, 2010). In Nepal, enhancing microfinance effectiveness and supporting small entrepreneurs is crucial. Despite theoretical gaps, microfinance offers self-employment opportunities and empowers locals with limited resources to engage in economic activities, addressing the absence of collateral for loans. It serves as a vital financial tool for underserved communities. The loans programs on small scale business, livestock and other agro-based enterprises are helpful to create entrepreneurship and generate employment (Pathak & Gyawali, 2011). According to Kharel (2017), micro lending can help businesses in Nepal that are still underdeveloped in order to increase their potential effect on economic development. Since, microfinance covers financial and social intermediation, serving as both banking and developmental tools, offering small loans, informal borrower appraisal, and collateral substitution, where microfinance institutions can play a significant role in small entrepreneur's growth and success (Yadav, 2014). Microfinance primarily helps in the country's growth by lending money to those with a low income (Panthi & Chalise 2022). Thus, microfinance is an essential provision of financial services like loans, savings, insurance, and training to disadvantaged individuals and

business owners, aiming to promote financial security affordably.

Objectives of the Study

The main purpose of this study is to examine the effect of microfinance on entrepreneurship development of small entrepreneurs in Rolpa district of Nepal.

More specific objectives of the study are: to examine the effect of microfinance saving services on entrepreneurship development, to analyze the effect of microfinance lending services on entrepreneurship development, to assess the effect of training and education services on entrepreneurship development, to evaluate the effect of barriers on entrepreneurship development, and to analyze the effect financial sources on entrepreneurship development

Research Questions

Research questions are mentioned to clarify the connection between the growth of entrepreneurship and microfinance. This study intends to examine how the microfinance effect entrepreneurship development. The research aims to address following questions:

What is the effect of saving services on entrepreneurship development?

Are the lending services effects on entrepreneurship development?

Do training and education services effect on entrepreneurship development?

What is the effect of barriers on entrepreneurship development? And

Do financial sources effect on entrepreneurship development?

Research Hypotheses

The research hypothesis is a clear, testable statement proposing an explanation for a phenomenon, guiding experiments, data collection, and conclusions. So, the following hypotheses have been constructed in this study.

H_1: There is a significant effect of saving services on entrepreneurship development.

H_2: There is significant effect of lending services on entrepreneurship development.

H_3: There is significant effect of training and education services on entrepreneurship development.

H_4: There is significant effect of barriers on entrepreneurship development.

H_5: There is significant effect of financial sources on entrepreneurship development.

Review of Literature

Olowe, Moradeyo and Babalola (2013) explored the impact of microfinance on the growth of small and medium enterprises (SMEs), employing purposeful sampling to select eighty two SMEs. Utilizing multiple regression analysis and Pearson Correlation Coefficients, the study unveiled a significant positive influence of microfinance services on SME expansion. Similarly, Samson, Olubunmi and Adekunle (2013) applied a survey design with questionnaire administered to twenty entrepreneurs, regression analysis revealed limited impact of microfinance banks on entrepreneurship development. Notably, the study found no significant disparity in loan terms between entrepreneurs utilizing microfinance banks and those who did not. Consequently, Salum (2014) investigated barriers hindering entrepreneurial development and challenges faced by micro entrepreneurs, along with issues encountered by microfinance institutions servicing them. With one hundred twenty respondents surveyed via questionnaire and interviews, the study highlighted microfinance's critical role in supporting micro entrepreneurs through loan services, consultation, training, and business monitoring. Significant barriers included high interest rates and poor management, while lack of collateral, expensive loans, and non-registration were identified as primary obstacles to entrepreneurship development.

Additionally, Zawadi (2014) examined the impact of microfinance on entrepreneurial development, identifying barriers and assessing their effects on small entrepreneurs. With a sample of one hundred twenty respondents, primary data collected through questionnaires and interviews highlighted the significant role of microfinance institutions (MFIs) in supporting micro entrepreneurs through guidance, instruction, and lending services. However, high interest rates and borrowing costs, along

with inadequate management, were identified as major obstacles hindering entrepreneurship development. Likewise, Awale and Mohamud (2016) studied the contribution of microfinance to entrepreneurship development. To achieve the objectives of this study, survey research design was adopted and purposive sampling method was used to collect primary data of one hundred twenty respondents by using structured questionnaire. The data was analyzed using descriptive statistics. The results showed that training programs have a significant positive effect on the entrepreneurship development of the selected small entrepreneurs.

Furthermore, Zhiri (2017) examined the influence of microfinance services on the performance of SMEs in Zaria Metropolis, utilizing a cross-sectional and descriptive study design. Surveying three hundred SMEs served by Cred Microfinance Bank with questionnaire, the study found significant positive impact of microfinance services on the entrepreneurship activities of SMEs in the area, as revealed through regression analysis. Other scholars, Akingunola, Olowofela and Yunusa (2018) examined the impact of microfinance on micro and small enterprises (MSEs) using purposive and stratified sampling. With four hundred eight respondents, simple regression analysis indicated a positive correlation between microcredit and business expansion. The study concluded that MSEs accessing microcredit experienced average growth in business expansion. Further, Gyimah and Boachie (2018) used descriptive and inferential statistics to analyze responses of two hundred forty eight small business owners. The descriptive analysis and multiple linear regression models were conducted to discover the effect of microfinance products such as loans, savings, insurance, and education on small business growth. The findings revealed that the microfinance products positively affect small business growth, and the greatest influence on micro loans. Further, results claimed that microfinance services play significant role to small businesses, and the economic stability and development of emerging economies. Similarly, Oluwaseun and Olusola

(2018) explored the impact of microfinance banks on entrepreneur development. Employing multi stage probability sampling, data from one hundred four questionnaire responses were analyzed using descriptive statistics and chi-square tests. Results indicated significant influence of lending programs on entrepreneurship development, highlighting their crucial role in fostering entrepreneurial growth. Similarly, Sussan and Obamuyi (2018) assessed the impact of microfinance banks on entrepreneurship development in Anambra State. Using a descriptive research strategy, data from two hundred fifty nine sampled employees across ten selected entrepreneurial enterprises were analyzed. Employing Pearson Correlation and ANOVA, findings revealed significant positive influence of microfinance banks on entrepreneurship development and growth.

However, Motsoell (2020) investigated the impact of microfinance on entrepreneurial development in Urban Maseru. Utilizing quantitative research with structured questionnaire, a sample of four hundred respondents benefiting from microfinance services between 2016 and 2019 was selected using Solvin's formula and descriptive variable sampling. Results indicated a positive influence of microfinance services on entrepreneurial performance and significant positive effects on the business growth of small, medium, and micro enterprises in Urban Maseru, supporting the likelihood of individuals becoming entrepreneurs. Consequently, Sheng and Mohamed (2020) examined the impact of microfinance on entrepreneurship development through a cross-sectional survey involving one hundred twenty respondents. Utilizing both descriptive and inferential statistical methods, the study revealed that while savings programs had an insignificant positive impact, lending programs and training programs significantly contributed to the entrepreneurship development of selected small businesses. But, Osunde and Mayowa (2012) found significant positive effects of saving programs on the growth and success of small entrepreneurship development within their study on microfinance impact. Similarly, Tau (2020) applied quantitative method and

questionnaire to examine microfinance's impact on entrepreneurial development. With a sample of four hundred respondents selected through descriptive variable sampling, the study identified barriers hindering entrepreneurs, notably burdensome credit access procedures, high interest rates, and collateral requirements. Results indicated significant positive effects of barriers and financial sources on entrepreneurship development, concluding that microfinance positively influences entrepreneurial performance. For example, Adebola (2021) investigated the impact of microfinance credit on entrepreneurship development amidst the COVID-19 pandemic, focusing on selected small and medium enterprises (SMEs). Primary data from one hundred SMEs revealed that over 90 percent utilized microfinance credit during the pandemic. Despite slight profit development, there was an increase in retained stock. The study concluded that microfinance contributes to entrepreneurship development by expanding outputs and enhancing profitability among SMEs in Nigeria.

Consequently, Panthi and Chalise (2022) conducted the impact of microfinance institutions (MFIs) on entrepreneurship development in Nepal, gathering data from twenty MFI workers and one hundred twenty small business owners through interviews and surveys. Utilizing a chi-square test, the study revealed a significant enhancement in the performance of microenterprises facilitated by MFIs. Furthermore, the study identified several barriers impeding entrepreneurial growth, including government neglect, inadequate financing options, limited financial literacy among entrepreneurs, ineffective market area administration, and insufficient infrastructure development. Similarly, Sawad (2022) studied the effect of microfinance on entrepreneurship development, focusing on saving services, lending services, and training and education services. Employing descriptive and explanatory research approaches, primary data from three hundred two closed ended structured questionnaires were analyzed using descriptive statistics and multiple linear regression models

via SPSS 25 software. Findings demonstrated a significant positive effect of the above mentioned microfinance services on entrepreneurship development, suggesting the need for diversification and promotion of finance-plus services by microfinance institutions. Recently, Oluka, Orga and Monanu (2023) explored the impact of lending and saving options offered by microfinance institutions on entrepreneurs' productivity, employing a survey research design. Gathering three hundred data points from primary and secondary sources, the study applied the Chi-square statistical technique to test proposed hypotheses. Results indicated a significantly positive effect of microfinance banks' loan and savings programs on enterprise owners' performance. Lately, Mengstie (2023) examined the impact of microfinance services on entrepreneurship development using quantitative method and an explanatory research design. Data from three hundred ninety five entrepreneurs were collected via a questionnaire and analyzed using regression and moderated regression models. Findings revealed a significant positive impact of microfinance services including savings, credit, and training on entrepreneurship growth. The study concluded that microfinance agencies play a crucial role in providing entrepreneurs with adequate credit and training tailored to their financial needs, advocating for sufficient training in business and financial management to ensure the success of small businesses.

Previous studies on microfinance services and entrepreneurship development have provided valuable insights, serving as a useful foundation for conducting further research on the effect of microfinance on entrepreneurship development. Leveraging these previous studies as a guiding framework can facilitate a deeper understanding of the nuanced dynamics at play in this context.

Conceptual Framework of the Study

The conceptual framework on the effect of microfinance on entrepreneurship development incorporates the dependent variable is entrepreneurship development. The independent variables include savings services, lending services, training and educational services,

barriers, and financial sources. This framework aims to explore how these independent variables influence entrepreneurship development.
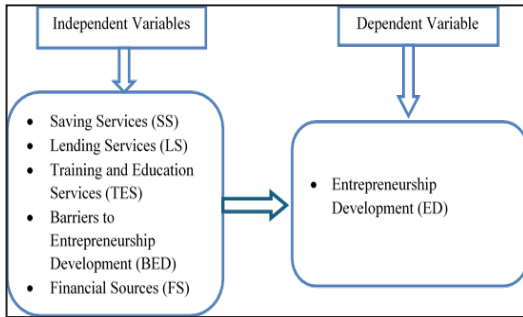

Figure 1: Conceptual Framework of the Study (Sheng & Mohamed, 2020; Tau, 2020)

Research Methodology

This study guided from positivist paradigm and descriptive and casual comparative research design have been employed to accomplish, and it is based on deductive approach. The multiple choice questions for respondent's profile and business information and 5 point Likert type scale questions for all independent and dependent variables have been consisted in this study. Non-probability convenience sampling method applied to collect primary sources data from 400 respondents through the survey questionnaire. In this respect, face to face interview, email, telephonic interviews and Facebook-based messenger apps were applied for data collection. This study is based on unknown population which is the small entrepreneurs with the clients of microfinance institutions in Rolpa District of Nepal. In order to answer the research questions, Pearson correlation, multiple linear regressions were used and also applied descriptive analysis. SPSS has been used for data presentation, analyses and finding results. The minimum required sample size of unknown population was determined using following Cochran's formula:

$$n = \frac{z^2 \hat{P}(1 - \hat{P})}{(\varepsilon)2}$$

Where,
n = Sample size
ε = Desired level of precision / margin of error, =5% or 0.05.

z = the value in the Z-table (z-value=1.96 for a confidence level of 95%)
$\hat{P}$ = Estimated desired population proportion
So, by applying the above formula, we get,
n = 384.16 respondents
Thus, a total sample size of 400 economically active small entrepreneur members of microfinance operating within Rolpa District, Nepal was considered from the population for this study.

Regression Model

In this study, the present researcher has used SPSS for analyses. The study was based on the following regression equation:
$$ED = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$
……………………..... Eq(i)
Where:
ED = Entrepreneurship development
β_0 = Constant
β_1, β_2, β_3, β_4, β_5 = Regression Coefficient 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
X_4 = Barriers
X_5 = Financial sources
ε = Error term

Reliability and Validity

While examining a measurement tool, validity and reliability are two essential components. The general consistency of the items used to define a scale is measured through reliability analysis. The degree to which an instrument measures what it is meant to measure is what validity is all about. The capacity of an instrument to gauge consistency is what reliability all is concerning.
For the purpose of confirming the consistency of the information to be generated used a set of 43 structured questionnaires, which was crafted on Likert's five-point scaling style, the present researcher selected Guttman Split-half Coefficient considered that tested sample size of 400 respondents were fairly adequate. The reliability test score with r = 0.850 for part 1, r = 0.817 for part 2, and r = 0.877 for all figures confirmed and each item designed

in the instrument was more than 87.7 percent consistent to measure for what it was expected. And the overall reliability statistics is 0.877 which is greater than standard of 0.70. Therefore, the scales are considered to be reliable and consistent to measure the respective variable.

Normality Test

A normality test is a statistical procedure used to test whether a given dataset follows a Normal distribution: a symmetric and bell-shaped probability distribution. However, it is important to interpret normality tests cautiously and in the context of the specific study, as deviations from normality may be acceptable or have minimal impact on the validity of certain analyses, particularly with larger sample sizes. Histogram can be used to test whether the data set is Normal or not.

Histogram

A histogram is a graphical representation of the distribution of a dataset. It consists of bars where each bar represents the frequency or count of data points within a specific range or bin. The x-axis typically represents the ranges of values, and the y-axis represents the frequency of occurrence. Histograms provide a visual insight into the shape, central tendency, and spread of a dataset. Therefore, a histogram is a powerful tool for visualizing the distribution of data, making it easier to interpret patterns, trends, and characteristics of a dataset, and it has used for normality test in all independents and dependents variables respective to this study. The distributions of dataset have a bell shaped curve, with a single peak at the center. So, the presence of a bell-shaped curve in a histogram is indicative of a distribution that approximates normality.

Correlation and Regression Analysis

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. 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 (Kafle, 2019). Correlation matrix has illustrated the correlation between microfinance and entrepreneurial development based related variables. Microfinance represented by variables saving services, lending services, training and education services, barriers, and financial sources.

A strong statistical technique that enables to investigate the relationship between two or more relevant variables is regression analysis (Kafle, 2019). The research question was analyzed based on the regression analysis to determine the extent to which the predictors, namely, saving services, lending services, training and education services, barriers, and financial resources faced by micro entrepreneurs, and contributions of microfinance institutions in supporting entrepreneurial development can explain the dependent variable. The regression model is applied to assess the proportion of the variation in the dependent variable that can be attributed to the independent variables.

Results and Discussion

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 group, educational level, marital status, and business information.

Table 1: *Demographics of Respondents*

Demographics	Categories	Frequency (Percent)
Gender	Male	145(36.3%)
	Female	255(63.8%)
Age Group	Below 19 years	5(1.3%)
	20-29 years	99(24.8%)
	30-39 years	170(42.5%)
	40-49 years	112(28%)
	Above 50 years	14(3.5%)
Educational Level	Normal Literate	165(41.3%)
	SLC/SEE	101(25.3%)
	Intermediate (+2)	87(21.8%)
	Bachelor's Degree	34(8.5%)
	Master's Degree	13(3.3%)
Marital Status	Single	29(7.3%)

Married	371(92.8%)	

The results illustrate that among the sampled respondents 36.3 percent are male while 63.8 percent are female. The study also reveals that the majority of respondents fall within the 30-39 age group, constituting 42.5 percent of the sample, followed by 28 percent in the 40-49 age group, and 24.8 percent in the 20-29 age group. Only a small percentage 3.5 percent are aged above 50 and 1.3 percent are below 19 years old. Additionally, the data indicates that 41.3 percent of respondents have a normal literacy level, 25.3 percent completed SLC/SEE education, 21.8 percent completed intermediate (+2), 8.5 percent hold a bachelor's degree, and 3.3 percent have a master's degree. Furthermore, the table shows that with 7.3 percent of respondents being single and 92.8 percent married (see Table 1).

Business Information

Table 2: *Business Profile of the Respondents*

Information	Categories	Frequency (Percent)
Annual Business Turnover	*Less than Rs. 100,000*	65(16.3%)
	Rs. 100,000 - Rs. 500,000	154(38.5%)
	Rs. 500,000- Rs. 10,00,000	88(22%)
	Above Rs. 10,00,000	93(23.3%)
Nature of Business	*Retail Store*	122(30.5%)
	Services	107(26.8%)
	Construction	65(16.3%)
	Animal Husbandry	154(38.5%)
	Traditional Agriculture	88(22%)
Business Experience	*Less than 1 year*	93(23.3%)
	2-5 years	122(30.5%)
	Above 5 years	107(26.8%)

Source: Survey data (2023)

The results show the annual business turnover which represents 16.3 percent have turnover less than Rs. 100,000 while 38.5 percent have turnover in between of Rs. 100,000 to Rs. 500,000 where as 22 percent have turnover in between of Rs. 500,000 to Rs. 10,00,000, and

there are 23.3 percent businesses with annual turnover of above Rs. 10,00,000. The table shows that 30.5 percent respondents have own retail store where as 26.8 percent have their own service type of business and 3.3 percent clients MFI's who are involved in construction sector also 22.3 percent are animal husbandry and 17.3 percent are also respondent from traditional agriculture sectors. Similarly, the results also show that there are 9.5 percent owners who are doing their business activities less than a year. The majority 60.3 percent of respondents who are engaged in business activities from above 5 years and 30.3 percent respondent are involved in business from 2-5 years (see Table 2).

Descriptive Statistics

Descriptive coefficients provide an overview of a specific data set which may be a sample of the population or representations of the full population are known as descriptive statistics. Measurements of central tendency and measurements of variability are the two categories into which descriptive statistics fit.

The result shows the respondent's level of agreement or disagreement regarding different statements of independent and dependent variables. The variable saving services ranges from 1 to 5, leading the overall mean 3.40 and its standard deviation is 1.18 (see Table 3).

Table 3: *Descriptive Summary Statistics for Independent and Dependent Variables*

Variables	N	Mean	SD
Saving services	400	3.40	1.18
Lending services	400	3.37	1.12
Training and education services	400	3.15	1.21
Barriers	400	3.52	1.15
Financial services	400	3.33	1.17
Entrepreneurship development	400	3.28	1.16

Source: Survey data (2023)

Similarly, the average value of lending services variable is 3.37 with minimum value of 1 and maximum value of 5, and its standard deviation is 1.12. Likewise, training and education services variable varies from 1 to 5, leading to average of 3.15 and its standard deviation is 1.21. Next, the barriers variable has minimum value of 1 and maximum value of 5 with the

average 3.52 and standard deviation of 1.15. Similarly, financial services variable range from 1 to 5, with the mean value of 3.33 and standard deviation is 1.17. Additionally, the average value of entrepreneurship development variable is 3.28 with minimum value of 1 and maximum value of 5, and its standard deviation is 1.16 during the study.

Thus, the average means scale of saving services, lending services, training and education services, barriers, and financial sources lies between 3 and 4. So, this means respondents agree that all independent variables have effect on entrepreneurship development. Furthermore, the overall mean scale of entrepreneurship development is 3.28 with a standard deviation of 1.16 which suggests that respondents are inclined towards agreement (see Table 3).
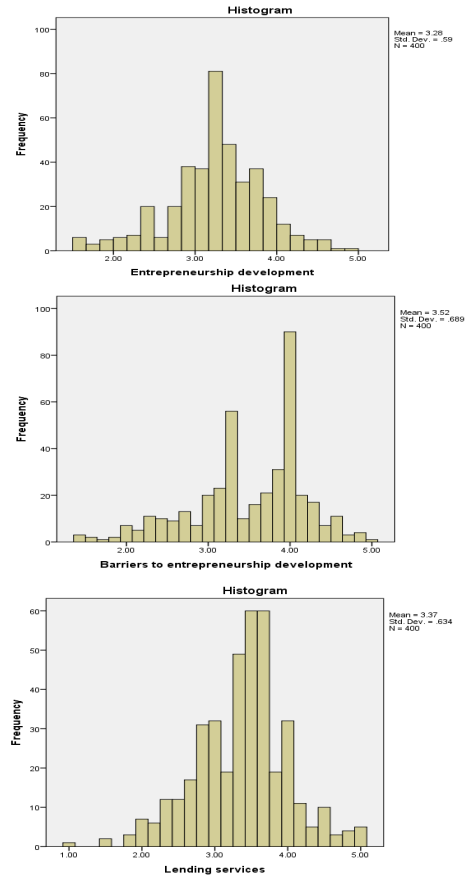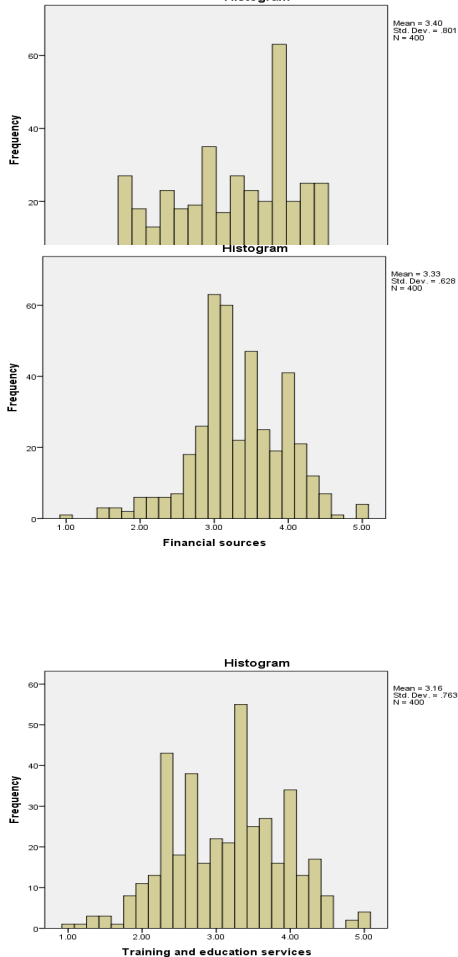

Figure 1: *Histograms for Normality Test*

Correlations Analysis

Correlation analysis is used to find the strength of relationship between the variables under study.

Table 4: *Correlations Matrix*

	SS	LS	TES	BED	FS	ED
SS	1	0.575**	0.596**	0.430**	0.536**	0.553**
LS		1	0.442**	0.405**	0.474**	0.581**
TES			1	0.355**	0.675**	0.637**
BED				1	0.524**	0.491**
FS					1	0.690**
ED						1

Note: ** Correlation is significant at the 0.01 level (2-tailed), Source: Researcher's compilation from SPSS 20

The result shows that the ED (dependent variable) has positive relationship with SS, LS, TES, BED, and FS (independent variable). The results show that there is also positive

correlation between SS, LS, TES, BED, and FS each other(see Table 4).

Regression Analysis

Regression analysis is applied to find the mathematical relationship between

Table 5: *Predictors of Entrepreneurship Development -model Summary and Analysis of Variance (ANOVA)*

R	R²	Adjusted R²	F	P-value
0.777[a]	0.603	0.598	119.726	0.00

Source: Researcher's compilation from SPSS 20

The results demonstrate that the measures of overall model fit. The R-Square is 0.603 which means 60.30 percent of the variation in entrepreneurship development (dependent variable) is explained by the predictors like saving services, lending services, training and education services, barriers, financial resources (independent variables). The remaining 39.70 percent of variations are explained by other factors which are not shown in the model because which is beyond the scope of this study(see Table 5).

Table 6: *Coefficients for Predictors of Entrepreneurship Development and VIF Test*

Independent variables	Unstandardized Coefficients		Standardized Coefficients	t	P-value	VIF
	B	SE(B)	Beta			
(Constant)	0.433	0.124		3.49	0.001	
SS	0.031	0.033	0.042	0.93	0.351	1.988
LS	0.232	0.038	0.249	6.16	0.000	1.618
TES	0.185	0.036	0.239	5.13	0.000	2.158
BED	0.099	0.033	0.116	2.99	0.003	1.478
FS	0.308	0.045	0.328	6.84	0.000	2.281

Source: Researcher's compilation from SPSS 20

The result shows that if one unit increases in saving services, lending services, training and education services, barriers, financial resources the entrepreneurship development increased by 0.031, 0.232, 0.185, 0.099 and 0.308 respectively. There is a significant positive effect of lending services, training and education services, barriers and financial resources on success of entrepreneurship development since, P values (sig. 0.000, 0.000, 0.003, & 0.000) are

less than level of significance (0.05). But, saving services have an insignificant positive effect on success of entrepreneurship development because the P value (Sig. 0.351) is more than level of significance (0.05). Additionally, the individually values of VIF are less than 5, so there is no multicollinearity issue in the data (see Table 6).

Summary of Hypothesis

Table 7: *Hypothesis Testing Summary*

Hypothesis	P-value	Decision
H_1: There is significant effect of saving services on entrepreneurship development.	0.351	Rejected
H_2: There is significant effect of lending services on entrepreneurship development.	0.000	Accepted
H_3: There is significant effect of training and education services on entrepreneurship development.	0.000	Accepted
H_4: There is significant effect of barriers on entrepreneurship development.	0.003	Accepted
H_5: There is significant effect of financial sources on entrepreneurship development.	0.000	Accepted

The result exhibits that the hypothesis testing results summary. It can be seen that first hypothesis H_1 has been rejected and has an insignificant positive effect on entrepreneurship development because the p-value is more than level of significance (0.05) and other hypotheses H_2, H_3, H_4 and H_5 have been supported and have a significant positive effect on entrepreneurship development because the p-values are less than level of significance (0.05) (see Table 7).

Discussion

The findings revealed that saving services have an insignificant positive effect on the entrepreneurship development of the selected small businesses entrepreneurs. This result is consistent with the previous studies by Sheng and Mohamed (2020) but this result contradicts

with the previous studies by Oluka et al. (2023), Mengstie (2023), Sawad (2022), Osunde and Mayowa (2012), Ferdousi (2015) and Gedion et al. (2016) that reported saving services have significant positive effect and contribute to the growth and success of small entrepreneurship development.

Furthermore, the result indicated that lending services have a significant positive effect on the entrepreneurship development of selected small businesses entrepreneurs. The results support that the lending programs assist small entrepreneurs to avoid business failures and boost their innovation. The findings are in line with the early works in this area that found lending services contribute to the growth and development of small entrepreneurship such as Oluka et al. (2023), Mengstie (2023), Sawad (2022), Sheng and Mohamed (2020), Oluwaseun and Olusola (2018) and Kumah (2017).

Current study's result showed that training and education services have a significant and positive effect on the entrepreneurship development of the selected small entrepreneurs. This result is consistent with the previous studies Mengstie (2023), Sawad (2022), Sheng and Mohamed (2020), Awale and Mohamud (2016), Kumah(2017), Sussan and Obamuyi (2018) that showed providing training and education services will assist small businesses to improve their efficiency, communication, and use of technology, strengthen their leadership and management skills and influence the small businesses' growth and survival.

Next, the result showed that barriers have a significant and positive effect on the entrepreneurship development of the selected small entrepreneurs. This result is consistent with the previous studies of Panthi and Chalise (2022) and Tau (2020).

Finally, the result found that financial sources have a significant and positive effect on the entrepreneurship development of the selected small entrepreneurs. This result is consistent with the line of previous study Tau (2020).

Conclusion

The objective of this study was to investigate the effect of microfinance on entrepreneurship development. The multiple linear regressions method explained that the 60.30 percent of the variation in dependent variable is explained by the independent variables. The major conclusion of this study is that microfinance is the effective instrument and the lending services, training and education services, barriers, and financial sources contributes as well as play a significant role but saving services plays an insignificant role in the creation, growth, and success of entrepreneurship development of small entrepreneurs due to provide the different opportunities by microfinance institutions and they facilitate in the growth and improvement of small entrepreneurs. There is a beneficial influence on people's ability to start small business.

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