Impact of Microfinance Institutions on the growth of Small and Medium Enterprises: a case of Delhi, India

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Abstract

SMEs are a growing trend as they are low investment-based enterprises which can engage more people. In some states they are aggressively encouraged by state governments as they provide employment opportunities to a huge portion of the population. SMEs ordinarily are based on producing homegrown items which helps also in retention of the cultural produces. The Ministry of Micro, Medium and Small Enterprises administers their working and creates development programs for all SMEs. The study intends to examine the kind of impact that microfinance institutions (MFIs) have on the growth of small medium enterprises. Apart from gaining an insight into the challenges faced by developing small firms, the study will recognize how MFIs are contributing to the growth of small businesses. This study revolves around the fund requirements of developing rural small and medium size firms, and how microfinance may be contributing to small firms' progress. The same is done by surveying 20 SME owners in Delhi across South and West Delhi. The study first emphasizes on the role of microfinance in the overall growth of SMEs. Then discussion is made regarding the SMEs with high financial threat and lower level of efficiency are more probable to seek microfinance assistance. The respondents were gauged on various characteristic variables including their demographic details, awareness regarding microfinance and their views towards MFI credit. SPSS was used for doing the analysis. Tests like cross tabulation and chi square test were applied. The study recommends that the government and MFIs should ensure that credit is made easily available and affordable to the SMEs.

Keywords: Microfinance, Development, Enterprise, financial support.

1. Introduction

As the world is steadily moving from 20th century to 21st century, there is an increasing demand for ample supply of funds to acquaint to the growing and ever demanding population. Looking at time immemorial one could realize the monopoly of large production firms due to their stable access to capital and economies of large scale, thus becoming pre-dominant.

SMEs are a growing trend as they are less investment-based initiatives which can employ more people. In some states they are aggressively encouraged by state governments as they provide employment opportunities to a huge portion of the population. The basic notion behind the formation of SMEs is the production of indigenous items. It is also an initiative to retain the cultural produces of the country. The Ministry of Micro, Medium and Small Enterprises administers their working and creates development programs for all SMEs.

Evolution of Microfinance can be traced back to the 19th century when informal money lenders played the part of formal financial institutions. The formal financial institutions provide services like accepting their savings and extending credit to the SMEs. They organize rural savings, deposits and agricultural fares so as to boost these

entrepreneurs and have simple procedures that initiate from local cultures and are easily understandable by the population (Germidis et al., 1991). The formation of SMEs brings along employment opportunities for the unemployed and poor but their persistence is necessary, which is only possible if they are provided with adequate financial resourcesuntil. They are bound to die after a short while thus making their employees go jobless without having adequate financial support from. All the credit for introducing Microfinance to the world goes to the Nobel prize winner Yunus Muhammad of the Grameen Bank. He was known as the banker to the Poor for introducing Micro-Lending as a tool against World Poverty. It is evident from the studies on microfinance being carried out that it is not a magic wand which can be used to eradicate poverty, instead it acts as a tool that helps in eradicating poverty and promoting development. Banks do not extend credit to the poor as they do not fulfill the basic requirements of availing loan. The lack of financial power is a vital factor to most of the societal complications. All such problems have only one origin and that is poverty which can consequently lead to poor health, illiteracy, malnutrition. But microfinance unlike the formal financial institutions goes way beyond in extending credit to the poor, despite the risk involved. Microfinance has been successful in proving the bank concept wrong by targeting the poor who are considered risky but the refund rate turns out to be positive as compared to the commercial banks (Zeller and Sharma, 1998). Microfinance has been viewed by different researchers with different perspectives. It gives people new prospects by helping them to secure finances in order to balance the chances and make them responsible for their own future. It widens the horizons and thus improving the living conditions of the people. This study focuses on the contribution made by the MFIs in providing assistance to small and medium size enterprises (SMEs) primarily in Delhi.

2. Objectives

This study focuses mainly on problems faced by the SMEs in setting up and running their businesses and how MFIs are playing a key role in facilitating them. Apart from gaining an insight into the challenges faced by developing small firms, the study will recognize how MFIs are contributing to the growth of small businesses. This study emphasises on the resource needs of emerging rural small and medium size firms, and how microfinance may be contributing to small firms' expansion, and thus the sustainable development of manufacturing, retailing and others in Delhi. The objectives of study are:

I. To investigate the demand and supply of MFI services with regard to SMEs.
II. To understand the impact of Microfinance on the profitability and liquidity of SMEs.
III. To study how MFIs contribute towards increasing the capital and turnover of SMEs
IV. To investigate whether the assistance provided by MFIs has results into the development of SMES.

3. Literature review

We shall be reviewing the studies carried out by other researchers on their opinion about small and medium size enterprises and their support from Microfinance Institutions.

Maruthi Ram Prasad, Sunitha and LaxmiSunitha (2011): This study focuses mainly on the revolutionary efforts by Government, Banks and NGOs. The introduction of MFIs can be strengthened by adding a new stream of activities of microcredit. The study further states that the administration of MFIs could be done by the Microfinance leaders state-wise. The working groups could disseminate their opinion with the leaders in order to make the environment more supportive. The nation can be transformed by tapping the entrepreneurial talent of the poor.

Y.Srinivas (2005) This study states that of the view that MSMEs play a pivotal role in the

economy in terms of stable and sustainable growth,development of entrepreneurial skills, employment generation, and contribution to export earnings. Nevertheless, despite their importance to the economy, most SMEs are unable to cope up with the challenges of globalisation, primarily because of difficulties in the area of finance. With the opening up of the Indian economy, it has become essential to consider measures to enable smooth flow of credit to this sector. Small and Medium Enterprises (SMEs) play a very major role in the economy.

Idowu Friday Christopher (2010): This research investigates the Impact of Microfinance on Small and Medium-Sized enterprises in Nigeria. A questionnaire was used to collect data which was further used for analysis. Simple percentage, charts and descriptive statistics was used for the presentation of analysed data. The study finds out that a number of SMEs tried to avail loan from MFIs but only a few succeeded in securing the required amount. It is also noted that most of the SMEs availed the MFI credit and were able to increase their market share and achieving competitive advantage. It has been observed through this study that the government mainly focuses on giving tax incentives and financial support. But infrastructural facilities are also one area to lay focus on for promoting the SMEs.

Kristin Hallberg, (2000): The researcher in his paper opines that the SMEs are provided by a plethora of support programs by the governments in both developed and developing nations. This paper examines the economic logic for intervention in promoting small- and medium-scale enterprises, on both theoretical and experiential grounds. It also recommends an outline for SME intervention to help the Bank Group's client countries design SME policies, measure the effectiveness of assistance programs, thus achieving the goal of raising SME competitiveness.

Sangeeta Baksi (2010) is of the opinion that, there are fewerplans which are of extreme importance in the MSME- led technology developmental efforts, which uphold the public private partnership. Moreover the technological development has never been a straight forwardprocedure. Technological inventions have been the key to the existence of the MSMEs. Four decades of planned development have raised India to a stage, where the country exhibits some noteworthy strength in modern technologies for attaining development goals.

4. Products and Services of Microfinance
MFIs offer their customers who are mostly the men and women who could be below or marginally above the poverty line a range of products and servicesto (Bennett (1994) and Ledgerwood (1999)). The most prominent service is lending, that they often render to their clients without tangible assets and these clients mostly belong to rural areas, a majority of which may be uneducated. Formal financial institutions do not regularlyoffer these services to small informal business houses run by the poor as lucrative investments. They usually demand small loans and the financial institutions find it hard to get evidence from them either because they are illiterates and are incapable of expressing themselves or due to the problems to access their collateral due to distance.

Activities covered by Microfinance:
Micro credit: It is a small amount of money lent to a client by a bank or any other institution. Micro credit can be offered, often without security, to an individual or through group lending.
Micro savings: These are the services wherein the individuals are allowed to save small amounts of money with the institution. Often without minimum balance requirements, these saving accounts allow families to save in order to meet the unexpected expenses and plan for the future.

Micro insurance: It is a system by which people, businesses and other organizations make a

payment to contribute to risk. An easy access to insurance enables entrepreneurs to emphasise more on developing their businesses while mitigating other risks affecting property, health or the capability to work.

Remittances: These are transfer of funds from people at one place to people at another, ordinarily across borders to family and friends. As compared to other sources of capital that can vary depending on the political or economic climate, remittances are a relatively stable source of funds.

5. Small and Medium Enterprises: concept and meaning

The European Union defines SME as follows: "The category of small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual revenue not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro." All the states which are members of EU have their separate definitions of an SME. For example, in Belgium the number was limited to 100, Germany limits the number of employees to 100. Whereas in the Central Bank of Nigeria defines small and medium enterprises in Nigeria based on their asset base and number of staff employed. The norms are an asset base between N5 million and N500 million, and the number of staff members between 11 and 300 personnel.

Before the strength of SMEs was identified by the social market of Germany, they were considered as Until the mid-20th century most scholars considered SME as an obstacle to the economic development of the nation. Thereafter it was considered as a remedy to the economic issues. Small and medium scale enterprises (**SMEs**) in **India** are defined as enterprises where the investment in plant and machinery or equipments is between Rs. 25 lakhs to Rs. 10 crores in case of a manufacturing business and between Rs. 10 lakh ($\approx$ US $ 0.02 million) to Rs 5 crore in case of service sector organization.

6.1 Research Design

A design which will assess the effect of MFIs on development of SMEs specifically in Delhi, is adopted. For data analysis the research design requires the use of statistical methods, non-experimental and descriptive methods to give results. We will pick out SME's from the various areas of Delhi.

6.2 Area Study

The study is carried out mainly in two sections of Delhi. That is in South and West region and will comprise of selected Small and Medium Size enterprises that have had a certain degree of relationship with any Microfinance Institution as our case study.

6.3 Data Collection tool

The collection of data was done using primary and secondary sources both.

Primary Sources include personal interaction with the enterprise owners or their representatives. Secondary Sources include data available online including government sources, journals and reports.

6.4 Data Analysis tools

Primary data collected was analyzed with the help of SPSS. Tables were used to presenting and understanding the data. Furthermore, the data was coded and entered in an Excel Computer based application Programme to examine the relationship between the independent and dependent variables as fore specified. Tools like frequencies and percentages were used to analyse the collected data. Presentation of analyzed data was made through tables.

7.Data analysis and findings
7.1.1 Age structure of the business

The age factor of SMEs greatly decides their capacity to stay in business, to be reliable in business decision and policy formulation to achieve long-term plan.

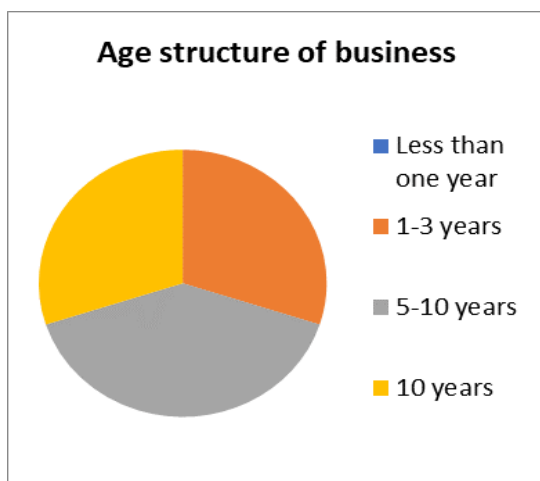| Age structure of business	Frequency	Percentage
Less than one year	0	0%
1-3 years	6	30%
5-10 years	8	40%
10 years	6	30%
Total	20	100%

Figure 7.1: Age structure of the business

From the above graph, it can be observed that none of the businessmen are less than a year old, 30% between 1-3 years, and 40% between 5-10 years while 30% are 6 years and above. These results show that most of the businesses are still in their mid term growth i.e. are not yet old, while 40% of them are beginners

7.1.2 Main source of capital

Here, the information regarding the various sources of finance used by SMEs are looked into. The main aim is to find out how MFIs play the role of financial viability to the SMEs. Out of the 20-questionnaire administered, most of the responses were related to either one or two main sources of capital to the business.

Table 7.3: Awareness regarding microfinance

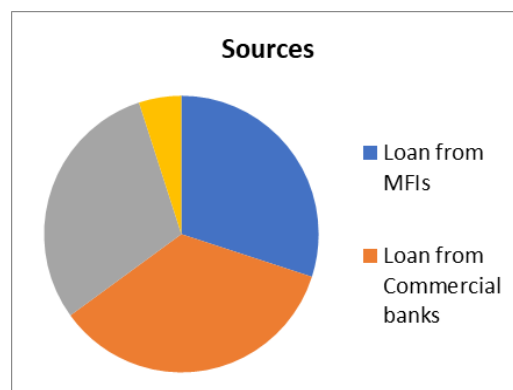| Sources	Frequency	Percentage
Loan from MFIs	6	30%
Loan from Commercial banks	7	35%
Personal Savings	6	30%
Family relatives	1	5%
Total	20	100%

Figure 7.2: Main source of capital

Looking at the tables above it can be observed that most Small and Medium Size Enterprises fund their capital needs from personal savings in MFIs which is due to the high interest yielding rate offered on deposits by MFIs followed by loans they take from these same institutions due to the low interest to be charged on a loan. We can see this as the rate is 30%, 35%, 30% and 5%respectively for loan form MFIs, from commercial banks, personal savings and family.

7.1.2 Awareness of Microfinance Institutions

Table 7.3: Awareness regarding microfinance

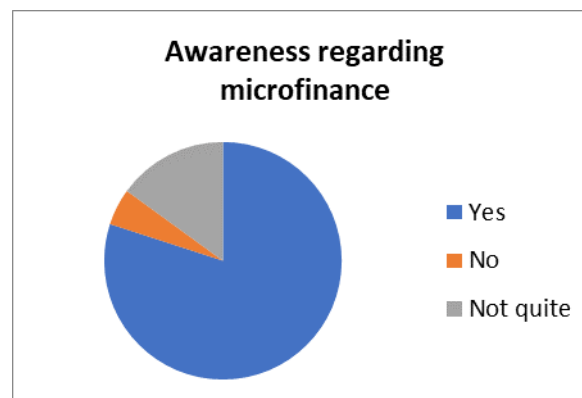| Responses	Frequency	Percentage
Yes	16	80%
No	1	5%
Not quite	3	15%
Total	20	100%

Figure 7.3: Awareness regarding microfinance

As seen above, definitely majority of businesses (80%) know very much about Microfinance and know about their benefits whereas the other 15% have maybe heard but have not availed any of their services.

7.1.3 Whether or not availed credit from microfinance

Table No. 7.4: Credit availed rom microfinance or not

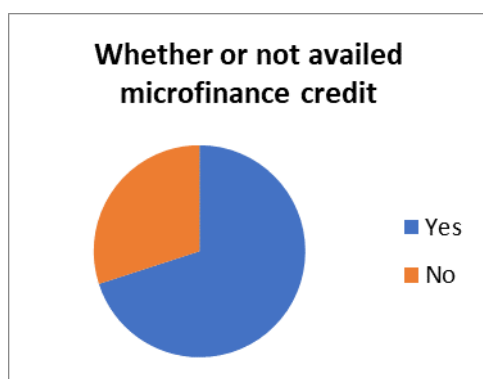| Responses	Frequency	Percentage
Yes	14	70%
No	6	30%
Total	20	100%

Figure 7.4: Credit availed rom microfinance or not

It can be clearly seen from the above table that 70% of the respondents have availed credit from microfinance while only 30% have not availed.

7.1.4 Benefits of microfinance services

Table No. 7.5: Benefits of Microfinance services

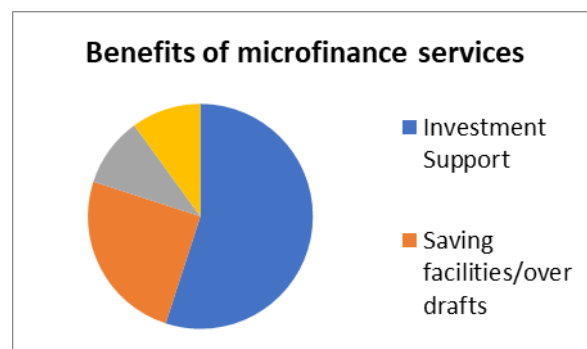| Responses	Frequency	Percentage
Investment Support	11	55%
Saving facilities/overdrafts	5	25%
Risk management schemes	2	10%
Other Service	2	10%

Total	20	100%

Figure 7.5: Benefits of Microfinance services

Out of all the responses the results regarding benefits of microfinance reveal that most(55%) of the SMEs avail investment support from MFIs, 23% from saving facilities and 10% each for risk management schemes and other services.

7.1.6 Problems faced by small and medium sized businesses

Table No. 7.6: Problems faced by SMEs

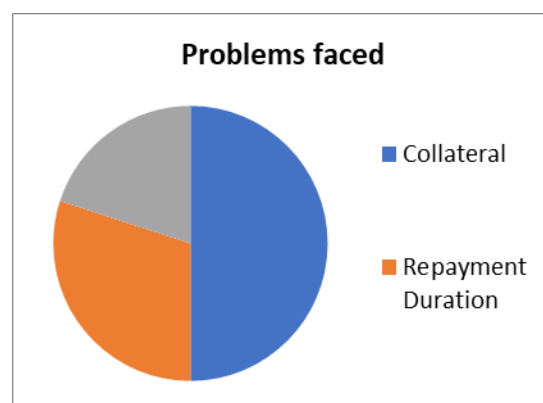| Responses	Frequency	Percentage
Collateral	10	50%
Repayment Duration	6	30%
Interest Rates for loans	4	20%
Total	20	100%

Figure. 7.6: Problems faced by SMEs

It can be seen that 50% 0f the businesses encounter the difficulty of providing collateral because most of them are beginners and hence find it hard to provide collaterals. While 30% of the SMEs complain about finding it difficult to disburse their principals and interest amount together. 20% of the SMEs respond with high interest rates. All the above mentioned problems arise because of the wide supply demand gap of loans.

7.1.7 Type of business

Table No. 7.6: Problems faced by SMEs

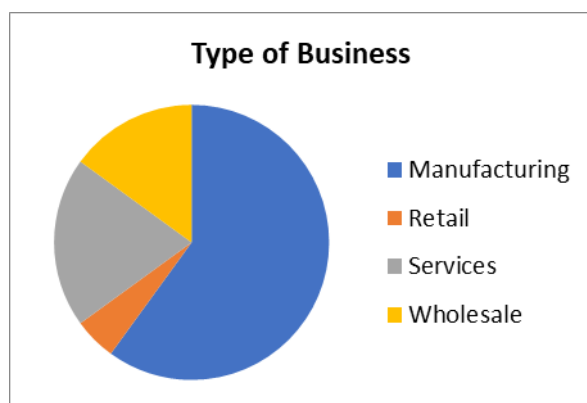| Type Of Business	Frequency	Percentage
Manufacturing	12	60%
Retail	1	5%
Services	4	20%
Wholesale	3	15%
Total	20	100%

Figure. 7.7: Type of business

The manufacturing sector has clearly been the largest consumer of the MFI products with 60% followed by Service sector at 20%, Wholesale at 15% and finally Retail at small 5%.

7.1.8 Level of satisfaction of the borrowers of microfinance

Table No. 7.6: Problems faced by SMEs

Level of satisfaction	Frequency	Percentage

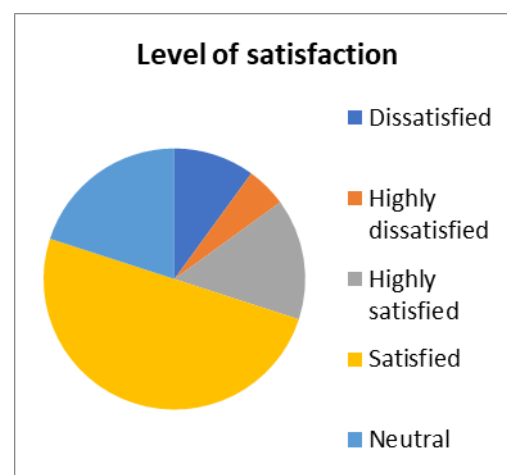|		
Dissatisfied	2	10%
Highly dissatisfied	1	5%
Highly satisfied	3	15%
Satisfied	10	50%
Neutral	4	20%
Total	20	100%

Figure 7.8: Level of satisfaction

It can be seen from the above data that most(50%) of the respondents are satisfied with the services provided by microfinance. Whereas only 5% individuals are dissatisfied. It can be seen from the above chart that most people are satisfied or neutral and very few are dissatisfied with the MFI credit.

7.1.9 Change in turnover of SMEs in the last 2 yrs

Table No. 7.9: Change in turnover in last 2 yrs

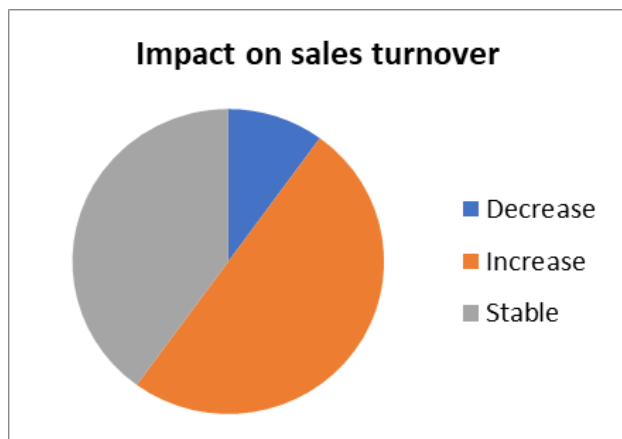| Impact	Frequency	Percentage
Decrease	2	10%
Increase	10	50%
Stable	8	40%
Total	20	100%

Figure 7.9: Change in turnover in last 2 yrs

People were asked how the MFI credit has affected their sales revenue. In order to evaluate the impact of microfinance, the SMEs who have not taken credit from MFIs are also included in the study. 50% of the SMEs have shown an increase in their turnover, 30% have stable turnover and a small percentage of SMEs has shown a decrease in their turnover.

7.1.10 Change in profitability of SMEs in the last 2 yrs

Table No. 7.10: Change in profitability in last 2 yrs

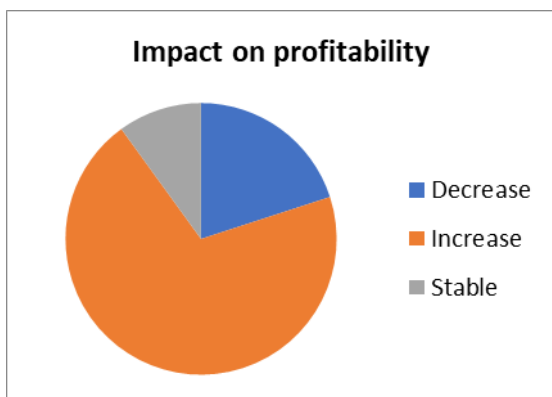| Impact	Frequency	Percentage
Decrease	4	20%
Increase	14	70%
Stable	2	10%
Total	20	100%

Figure 7.10: Change in profitability in last 2 yrs

The profitability is assessed for all the SMEs to have a relative valuation of those who took credit to those who have not taken any loan from MFIs. The results reveal that 70% of SMEs surveyed have an increase in their profit, 10% have a stable profit and 20% have a decrease in profit. This is a positive sign regarding the working of MFIs as most of the SMEs are growing in terms of profit after availing loan from MFIs.

7.1.11 Change in liquidity of SMEs in last 2 yrs-

Table No. 7.11: Change in liquidity in last 2 yrs

Impact on liquidity	Frequency	Percentage
Decrease	5	25%
Increase	11	55%
Stable	4	20%
Total	20	100%
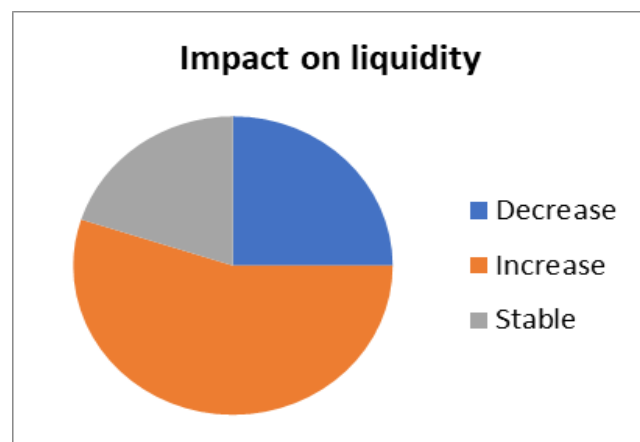
Figure 7.11: Change in liquidity in last 2 yrs

The liquidity position of the business of the surveyed SMEs is assessed in order to find out whether the credit from MFIs has a positive impact on their liquidity position as well. The results reveal that though 55% SMEs show an improvement in their liquidity position, yet there are 25% of them who experience a decline in their liquidity. Also 20% have been able to a steady liquidity position.

7.1.12 Change in capital of SMEs in the last 2 yrs

Table No. 7.12: Change in capital in last 2 yrs

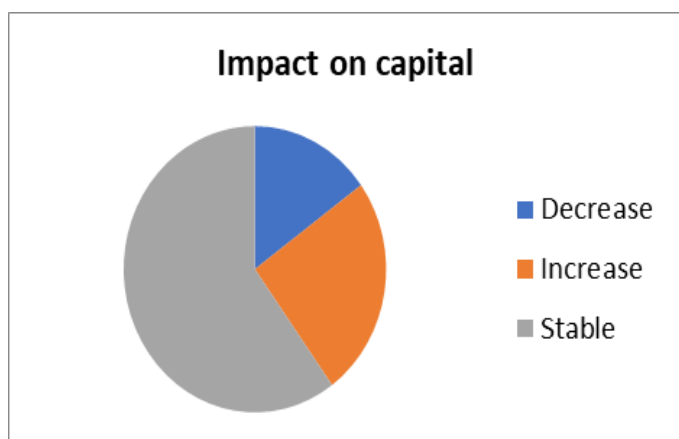| Impact on capital	Frequency	Percentage
Decrease	3	15%
Increase	5	25%
Stable	12	60%
Total	20	100%

Figure 7.12: Change in capital in last 2 yrs

There hasn't been a powerful impact of MFI credit on capital of SMEs as it can be seen from the table that 60% of SMEs have the same capital as before but only 25% have experienced a rise and 15% have observed a fall in their capital.

Impact of Microfinance Using Cross Tabulation
Micro finance services vs. Profitability in business Cross Tabulation

Table No. 7.13: Micro finance services vs. Profitability in business Cross Tabulation

Micro finance services * Profitability in business Cross Tabulation			Impact on profitability			Total
			Decrease	Increase	Stable	
Yes		Count	3	9	2	14
		% within Whether taken loan from MFI	21.4%	64.28%	12.28%	100%
No		Count	2	3	1	6
		% within Whether taken loan from MFI	33.33%	50%	16.67%	100%
Total		Count	5	12	3	20
		% within Whether taken loan from MFI	25%	60%	15%	100%

Interpretation

Out of 14 respondents who have taken credit from MFIs, 3 respondents or 21.4%ofSMEs' profit has increased due to the credit taken from MFIs, whereas 12.28% SMEs' profit remained stable. While for 9 or 64.28%respondents' profit declined.

Micro finance services vs. turnover in business Cross Tabulation

*Table No. 7.14: Micro finance services * Business turnover Cross Tabulation*

Micro finance services * Business turnover Cross Tabulation			Impact on turnover			Total
			Decrease	Increase	Stable	
Yes		Count	2	5	7	14
		% within Whether taken loan from MFI	14.28%	35.72%	50%	100%
No		Count	1	3	2	6
		% within Whether taken loan from MFI	16.67%	50%	33.33%	100%
Total		Count	3	6	9	20
		% within Whether taken loan from MFI	15%	30%	45%	100%

Interpretation

Out of 14 respondents who have taken credit from MFIs, 14.28% of SMEs' turnover has decreased even after availing credit from MFIs, whereas 50% SMEs' turnover remained stable.While 35.72% SMEs' observed a growth in turnover .

Micro finance services vs liquidity in business Cross Tabulation

*Table No. 7.15: Micro finance services * liquidity in business Cross Tabulation*

Micro finance services * liquidity in business Cross Tabulation						Total
			Impact on liquidity			
			Decrease	Increase	Stable	
Yes	Count		4	6	4	14
	% within Whether taken loan from MFI		28.57%	42.85	28.57%	100%
No	Count		3	1	2	6
	% within Whether taken loan from MFI		50%	16.67%	33.33%	100%
Total	Count		7	7	6	20
	% within Whether taken loan from MFI		35%	35%	30%	100%

Interpretation

Out of 14 SMEs who have taken credit from MFIs, 28.57% of SMEs'liquidity position deteriorated even after availing credit from MFIs, whereas 42.85% SMEs' liquidity position showed a rise. While 28.57% SMEs' observed steady liquidity position.

Micro finance services vs. capital Cross Tabulation

*Table No. 7.15: Micro finance services * Capital Cross Tabulation*

Micro finance services * capital Cross Tabulation						Total
			Impact on Capital			
			Decrease	Increase	Stable	
Yes	Count		3	7	4	14
	% within Whether taken loan from MFI		21.4%	50%	28.57%	100%
No	Count		2	1	3	6
	% within Whether taken loan from MFI		33.33%	16.67%	50%	100%
Total	Count		5	8	7	20
	% within Whether taken loan from MFI		25%	40%	35%	100%

Interpretation

Out of 14 SMEs who have taken credit from MFIs, 21.4% of SMEs' capital deteriorated even after availing credit from MFIs, whereas 50% SMEs' liquidity position showed a rise. While 28.57% SMEs' observed steady liquidity position.

Hypothesis Testing

To assess the impact of MFI credit on variables like profitability, turnover, liquidity position and capital usingChi Squareanalysis. The hypothesis raised for the same is:

H1a:There is a significant relationship between MFI loans and profit

H0a :There is a significant no relationship between MFI loans and profit

H1b :There is a significant relationship between MFI loans and sales turnover

H0b:There is a no significant relationship between MFI loans and sales turnover

H1c:There is a significant relationship between MFI loans and capital

H0c:There is a significant no relationship between MFI loans and capital

H1d: There is a significant relationship between MFI loans and liquidity

H0d: : There is a significant relationship between MFI loans and liquidity

*Table No. 7.15: Micro finance services * Capital Cross Tabulation*

Chi square	Dependent Variables			
	Profitability	Sales turnover	Capital	Liquidity
Value	13.715	7.313	2.872	12.995
Df	2	2	2	0.026
Asymp. Sig. (2-sided)	0.001	0.026	0.2380	0.002

Interpretation:

Interpretation-The Pearson Chi-Square test has been carried out to test the significance of relationship between MFI credit and variables like profitability, sales turnover, capital and liquidity. It is inferred from the table that the values for profitability, sales and liquidity position are .001, .026 and .002 respectively and they are less than 0.05, so we reject the null hypothesis. This means that there is a significant association between microfinance services and profitability, sales and liquidity. But for capital the value is 0.238 which is greater than 0.05 so the null hypothesis is accepted in this case. So, it can be concluded that

the SMEs whose capital shows an increase, could be due to some reasons other than availability of microfinance credit.

8 Findings

The paper mainly focuses on the availability of microfinance as vis-a-vis the demand, its impact on variables like profitability, liquidity, sales turnover and capital of SMEs. By carrying out a survey using a structured questionnaire following observations were made:

1. Maximum SMEs had business older than a year, 40% had the age of business upto 10 years. 60% of them being manufacturers, rest were retailers, wholesalers and service-providers.
2. Inspite of being aware about the availability of microfinance the SMEs are hesitant to take loans from MFI therefore only 30% of SMEs fund their credit needs through MFIs. Rest rely upon commercial banks, savings in MFIs.
3. 70% of the SMEs have taken loan from MFIs for various uses. 80% relied for investment support and savings and rest for risk management schemes and miscellaneous reasons.
4. SMEs encounter varied issues while availing leans from MFIs. 50% ace the problem of providing collateral, others find difficulty in repayment and high interest rates. The problem of providing collaterals against their loans is a major obstacle which discourages the SMEs from availing MFI credit. This is mainly due to the huge gap between the demand and supply of MFI loans. There are limited MFIs providing credit as compared to the demand, which makes the MFIs demand valuable collaterals to avoid delinquency.
5. Talking of the level of satisfaction of SMEs regarding the microfinance services, it can be observed that 50% of them are satisfied, 15% highly satisfied, some neutral towards the services and only 15% being dissatisfied. This implies that microfinance has been successful in providing satisfactory services to the SMEs.
6. Impact of microfinance on the business of SMEs has been studied using cross-tabs and

chi-square test. The chi-square test results show there is a significant association between microfinance services and profitability, sales and liquidity. But for capital since the value is 0.238 which is greater than 0.05 the null hypothesis is accepted. The SMEs whose capital shows an increase, could be due to some reasons other than availability of microfinance credit. The cross tab results show that the respondents who availed microfinance services, majority had stable profit, turnover, liquidity and capital. There has been an improvement in the above-mentioned variables and in some cases the position declined. So it can be concluded that microfinance has contributed to some SMEs profit, capital and turnover but there still are areas where services of microfinance need to be improved as in many cases the profit, turnover and capital has shown a downfall.

9 Conclusion

Microfinance institutions are a blessing to the developing nations. The products and services offered by the MFIs lay special emphasis on the poor and are designed to suit their requirements. There is a wide range of services being offered to solve the issues faced due to poverty yet these variety of products are not a direct solution to the problems encountered by them like lack of financial support, lack of technology, less exposure to market etc. The MFIs can only provide a platform to this neglected section of the society which is considered unfit from the point of view of the formal financial institutions. In other words, MFIs act as a bridge to cover the gap between the formal and informal financial institutions. It facilitates development of new markets, increase in income, creates and accumulates assets and promotes and inculcates the culture of entrepreneurship. Like the formal financial institutions, MFIs also charge high interest rate, but in spite of this, they are successful in reaching out to the poor because of their high rate of accessibility and easy lending procedures. This paper provides an exploration

into the impact of microfinance on the advancement of SMEs. The paper applied results from questionnaire surveys in Delhi, India. Going by the statistical observations, it is indicated that SMEs that availed loan from MFIs flourished more than those who did not avail any loan. The study also reveals that there is a positive impact of the products and services offered by MFIs on the overall performance of SMEs. Though there is still scope for improvement in activities of MFIs vis-à-vis the growth and development of SMEs.

10 Recommendations

The findings of the study suggest that the MFI loans should be made more easily available to the SMEs to ensure their growth and development having an impact on their liquidity and profitability. Provision of financial assistance to the SMEs does help in raising their sales and profitability yet it can be observed that there are cases where education needs to be provided to make the proper utilization of available funds. Training directly to the SME owners or by appointing trained staff in the SMEs would result in judicious use of the financial resources thus making them earn higher profits. Besides, MFIs should also encourage the SMEs to make use of mobile banking by opening technology enabled easily accessible savings account. Being unable to provide collateral is the main reason why banks consider the poor unfit for extending credit, therefore the MFIs should also eliminate the clause of providing collaterals to back up their loans to involve larger number of poor in their system.

11 Limitations

During this survey, some inevitable issues which encountered, however it didn't stop the completion of the research. We had a problem in administering the questionnaire because some SMEs refused to provide data, claiming that they were too busy. Others refused because they didn't want to divulge private information about their business. The research right now gages only a set of 20 respondents from the South and West Delhi

while leaving a vast set of SME owners out of the scope of its analysis.

Future Scope

Presently only limited qualitative factors have been taken into consideration for assessing the impact of MFIs on the profitability and overall growth of SMEs, yet the research must assess more on the qualitative facets of how SMEs act towards using their credit towards businesses. Secondly, emphasis must also be laid on the growth of SHGs as to how they can move into the lending scenario from being merely a tool to promote savings.

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