



A Study on Impact of Microfinance Funding on MSME Performance: An Analysis of Growth, Profitability, Employment, and Sustainability

¹Dr. Santosh Mishra; ²Dr. Priyanka Singh Jadon

¹Associate Professor, Oriental College of Management

²Assistant Professor, Oriental College of Management

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play an essential role in economic development by supporting employment generation and income creation. However, limited access to formal finance often restricts their ability to grow and remain sustainable. Microfinance Institutions (MFIs) provide financial support to MSMEs that are unable to access traditional banking services. This study aims to analyze the effect of MFI funding on MSME performance with respect to business growth, profitability, employment creation, financial stability, and sustainability. The research is based on both primary and secondary data collected from MSME owners who have received microfinance support. The study seeks to understand whether microfinance funding contributes positively to business performance and long-term stability. The findings of this research are expected to be useful for policymakers, financial institutions, and entrepreneurs in improving financial inclusion and strengthening MSME development.

Keywords: MFI, MSME, Growth, Profitability, Employment, Financial Stability, and Sustainability etc.

INTRODUCTION

MSMEs are a significant contributor to economic growth and social development, especially in developing countries. These enterprises generate employment opportunities, encourage entrepreneurship, and support balanced regional development. Despite their importance, many MSMEs face challenges in accessing adequate financial resources. Factors such as lack of collateral, insufficient credit history, and informal business practices often prevent them from obtaining loans from commercial banks.

Microfinance Institutions have emerged as an important source of financial assistance for MSMEs by offering small loans and financial services tailored to their needs. MFI funding helps businesses manage working capital, invest in productive assets, and improve operational efficiency. This study focuses on assessing how funding from Microfinance Institutions impacts MSME performance in terms of growth, profitability, employment, financial stability, and long-term sustainability.

LITERATURE REVIEW

Several studies have examined the relationship between microfinance and MSME development. Existing research suggests that access to microfinance enables small businesses to expand their operations and improve productivity. Many researchers have observed that MSMEs receiving microfinance support experience an increase in income and profitability due to better financial management.

Studies also indicate that microfinance contributes to employment generation by allowing enterprises to scale their activities and hire additional workers. Furthermore, access to formal credit through MFIs reduces dependence on informal lenders, thereby improving financial stability. However, some literature highlights concerns related to high interest rates and repayment pressure, which may affect the long-term sustainability of MSMEs. These mixed findings highlight the need for further research to evaluate the overall impact of MFI funding on multiple dimensions of MSME performance.

- **Ledger wood, J. (1999):** Microfinance Handbook: An Institutional and Financial Perspective. **Gist:** Ledger wood explains the role of microfinance institutions in providing financial services to small and micro enterprises that lack access to formal banking. The study highlights how microfinance supports enterprise growth by improving access to credit, savings, and financial discipline, which contributes to business stability and sustainability.
- **Beck, T., Demirgüç-Kunt, A., & Maksimovic, V. (2005): Financial and Legal Constraints to Firm Growth.** **Gist:** This study examines how financial constraints affect small business growth. The authors find that limited access to finance significantly restricts MSME expansion. The research supports the idea that alternative financing sources, such as microfinance institutions, play an important role in improving MSME growth and performance.
- **Banerjee, A., & Duflo, E.: The Economic Lives of the Poor (2007)** **Gist:** The authors analyze how access to small-scale finance influences business activities among low-income entrepreneurs. The study suggests that microfinance helps enterprises manage cash flow and reduce vulnerability, though the impact on long-term profitability varies depending on business conditions.
- **Armendáriz, B., & Morduch, J.: The Economics of Microfinance (2010)** **Gist:** This work provides an overview of the economic impact of microfinance. It emphasizes that microfinance can promote employment generation and financial inclusion among small enterprises. However, the authors note that sustainability depends on appropriate loan size, repayment terms, and business capacity.
- **Ghosh, S., & Neogi, C. (2012): Microfinance and Its Impact on Small Enterprise Development.** **Gist:** The study finds a positive relationship between microfinance funding and MSME performance, particularly in terms of income growth and employment creation. It also highlights that training and financial literacy enhance the effectiveness of microfinance support.
- **Kumar, A., & Rao, P.: Role of Microfinance in MSME Development in India (2015)** **Gist:** This research focuses on the Indian context and concludes that microfinance institutions play a significant role in supporting MSMEs by providing timely credit. The study observes improvements in profitability and financial stability among MSMEs that regularly access MFI funding.
- **Yunus, M. (2007): Creating a World Without Poverty** **Gist:** Yunus highlights microfinance as a tool for empowering small entrepreneurs. The study discusses how access to microcredit enables MSMEs to become self-reliant, generate employment, and achieve sustainable growth when supported by proper institutional frameworks.

RESEARCH METHODOLOGY

Research Design

The study follows a descriptive and analytical research design to evaluate the impact of Microfinance Institution funding on MSME performance.

Sources of Data

- **Primary Data:** Collected through structured questionnaires administered to MSME owners who have obtained funding from MFIs.
- **Secondary Data:** Collected from research journals, reports, books, and official publications related to MSMEs and microfinance.

Objective of the Study

- To assess the effect of MFI funding on the business growth of MSMEs.



- To evaluate the influence of MFI funding on the profitability of MSMEs.
- To analyze how MFI funding contributes to employment generation and workforce stability within MSMEs.
- To examine the impact of MFI funding on the financial stability and creditworthiness of MSMEs.
- To determine the effect of MFI funding on the long-term sustainability and resilience of MSMEs.

Hypothesis of the Study

H0₁: MFI funding has no significant effect on MSME business growth

H1₁: MFI funding has a significant effect on MSME business growth.

H0₂: MFI funding does not result in a significant change in the profitability of MSMEs.

H1₂: MFI funding results in a significant change in the profitability of MSMEs.

H0₃: MFI funding does not lead to a significant change in employment levels or workforce stability in MSMEs.

H1₃: MFI funding leads to a significant increase in employment levels and improved workforce stability in MSMEs.

H0₄: MFI funding produces no significant improvement in MSME financial stability or creditworthiness.

H1₄: MFI funding produces a significant improvement in MSME financial stability and creditworthiness.

H0₅: MFI funding has no significant impact on the long-term sustainability and resilience of MSMEs.

H1₅: MFI funding has a significant positive impact on the long-term sustainability and resilience of MSMEs.

Sampling Method and Sample Size

The study uses purposive sampling to select MSMEs that have received microfinance support. The sample size is determined based on availability and accessibility of respondents.

Parameters of the Study

- Growth of MSMEs
- Profitability
- Employment generation
- Financial stability
- Business sustainability

Statistical Tools used for the study: Chi-square Test

Limitations of the Study

- The study is limited to a specific geographical area
- Responses are based on the perceptions of MSME owners
- Time constraints may affect the depth of analysis

Business Growth

Table 1

| Statement | Strongly Agree (SA) | Agree (A) | Neutral (N) | Disagree (D) | Strongly Disagree (SD) | Total |
|--|---------------------|------------|-------------|--------------|------------------------|------------|
| My business has experienced an increase in sales or revenue after receiving MFI funding. | 150 | 110 | 20 | 15 | 5 | 300 |
| MFI funding has helped increase my MSME's production or output levels. | 140 | 120 | 25 | 10 | 5 | 300 |
| With MFI assistance, my business has expanded its operations. | 130 | 125 | 20 | 15 | 10 | 300 |
| TOTAL | 420 | 355 | 65 | 40 | 20 | 900 |

Interpretations

The data clearly indicates that MFI funding has a strong positive impact on the growth of MSMEs. A substantial majority of respondents agreed that their businesses experienced increased sales or revenue after receiving financial assistance. This reflects improved liquidity and the ability of MSMEs to meet market demand more effectively.

The responses also show that MFI support significantly contributed to higher production or output levels. This suggests that the funds were largely utilized for purchasing raw materials, upgrading equipment, or meeting operational expenses, which directly enhanced productivity.

Further, most respondents acknowledged that MFI assistance helped them expand their business operations. This expansion may include increasing scale, adding new products or services, or entering new markets. The relatively small proportion of neutral and negative responses indicates limited dissatisfaction and highlights the overall effectiveness of MFI funding in fostering business growth among MSMEs.

Hypothesis 1

H0₁: MFI funding has no significant effect on MSME business growth

H1₁: MFI funding has a significant effect on MSME business growth.

Chi-Square Test Summary

| Statistic | Value |
|-------------------------|--------------|
| Chi-Square (χ^2) | 1128.16 |
| Degrees of Freedom (df) | 2 |
| p-value | $p < 0.0001$ |

| | |
|-------------------|---|
| Decision | Reject H_{01} |
| Conclusion | Accept the alternative hypothesis (H_{11}): MFI funding has a significant positive effect on MSME business growth. |

Interpretation

The chi-square test was conducted to examine whether MFI funding has a significant effect on MSME business growth. The results show a chi-square statistic of $\chi^2 = 1128.16$ with 2 degrees of freedom, and a corresponding p-value < 0.0001 . Since the p-value is far below the 0.05 significance threshold, the test provides strong statistical evidence against the null hypothesis.

This means that the distribution of responses (positive, neutral, and negative) significantly differs from what would be expected if MFI funding had no effect on business growth. The majority of respondents (86.1%) expressed positive views—indicating increased sales, higher production, and expanded operations—while only a small percentage reported neutral or negative views.

Therefore, the study rejects the null hypothesis (H_{01}) and accepts the alternative hypothesis (H_{11}). This confirms that MFI funding has a statistically significant and positive effect on MSME business growth. The findings suggest that microfinance support contributes meaningfully to enhancing business performance, supporting expansion, and improving productivity among MSMEs.

Profitability

Table 2

| Statement | SA | A | N | D | SD | Total |
|--|------------|------------|-----------|-----------|-----------|------------|
| My business has experienced an increase in net profit after receiving MFI funding. | 145 | 120 | 20 | 10 | 5 | 300 |
| MFI support has improved the cash flow of my MSME. | 150 | 115 | 18 | 12 | 5 | 300 |
| Access to MFI funding has helped my business manage costs more effectively. | 135 | 125 | 25 | 10 | 5 | 300 |
| TOTAL | 430 | 360 | 63 | 32 | 15 | 900 |

Interpretations

The table shows a strong positive relationship between MFI funding and the profitability of MSMEs. A majority of respondents reported improvement in profit levels, cash flow, and cost management after receiving financial support from MFIs.

For the first statement, increase in net profit, 265 out of 300 respondents (145 Strongly Agree and 120 Agree) confirmed that their businesses experienced higher profits after MFI funding. This indicates that access to finance enabled MSMEs to expand operations and improve revenue generation, leading to better profit outcomes.

Regarding cash flow improvement, 265 respondents again expressed agreement (150 Strongly Agree and 115 Agree). This highlights that MFI support helped businesses maintain smoother day-to-day operations, meet working capital requirements, and reduce financial stress.

In terms of effective cost management, 260 respondents agreed (135 Strongly Agree and 125 Agree) that MFI funding helped them control and manage business expenses more efficiently. This suggests that timely access to funds allowed MSMEs to plan purchases, avoid emergency borrowing, and negotiate better terms with suppliers.

Overall, the combined responses (790 out of 900 in Strongly Agree and Agree categories) clearly demonstrate that MFI funding has a significant positive impact on the profitability and financial stability of MSMEs, with minimal levels of neutrality and disagreement.

Hypothesis 2

H0₂: MFI funding does not result in a significant change in the profitability of MSMEs.

H1₂: MFI funding results in a significant change in the profitability of MSMEs.

Chi-square result analysis

| Statistic | Value |
|-------------------------|---|
| Chi-Square (χ^2) | 1200.92 |
| Degrees of Freedom (df) | 2 |
| p-value | p < 0.0001 |
| Decision | Reject H0 ₂ |
| Conclusion | Accept H1 ₂ : MFI funding significantly increases MSME profitability |

Interpretation

The chi-square test was conducted to determine whether MFI funding has a significant effect on MSME profitability. The results revealed a chi-square statistic of $\chi^2 = 1200.92$ with 2 degrees of freedom, and a corresponding p-value < 0.0001. Since the p-value is far below the 0.05 significance level, the null hypothesis (H0₂), which states that MFI funding results in no significant change in MSME profitability, is rejected. This leads to the acceptance of the alternative hypothesis (H1₂), indicating that MFI funding results in a significant increase in MSME profitability.

Descriptive results further support this finding. A total of 87.8% of respondents agreed that MFI funding improved profitability through increased net profits, better cash flow, and effective cost management, while only 5.2% expressed negative views and 7.0% remained neutral. This distribution shows strong convergence toward a positive impact.

Overall, the findings demonstrate that MFI funding plays a crucial role in enhancing MSME profitability, leading to improved financial performance and better operational efficiency.

Employment Generation

Table 3

| Statement | SA | A | N | D | SD | Total |
|--|-----|-----|----|----|----|-------|
| My business has increased the number of employees after receiving MFI support. | 140 | 120 | 20 | 15 | 5 | 300 |
| MFI funding has enabled my MSME to hire additional skilled workers. | 145 | 115 | 20 | 15 | 5 | 300 |



| | | | | | | |
|---|------------|------------|-----------|-----------|-----------|------------|
| Access to MFI finance has improved the stability of my workforce. | 135 | 125 | 25 | 10 | 5 | 300 |
| TOTAL | 420 | 360 | 65 | 40 | 15 | 900 |

Interpretations

The table indicates that MFI support has played a significant role in promoting employment generation among MSMEs. A clear majority of respondents agreed that the number of employees in their businesses increased after receiving financial assistance, showing that improved access to funds encouraged business expansion and job creation.

The responses further reveal that MFI funding enabled MSMEs to hire additional skilled workers. This suggests that financial stability provided by MFIs allowed enterprises to focus not only on increasing workforce size but also on improving the quality of human resources.

In addition, many respondents reported better workforce stability after accessing MFI finance. This reflects the ability of MSMEs to offer more consistent employment and timely wage payments, reducing employee turnover. Overall, the limited neutral and negative responses confirm that MFI funding has positively influenced employment growth and workforce stability in MSMEs.

Hypothesis 3

H0₃: MFI funding does not lead to a significant change in employment levels or workforce stability in MSMEs.

H1₃: MFI funding leads to a significant increase in employment levels and improved workforce stability in MSMEs.

Chi-Square test results

| Statistic | Value |
|-------------------------|---|
| Chi-Square (χ^2) | 1152.16 |
| Degrees of Freedom (df) | 2 |
| p-value | $p < 0.0001$ |
| Decision | Reject H0 ₃ |
| Conclusion | Reject H0 ₃ ; Accept H1 ₃ |

Interpretation

The chi-square test was carried out to assess whether MFI funding has a significant effect on employment generation in MSMEs. The results show a chi-square statistic of $\chi^2 = 1152.16$ with 2 degrees of freedom and a p-value < 0.0001 . Since the p-value is much lower than the significance level of 0.05, the null hypothesis (H0₃), which states that MFI funding leads to no significant change in MSME employment levels, is rejected.

Therefore, the alternative hypothesis (H1₃) is accepted, indicating that MFI funding significantly increases employment levels and contributes to workforce stability among MSMEs.

The descriptive findings reinforce this conclusion: 86.7% of respondents agreed or strongly agreed that MFI funding enabled their businesses to add more employees, hire skilled workers, and stabilize their workforce. Only 6.1% disagreed, while 7.2% remained neutral.

Overall, the analysis demonstrates that MFI funding plays a key role in promoting job creation and strengthening workforce stability within MSMEs.

Financial Stability & Creditworthiness

Table 4

| Statement | SA | A | N | D | SD | Total |
|---|------------|------------|-----------|-----------|-----------|------------|
| My MSME's repayment capacity has improved after receiving MFI financial assistance. | 150 | 120 | 20 | 5 | 5 | 300 |
| After receiving MFI support, my business has better access to additional credit or loans in the future. | 140 | 125 | 20 | 10 | 5 | 300 |
| The financial discipline gained through MFI funding has enhanced my business's creditworthiness. | 145 | 115 | 25 | 10 | 5 | 300 |
| TOTAL | 435 | 360 | 65 | 25 | 15 | 900 |

Interpretations

The data shows that MFI financial assistance has significantly strengthened the financial stability and creditworthiness of MSMEs. A large majority of respondents agreed that their repayment capacity improved after receiving MFI support, indicating better cash management and more predictable income flows.

The responses also suggest that MFI funding enhanced future access to credit. Many MSMEs reported improved eligibility and confidence when seeking additional loans, which reflects the positive signaling effect of successful MFI borrowing and repayment history.

Furthermore, respondents acknowledged that the financial discipline developed through regular repayments and structured lending improved their overall creditworthiness. The small proportion of neutral and negative responses indicates strong agreement that MFI support contributes to long-term financial stability and improved standing in the formal credit system.

Hypothesis 4

H04: MFI funding produces no significant improvement in MSME financial stability or creditworthiness.

H14: MFI funding produces a significant improvement in MSME financial stability and creditworthiness.

Chi-Square test results

| Statistic | Value |
|-------------------------|------------|
| Chi-Square (χ^2) | 1226.16 |
| Degrees of Freedom (df) | 2 |
| p-value | p < 0.0001 |



| | |
|-------------------|---|
| Decision | Reject H0 ₄ |
| Conclusion | Reject H0 ₄ ; Accept H1 ₄ |

Interpretation

The chi-square test was conducted to determine whether MFI funding has a significant effect on MSME financial stability. The results show a chi-square value of $\chi^2 = 1226.16$ with 2 degrees of freedom and a p-value < 0.0001 . Since the p-value is much lower than 0.05, the null hypothesis (stating that MFI funding has no effect on financial stability) is rejected.

The alternative hypothesis is accepted, indicating that MFI funding significantly improves financial stability among MSMEs. Descriptively, 88.3% of respondents reported positive effects, including improved repayment capacity, better access to additional credit, and enhanced financial discipline, while only 4.5% reported negative effects.

These findings demonstrate that MFI support strengthens MSME financial performance and creditworthiness, contributing to long-term business stability.

Business Sustainability

Table 5

| Statement | Strongly Agree (SA) | Agree (A) | Neutral (N) | Disagree (D) | Strongly Disagree (SD) | Total |
|--|---------------------|------------|-------------|--------------|------------------------|------------|
| MFI financial support has strengthened my business's ability to survive market fluctuations. | 135 | 140 | 15 | 5 | 5 | 300 |
| Access to MFI funding has helped my MSME engage in long-term business planning. | 130 | 145 | 15 | 5 | 5 | 300 |
| MFI assistance has enabled my business to invest in new technologies or equipment. | 140 | 135 | 20 | 5 | 0 | 300 |
| TOTAL | 405 | 420 | 50 | 15 | 10 | 900 |

Interpretations

The data shows that MFI financial support has significantly enhanced the sustainability of MSMEs. A majority of respondents agreed that MFI funding strengthened their ability to cope with market fluctuations, indicating improved financial resilience and stability during uncertain conditions.

The responses further reveal that access to MFI finance supported long-term business planning. With better financial security, MSMEs were able to focus on future growth strategies rather than short-term survival.

In addition, many respondents reported that MFI assistance enabled them to invest in new technologies or equipment. This suggests that MFI funding encouraged modernization and efficiency, which are essential for

sustaining business operations in a competitive environment. Overall, the minimal level of disagreement confirms the positive role of MFIs in promoting long-term business sustainability.

Hypothesis 5

H0₅: MFI funding has no significant impact on the long-term sustainability and resilience of MSMEs.

H1₅: MFI funding has a significant positive impact on the long-term sustainability and resilience of MSMEs.

Chi-Square test results

| Statistic | Value |
|-------------------------|---|
| Chi-Square (χ^2) | 1379.16 |
| Degrees of Freedom (df) | 2 |
| p-value | p < 0.0001 |
| Decision | Reject H0 ₅ |
| Conclusion | Reject H0 ₅ ; Accept H1 ₅ |

Interpretation

The chi-square test shows $\chi^2 = 1379.16$ with 2 degrees of freedom and p < 0.0001, indicating a highly significant result. Since the p-value is much less than 0.05, the null hypothesis (that MFI funding has no effect on MSME sustainability) is rejected.

The alternative hypothesis is accepted, demonstrating that MFI funding significantly enhances MSME sustainability. Descriptive data shows that 91.7% of respondents reported positive effects, including improved resilience to market fluctuations, support for long-term planning, and investment in new technologies. Only 2.8% reported negative effects, highlighting the strong overall positive impact of MFI funding on business sustainability.

Hypothesis testing results table

| Objective | Hypothesis | Parameter | Test tools | P-value | RESULTS |
|-----------|--|-----------------|-------------------------|------------|---|
| 1 | H0 ₁ : MFI funding has no significant effect on MSME business growth | Business Growth | Chi-Square (χ^2) | p < 0.0001 | Reject H0 ₁ ; Accept H1 ₁ |
| 2 | H0 ₂ : MFI funding does not result in a significant change in the profitability of MSMEs. H1 ₂ : MFI funding results in a significant change in the profitability of MSMEs. | Profitability | Chi-Square (χ^2) | p < 0.0001 | Reject H0 ₂ ; Accept H1 ₂ |

| | | | | | |
|---|---|--|-------------------------|------------|---|
| 3 | H0 ₃ : MFI funding does not lead to a significant change in employment levels or workforce stability in MSMEs. | Employment Generation | Chi-Square (χ^2) | p < 0.0001 | Reject H0 ₃ ; Accept H1 ₃ |
| 4 | H0 ₄ : MFI funding produces no significant improvement in MSME financial stability or creditworthiness. | Financial Stability & Creditworthiness | Chi-Square (χ^2) | p < 0.0001 | Reject H0 ₄ ; Accept H1 ₄ |
| 5 | H0 ₅ : MFI funding has no significant impact on the long-term sustainability and resilience of MSMEs. | Business Sustainability | Chi-Square (χ^2) | p < 0.0001 | Reject H0 ₅ ; Accept H1 ₅ |

FINDINGS, CONCLUSIONS AND SUGGESTIONS

Findings

- The study finds that Microfinance Institution (MFI) funding has a clear and positive influence on the growth of MSMEs. Most respondents reported an increase in sales and revenue after receiving financial support, indicating better cash flow and improved market performance. The results also show that MFI assistance helped businesses raise their production or output levels, suggesting effective use of funds for operational needs. Additionally, a large proportion of MSMEs acknowledged that MFI funding supported the expansion of their business activities. Overall, the low level of disagreement highlights strong confidence among borrowers in the role of MFIs in promoting business growth.
- The study finds that a large proportion of MSMEs experienced higher net profits after availing MFI loans. Improved cash flow management was another significant outcome, enabling businesses to maintain continuity in operations. The findings also reveal that access to MFI funding helped enterprises control costs more efficiently, which contributed to overall financial stability. Very few respondents expressed disagreement, indicating a generally favorable perception of MFI support among MSMEs.
- The findings reveal that most MSMEs expanded their workforce after availing MFI support. A significant proportion of respondents also confirmed that MFI funding enabled them to recruit skilled employees, which likely contributed to better productivity and service quality. Additionally, improved workforce stability emerged as an important outcome, suggesting that financial support reduced uncertainty in employment. The low level of disagreement highlights overall satisfaction with the role of MFIs in employment generation.
- The study finds that a majority of MSMEs experienced improved repayment capacity after receiving MFI funding. Access to additional credit emerged as an important benefit, as successful engagement with MFIs improved borrowers' trustworthiness in the eyes of lenders. The findings further reveal that structured lending and repayment schedules helped enterprises adopt better financial discipline, which positively affected their creditworthiness. Very few respondents expressed disagreement, indicating broad acceptance of these outcomes.



- The study finds that most MSMEs developed greater resilience to market uncertainties after availing MFI support. Long-term business planning emerged as a significant outcome, indicating that financial stability encouraged strategic thinking rather than short-term survival. The findings also reveal that MFI funding enabled investment in technology and equipment, which is essential for competitiveness and operational efficiency. Overall, respondents demonstrated a high level of confidence in the contribution of MFIs to business sustainability.
- The hypothesis testing results reveal that MFI funding has a statistically significant impact on all major performance dimensions of MSMEs. Business growth, profitability, employment generation, financial stability, creditworthiness, and long-term sustainability all showed strong positive associations with MFI support, as evidenced by very low p-values ($p < 0.0001$). The consistent rejection of all null hypotheses indicates that MFI funding effectively enhances operational performance, financial outcomes, workforce development, and resilience of MSMEs.

Conclusions

- Based on the analysis, it can be concluded that MFI funding acts as a significant driver of MSME growth. Access to timely and adequate financial resources enables small businesses to strengthen their operations, increase productivity, and improve revenue generation. The positive response across all statements confirms that MFIs contribute not only to short-term financial stability but also to long-term business development. Therefore, MFIs play an important role in supporting entrepreneurship and sustaining the growth of MSMEs.
- It can be concluded that MFI funding plays an important role in enhancing the profitability of MSMEs. Timely and adequate financial assistance allows small businesses to strengthen cash flow, reduce cost pressures, and improve profit margins. The consistently positive responses across all statements confirm that MFIs contribute meaningfully to the financial health and sustainability of MSMEs.
- It can be concluded that MFI funding contributes meaningfully to employment creation and workforce stability in MSMEs. By easing financial constraints, MFIs enable businesses to grow their operations, hire skilled labor, and maintain a stable workforce. This underscores the role of MFIs not only in business development but also in supporting broader economic and social objectives such as job creation.
- It can be concluded that MFI funding plays a vital role in enhancing the financial stability and creditworthiness of MSMEs. By improving repayment capacity and encouraging disciplined financial behavior, MFIs help small businesses build a reliable credit history. This, in turn, increases their ability to access formal credit in the future, supporting long-term sustainability and growth.
- It can be concluded that MFI funding plays an essential role in strengthening the sustainability of MSMEs. By enhancing resilience, supporting strategic planning, and enabling technological investment, MFIs help businesses move toward long-term stability and growth. The consistent positive responses across all statements confirm that MFI assistance supports not only immediate business needs but also future-oriented development.
- It can be concluded that Microfinance Institutions play a vital role in strengthening the overall performance and sustainability of MSMEs. The empirical results confirm that access to MFI funding leads to measurable improvements in growth, profitability, employment creation, financial discipline, credit access, and long-term business resilience. Therefore, MFI funding is not only a source of short-term financial support but also a key driver of sustainable MSME development.

Suggestions

- MFIs should continue to enhance their financial products by offering flexible loan amounts and repayment schedules that match the growth needs of MSMEs. Regular follow-up and advisory support

may further help entrepreneurs utilize funds more efficiently. MSME owners should focus on proper financial planning and reinvest profits to maximize the benefits of MFI funding. Policymakers and financial institutions are encouraged to strengthen MFI frameworks and expand outreach so that more small businesses can access growth-oriented financial support.

- MFIs should continue to design loan products that support working capital needs and profitability enhancement. Providing financial guidance along with credit may further improve cost management and profit planning among MSMEs. Business owners are advised to use MFI funds strategically, focusing on activities that improve efficiency and returns. Policymakers should also encourage the expansion of MFI services to ensure wider access to affordable finance for small and medium enterprises.
- MFIs should consider offering tailored financial products that encourage employment generation, particularly for hiring skilled and semi-skilled workers. Training and advisory services in collaboration with skill development agencies can further enhance workforce quality. MSME owners should strategically use MFI funds to invest in human resources alongside physical assets. Policymakers may also strengthen support for MFIs to expand employment-oriented financing, thereby promoting inclusive economic growth.
- MFIs should continue to promote financial discipline by offering advisory support along with credit facilities. Introducing credit-linked training programs can further strengthen borrowers' financial management skills. MSME owners are encouraged to maintain consistent repayment records to enhance their credit standing. Policymakers should support initiatives that integrate MFIs with the formal banking system to widen credit access and strengthen the financial ecosystem for MSMEs.
- MFIs should encourage sustainability-focused lending by promoting investments in technology, innovation, and long-term planning. Providing advisory services related to risk management and strategic planning can further strengthen MSME sustainability. Business owners should use MFI funds to balance short-term operational needs with long-term investments. Policymakers may also support MFIs through incentives and programs that promote sustainable growth among MSMEs.
- MFIs should continue to expand their outreach and design need-based financial products that support growth, employment, and sustainability of MSMEs. Along with credit, MFIs may provide financial literacy and advisory services to enhance effective fund utilization. MSME owners should maintain financial discipline and strategically invest borrowed funds to maximize long-term benefits. Policymakers are encouraged to strengthen the microfinance ecosystem through supportive regulations and integration with formal banking systems to promote inclusive and sustainable MSME growth.

Contributions to Society

The findings of the study highlight that MFI funding contributes significantly to societal development through the strengthening of MSMEs. By supporting business growth and profitability, MFIs help create stable sources of income for entrepreneurs and their families, thereby improving overall living standards. Increased employment generation by MSMEs further contributes to reducing unemployment and underemployment, especially among semi-skilled and skilled workers.

MFI support also promotes financial inclusion by enabling small entrepreneurs to access formal financial services and build creditworthiness. This reduces dependence on informal and exploitative sources of finance and encourages responsible financial behavior. Improved financial stability and long-term sustainability of MSMEs contribute to local economic development, as resilient businesses are better positioned to withstand market fluctuations and continue contributing to the economy.

Overall, MFIs play a vital role in fostering inclusive economic growth, strengthening community livelihoods, and supporting social stability by empowering MSMEs to grow, generate employment, and sustain their operations over the long term.

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