The Growth of Small and Micro Enterprises through Microfinance in (Gezira State)

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Abstract

The objective of this study is an attempt to know the growth of Small and Micro Enterprises (SME's) through Microfinance in (Gezira State) .The study had applied the descriptive analytical methodology. The data was collected through a questionnaire and was analyzed by the (SPSS) program. The results of the study revealed the nature of the liable sectors (Demand Part – Beneficiaries the SME's) who suffered from the lack of adequate guarantees, low marketing, and training. So some projects growth had been negatively influenced in addition to marginal interests which had led to failure, but irrespective of that samples had examined indicated a positive growth but to some extent in Gezira State. Finally the study recommendations came to address and deal with the reasons related to the nature of the SMEs sectors, which need simplifying and facilitation of procedures, solving the problems of guarantee through the adoption of alternative guarantees, and then carryout an endeavor to find a co- mechanism for marketing to avoid the reasons of microfinance high cost.

Key Words: Growth, SME, beneficiaries, grantors, negative growth, positive growth, facilitate the procedures**.**

Introduction:

Microfinance has become one of the most discussed subjects in the last four decades all over the world. Today microfinance programs and the financing institutions have become increasingly an important strategy to reduce poverty and promoting Small and Micro Enterprises (SME's) development. The study intends to examine the growth of Small and Micro Enterprises, its negative and positive growth and how the SME and MFI finances are affected. The study focuses on the contributions and benefit of the MFI finances to SMEs and whether the MFI finances had supported the SME growth.

Statement of the Problem:

The high poverty rates and unemployment encouraged most of the Sudanese Community Sectors in general and the people of Gezira State in particular to find new sources to increase their income to face the socioeconomic problems prevailing in the Sudan. So, the research problem had concentrated on attempting to know the negative

and the positive growth of the Small and Micro enterprises (SME's) evidence from Gezira State in the Sudan.

Research Questions:

To be able to meet the above objectives, the study adopted the following key guiding questions:

I. **What are the contributions of the MFIs to Small and Micro Enterprises growth in Gezira State - Sudan?**

II. **What is the effect of MFIs finance's on the livelihood of Small and Micro Enterprises?**

Research Hypotheses: In this study the following hypotheses were tested:

H1: MFIs services had a positive contribution to the growth of the SMEs**.**

H2: MFIs finances had a positive outcome on the livelihood of some SMEs**.**

H3: There is a significant difference in the growth of SMEs with MFIs services and SMEs without the service of MFIs**.**

Significance of the Study:

This study intends to shed some light on the relationship between microfinance services and the growth of Small and Micro Enterprise with a special focus on their livelihood which can pave the way to planners and government, policy makers, agencies and NGOs. Moreover, the study will also offer an empirical evidence of microfinance services on the growth of Small and Micro Enterprises to be used in short term and long term interventions particularly in fighting against poverty

Study Objectives: Specifically the study attempts:

I. To examine the contribution of MFIs to Small and Micro Enterprises growth in the Gezira State - Sudan**.**

II. To assess the MFI finances on the livelihood of Small & Micro Enterprises.

III. To investigate the challenge that SME face in their efforts towards growth, with a particular interest in the role that microfinance initiations can play in the growth of the SMEs.

VI. To provide a detailed profile of selected SMEs and MFIs in Gezira State.

Research Methodology:

Both quantitative and qualitative data were used. Primary data which was collected through structured questionnaires, interviews using checklist of leading questions, which the secondary data was obtained from the following sources : references, mass media, professional bodies responsible for SMEs and MFIs reports, articles and internet websites.

The Previous Studies:

1. The Study of El Obeid and Hamid (2011) "Evaluation of the Safety Fund Experience of Microfinance in the Localities of Gezira State":

The objective of the study focused evaluation the experience of microfinance safety fund. The fund like microfinance presented participation between the Bank of Khartoum and Zakat Chamber, and that Microfinance which was provided by the Bank of Khartoum to finance customers in all the localities of Gezira State, where the study revealed the following: The experience of the safety fund had proved positive indictors about Microfinance in Gezira State because the repay ratio had reached more than 90%.

2. Study of Mohamed El Bashir (2012): "Dealt with the Reasons that paved the way between the Commercial Banks which decrease the Microfinance Gap in the Sudan":

The study objective is to know the reasons behind the Microfinance gap into the commercial banks, and to know the tools and the means which the commercial banks can take to decrease the Microfinance gap. The study recommended the avoidance of the reasons related to the a specialized unit to microfinance, participation of the CBOS with the commercial banks to bear the resulted risks about granting microfinance in addition to the usage of the Islamic financing forms, the important of which is the form of participation, because of its suitability and the nature of microfinance customers.

Descriptive Statistical Analysis:

The data will be analyzed through the descriptive statistic. Closed questions were analyzed using quantitative analysis while open ended questions were analyzed using qualitative methods. The data will be presented in the form of frequencies, percentages cross tabulation and correlation analysis, so as to establish the relationship of variables. Moreover, the study calculates Arithmetic Mean and mode to establish norms.

The Theoretical Framework:

The conceptual framework developed from the literature review, which was basically studied the SME by research which had received Microfinance (MFI) services and the other part which comprises SMEs without using services from MFI. The purpose is to make a comparison on SMEs receiving MFI services, which will help the assessment of other factors than MFI services that can contribute to SMEs growth.

Small and Micro Enterprises in Sudan: Concepts and Definitions:-

In all parts of the world, there is no universal definition of "Small" and "Micro" sized enterprises. In fact, different agencies and institutions adopt various broad definitions either from a quantitative perspective such as: number of persons employed, volume of output or sales, level of investment in the fixed assets, use of factory space or

energy, etc.; or from a qualitative perspective such as whether the owner of the enterprise works alongside his/her workers, the enterprise is classified in the "informal" sector. Typically, the significance of the criteria varies according to the type of activity, or the national/institutional priorities and needs or whether for promotion or protection of SMEs or for the application of labor/investment/tax legislation (Unicons, 2006). SMEs are defined as dependent businesses, which are managed mainly by their owners who had limited access to finance from formal financial markets. It focuses on SMEs, which are generally registered entities, and on microenterprises, which are typically informal and are defined as having fewer than 10 employees. (Unicons, 2006).

Sudanese experience indicates that the definition of small business makes a distinction between Micro, Small and Medium Enterprises. According to the industrial survey (1980) the definition is based on employment rather than multiplicity of criteria. In effect, the definition is classified as follows: 1-9 employees, micro; 10-24 employees; small firms; 25-50 employees, medium enterprise; more than 50 employees, large firm.

Microfinance in the Sudan:

The MFI's in Sudan and in Gezira State is seen as the best alternative source of financial services for low income earners and their SMEs as a means to raise their income, and then reduce their poverty level and contribute in country economy (Kessy and Urio, 2006). Along this line the service of Microfinance institutions to majority of the Sudanese who are low income earners to give them a number of possibilities including managing scarce household and enterprises resources more efficiently, protection against financial risks by taking advantages of investment opportunities and gaining economic returns (Chijoriga,2000). Microfinance enables clients to protect, diversify and increase their incomes, as well as to accumulate assets, reducing their vulnerability to income and consumption shocks, (Robinson, 2002).

The Supply of Microfinance:

There is a large potential for Microfinance in Sudan with an estimation of 3 to 5 % of current market coverage. So far, several trials in micro-lending have been conducted during the past few decades. Selecting a target market depends on the objectives of Microfinance service providers and perceived demand for financial services. In any country there are unserved or underserved enterprises households, ranging from the ultra –poor, who may not be economically active, to small growing enterprises that provide employment in their communities. This range or continuum constitutes to the demand side for microfinance services. Often the supply side does not offer a corresponding continuum of services. MFIs need to supply services that fill the gaps and integrate the unserved groups into the market. The goal of MFIs as development

organizations is to service the financial needs of unserved or underserved markets as a means to meet growth objectives. (www.cbos.gov).

The Demand for Microfinance:

The demand for microfinance services in Sudan is by far outstrips the supply which remains exceptionally small covering only about 1%-3% of the potential market. This can be attributed to a number of factors, but most importantly, the lack of a clear policy direction for MFIs and absence of coordination between them. This has resulted in an underserved market that did not offer a sufficient range of demand-driven microfinance products. (Unicons, 2006, p 14).

Small and Micro Enterprises Growth:

The term growth in this context can be defined as an increase in size or for other objects that can be quantified or a process of changes or improvements (Penrose, 1995). The firm size is the result of firm growth over a period of time and it should be noted that firm growth is a process while the firm size is state (Penrose, 1995). The growth of a firm can be determined by supply of capital, labor and appropriate management and opportunities for investments that are profitable. The determining factor for a firm's growth is the availability of resources to the firm (Ledgerwood, 1999).

Field Study: The field study had proved that Microfinance Institutions and the Small and Micro enterprises do influence each other through many aspects such as: the procedures of obtaining finance, the multiple guarantees and the finance cost, other than what had been explained whether microfinance institutions contribute positively or negatively to the growth and the development of the Small and Micro Enterprise in Gezira State. The statistical analysis of microfinance institutions for the Small and Micro enterprises had proved that they do influence each other:

1. Sample Size: The study had applied the descriptive analytical methodology; where (317) were examined comprising (82%) of the microfinance sample out of (384) to check the answers of the subjects.

Table (1): The Expansion or the Growth of the Small and Micro Enterprises in the Gezira State

No.	SME.s gained an Expansion in Volume, increase of assets volume, staff increase, and new branches expansion during the last years:	Cumulative Percent	Valid Percent	Percent	Frequency
1.	Yes	181	57.1	57.1	57.1
2.	No	136	42.9	42.9	100
	Total	317	%100	%100	-

Source: Prepared by the Researcher; based on the Small and Micro Enterprises Survey (2015)

The expansion or the growth of the Small and Micro Enterprises is considered one of the objectives of this research study, because the objective of running Microfinance unit is to support the poor sectors for continuation of their projects, the fact which means that sustainability of finance and its provision for Microfinance idea and the beneficent bodies. So, from the reality of the field study, the research found that there is a sample of persons who had confirmed to approve about the expansion which came with a percentage of (57.1%) comparative to some who approved about the expansion and growth which came with a percentage of (42.9%).

Table (2): An Expansion or Change in the Project Volume Activity

No.	An Expansion or the change in the small project Volume Activity	Mean
1.	Sales volume increase.	3.38
2.	Adding new products.	3.46
3.	Projects volume expansion by opening new sites.	2.98
4.	Increase of the project Profitability	3.22
5.	Reinvesting the projects profits.	3.01
6.	Projects products marketing increase.	2.99

Source: Prepared by the Researcher; based on the Small and the Micro Enterprises Survey (2015)

Table No. (2) Shows that if there is an expansion or a change about the Small and Micro Enterprises activity volume in Gezira State. The table had notified that the inclusion and diversifying of new products inside the project will lead to a positive relationship about widening and success of the Small and Micro Enterprises owners with a Arithmetic Mean of (3.46) which stands as an indicator that the projects owners have good knowledge about diversifying the products so as to increase the projects profits and accordingly expand the project which had appeared into the agricultural field and is considered the biggest influential factor in the Gezira State , not only that , but financing the productive families and diversifying its products also show success and continuation of the project . The other side is confirmed by the survey study Arithmetic Mean of (3.38). So the sales increase will lead to the increase of the projects profits which means that its continuation and sustainability of the operation of Small and Micro Enterprises. And at last came the profits increase with a Arithmetic Mean of (3.22) which means that the profits increase is considered an important factor about the operation of the small projects .The researcher believes that there is a positive link of the sales increase after the addition of new productive elements which will lead to the achievement of profits as well as the continuation and

sustainability of these projects the fact which matches with the concept of microfinance idea.

Testing the Hypotheses:

This part of the study is concerned about testing the hypotheses by using the Mean, Person's Correlation Coefficient (Chi –Square) and Spemann's Correlation Coefficient. It is intended to investigate the dependable variable of the (SMEs).

H1: MFI services have a positive contribution on the growth of the SMEs.

After tested this hypothesis (H1) Through analyzing the three notifications which are supported by the hypothesis that microfinance institutions provide positive services which accordingly contribute about assisting and supporting the Small and Micro Enterprises in Gezira State, and that the test had shown the strength and the positivity of the hypothesis about the second and the third notification, and that the first notification didn't show positivity. So it is found that it will confirm the reality of the hypothesis in Gezira State that is because microfinance institutions provide positive services which can assist the growth and the development of the micro and the small enterprises.

H2: MFIs Finances have a Positive Output on the Livelihood of some SMEs.

After tested this hypothesis (H2) through the act of the applied studies in the field of the growth studies of the small projects, the research found that there is a great contribution between the evaluation of the small projects experience and the positive contribution about the evaluation of the small projects experience and the positive contribution about bettering the livelihood standard.

H3: There is a Significant Difference in Growth of SMEs with MFIs Services and SMEs without the Services of MFIs.

After tested this hypothesis (H3) the research had found this hypothesis achieves a strong positivity, that it is providing the services by Microfinance institutions in Gezira State which had achieved a strong positivity of the SMEs ,which means that this hypothesis is (a Positive Hypothesis).Ahmed (2010) had explained : " The micro loaning is a part of a whole , which is the provision of the loan , whether it is a materialistic or cash , and it can be regained with a margin or with usefulness , or through returning the debt source only after a specified period , as for microfinance which provides a bundle of financial services including loaning as shown into : opening accounts with its different types ,credit ,receiving deposits , and savings of different types , providing the insurance services , providing remittances services .

The Results:

After investigating the research findings came as follows:

▪ Through the study and analysis , the study has shown from the reality of the analysis of the main samples (Demand Side –SMEs) and the purposive sample (Supply Side – MFIs) that the positive contribution had been confined only to the

development and raising the standard of living of the small projects owners. It's also possible to know and measure the finance return through its impact on the family , the individual and the project levels through the following **:**

At the Family level :

- Microfinance will lead to an increase in the family's income, because the utilization of finance might make a diversification of income resources or the growth of the project.

- The availability of the financial services can make the customers / clients able to build and change their possessions, where microfinance can be utilized in obtaining a piece of land, purchasing some consumption goods or for self-investment e.g. health care and education.

- Microfinance assists the poor and the active limited income people to gain economic, administrative and financial skills so as to administer the project which make them able to generate income and add working opportunities.

At the Individual Level :

- Microfinance will expand the chance of participation in securing the family's needs accompanied by economic independence, income growth and increase of new opportunities.

- The customers (finance clients) like others tend to have high savings standards, which is an important factor for the assets building.

At the Project Level :

- Microfinance will lead to an increase in the revenues of the financed projects as a result of microfinance services, but not as what is expected.

- Creation of jobs into the individual projects is normally limited, but in case of the project expansion inside the family, this might provide working opportunities for others.

Recommendations:

The Beneficiaries of (Small and Micro Enterprises):

(1) The liable sectors of microfinance should be aware about the basics of the banking system in order to be able to make use of the banking resources .

(2) The small enterprises owners should be aware about the insurance culture for the success of microfinance projects experience in Gezira State .

(3) The owners of the small and micro enterprises are to be attracted to pay attention and concentrate on the economically feasible so as to continue.

(4) The owners of the small and micro enterprises must concentrate on the group partnership projects to succeed and avoid failure other than the concentration on the individual projects.

(5) The banks and liable sectors of microfinance are advised to find a common tool for marketing through coordination with some organizational bodies which can enable the banks to collect the clients products for proper marketing.

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