

Role of Microfinance Institutions in Entrepreneurship Development in District Gujrat, Pakistan

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Abstract

Microfinance and entrepreneurship help as a combine tool to contribute in development. The foremost objectives of this paper is to see the role of microfinance institutions in entrepreneurship development and also measure the level of satisfaction of microfinance institutions clients toward their respective banks considering primary source of data at district level. The sample of 150 microfinance bank clients residing in Gujrat district has been interviewed. Descriptive analysis use in this paper and also non parametric test Kruskal-Walli and Mann-Whitney test used. This study concludes that microfinance institutions play a significant role in entrepreneurship development in district Gujrat Pakistan and the clients who are taking loan from the Tameer bank they use this amount to start a business than the other ones who use it for marriage, education house building purpose etc.

Key words: Microfinance institution, Entrepreneurship, Mann-Whitney

Introduction

In developing countries there are nearly 90 percent of the people which have lack of access to financial services from the institutions, either for credit or saving purpose. Especially for the poor who already have lack assets this situation become more critical for them. In microenterprises generally there is need for small capital but it is still difficult for the poor people to manage even that small quantity of capital. Resultantly, these lacks of capital hinder the growth of microenterprise (Robinson, 2002).

Entrepreneurship is one of the commonly terms used in business, management, economics and other related fields. Entrepreneurship means innovation, creativity, leadership, profit maximization or start of a new business. Entrepreneurship helps in the process to increase economic growth, employment generation, increase national income and also creating innovation (Ismailov and Zahid, 2008).

Two schools of thought mainly discuss about entrepreneurship as: Schumpeter's theory of entrepreneurship and Austrian theory of entrepreneurial discovery. The Schumpeter theory explains entrepreneurship as innovation with a combination of tool and forces and the different methods to produce new innovative products as for the Austrian theory of entrepreneurship, entrepreneur anticipating market and need of customers exactly and correctly and produce more cheaply than competitor and earn profit. (Swedburg, 2000).

Microfinance hits the history in Bangladesh when Dr. Muhammad Yunus, Father of Microfinance, lend the first micro loan from his own pocket. The purpose is to save these poor people from the local moneylenders who charge high interest rates and also to establish income generating activity for them. In 1976, Muhammad Yunus launch the research project to provide microcredit and banking services to the poor people. In addition to that, microcredit program is based on unique mechanism such as group lending, social collateral

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and distinctive payment methods. It isn't based on checking credit history, income sources and bank balances but works on character based lending and thus managed to give loans to those who lacking credit histories. They are also denied of access to conventional finance. In 1983, Mohammad Yunus formally establishes a Grameen bank which is a milestone in the development of the microfinance industry. The objective of this bank is to give small loans at affordable rates to poor people, especially to women. The high number of clients and extremely high repayments rates is an impressive achievement for the bank. The microcredit program has not been restricted to Bangladesh as the similar activities are also under way in different parts of the world including Indonesia (1972), India (1990s) and, more importantly, in Latin America where microcredit operations were rapidly developed. In the end, Dr. Muhammad Yunus is awarded a Nobel peace prize for his great achievement in 2006 (Bateman, 2010).

Microfinance is one of better tools to reduce poverty, increase economic growth and development in the economy. Asian Development Bank (ADB) defines microfinance as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low income households and, their microenterprises (ADB, 2000).

Microfinance has three types of sources formal institutions such as rural banks and co-operatives, semi-formal institutions, such as nongovernment organizations (NGOs) and informal sources such as money lenders and shopkeepers. Microfinance provides two types of services financial services and non-financial services. Financial services include saving, microcredit, money transfer, micro insurance etc. Non-financial services include training, counseling, education, health etc. In both microfinance and micro entrepreneurship the common object is the creation of employment opportunities for the poor people and also indicts decrease poverty.

Microfinance institutions support two types of micro entrepreneurs: one is potential micro entrepreneur and the second is existing micro entrepreneur. The micro entrepreneurs mean the creation and the existing entrepreneurs mean the expansion of that entrepreneurship. Microfinance Institutions assist potential micro entrepreneurs by providing financing and training to enable them to start a business activity. This help to potential micro entrepreneurs is for pro-poor mostly. The objective of targeting the poor is to make them able to start their own business and enabling them to increase their revenues and to reduce their level of poverty. Microfinance institutions also provide services to existing micro entrepreneurs. Other financial services available to the existing micro entrepreneurs are money transfer using mobile banking to facilitate their transfers and other financial operations, micro insurance to insure their business operations and the unexpected that affect the smooth functioning of the business like the sickness or the death of the micro entrepreneur. The microfinance institutions also offer non-financial services to existing micro entrepreneurs enabling them to expand and develop their activities, their skills and to empower them. The nonfinancial services supply to existing micro entrepreneurs is managerial training, technical assistance, and analysis of the sector of activity (Ledger wood, 1998).

Various studies have been conducted before on role of microfinance in entrepreneurship development but there is not a single study available on role microfinance institutions in entrepreneurship development. So the present study contributes in this context and finds out the role of microfinance institutions in entrepreneurship development in district Gujrat Pakistan.

Next session, briefly, explains overview of microfinance and entrepreneurship in Pakistan. Section II explains literature review, Section III theoretical link of microfinance and entrepreneurship development, Section IV consists on methodology used in paper. Section V

discusses the results drawn from the estimations. Section VI presents the conclusion and some policy implications which are based upon the study.

Overview of Microfinance and Entrepreneurship in Pakistan

The important objective of microfinance is poverty reduction and social mobilization, the government of Pakistan doing efforts to establish and improve the foundations of microfinance in banking sector. In 2000 khushali bank was establish as the first specialized microfinance bank.

Eight Microfinance Banks (MFBs) have been established in Pakistan, in which there are three leading Microfinance Institutions (MFIs), two world's largest MFIs have been started operations in Pakistan, which reflect the private sector participation and institutional diversity. Legal status of MFIs shows in appendix Table No. 2.1.

Creation of employment has remained a first priority in developing countries like Pakistan because the main source of an individual's income is associated with employment opportunities. Income and quality of job both affect social welfare significantly. Employment and economic development are concomitant. Among the various employment statuses, self-employment has attained a big deal of attention presently. Policy makers especially in developing countries are mainly focusing on promoting self-employment.

The total estimated population of the Pakistan is 174.4 million in the year 2011-2012 and has been showing an increasing trend for years. In Table 2.2, the situation of labor force, employed and unemployed is given. The fact and figure show that there is significant change in employment rate and unemployment and labor force participation rate over the years. In 2003-04 labor force is 45.5 and 2005-06 is 50.33 and this rate increase year by year and in 2010-11 total labor force is 57.24. Therefore self-employment is considered as a best solution for the employment creation. The share of self-employed worker is 33.3% during the year 2010-2011. (Labor force survey 2011-2012).

Table 2.2: Civilian Labor force, Employed and Unemployed for Pakistan

Year	2003-04	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Labor force	45.5	50.33	50.33	51.78	53.72	56.33	57.24
Employed	42	46.95	47.65	49.09	50.79	53.21	53.84

Source : Various Issues of Labor Force Survey, 2010-11

Table 2.3 shows employment status by sex in Pakistan. The total share of employers by sex in 2010-2011 is 0.1 percent and the share of male is 1.4 percent and the share of female is 1.8 percent. The total share of self-employer by sex in 2010-11 is 15.6 percent and the share of male is 39.9 and share of female is 40.5 percent. The total share of unpaid family helpers in 2010-11 is 63.4 percent and the share of male is 27.7 percent and the share of female is 17.3 percent and the total share of employees in 2010-11 is 20.9 percent and the share of male is 36 percent and the share of female is 40.4 percent.

Table 2.3 Employment status by Sex (%)

Total	2008-09		2009-10		2010-11				Total
	Male	Female	Total	Male	Female	Total	Male	Female	
Employers	1.2	1.5	0.1	1.3	1.6	0.1	1.4	1.8	0.1
Self employed	33.3	38.7	13.1	34.2	40	14.6	39.9	40.5	15.6
Unpaid family helpers	29.7	20.2	65	29.1	18.7	66.3	27.7	17.3	63.4
Employees	35.8	39.6	21.8	35.4	39.7	20	36	40.4	20.9
Total	100	100	100	100	100	100	100	100	100

Source : Labor force survey 2010-2011

Literature Review

Different studies have been conducted on different aspects of microfinance such as importance of microfinance, beginning of microfinance, performance of microfinance institutions, effectiveness of microfinance etc. However this study is concerned with role of microfinance on entrepreneurship development. The review of different studies is presented below:

Gobbi et al (2005) has study on “Nepal and Pakistan micro-finance and microenterprise development: Their contribution to the economic empowerment of women” used primary data interviewed more than 100 women from the three different MFIs from each country. They found that micro-finance and microenterprise development may serve as a tool towards the positive social change and contribute in improving the political and social status of women.

Bharti et al. (2006) has made a study on the Microfinance and sustainable micro entrepreneurship development. They found that Microfinance plays an important role in microenterprise development. Microenterprise needs not only credit but they also need a variety of other services for its growth and development. Credit alone is not sufficient for promoting microenterprise but in the presence of lack of access to credit it is also difficult for any non-financial support to work. The role of various microfinance services such as savings, insurance and money transfer in promoting sustainable micro entrepreneurship need to be explored and given attention. Government and non-government entities also need to work together for creation of enable environment. Then these microenterprises can grow and contribute efficiently towards the larger objective, which is to reduce poverty.

Ismailov and Zahid (2008) elaborate that entrepreneurship and microfinance tools for empowerment of poor case of Akhuwat Pakistan. The study uses qualitative approach for research. They found that Akhuwat is a nonprofit organization which is providing interest free loans to the poorest people of Pakistan. And they have basic that everybody should think firstly about their local problems, if they look at problems locally, there would not be any global problems in the world. To achieve Sustainable development is a problem, that is now globally dispersed and consistently growing number of initiatives of Social Entrepreneurs trying to add their little value to social value creation.

OJO Olu (2009) has tried to find out “Impact of microfinance on entrepreneurial Development: the case of Nigeria” used survey research design. He found that in Nigerian economy there is positive relationship between microfinance institution and extension of GDP in the economy but there is not significant impact of these institutions on interest rate. The results summarized from the study shows that the microfinance institutions and their activities need a long time in the determination of the pattern and level of economic activities and development in the Nigerian economy.

Muktar (2009) has tried to find out “The role of microfinance banks in the promotion and development of entrepreneurship in semi urban and rural areas” used secondary data. He found that The Central bank of Nigeria (CBN) recognized microfinance use as a tool to reduce poverty through promoting the micro and small entrepreneurs. The CBN only focus on sustainable financial services available for those who don't have access to formal financial resources. Microfinance institutions main objective is to promote these entrepreneurs.

Elle (2009) studied Microfinance and Entrepreneurship in Cameroon used Schumpeter model and Foyolle model of definitions of entrepreneurship. He found that microfinance institutions to boost entrepreneurship in Cameroon prefer to finance expansion than creation and also prefer to supply lending, savings and money transfer services than micro insurance and training services to micro entrepreneurs. All the services are important for micro entrepreneurs for a development of an efficient micro entrepreneurship in Cameroon.

Chowdhury (2009) studied Microcredit, micro-enterprises, and self-employment of women experience from the Grameen Bank in Bangladesh. Their household based survey analysis consists of five hundred and seventy households. The estimated results of analysis indicate that the participation in the microcredit program of the Grameen Bank does not promote women employment and not even enabling them to start micro-enterprises at the household level. But, the opposite results are true for male, which indicate that the same participation significantly helps husbands of women members to start micro-enterprises and to create self-employment opportunities for them and increases capital of existing household micro-enterprises. But that are controlled by husbands or other male members in the household.

Kessy (2009) studied on “Microfinance and enterprises performance in Tanzania: Does gender matter”? Results of the paper showed that female owned enterprises grow slowly as compared to male owned enterprises but there is not any evidence on statistical differences in average sales revenue between male owned enterprises and female owned enterprises, the level of assets and number of employees is different among these two groups. Both groups have Different motives of owning based upon the results females are risk averse as compare to males. Due to risk averse returns of female owned enterprises were also expected to be low. The low level of growth of females owned enterprises also recounts to our theoretical base which sees females in developing countries treated as a disadvantaged group which are is groomed for opening and running business but both females owned enterprises and males owned enterprises experienced microfinance interventions; males owned enterprises demonstrated higher level of growth than females owned enterprises. In particular the females who have benefited from microfinance services need for special training that will shape their capacity in doing business with growth visions through training females are anticipated to change their behavior.

Olaniyi (2011) makes a study on “Effect of Microfinance Organization on Small and Medium Scale Enterprises in Nigeria” used primary data and selected 35 SME’s randomly. The results of this study was 14 percent of the SMEs were classified as Micro-business because they have Ten or less employees with total asset of one hundred thousand dollars or less while 86 percent are small and medium enterprises because they have total assets of about three million dollars and turnover of three million to five million dollars.

Popoola et-al (2011) argues the impact of microfinance institutions on the development of small scale enterprises in Nigeria. The study used both primary and secondary data. They results showed that positive and significant relationship exist between microfinance institutions loans and small scale performance. There is positive contributions of microfinance institutions loans towards promoting small scale enterprises market share, production effectiveness and competitiveness.

Tonelli (2011) studied on Entrepreneurial Becoming: an Educational Pathway out of Poverty. The finding of this paper is the process of entrepreneurial becoming that is not just about access to finance but especially learning and, when successful, this process supports the transformation of survival micro-enterprises into entrepreneurial micro-businesses. The concept of ‘becoming’ contains an implicit temporal dimension. Becoming suggests a transformation over time, a change from what one is already. In this study a significant change in understanding how a business needs to operate, in recognizing opportunities, thinking more creatively, and building self-confidence.

Above different studies show that various studies conduct on microfinance and entrepreneurship development. In this paper I will find the role of microfinance institutions in entrepreneurship development in district Gujrat Pakistan and also measure the level of satisfaction of microfinance institution clients toward their respective banks there is no study find out on the District Gujrat Pakistan.

Theoretical link of Microfinance and Entrepreneurship Development

For any business development, credit is an important thing. Absence of credit is a wall for investment and also for the economic growth. Access to credit can increase the adoption of new and more advance technologies which allow the poor households to expand their enterprises and improve their income level and reduce poverty. Availability of credit increases the level of household's productive and physical assets and also improves the consumption of the poor.

Olajide (1980) recognized two sources of credits for entrepreneurs named as internal and external. He found that when the internal funds increase from net flow due to entrepreneurial activities, the external funds also increase from loans extended by micro finance providers. Rural enterprise needs capital which is held by microfinance providers, as financing to microenterprise is universal not only in rural areas but even in urban areas. Credit for small and medium enterprises provides an important tool for the development of industrialization and improving the efficiency of the enterprise and increase productivity. The clients of microfinance banks are mostly self-employed low income entrepreneurs in urban and rural areas and include traders, subsistence farmers, street vendors, service providers etc.

Methodology

Sampling

This study use primary data, which is collected from sampled population by preparing comprehensive questionnaire. Total area of Gujrat is 3,192 km and total population of Gujrat is 2,948,008. District Gujrat is comprised by 3 tehsils and 117 union councils, including 89 rural and 28 urban. Gujrat is an ancient city of Punjab and famous due to their furniture industry pottery and fan industry (Wikipedia).

Eight microfinance banks and organizations work in District Gujrat and in this study three microfinance banks randomly selected Tameer bank, Khushali bank and Kshaf bank. Sample size was used in this study is 150.

Table 6.1 Researcher own processing

Banks	Customers
Kashf Microfinance Bank	50
Khushali Bank	50
Tameer Bank	50
Grand Total	150

This study uses purposive sampling as the data for the clients is not available and microfinance banks also do not provide their clients personal information. The data is collected by face to face interview of the respondents. The questionnaire consists of four major sections as: first section contains information of the respondents regarding their personal profiles, second section deals with business profile, third section inquires about the information regarding the facilities provided by the microfinance institutions to the clients and last section collected information regarding the amount of loan, type of entrepreneur training given by organization to the clients. SPSS software is used to analyze the data. Chi-Square test is used only to investigate the association between banks and respondent's demographic characteristics (sex, area, age, income, education, profession and major source of family income). Non-parametric tests as: Kruskal-Wallis and Mann-Whitney tests are used for econometric analysis.

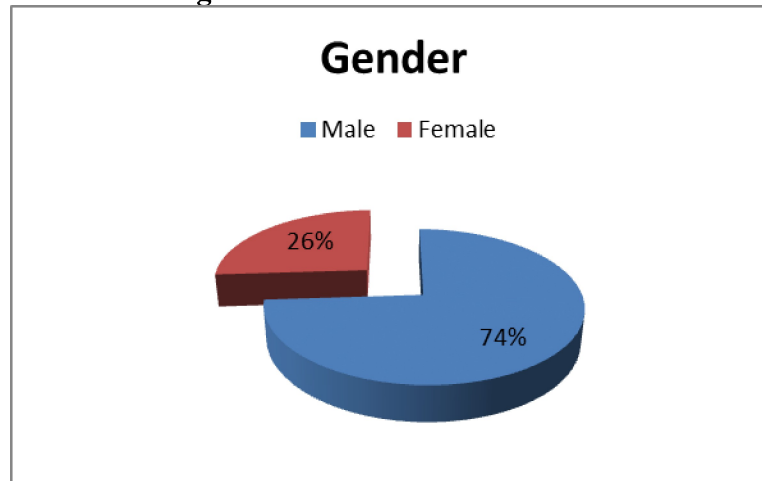
Results and Discussion

Results and discussion divided by in three sections first section base on descriptive analysis second section discuss role of institutions in entrepreneurship development and the third section deal with satisfaction of bank clients.

Descriptive analysis

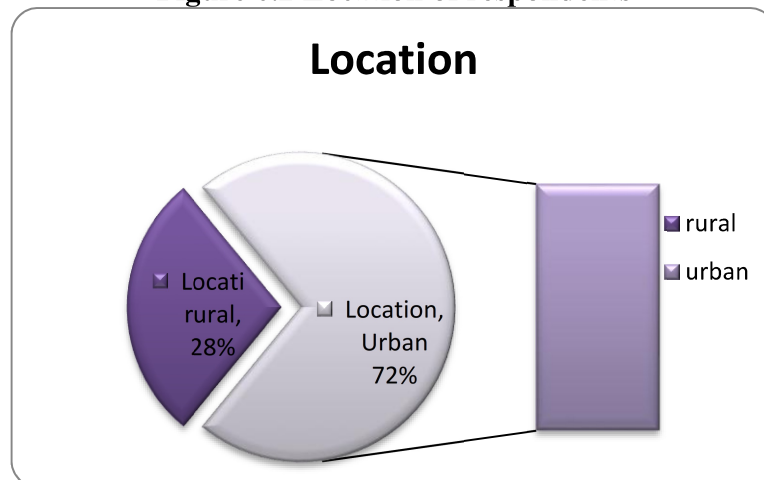
The Figure 6.1 is showing that 26 percent of the clients are females and 74 percent are male. The greater proportion is male in the clients of the microfinance institution.

Figure 6.1: Gender of the Clients



The Figure 6.2 is showing that 28 percent are those who live in rural areas and 72 percent are those who live in urban areas. This shows that most of the clients are from the urban areas.

Figure 6.2 Location of respondents



People have different purpose to take loan from microfinance institutions such as for education, for social work, for marriage, for house building, for start a new business or finance their existing business. The Figure 6.3 is showing that most of the clients take loan for the purpose other than to start a business as 40 percent clients take loan to start a business while 60 percent are those that access to microfinance to take loan to meet the other needs of life.

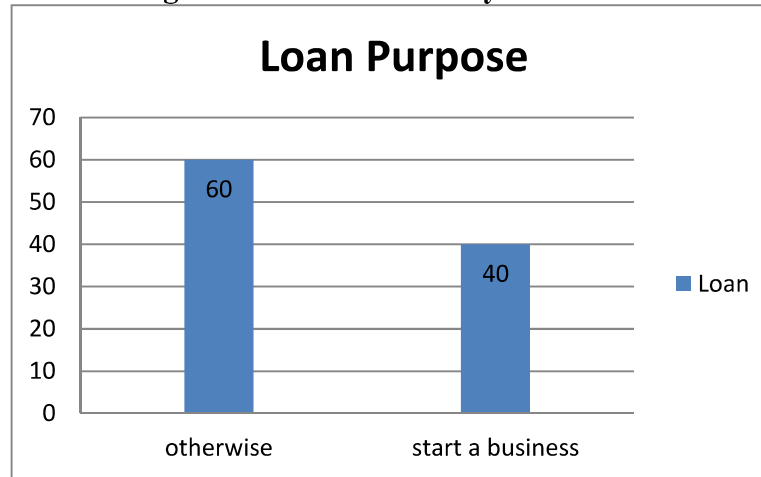
Figure 6.3: Loan Taken by the Clients

Figure 6.4 is showing that before the microfinance institution loan acquisition, only 24 percent clients hold a business and 76 percent are those who don't hold the business. So microfinance loan play a vital role in business

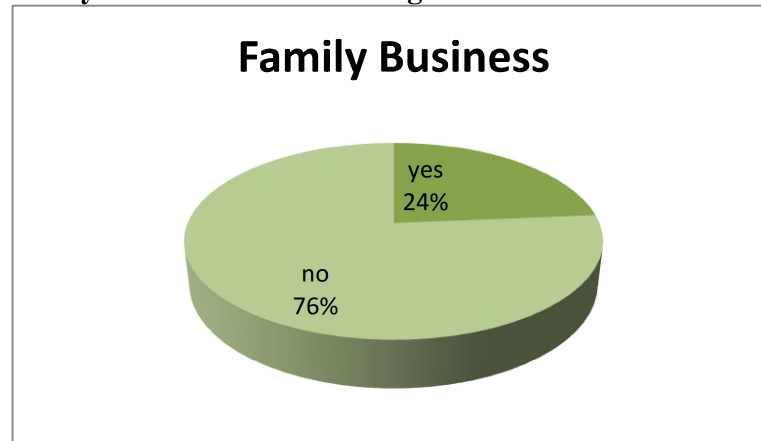
Figure 6.4: Family Business before Taking a Loan from Microfinance Institution

Table 6.2 is showing the Demographic profile of the clients in percentage. The variables as source of finance other than microfinance ($p = 0.042$) and purpose of loan ($p = 0.037$) are significant at 5 percent level and significantly differ between male and female clients. The statistics shows that out of total 26.2 percent clients, who says that they have access to finance other than microfinance institution, 16.1 percent are males and 10.1 percent are females while those who say they don't have finance other than microfinance institution are 73.8 percent in which 57.7 percent are males and 16.1 percent are females. As the purpose of loan, those who say that they have taken loan to start a business are 27.3 percent in which 16 percent are male clients and 11.3 percent are females and those who report that they have taken loan to support and strengthen the existing business are 67.3 percent in which 54.7 percent are males and 12.7 percent are females.

The variables as profession of the respondents ($p = 0.085$), major source of income ($p = 0.077$) and education ($p = 0.083$) are significant at 10 percent level. Those who say they are government employee, 7 percent is male and 1.3 percent is females, 10 percent males and 3.3 percent females have private job holder and 58 percent male and 19.3 percent females report that they are self-business holder. Among those who inform that their major source of income of household is employment, 22 are male and 13 are females and the clients who say their major source of income is business, 53.3% are male and 15.3 percent are females. Most of the

respondents' response is business as their major source of income. As education is also statistically significant and male are more educated as compare to the females.

Table 6.2: Demographic Profile of the clients in percentage

Variable	Gender		
Profession***	Male	Female	Total
Government job	.7%	1.3%	2%
private job	10%	3.3%	13.3%
self-business	58%	19.3%	77.3%
agriculture	2%	.0%	2%
Labor	3.3%	.7%	4%
Unemployed	.0%	1.3%	1.3%
$X^2 = 9.667$ df = 5			Sig. = 0.085
Family Business	Male	Female	Total
Yes	16.1%	10.1%	26.2%
No	57.7%	16.1%	73.8%
$X^2 = 0.795$ df = 1			Sig. = 0.373
Major Source of Income***	Male	Female	Total
agriculture	4%	.0%	4%
employment	14.7%	8.7%	23.3%
business	53.3%	15.3%	68.7%
remittances	2%	1.3%	3.3%
others	.0%	.7%	.7%
$X^2 = 8.443$ df = 4			Sig = 0.077
Education***	Male	Female	Total
Illiterate	14%	3.3%	17.3%
Primary	8%	6%	14%
Middle	18.7%	4.7%	23.3%
Matriculation	22.7%	4.7%	27.3%
Secondary	5.3%	4.7%	10.0%
Graduation and above	5.3%	2.7%	8%
$X^2 = 9.739$ df = 5			Sig.= 0.083
Purpose of Loan**	Male	Female	Total
To start a business	16%	11.3%	27.3%
To strengthen existing business	54.7%	12.7%	67.3%
For house building	.7%	.0%	.7%
For Marriage	.7%	.0%	.7%
Social work	.0%	.7%	.7%
Other	3%	1.3%	3.3%
$X^2 = 11.866$ df = 5			Sig. = 0.037

*shows significance at 1%

**shows significance at 5%

***shows significance at 10 %

Table 6.3 is showing the Demographic profile of respondents by location in percentage. The variables as source of finance other than microfinance ($p = 0.597$) significant at 1 percent level and purpose of loan ($p = 0.032$) are significant at 5 percent level and significantly differ between rural and urban clients. The statistics shows that total 26.7 percent clients, who says that they have access to finance other than microfinance institution,

8.1 percent are rural and 18.1 percent are urban while those who say they don't have finance other than microfinance institution are 73.8 percent in which 19.5 percent are rural and 54.4 percent are urban. As the purpose of loan, those who say that they have taken loan to start a business are 27.3 percent in which 11.3 percent are rural clients and 16 percent are urban and those who report that they have taken loan to support and strengthen the existing business are 67.3 percent in which 14 percent are rural and 53.3 percent are urban.

The variables as purpose of loan ($p = 0.032$) significant at 5 percent level. Those who say they are government employee 1.3 percent are rural and .7 percent is urban, 4 percent rural and 9.3 percent urban have private job holder and 20.7 percent rural and 56.7 percent urban report that they are self-business holder. Among those who inform that their major source of income of household is employment, 6.7 are rural and 16.7 are urban and the clients who say their major source of income is business, 17.3 percent are rural and 51.3 percent are urban. Most of the respondents' response is business as their major source of income.

Table 6.3: Demographic of Respondents by Location in percentage

Variables	Location		
Profession	Rural	Urban	Total
Government job	1.3%	.7%	2%
private job	4%	9.3%	13.3%
self- business	20.7%	56.7%	77.3%
agriculture	1.3%	.7%	2%
Labor	.7%	3.3%	4%
Unemployed	.0%	1.3%	1.3%
$X^2 = 5.743$ df = 5 Sig = 0.332			
Family Business	Rural	Urban	Total
Yes	5.4%	18.2%	23.6%
No	21.6%	54.7%	76.4%
$X^2 = 0.404$ df = 1 Sig = 0.525			
Other Source of Finance	Rural	Urban	Total
Yes	8.1%	18.1%	26.2%
No	19.5%	54.4%	73.8%
$X^2 = 0.280$ df = 1 Sig. = 0.597			
Major Source of Income	Rural	Urban	Total
agriculture	2.7%	1.3%	4%
employment	6.7%	16.7%	23.3%
business	17.3%	51.3%	68.7%
remittances	.7%	2.7%	3.3%
others	.7%	.0%	.7%
$X^2 = 7.574$ df = 4 Sig. = 0.108			
Education	Rural	Urban	Total
Illiterate	4.7%	12.7%	17.3%
Primary	6%	8%	14%
Middle	4.7%	18.7%	23.3%
Matriculation	8%	19.3%	27.3%
Secondary	3.3%	6.7%	10%
Graduation and above	1.3%	6.7%	8%
$X^2 = 4.434$ df = 5 Sig. = 0.489			
Purpose of Loan**	Rural	Urban	Total
To start a business	11.3%	16%	27.3%

To strengthen existing business	14%	53.3%	67.3%
For house building	.7%	.0%	.7%
For Marriage	.0%	.7%	.7%
Social work	.0%	.7%	.7%
Other	2%	1.3%	3.3%
$X^2 = 12.178$		df = 5	Sig. = 0.032

*shows significance at 1%

** shows significance at 5%

***shows significance at 10%

Role of Institutions in Entrepreneurship Development

Eight microfinance banks and organizations work in District Gujrat but major three banks work in Gujrat Tameer bank, Khushali bank and Kshaf bank. Figure 6.5 shows Khushali bank clients use loan for the other purpose and Tameer bank clients use loan to start a business. Tameer bank plays wider role to encourage its clients to start a new business than the Khushali and Kshaf bank.

Figure 6.5: Entrepreneurship and MFI

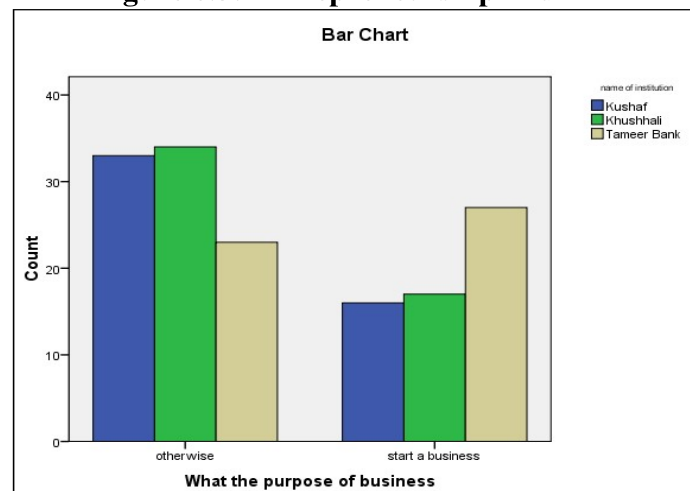


Table 6.4: Microfinance institutions and entrepreneurship development

Variable	Name of Institutions		
Entrepreneurship**	Kshaf Bank	Khushhali Bank	Tameer Bank
Otherwise	22%	22.7%	15.3%
To start a business	10.7%	11.3%	18%
<i>Chi square value = 6.130</i>		df = 2	Sig. = 0.047

** shows significance at 5%

Table 6.4 is showing that the clients those who start a business differ significantly with respect to microfinance institutions. The p-value (0.047) is showing that it is significant at five percent level. Those who are taking loan from the Tameer bank, they use this amount to start a business than the other ones who use it for marriage, education etc. The 18 percent clients of the Tameer bank response that they have started a business with the amount of the taken loan than any other bank as 11.3 percent of khushali bank and 10.7 percent of the kshaf bank.

Kruskal-Wallis and Mann-Whitney Tests are nonparametric tests. Kruskal-Wallis test allow the comparison between more than two independent groups. It is used when three or

more sets of scores are to be compared. The test statistics value for Kruskal-Wallis exceeds the critical level of 0.05 percent level, then the null hypothesis is rejected which means that the sample come from the different populations. The Mann-Whitney test is used only when to make the comparison between two set of groups only. This test set the null hypothesis as H_0 = the population medians are same.

Table 6.5 Role of MFI in Entrepreneurship Development

Variable	Mean Rank	Sum Rank
Institution**		
Otherwise	69.57	6261.50
To start a business	84.39	5063.50
Mann-Whitney U test	2166.500	
Wilcoxon W test	6261.500	
Z value	-2.171	
Sig.	.030	

**significance at 5% level

Table 6.5 shows the role of microfinance institutions in entrepreneurship development which informs that the mean rank vale (84.39) for those who start a business is statistically differ in ranking to those who say otherwise (69.57). This is significant at 5 percent level of confidence as its p-value is (0.030).

Table 6.6 shows the ranking of the variables and test statistics of these variables as Mann-Whitney, Wilcoxon value, Z and p-values. The variables education of the clients (0.000) and other sources of income of the clients' families (0.007) highly significant at 1 percent level while the institutions (0.030), age of the respondents (0.019), profession of the respondents (0.032) are significant at 5 percent level. The mean rank value of the education with respect to start a business (95.92) is showing that the more the educated, the more the chances that he invest the amount of loan to start a business than the illiterate. The clients those who respond that they have other sources of finance else than micro credit, they have don't use it for starting a business than those of who say they don't invest in it business. The mean rank value (81.88) for those who report they don't use it to start a business in higher than those who invest it in other than business. The mean rank value (80.04) for the profession of the respondent is showing that it is low for those who to start a business than to otherwise. The mean rank value for the age is showing that (82.18) ranked high than that of who start a business among the other age level of the clients.

Table 6.6 Mann-Whitney Test

Name of Variables	Mean Rank	Test Statistics	
Institutions**		Mann-Whitney U	2166.500
Otherwise	69.57	Wilcoxon W	6261.500
To start a business	84.39	Z	-2.171
		Sig.	0.30
Gender of respondent		Mann-Whitney U	2655.000
Otherwise	76.00	Wilcoxon W	4485.000
To start a business	74.75	Z	-.277
		Sig.	.820
Area of respondent		Mann-Whitney U	2610.000
Otherwise	76.50	Wilcoxon W	4440.000
To start a business	74.00	Z	-.444
		Sig.	.657

Age of respondent**		Mann-Whitney U	2099.000
Otherwise	82.18	Wilcoxon W	3929.000
To start a business	65.48	Z	-2.338
		Sig.	.019
Income of respondent***		Mann-Whitney U	2252.500
Otherwise		Wilcoxon W	4082.500
To start a business	80.47	Z	-1.757
	68.69	Sig.	.079
Education of respondent*		Mann-Whitney U	1474.500
Otherwise	61.88	Wilcoxon W	5569.500
To start a business	95.92	Z	-4.805
		-Sig.	.000
Profession of respondent**		Mann-Whitney U	2291.500
Otherwise	80.04	Wilcoxon W	4121.500
To start a business	68.69	Z	-2.142
		Sig.	.032
Major source of respondent family income*		Mann-Whitney U	2125.500
Otherwise	81.88	Wilcoxon W	3955.500
To start a business	65.92	Z	-2.706
		Sig.	.007
Have you or any family member business before?		Mann-Whitney U	2548.000
Otherwise	75.37	Wilcoxon W	4318.000
To start a business	73.19	Z	-.412
		Sig.	.680
To what extent do you have links with business community?		Mann-Whitney U	2567.500
Otherwise	76.15	Wilcoxon W	4397.500
To start a business	73.29	Z	-.961
		Sig.	.336

*shows significance at 1% level

**shows significance at 5% level

***shows significance at 10% level

Satisfaction of bank clients

Table 6.7 is showing the Kruskal-Wallis Test and ranking of the institutions, p-value and chi square values are also given. The variables as amount of loan (0.007) and attitude of staff (0.000) significant at 1 percent level of confidence and scheme of bank (0.036), quality of institution (0.019), purpose to take loan (0.048) are significant at 5 percent level of confidence.

Interest rate and satisfied with help of microfinance institutions are statistically insignificant. Clients of Kshaf bank are highly satisfied with the amount of loan than the other bank clients the mean rank value for the kashaf bank is (81.96) is higher than that of the other banks as Khushali bank (75.18) and Tameer Bank (69.50). The clients of the Tameer bank report that they are highly satisfied with the attitude of the bank staff than the other banks as its mean rank value (92.82) is showing that it is highly ranked among the others. Clients of Khushali bank are highly satisfied with scheme of loan as the mean rank value for Khushali Bank (81.71) is higher than the other banks as their mean rank is (64.97) for the kashf bank and (79.49) for Tameer bank. The clients of the tamer bank response that they are more satisfied with the quality of the institution that the other institution clients as its mean rank value (86.34) is also showing that it is highly ranked among the other banks.

Those who take loan for the purpose to start a business are statistically significantly differing in their ranks as khushali bank (51) is high in rank than the other banks.

Table 6.7 Kruskal-Wallis Test

Variables	Mean Rank	Test Statistics	
Satisfied with amount*			
Kshaf Bank	81.96	X^2	9.844
Khushhali Bank	75.18	Df	2
Tameer Bank	69.50	Sig.	.007
Satisfied with scheme**			
Kshaf Bank	64.97	X^2	6.663
Khushhali Bank	81.71	Df	2
Tameer Bank	79.49	Sig.	.036
Satisfied with attitude*			
Kshaf Bank	61.77	X^2	18.183
Khushhali Bank	71.72	Df	2
Tameer Bank	92.82	Sig.	.000
Satisfied with quality*			
Kshaf Bank	66.46	X^2	7.914
Khushhali Bank	73.56	Df	2
Tameer Bank	86.34	Sig.	.019
Satisfied with rate of I			
Kshaf Bank	72.10	X^2	2.084
Khushhali Bank	81.79	Df	2
Tameer Bank	72.41	Sig.	.353
Satisfied with MFI help			
Kshaf Bank	74.95	X^2	2.482
Khushhali Bank	70.01	Df	2
Tameer Bank	80.14	Sig.	.289
Purpose of business**			
Kashaf Bank	49	X^2	6.089
Khushhali Bank	51	Df	2
Tameer Bank	50	Sig.	.048

*shows significance at 1% level

**shows significance at 5% level

Conclusion

Present study conduct on the role of microfinance in entrepreneurship development and also measure the level of satisfaction of microfinance institution clients towards their respective banks. In Kruskal Walli test, the variables are satisfied with amount of loan, scheme, attitude, quality and purpose of loan is significant. In Mann-Whitney test variables institutions, age, income, education, profession and major source of income are significant. Results of the study suggest that microfinance institutions playing a significant role in micro-enterprise development in Gujrat. Comparatively, clients of Tameer Bank are more likely to confirm that they initiated micro-business by taking the loan. As for clients satisfaction is concerned study suggests mix results. For Results concludes that clients of Kahaf bank more satisfied as compare to the other bank clients.

In policy implementations microfinance institutions should start training for the respondents in future and educate them about the importance of business for the economy.

Due to high constraints on credit availability hinder the way of entrepreneurship development so the government should facilitate for credit availability with low interest rates so that the individuals get credit on easy conditions to start a business and to finance their existing business.

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Appendix

Table 2.1 Legal status of MFI's

Category	MFP	Borrowers June 2010	Market share
Microfinance Banks (licensed and regulated by the State Bank of Pakistan to exclusively service microfinance market)	Khushali bank	389,383	17.8%
	The First Microfinance Bank	225,204	11.2%
	Tameer Microfinance Bank	94,211	4 %
	Network Microfinance Bank	6,224	0.2%
	Pak-Oman Microfinance Bank	8,113	0.5%
	Kashf Bank	14,194	0.8%
	NRSP Bank	-	0.0%
	Rozgar Microfinance Bank	14	0.0%
	Total MFB's	737,343	34.5%
Specialized Microfinance Institutions	Kashf Foundation	323,864	17.3%
	Akhuwat	20,158	0.9%
	Asasah	27,414	1.4%
	ASA	46,478	1.6%
	Buksh Foundation	400	0.0%
	Community Support Concern	11,975	0.6%
	Development Action for Mobilization and Emancipation	46,478	2.7%
	Orangi Pilot Project	47,396	2.7%
	Total specialized MFI	524,163	27.2%
Rural Support Programs running microfinance operation as part of multi-dimensional program	National Rural Support Program	440,902	24.7%
	Punjab Rural Support Program	78,091	404%
	Sarhad Rural Support Program	3,533	0.2%
	Thardeep Rural Development Program	31,467	1.7%
	Total Rural Support Program Borrowers	533,993	31.0%
Multi-Sectorial NGOs	BRAC	70,521	3.2%
	Sindh Agricultural and Forestry Workers Cooperative Organization	24,800	27.2%

	Centre for Women Cooperative Dev	11,713	0.6%
	Rural Community Development Society	17,638	1.1%
	Sungi Development Foundation	5,335	0.2%
	Bank of Khyber	-	0.0%
	Jinnah Welfare Society	13,091	0.1%
	ORIX Leasing Pakistan	15,500	0.9%
	Total others	160,321	7.4%
	Total Microfinance Borrowers in Pakistan	1,975,820	100.0%

(Source: Strategic Framework for Sustainable Microfinance in Pakistan JANUARY 2011)