The Impact of Microcredit on Woman-Owned MSEs: Evidence from Albania

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Research Aim

This study examines the impact of microcredit on women-owned micro and small enterprises, using a set of data from enterprises in Albania.

Research Objectives

- Assess the microcredit impact on the performance of women-owned MSEs;
- Identify and analyze the factors explaining the link between access to microcredit and performance of MSEs;
- Develop a policy implication.

Research Context

- Microfinance aims to promote economic development by helping low-income earners, the majority of whom include women, to set off and finance micro and small enterprises (Rafiq, 2013).
- MSEs are almost deprived of credit service from commercial banks, since they lack the required collateral. The higher the risk of the business, the more collateral commercial banks require (Ocholah et al, 2013).
- One side of scholars claims microcredit generates significant improvements on business performance and empowerment of women (Afrane, 2002).
- The other side argues microcredit has a non-significant impact on enterprises, since the loans are small and have a high interest rate (Oni and Daniya, 2012).

Figure 1: Women-owned MSEs in Albania

Data and Methodology

Participants

- 30 women MSE entrepreneurs in Albania, who have obtained loans from microfinance institutions completed the questionnaire.

Research Design

- Cross-sectional survey

Performance Variables

- Sales revenue, net profit, number of employees, liabilities, and financial credibility.

Behaviour of Variables

- Predisposition of sales revenue, net profit, number of employees and financial credibility to increase after receiving microcredit indicates a positive impact of microcredit on MSEs.
- Predisposition of liabilities to decrease after receiving microcredit indicates a positive impact of microcredit on MSEs.

Statistics

- Paired t-test

Findings

- Significant difference in sales revenue, net profit, number of employees, liabilities, and financial credibility.
- Insignificant difference in number of employees.
- MSEs experience higher level of sales revenue, net profit and financial credibility, and lower level of liabilities after receiving microfinance credit.
- Number of employees before and after receiving microfinance credit remains the same.

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference: Lower	Upper			
Sales Revenue	.70000	.57124	.12773	.43265	.96735	5.480	29	.000
Net Profit	.75000	.63867	.14281	.45109	1.04391	5.252	29	.000
Number of Employees	.20000	.52315	.11698	-.04484	.44484	1.710	29	.058
Liabilities	-.50000	.60690	.13572	-.70407	-.21593	-3.604	29	.002
Financial Credibility	.64286	.49725	.13289	.35576	.92996	4.837	29	.000

Table 1: Paired sample test: p<0.05. *The null hypothesis that sale revenues, net profit, liabilities, and financial credibility have approximately equal means before and after receiving microcredit is rejected. The null hypothesis, that number of employees before and after receiving microcredit has approximately equal means, cannot be rejected.*

Discussions

- Consistent with the literature which claims microcredit has a positive impact on MSE performance and empowerment of women.

Factors explaining the link between microcredit and performance variables

- Microfinance loans used mostly for working capital: needed to pay debts, purchase inputs, equipments, or improve business premises.
- Loans help MSEs to carry on their regular operating activities and eventually be able to finance themselves.
- The significant change in financial credibility, an indicator of becoming financially sounder.
- Loans not used for the purpose of increasing the activity of operations. The number of employees increases if there is an increase in the operations of enterprises.

Policy Implications

- *Individuals*: Provide information to marginalized women about microcredit, MSEs, and women empowerment.
- *Microfinance Institutions*: Suggest an extended loan payment time. A smaller share of capital in paying monthly loan debts means a larger share of capital used as monthly working capital.
- *Governments*: (1) Important to macroeconomic policies of governments because of the self-employment of labour force. (2) In countries like Albania with low participation of women in entrepreneurial activities, providing funds to MFIs helps in bolstering women's integration in the economic development of the country.

References

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