

## Relationship between Microfinance and Sustainable Women Entrepreneurial Performance: The mediating Role of Social capital

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### Abstract

*This study aims to investigate the impact of microfinance on poverty reduction through women entrepreneurship in Southern Punjab, Pakistan. We also examine if social capital plays any role in microfinance and women entrepreneurship growth that leads towards poverty reduction. This study uses the data collected through a survey of 210 women entrepreneurs, who secured microfinance loans for their new/established enterprises. By applying correlation and regression analysis techniques, this study finds that access to finance is important for female entrepreneurs and it helps them in realizing their potential as entrepreneurs. A range of entrepreneurial characteristics was found to be critical to the success of women led enterprises in general and to poverty reduction among their families, in particular. Our results reveal that microfinance plays a positive role in women's entrepreneurial performance. We also find that Islamic microfinance contributes more to sustainable women's entrepreneurial performance than non-Islamic microfinance. Although this study used a limited sample of Pakistani female entrepreneurs, yet the results can be relevant to women entrepreneurs in other developing countries with contextual cautions. Future researchers may incorporate more relevant variables and increase the sample size to enhance the understanding of our investigated phenomena.*

**Keywords:** Microfinance, family health, poverty reduction, women entrepreneurial performance.

### Introduction

It has been observed that access to capital is the basic need of the poor for the development of small businesses (Newman *et al.*, 2017). In developing countries, microfinance has become a popular approach that aims to reduce poverty by providing the new opportunities for entrepreneurship and promote women's empowerment while enhancing social capital in poor communities (Banerjee & Jackson, 2017). The Existing literature shows women as playing significant roles in increasing the sustainable livelihood and national income worldwide, but at the same time facing socio-cultural, attitudinal, and legal obstacles based on lack of education and personal difficulties.

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Microfinance institutions (MFIs) have considerable concentration on women beneficiaries with an aim to alleviate all forms of poverty (Hartarska, Shen & Mersland, 2013); therefore, the primary purpose of MFIs is to socially perform by reducing poverty (Hermes & Hudon, 2018; Beisland *et al.*, 2021). Further, women are helped and enabled by their peers in groups to develop business decisions and this provides confidence and a mutual guarantee for their entrepreneurship (Bullough, Renko, & Abdelzaher, 2017).

The objective of microcredit is to alleviate poverty by enabling the poor (who have limited or no access to microcredit) to participate in economic activities, self-employment and become self-sufficient in income generation (Siwale & Ritchie, 2012; Postelnicu & Hermes, 2016). For the same purpose, MFIs provide financial services and products (small loans, savings, leasing and micro insurance) on personal guarantee/security of motorcycles, cattle, etc., that can be easily managed by poor borrowers (Khavul *et al.*, 2013). MFIs have a significant effect on micro entrepreneurship development; while, higher interest is a major constraint in entrepreneurial development (Taiwo *et al.*, 2016).

In Asian literature, in the early 70s, the economist Muhammad Yunus introduced the concept of microfinance in Bangladesh to support women to start-up and boost small enterprises (Newman *et al.*, 2017). As a result, microfinance enhanced the capability of the poor and improved living standards (Banerjee & Jackson, 2017), and currently this strategy is operating in more than 60 countries worldwide. Based on it and some other convincing factors, it has been observed that the number of women entering small business ownership has increased significantly across the world (Fielden & Davidson, 2005).

Pakistan is a developing country with a population of 200 million, of which 65% of people are living in rural areas and about 39% lead their lives under multidimensional poverty. During 2015-2019, the poverty index has decreased from 55% to 39% but later increased. The poverty in rural areas is 54.6%, whereas 9.3% in urban areas. The Pakistani government has been seriously concerned about poverty reduction, employment creation and sustainable economic growth. Currently, a lot of MFIs are developing microfinance schemes with higher interest rates for women. The government of Pakistan established MFIs, in 2001 MMIs Ordinance was promulgated to regulate activities and Khushhali Bank was set up. In Pakistan, Microfinance activity is performed by 11 MFBs, 11 MFIs, 5 RSPs and through some other programs on poverty alleviation and socio-economic uplift of the deprived people e.g., Benazir Income Support Program (BISP). In addition, there are few Islamic microfinance products (Qarz-e-Hassana, Murabaha, Mushariqa, Istisna, Bai Salam, etc.) disbursed by different organizations in the market. Table 01 shows the institutes currently operating as MFIs in Pakistan.

Table 1: *List of MFBs, NGOs and TCs of Pakistan*

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MFBs	Apna, Finca, Khushhali, NRSP, PakOman, Tameer, The First MF, The Punjab Provincial Cooperative, UMF and Waseela MF.
NGOs	Kashf Foundation, Orangi, Akhuwat, Community Support Concern, Damen, Asasah, Orangi Charitable Trust, Deep Foundation, Jinnah Welfare Society, Rural Community Development Society, Buksh Foundation, Na ymet, Heal Pakistan and Wasil Foundation.
Training Centers	Microsoft Innovation Center, Social Innovation Lab, CEDIBA, Telenor Velocity, Revolt, Plan9, The Nest I/O, Invest2Innovate, LUMS Center for Entrepreneurship, PlanX, Serendipity, The Incubator, Technology Incubation Center, NUST, Arpattech Hatchery, The Founder Institute, Pera cha Organization, SMEDA, SEED Incubation and BIC COMSATS.

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*Source: Authors*

The existing literature highlights the fact that microfinance is a valuable tool that reduces the level of poverty and enhances women's empowerment in different ways. For example, in rural areas women seemed experiencing limited access to microcredit from MFIs. Structurally, women are considered to be more deprived of essential human needs, and socio-economic and educational rights that force women to survive in subordination. Likewise, the spending pattern of a female is one of the major causes of launching microfinance programs that target females. It is pointed out that women use a major part of their income on household goods, and their access to income generating activities causes an increase in family spending. In particular, they start investing their savings for wellbeing of their families. The Islamic MFIs offer collateral and interest free credit that motivates them to participate.

The Sustainable Development Goals framework reflects the consensus among the global community of policymakers on major challenges confronting humanity. It sets the direction in which all resources will be channelized over the next decade-and-half with clear targets to be achieved by the year 2030. The framework includes seventeen (17) SDGs that provide a shared blueprint for peace and prosperity for people and the planet, now and into the future (Abdullah, 2018). This is interesting to examine to what extent the SDGs conform to the Islamic vision of development for which Islamic scholars have come up with a broad framework that is called the Maqasid of the Shariah (MaS). The MaS are broadly discussed as “protection and enrichment of faith, self, intellect, progeny and property” (Abdullah, 2018).

In literature, it has been documented that some researchers endeavor to map the SDGs. However, such efforts have often resulted in one-to-many/many-to-one mappings and the resultant clutter adds little value in terms of comprehending the underlying relationships. Thus, we try to investigate the nexus by going to the basics. Further, literature documented that microfinance is a helpful model for instantaneous reduction of poverty and long-term women's business growth through the creation of entrepreneurship. The MFIs successfully reduced the women poverty level, but, the nature of impact of Islamic microfinance on women's entrepreneurial growth and social capital remains under-studied. Furthermore, literature also largely neglects to investigate whether microfinance is significantly associated with women-entrepreneurial performance through the mediating effect of social capital. Addressing such research gaps is important because providing women access to microfinance may generate a multiplier effect that in turn increases the impact of microfinance activities, benefiting the coming generations.

Islamic Microfinance (IMF) is identified as an important tool in supporting and strengthening poor women by facilitating access to financial services for the poorest and destitute. Microfinance generally refers to the provision of a broad array of financial services including, credit, payments, savings, and insurance tailored to meet the particular needs of low-income households and their small enterprises. It also helps them provide a better life condition by increasing the household revenues and job creation, for micro-entrepreneurs. A basic purpose of IMF is to perform socially by reducing poverty. However, they have to reconcile this objective with financial performance by trying to be profitable and sustainable. IMFs mostly target a high concentration of women beneficiaries and aim at alleviation of poverty in all its forms. Hence, Islamic microfinance has been recognized worldwide as an important instrument that allows for greater financial and social independence for women.

Thus, few researchers exhibited the relationship between microfinance and entrepreneurial performance in developed economies. This paper attempts to bridge the gap and try to find the sustainable entrepreneurial development of IMF users in the socio-economic climate of a developing economy. It is hard to find such study in a local context. Therefore, the major objective of this study is to examine the relationship between microfinance and sustainable women's entrepreneurial performance in South Punjab (i.e., one of the less developed areas of Pakistan). Moreover, this study also investigates whether social capital mediates the relationship between microfinance and women-entrepreneurial performance. The following research questions (related to the research objectives) are established:

- Does microfinance impede sustainable women's entrepreneurial performance?
- Do Islamic microfinance institutions contribute more than conventional microfinance institutions in women- entrepreneurial performance?
- Does social capital mediate the relationship between microfinance and women-entrepreneurial performance?

### **Literature Review**

Microfinance plays a vital role in enhancing the economic growth of the poor and has a strategy to alleviate poverty across the world. Microfinance is defined by Asian Development Bank (ADB) as the provision of financial services (saving, microloans, money transfer and insurance) to poor individuals and low-income households (ADB, 2000). The role of microfinance in entrepreneurship got the attention of researchers and the general public because economic growth and development have shifted towards developing economies where the role of microcredit is crucial (Lewin *et al.*, 2016). In Pakistan, the lack of capital is a major hurdle in the growth of SMEs (Bagh *et al.*, 2017). Rehman *et al.* (2020) elaborated entrepreneurship development includes innovation, leadership, creativity, profit maximization and starting a new business. Entrepreneurship development helps in generating employment, innovation and increased economic growth. When MFIs collaborate with entrepreneurs this cooperation that plays an important role in the reduction of poverty, gives power to the poor and ensures a sustainable growth. Some Islamic scholars recommended new scopes and ideas as Islamic micro-financing and need more researches to be done in this area to introduce other Islamic sources of funds. so far, more improvement is needed in entrepreneurship to encourage Islamic financing.

Noreen *et al.* (2011) found a significant impact of micro-credit in improving the education of children and spending by households. Similarly, Osunde and Mayowa (2012) provide evidence that MFIs play a very important role in enterprises' growth and have a significant impact on governments, individuals, groups and other organizations. The IMFs also play an important role to promote micro entrepreneurs by providing loan services, consultation, training and business monitoring services. MFIs are playing a strong and beneficial role in providing equal credit services, loan and technology to women for business expansion (Jayawardana, 2012). Moreover, MFIs played a significant role in entrepreneurial development (Fatimah-Salwa *et al.*, 2013). Although it is found that “the effect of these services on entrepreneurship is not clearly apprehended” (Roodman, 2013). Jhamb and Jhamb (2017) indicated that microcredit had a positively significant effect on the performance of SMEs, As Samson *et al.* (2013) suggested that entrepreneurial growth could be significant with MFBs if they work for the development of the production sector if the MFBs were managed and operated properly to achieve the

basic goal of their foundation. further Samson *et al.* recommended MFIs provide microloans to the poor to encourage them and to avoid default risk through group borrowing, make policies for loan repayment issues. Thus, there is a need to investigate microfinance affects entrepreneurial growth.

*H<sub>1</sub>: There is a positive relationship between access to microfinance and women's entrepreneurial growth.*

Unam and Unam (2013) found that microfinance banks provided financial and social intermediation services which had an outstanding effect on the production efficiency of small-scale enterprises in Nigeria. Akinbola *et al.* (2013) found that lending of microfinance had an impact on the growth of SMEs and microfinance played a very significant role in Nigeria's development. Raza (2017) surmised that MFIs play an important role in busting up the entrepreneurial development at micro-level and also identify the different types of hindrances in business progress. Therefore, the aim of this study was to remove certain hurdles that were slowing down entrepreneur development which include lack of collaterals, high interest rate on loans, and poor management of micro entrepreneurs.

Waithaka *et al.* (2014) found a positive and significant impact of financial and management counselling, workshops and training about entrepreneurship on the growth of SMEs. Microfinance has become a critical tool in credit markets for the elimination of poverty. So far, its effect is yet to under examine across the country and globally. However, some academics considered these results true, whereas, others say that these impacts are not as correct as portrayed. As Alvarez and Barney (2014) documented that microcredit possibly reduces poverty and increases entrepreneurial growth. For example, scarcity of startup capital is considered the main hurdle for the poor to exploit the entrepreneurial opportunity. But economists and management scholars say that lack of capital is not the only factor required for encouraging innovation and the creation of growth of enterprise. Ferdousi (2015) suggested MFIs provide microcredit to businesses and a large amount of credit can raise output. However, MFIs put pressure on less innovative enterprises for improvement of outputs and micro business credits are connected with accurate entrepreneur expertise, knowledge, and technologies be given by microfinance institutions with a careful check. Currently, a fundamental challenge of poverty reduction is wealth creation through the improvement of SMEs. Microfinance plays an important role in wealth creation and categories as livelihood growth enterprises.

Kibet *et al.* (2015) found that microfinance had a positive impact on entrepreneurial growth and for better opportunities to improve SMEs and easy access to microcredit, better government policies were needed. MFIs facilitate SMEs to attract easy terms and conditions loans. The involvement of financial institutes, central banks,

financial advisory services is needed for avoiding risk to provide credit to individuals and train entrepreneurs how to avoid business failure. While Newman *et al.* (2017) pointed out that microfinance provides a variety of benefits namely microcredit loans, saving and insurance to millions of households that are not entertained by conventional banks.

*H<sub>2</sub>: There is a positive relationship between access to microfinance and social capital*

*H<sub>3</sub>: There is a positive relationship between social capital and women entrepreneurial growth.*

The initiative to establishing a livelihood enterprise has poverty reduction as its primary objective. These initiatives enhance the level of productivity of enterprises and boost the income of poor people. They bring small improvements in a lot of enterprises, often providing only credit, which is why they are sometimes characterized as being “minimalist” (Cheema & Parkash, 2018). On the other hand, the growth-oriented small enterprise's plans have enterprise development as their prompt objective and elevate microenterprises to a higher level of sustainability, and seeking to provide a comprehensive range of services, including credit, training, technical assistance, and inculcation of business skills (Obaidullah, 2008).

Thorpe (2017) documented a significant relationship between MFIs and entrepreneurial growth and suggested that there is a need for the state to provide support to the existence of the various MFIs to let them become adequately resourced to provide the necessary support to the business's growth. The MFIs provide to poor borrowers a logical alternate for individual collateral in the shape of a social guarantee that replaces the financial and physical collateral. The majority of microfinance institutions used the idea of group-based credit where the borrowers established periodical meetings to share problems, exchange financial matters, and seek possible opportunities and advice on current affairs. Microfinance activity has shown efficient results in the south corner of the world and western countries uniformly characterized by monetary and social elimination (Kumah, 2017).

The borrowers of the microcredit were the special women and poor individuals who focused on the success and the failures of the enterprise and the rate of interest on the credit. Yusuf *et al.* (2015) found that a significant effect of microfinance on women's success and relationships is mediated through social capital. Therefore, women's participation in SHGs should be encouraged through the process of inspiration to enhance empowerment, that playing an important role in economic development. Microfinance is very important and has a significant relationship with women's entrepreneurial growth in India (Kapila *et al.*, 2016).

Bernard *et al.* (2016) indicates that there is a positive relationship between microcredit and women's entrepreneurship. Dutta and Banerjee (2018) showed that microfinance contribution in income generation was very high, women with more income and assets were highly empowered as compared to women with less income and assets. Ekpe *et al.* (2010) concluded that microfinance factors have a positive impact on women's entrepreneurial activities. Mahmood (2011) found that women set up businesses through the help of microfinance institutions. MFIs lacking training and illiteracy which being hindrances to establishing their own business.

Mula and Sarker (2013) pointed out that microcredit plays a significant role in the development of the social and economic life of rural peoples. Kaka and Abidin (2015) concluded that MFIs play an important role to help poor women to start enterprises through workshops and training that enhance the living standard of poor people. Likewise, Ghalib *et al.* (2015) found that MFIs were performing a significant role in poverty reduction and supporting women to stand in society. The economic as well as social progress establishes a significant relationship between income and saving at different levels of interest rates (Njaya & Murungwa, 2016).

Swapna (2017) indicated that factors causing the women hardships to include generating profit; market awareness deficiency; record keeping and possible profit gaining; the employees are relatives that put a social pressure for high outcomes; temporary price settings; deficiency of funds and a higher rate of interest; funding strategies step by step damage their enterprise. Ukanwa *et al.* (2018) found poor women entrepreneur's survival is for food and school fees which are their main concerns. However, they were having less advantage from microfinance. Furthermore, documented microfinance could lead to permanent loss, as basic family needs of household consumption can disturb their capability to pay back the credit. Thus, perceived hazards of microfinance may be more essential than possible benefits. So far, lots of women are running micro businesses for the survival of their basic needs (food, education & health). Bhatt and Shastri (2018) recommended that access to loans plays a sustainable role in women's entrepreneurial performance.

*H<sub>4</sub>: Social capital mediates the relationship between microfinance and women's entrepreneurial growth.*

### **Methodology**

This study employed the survey approach through a structured, self-administered questionnaire explained by a woman researcher, to overcome cultural and gender barriers. The questionnaire was designed to gather quantitative data, new sentence a total of 210 women were target through convenience sampling technique from respondents who obtained microfinance from Akhuwat and Kashaf Foundation. The data was collected from March 2019 to July 2019 to evaluate the associations and the strength between the variables. For the preparation of the questionnaire, the researchers conducted detailed interviews with the managers and officers of Akhuwat, Kashaf, Khushali Bank, U-BANK, and UPAP. Finally, the researchers with the best of efforts could collect 210 questionnaires out of 300 questionnaires given to respondents. The respondents were requested to rate the 42 items that were divided into four constructs, which are microcredit, poverty reduction, social capital, and women entrepreneurial performance and demographic profiles through five points Likert scale. Further, the demographic characteristics of participants are shown in table 02.

Table 2: *Descriptive of Sample*

Age	Frequency	Percent	Valid %	Cumulative%
18-30 Year	42	20.0	20.0	20.0
31-40	93	44.3	44.3	64.3
41-50	56	26.7	26.7	91.0
51 years and above	19	9.0	9.0	100.0
<b>Family Size</b>				
0-2	12	5.7	5.7	5.7
3-4	72	34.3	34.3	40.0
5 and more	126	60.0	60.0	100.0
<b>Education</b>				
No Formal Education	76	36.2	36.2	36.2
Primary Education	10	5.0	5.0	41.2
Secondary Education	57	27.1	27.1	69.1
Graduation And above	67	31.9	31.9	100.0
<b>Business Type</b>				
Beauty Parlor	16	7.6	7.6	7.6
Boutique	35	16.7	16.7	24.3
Retail Shop	33	15.7	15.7	40.0
Tailoring/stitching	3	1.4	1.4	41.4
School	38	18.1	18.1	59.9
Others	85	40.1	40.1	100.0
<b>Marital Status</b>				
Single	9	4.3	4.3	4.3
Married	177	84.3	84.3	88.6
Separated	15	7.1	7.1	95.7
Widowed	9	4.3	4.3	100.0
<b>Source Of Finance</b>				
Islamic	73	34.8	34.8	34.8
Conventional	137	65.2	65.2	100.0

Descriptive results showed that most women in this study between the age of 31-40 years were actively involved in enterprise activities. There is a significant relationship as more women encourage to start-up their enterprises at younger age (Carter *et al.*, 2001; Talavera, Xiong & Xiong, 2012) results show that the majority of females start their business at a young age. Most of the women respondents who initiated the enterprises that are 60% had large families including five or more members. This indicates that one major reason to start a business is that a woman has a large family. Literature indicates that education is considered as a positive effect on starting up a new business and achievement, development and growth of enterprises (Parker & Van Praag, 2012).

Women businesses are also affected by the level of education as the opportunity of starting a business or expanding existing business increases among educated females (Harding *et al.*, 2006). Results indicate that education plays a very important and positive role to influence enterprise growth and sustainability, since a majority of respondents 35.7% has no formal education, whereas, 31.9% had graduations/highly qualified. However, 27.1% got secondary and 0.5% got primary education. The main reason for lack of education among women is the early age wedding causing dropout of girls from school (Harding *et al.*, 2006).

The business type means the sort of business women needs loan to start up/ establish and develop to run. In our study, women ran the following business, such as boutique (16.7%), retail shops (15.7%); beauty parlor (8%); tailoring/stitching (2%); school (18%) and the remaining 40% women invested in livestock, cloth dying, scrap business etc.

Major reason female to set up their own enterprise was to fulfill the needed and responsibilities of their children (Nasir *et al.*, 2019). The results show that almost 84% female participants who invested in enterprises are married women and 16% are single and widows.

Moreover, we collect the data from Islamic and conventional MFIs. Islamic source of finance means women lend money on interest free bases or 0% interest (Akhwat Foundation) as in this research 35% women participants borrowed from Islamic institutions and the rest from conventional sources of finance as they charge interest rate on lending. For example, U-Bank and FINCA charge almost 40% which was very high, Kashaf foundation charge 20% and UPAP/NRSP charge 16%.

Table 3: *Overall Descriptive Statistics and Pearson Correlation*

	Mean	Std.Deviation	MC	WEP	SC
MC	4.397	.488	1.000		
WEP	4.115	.598	.431** (.034)	1.000	
SC	4.315	.639	.550*** (.010)	.896*** (.005)	1.000

Table 03 presents the descriptive statistics as the mean value, standard deviation of the variables used in study. The result shows that mean value of microfinance is 4.397; range from 1 to 5; and the standard deviation is 0.488, which depicts the value of respondents are more than average value. Similarly, the mean value of WEP is 4.115; standard deviation is 0.598; showing majority values of respondents are above average. In addition, mean value of social capital is 4.315; and standard deviation is 0.639 which indicates that the value of respondents is more than average. The correlation test was

used to verify the relationship between variables as microfinance (MC), women’s enterprise performance (WEP) and Social Capital (SC). Table 03 show the results of correlation values range between 0 to 1.

Table 4: *Test for Equality of Means between Islamic & Non- Islamic Microfinance*

	Mean Value		t-test for Equality of Means	
	IMF	Non-IMF	Difference	p-value
MC	4.524	4.27	0.254	0.045
WEP	4.488	3.74	0.746	0.008
SC	4.418	4.21	0.206	0.027

As our purpose was to examine whether Islamic microfinance institution contribute more than conventional microfinance institution in women-entrepreneurial performance the results of t-test in table 04 show that there is a significant difference of impact of Islamic microfinance and non-Islamic microfinance. It means that Islamic finance impeded more significant influence (contribute) on women entrepreneurial performance as compared to non-Islamic microfinance. Furthermore, these results confirmed that Islamic microfinance contribute more in poverty reduction as compared to non-Islamic microfinance. The principles of Islamic finance prohibit interest-based (riba) transactions, avoidance of economic activities involving oppression (zulm) and speculation (gharar). While non-Islamic finance is based on the debtor-creditor relationship between the borrowers and the lenders.

Furthermore, the confirmatory factor analysis (CFA) was done to check the reliability of measurement items and results met the criteria laid down by Hair *et al.* (2010). After CFA, we evaluated the psychometric properties. Composite reliability should be greater than 0.70 (Bagozzi & Yi, 1988), CR should be higher than Average Variance Extracted (AVE) and AVE must be higher than 0.50 (Hair *et al.*, 2010). Lastly, data met these criteria and hence possess validity of convergent as well as discriminant. Hence, the variables are considered to be sufficient and results are shown in table5.

Table 5: *Measurements Model Results (reliability and Validity)*

	Cronbach's Alpha	CR	AVE
Women Enterprise Performance	.841	.919	.742
Micro Credit (MC)	.852	.900	.694
Social Capital	.880	.908	.590

### Results, Analysis and Explanation

Initially, we check the normality of the response variable and autocorrelation, and no issues were found. Further, the findings were obtained by regression and

mediation test and conclusions of null hypotheses was tested. The objective was to examine the impact of microfinance on women’s entrepreneurial performance.

Table 6: ANOVA Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	29.262	3	9.754	45.155	.000
Residual	44.498	206	.216		
Total	73.760	209			

Table 7: A Regression Results (Dependent Variable: WEP)

	Model1	Model2
Constant	.199 (.452)	.180 (.324)
MC	.654 (.057)	.410 (.034)
SC		.438 (.034)
Adj.R2	0.430	.482

Table 8: Mediation Analyses

Direct Effect	Beta Coefficient	Sample Mean (M)	Std. Deviation (STDEV)	t-statistic	Sig.
MC -> WEP	.577	.585	.073	7.934	.000
MC -> SC-> WEP	.078	.084	.040	1.947	.050

The results in table 07 show that microfinance has a positive (significant) impact on women's entrepreneurial performance. The findings demonstrate that a better perception of microfinance leads to better performance of women entrepreneurs. These results are significant at a 1% level of significance which explains that H1 is accepted. These results are similar to our assumptions that a better perception of microcredit improves the performance of women entrepreneurs. Furthermore, our study confirms that a microfinance institution plays an important role to promote micro entrepreneurs by providing loan services, consultation, training and business monitoring services. This research gave a beneficial approach to microfinance effects and very useful addition to the existing literature. Our results are similar to Osunde and Mayowa (2012), microfinance having a positive impact on women’s business performance.

### Mediation Test Results

Baron and Kenny (1986) suggest a mediation test to analyze the mediating role of the third variable between an independent and dependent variable. It explains that mediating variable eradicate or decrease the direct association between dependent and

independent variables. So, we analyze the mediating role of social capital for microcredit effect on women empowerment. For confirmation of mediation, four attributes are found in a research model (Baron & Kenny, 1986). At the first stage, the independent variable (microcredit) significantly affects the mediating variable (social capital), secondly, the dependent variable (women empowerment) significantly affects the independent variable (microcredit) in the absence of the mediating variable, which also called total affect. In the third step, the mediating variable may also influence significantly the dependent variable (indirect effect), and the last requirement for a mediation test that when performing mediation analysis there is a little direct effect. The relation between independent and dependent variable in the presence of mediating variable means strong effect by microcredit and social capital on women empowerment (indirect effect).

Table 9: *Mediation Analysis*

Type of Effect	Coefficient	T. Value	P. Value
Total Effect MC > WEP	.614	8.108	.0001
Direct Effect MC > WEP	.238	2.635	.009
Indirect Effect MC > SC > WEP	.376	4.345	.0001

The mediation analysis was performing through the PLS software. Results show (see table 9) that there is a significant total effect i.e., WEM variable is significantly affected by MC in the absence of SC. There's a direct and significant mediation relationship between MC-WEM variable in the presence of SC variable is significant. The indirect effect which major indicator of mediation analysis means MC impact on WEM through SC was found significant and BI (Bias Interval confidence) is also significant and acceptable. Results show partial mediation between MC-WEM by mediating variable SC.

Table 10: *Null Hypotheses conclusion*

H1	<i>There is a positive relationship between microfinance and women's entrepreneurial performance.</i>	<i>Supported</i>
H2	<i>There is a positive relationship between social capital and women's entrepreneurial performance.</i>	<i>Supported</i>
H3	<i>There is a positive relationship between Microfinance and Social capital.</i>	<i>Supported</i>
H4	<i>Social capital significantly mediating the relationship between microfinance and women entrepreneurial performance.</i>	<i>Supported</i>

### Conclusion & Policy Recommendations

The previous researchers, who have explored the significance of women's enterprises, have highlighted the hurdles faced while starting and growing the business and issues that resulted due to lack of financial services. As the major purpose of this study was to measure the effects of microfinance on women's entrepreneurial

performance, this study finds that microfinance plays a significantly positive role in the development of women's entrepreneurial performance not only in starting a business but in boosting up the established business also.

We have reviewed the literature on women entrepreneurial performance, microfinance, the critical issues influencing these variables, and the socio-economic benefits of encouraging women to begin a journey of entrepreneurship. The analysis of primary data collected from women entrepreneurs provides some useful findings. The findings of this study may be helpful for women to start their own enterprises, to improve their entrepreneurial performance, and to understand the effects of multiple factors on their entrepreneurial performance. Overall, the results provide useful insights into research domains of entrepreneurship and microfinance accessibility.

This study contributed to the existing literature on the role of microfinance in women's business growth, and its findings may help policymakers, researchers, and readers. This study is also beneficial for IMFs that are currently an effective tool of accelerating economic growth in developing countries, which may have direct effects on job and wealth creation, poverty alleviation, and job innovation. Such IMFs may find it necessary to help entrepreneurs for addressing their (i.e., IMFs) goals and enhancing entrepreneurs' performance. This study may also contribute towards our understanding why Islamic microfinance is an effective instrument for entrepreneurial performance and economic growth in developing countries.

This study makes policy recommendations to guide the development of microfinance interventions that are beneficial to the clients and other stakeholders of the MFIs. Furthermore, this study has highlighted the need to improve the design of micro savings in order to suit the needs of women entrepreneurs.

With respect to practical contribution, the result of this study may help the micro financial institutions and government to take appropriate decisions and actions to improve financial products, which will be beneficial for women entrepreneurs in term of more attention given to them which will improve their entrepreneurial performance.

Future researchers may take more representative sample (e.g., by including more districts of Pakistan) to improve the generalization of the results of our study. Future researchers may also use qualitative research design to better understand the intricacies of women's perception of the creditworthiness of MFIs, their entrepreneurial activities, and their entrepreneurial performance.

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