



Research Article

## Microfinance and Social Entrepreneurship

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### Abstract

The study aims to explore the role of microfinance in promoting social entrepreneurship, particularly in rural and semi-urban areas where access to traditional financial institutions is limited. The main objective of this study is to assess how microfinance supports the success and sustainability of social enterprises that operate with both financial and social objectives. The study employs a mixed-method approach that incorporates both quantitative and qualitative techniques. We made sure to include a diverse range of ages, genders, and company kinds when we hand-picked 150 social entrepreneurs from rural and semi-urban areas. In order to determine which characteristics are most important for these businesses' performance and longevity, the quantitative part of the study uses rigorous statistical tests such as ANOVA, Chi-square, and Correlation studies. Microfinance amounts, demographics, company success, and social effect were among the principal data points uncovered by the surveys' well-designed questionnaires. The results of the statistical tests provide valuable insights. The ANOVA analysis revealed significant differences in financial performance across various sectors of social entrepreneurship, indicating that the type of business plays a critical role in determining its success. The Chi-square test showed a significant relationship between gender and business success, with women-led social enterprises demonstrating higher success rates and financial sustainability than those led by men. The correlation analysis further supported the positive relationship between the amount of microfinance received and the sustainability of social enterprises, highlighting the importance of adequate financial support for these ventures. This research sheds emphasis on the significant influence that microfinance plays in ensuring the viability and longevity of social businesses, especially in regions that are not well supported by financial institutions. According to the results, microfinance not only helps people achieve financial success, but it also has a huge influence on society, particularly for women who are starting their own businesses.

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**KEYWORDS:** Microfinance, Social Entrepreneurship, ANOVA, Chi-square Test, Social Impact, Women Empowerment, Sustainability, Financial Inclusion, Rural Development.

## 1. INTRODUCTION

People and small businesses who do not have access to traditional banking services are the ones who benefit most from microfinance, which has long been heralded as a game-changing tool in the fight against poverty. Loans, savings accounts, and insurance are all crucial financial tools, and it opens them available to economically disadvantaged populations. Microfinance has played a vital role in bolstering entrepreneurial endeavours, particularly in economically disadvantaged regions where conventional funding options are few. This is because microfinance has been essential in encouraging people to start their own businesses. There have been major effects on economic development and poverty reduction from the fact that technology may enable individuals by providing them with the means to start and run their own businesses. This study aims to fill that gap by looking at how microfinance institutions (MFIs) might support social entrepreneurship, particularly in economically disadvantaged and underserved areas. The purpose of this study is to determine whether microfinance helps start-ups with a social mission rather than traditional businesses whose primary objective is profit maximisation. This research aims to examine the impact of microfinance on the empowerment of underprivileged populations, particularly women, via entrepreneurial pursuits and the production of social value.

## 2. RESEARCH OBJECTIVES

1. To analyse the role of microfinance in promoting social entrepreneurship.
2. To assess the impact of microfinance on economic empowerment, especially among women.
3. To examine the sustainability of social enterprises supported by microfinance.
4. To statistically test the correlation between access to microfinance and the success of social enterprises.

### Hypotheses

**H1:** Microfinance has a significant positive impact on the success of social enterprises.

**H2:** Women entrepreneurs are more likely to benefit from microfinance compared to men.

**H3:** There is a positive correlation between the amount of microfinance received and the sustainability of social enterprises.

**H4:** Access to microfinance has a direct effect on improving social outcomes such as employment and community development.

## 3. LITERATURE REVIEW

### 3.1. Microfinance and Poverty Alleviation

Over the last few decades, microfinance has developed into a powerful instrument for expanding access to banking services for those who do not have them otherwise. If you or your small company do not have the necessary collateral, steady income, or credit history to be approved for a traditional loan, microfinance organisations may be able to help. Microfinance

is essential for economically disadvantaged areas to grow, say Armendáriz and Morduch (2010). As a result, more people can start their own enterprises, which boosts the economy, creates jobs, and helps reduce poverty. Furthermore, by offering borrowers savings mechanisms, insurance, and other financial services, microfinance has played a crucial role in lowering their financial risk.

### 3.2. Social Entrepreneurship and Microfinance

By fusing conventional commercial strategies with humanitarian agendas, social entrepreneurs provide novel answers to pressing social issues. Many entrepreneurs with a social mission launch businesses to improve the lives of underprivileged or otherwise disadvantaged people rather than increase their own wealth. Grameen Bank's founder and an early proponent of microfinance, Muhammad Yunus (1999), stresses the importance of microfinance in encouraging social entrepreneurship. He contends that microfinance helps those who would not have access to larger loans develop enterprises that provide jobs and solve societal problems at the same time.

### 3.3 Gender and Empowerment in Microfinance

Empowering women is one of the most important ways microfinances has made a difference. Kabeer (2001) and Swain & Wallentin (2009) are among the studies that have investigated the impact of microfinance on women's empowerment, especially in rural areas. Microfinance has boosted women's economic independence, decision-making authority at home, and social status, according to this research. Microfinance empowers women to break free from societal expectations and take an active role in the economy by giving them the capital they need to launch their own enterprises.

## 4. METHODOLOGY

### 4.1. Research Design

The methodology used in this investigation is known as mixed methods, which incorporates both qualitative and quantitative research. First-hand information was gathered by conducting personal meetings with one hundred fifty micro-entrepreneurs (also known as social entrepreneurs) located in rural and semi-urban regions. A stratified random selection approach was used to pick the participants in order to guarantee that there was a diverse range of ages, genders, and types of social enterprises represented among them.

### 4.2. Data Collection

Through the use of standardised questionnaires, quantitative data were collected, with a particular emphasis placed on demographic parameters, the amount of microfinance received, the social objective of the firm, and financial success. The collection of qualitative data was accomplished via in-depth interviews, which offered a background for comprehending the manner in which microfinance influenced the results of social situations.

### 4.3 Data Analysis Techniques

The following statistical techniques were applied:

- ANOVA (Analysis of Variance) to test differences between various groups of entrepreneurs.
- Chi-square tests to determine the significance of the relationship between categorical variables (e.g., gender and access to microfinance).

- Correlation analysis to assess the relationship between the amount of microfinance and the success of social enterprises.

## 5. Data Analysis and Discussion

### 5.1. Demographic Overview

**Table 1:** Demographic Overview of Social Entrepreneurs

Demographic Variables	Category	Percentage
Gender	Male	40%
	Female	60%
Age Group	18-25	15%
	26-35	35%
	36-45	35%
	46+	15%
Type of Business	Handicrafts	25%
	Agriculture	30%
	Services	45%

Microfinance is a game-changer for working-age individuals looking to establish their own firms, since 70% of the entrepreneurs fall between the 25–45 age bracket, according to the participant age distribution. The survey included a wide variety of companies, from mom-and-pop shops to non-profits providing health services to the local community. Only 30% of

The firms in the sample were involved in agriculture, while 45% were in the service industry. Among the sample, 25% were involved in the handicraft industry. This sector is mostly handled by women in rural regions. According to these results, many different types of social businesses are receiving microfinance in order to meet various community needs.

### 5.2 Questionnaire Analysis

**Table 2:** Responses to Key Questions from Social Entrepreneurs

Question	Response 1	Response 2	Response 3
1. How did you hear about microfinance?	Community meetings (40%)	Word of mouth (30%)	Microfinance institutions (30%)
2. What was the purpose of taking a microfinance loan?	Start a business (50%)	Expand existing business (30%)	Household or personal needs (20%)
3. How important is microfinance to your business?	Extremely important (60%)	Moderately important (30%)	Not important (10%)
4. What challenges did you face in accessing microfinance?	High-interest rates (35%)	Insufficient loan amount (30%)	Lengthy paperwork (35%)
5. Has microfinance helped improve your business performance?	Yes, significantly (70%)	Somewhat (20%)	No impact (10%)
6. How did microfinance impact your personal life?	Improved financial independence (65%)	Helped manage household expenses (20%)	No significant change (15%)
7. Has microfinance enabled job creation in your community?	Yes (50%)	Somewhat (30%)	No (20%)
8. How would you rate your business growth after microfinance?	High growth (40%)	Moderate growth (45%)	No growth (15%)
9. Do you face competition in your business sector?	Yes, a lot of competition (60%)	Moderate competition (30%)	No competition (10%)
10. How sustainable is your business With microfinance?	Very sustainable (50%)	Somewhat sustainable (40%)	Not sustainable (10%)
11. Did you receive training before getting microfinance?	Yes (30%)	No (70%)	
12. How often do you use microfinance services?	Regularly (50%)	Occasionally (40%)	Rarely (10%)
13. What type of support do you need from microfinance?	Larger loan amounts (40%)	Lower interest rates (35%)	More business training (25%)
14. Has microfinance helped you scale your business?	Yes (55%)	Somewhat (30%)	No (15%)
15. Has microfinance improved your community's social impact?	Yes, significantly (60%)	Moderately (30%)	No impact (10%)

The survey data highlights the significant impact of microfinance on both businesses and personal lives. Respondents primarily discovered microfinance through community meetings (40%), word of mouth (30%), or directly from institutions (30%). Most loans were taken to start a business (50%) or expand an existing one (30%), with fewer seeking them for personal needs (20%). Microfinance is considered extremely important for business success by 60% of respondents, despite challenges like high-interest rates (35%) and lengthy paperwork (35%). The majority report that microfinance has greatly improved their business performance (70%) and personal financial independence (65%). It has also contributed to job creation in communities (50%) and facilitated business growth, with 40% experiencing high growth and 45% moderate growth. Although only 30% received training before obtaining loans, 50% use microfinance services regularly. There is a clear demand for larger loan amounts (40%), lower interest rates (35%), and more business training (25%). Additionally, microfinance has helped 55% of respondents scale their businesses and has positively impacted community social development for 60%.

### 5.3. Hypothesis Testing

#### 5.3.1. ANOVA Results

An analysis of variance was conducted to examine potential differences in the financial performance of social entrepreneurs across different sectors. Empirical examination of the data revealed that service-oriented enterprises achieved superior financial performance compared to agriculture-based and handicraft sectors.

**Table 3:** Financial Performance by Sector (ANOVA Results)

ANOVA Results	F-Value	P-Value
Financial Performance by Sector	4.26	0.015

This finding provides further evidence that the kind of social company has a substantial impact on its potential for long-term success. The scalability and greater demand in underserved regions certainly contribute to the better financial returns generated by service-oriented firms, which may include businesses like healthcare or education services, as opposed to agriculture or handicrafts.

#### 5.3.2. Chi-Square Test Results

An analysis of the correlation between gender and the success of social companies was conducted using a Chi-square test. The test found a statistically significant correlation between gender and company success, where female entrepreneurs exhibited superior success rates in terms of both financial performance and social impact.

**Table 4:** Gender and Business Success (Chi-Square Test Results)

Chi-Square Test	Chi-Square Value	P-Value
Gender and Business Success	10.78	0.001

Microfinance programs are more likely to help women, according to this and other studies. In addition to better monetary success, women-led social businesses have a stronger impact on social outcomes, including job creation and community development. One possible explanation is that women tend to reinvest their profits in their families and communities, which means their enterprises have a greater social effect.

#### 5.3.3. Correlation Analysis

The study revealed a positive association between the quantity of microfinance received and company success, suggesting that more financial assistance from microfinance organisations is linked to larger levels of business performance.

**Table 5:** Correlation Between Microfinance and Business Success

Correlation	R-value
Microfinance and Business Success	0.68

The robust positive association indicates that the level of microfinance received by an entrepreneur significantly influences the success and long-term viability of their business. More likely to achieve financial success and maintain their firms over the long run are social entrepreneurs who get bigger loans or more extensive financial services from microfinance organisations. This result emphasises the need for sufficient financial assistance for social entrepreneurs, especially those that operate in disadvantaged regions with restricted availability of funds.

#### 5.3.4. Chi-Square Test Results (Hypothesis H4)

A Chi-square test was conducted to assess the relationship between access to microfinance and social outcomes such as employment generation and community development. The results showed a significant relationship between microfinance access and improved social outcomes.

**Table 6:** Microfinance Access and Social Outcomes (Chi-Square Test Results)

Chi-Square Test	Chi-Square Value	P-Value
Microfinance Access and Social Outcomes	9.34	0.003

This finding supports the idea that access to microfinance directly improves social outcomes, such as increased employment and community development, particularly in underserved regions. Microfinance plays a critical role in fostering social transformation by addressing systemic issues like poverty and unemployment.

## 6. DISCUSSION

The study highlights the transformative role of microfinance in advancing social entrepreneurship, especially in rural and semi-urban areas where traditional financial services are scarce. The findings indicate that microfinance significantly enhances both the financial performance and social impact of social



enterprises. Women entrepreneurs, in particular, benefit notably from microfinance, exhibiting higher success rates and greater sustainability compared to their male counterparts. This observation supports existing literature, which suggests that women are more likely to reinvest profits into their families and communities, thereby amplifying the social benefits of microfinance (Kabeer, 2001; Swain & Wallentin, 2009). The analysis also reveals that service-oriented enterprises tend to outperform those in agriculture or handicrafts.

This trend may be attributed to the higher demand and scalability of services such as healthcare and education in underserved regions, aligning with the study's observation that different sectors experience varying levels of success (Armendáriz & Morduch, 2010). Furthermore, a positive correlation between the amount of microfinance received and business success underscores the importance of adequate financial support for the sustainability of social enterprises (Cull, Demirgüç-Kunt, & Morduch, 2009). Overall, the research underscores the need for microfinance institutions to not only provide financial resources but also to tailor their services to meet the specific needs of social entrepreneurs. This includes offering larger loan amounts, lower interest rates, and additional business training (Robinson, 2001). Future research should focus on enhancing the long-term viability of microfinance-supported enterprises and exploring factors such as market access and regulatory support that could further boost their performance (Yunus, 1999; Littlefield, Morduch, & Hashemi, 2003).

## 7. CONCLUSION

The present research emphasises the substantial impact of microfinance in fostering social entrepreneurship, particularly in rural and semi-urban regions. There is clear evidence that women entrepreneurs get more advantages from microfinance programs, as shown by their superior success rates and sustainability results. Furthermore, the results indicate that social firms in various industries have differing degrees of financial success, an aspect that requires further research. The strong positive relationship between the level of microfinance obtained and the achievement of company success highlights the need for sufficient financial assistance for social businesses. In order to maximise their influence, microfinance institutions must not only guarantee financial accessibility but also customise their services to cater to the particular requirements of social entrepreneurs. This encompasses the provision of expanded loan amounts, the provision of business education, and the guarantee of accessibility to microfinance programs to women and economically disadvantaged communities. Future studies should prioritise the enduring viability of microfinance-supported social companies and investigate other elements that might enhance their performance, such as market entry, regulatory backing, and community involvement.

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