

The Impact of the SME Financing by MFIs in Albania

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Abstract

In this research are presented research results from the data collected and studied through direct interviews with farmers and SMEs in Albania. This study aims to analyze the importance of SME financing by MFIs and identify the role of microfinance in their growth and development. Aim remains the determination of the bonding strength and influence of every one of the critical factors to take into analysis. To measure the impact of microcredit critical factors in order to improve the performance of MFIs. These results are generated through an empirical analysis of MFIs in Albania and broke the are-consistent with the theory.

1. Introduction

The data used are by questionnaire designed to evaluate the performance of MFIs and influence their lending by the development of SMEs. Total survey sample consists of 310 observations after cleaning the database. Asked employees of SMEs regarding the characteristics of their demographic (age, gender, education, residence, etc.), The main characteristics of the business where they work as activity operating, forms of organization, financial resources, savings and institutions where savings deposit and lending options. Further, the study is based on the collateral impact of currency borrowing, interest rate and credit products, services that offer MFIs in the development of micro enterprises. Respondents were asked about the factors that influence the choice of an alternative MFI lending, the level of satisfaction on products, services that offer the latter. It collected information on products owned knowledge, procedures for applying and getting credit from MFIs. Finally, the focus on this descriptive analysis made on the impact that has brought cooperation with microfinance institutions, aspect evaluated in the framework of cooperation, contribution of loans taken from MFIs, as well as assessing the performance of microfinance institutions from SMEs.

2. Analysis of Contingency, Contingency Tables and χ^2 Test

This is one of the most commonly used tests, consisting in the use of techniques that examine the relationship between variables through contingency tables. This analysis is performed for categorical data for more than one variable and uses double-entry tables, also known as contingency tables. These tables summarize the information needed for conducting statistical inference and statistical testing of the relationship between variables based on observed data. Hi-square test (chi-square test) is a method for testing the connectivity between the row and column variables in a table with two entrances. H0 null hypothesis assumes that there is no connection between variables, then one variable variation is not associated with variation in another variable. Ha alternative hypotheses formulated on the basis of the existence of a relationship between two variables, but does not specify the type of connection, which is done by examining the data. Hi-square test based on a statistic that measures the divergence of data observed from expected values under the null hypothesis that there is no connection between variables. The tables with two entrances, the expected value for each cell is:

total by the row x total per column / total number of observations

3. Results

In this section presents the results of the statistical analysis of data. Initially given a descriptive analysis under subsection 3.1, followed by contingency analysis, section 3.2. In the latter it will be performed by testing hypotheses Hi-square test and will be shown the link between the variables under the hypotheses raised in the introductory part.

3.1 Descriptive Analysis

This section presents descriptive statistics from the survey data. The first part of the analysis shows the demographic characteristics of selecting gender, age group, education, marital status and residence in percentages and frequencies. Further analysis focuses on the characteristics of SMEs, financing alternatives and the impact of borrowing from MFIs in the performance and development of SMEs. The third and last of the descriptive analysis focuses on the factors that determine the performance of micro finance institutions from SMEs.

Table 4.1 summarizes the main socio-demographic characteristics of the final sample, which consists of 310 applicants. The selection consists of 192 males and 118 females, corresponding respectively to about 61.9 and 38.1 percent of the sample. Dominates the age group 26-35 and 35-45 with 26.5 percent of observations respectively, and each represented only 2.9 percent of the age group over 65 years. About 23.9 percent of respondents are 46-55 years old, 14.8 percent are grouped in the segment 56-65 years and only 5.5 per cent belong to the 15-25 years category. Most of the applicants, or about 40.6 percent of them are general secondary education and 19.4 percent own about higher education. Only 4.5 percent have completed primary education and 15.8 per cent of the 9 year old. In connection with civil status noticed that most or about 75.2 percent of the respondents were married. About 17.4 percent are single, living in cohabitation or 3.5 percent, 2.3 percent are a widow / widower and only 1.6 per cent belong to the category of / divorced. Most of the respondents, or about 76.8 percent of them are residents of the village and around 23.2 percent in the city.

Presented in Table 4.2 Main characteristics of SMEs descriptive. Data were collected on the main characteristics of SMEs, as activity in which they operate, forms of organization, financial resources, savings and savings deposits. The main activities are divided into agriculture, livestock, construction, service and trade. We see the brunt of stockbreeding by about 29 percent, followed by agriculture with about 25 percent. Services cover a 24 percent and 14 percent of trade. Businesses with commercial construction activity comprise only 8.4 percent of the selection. Regarding the organizational form, it dominates the individual with around 81 percent. Partnership businesses make up 19 percent see sample. Regarding the sources of financing we see the bulk or about 71 percent of the businesses that have as their main source of financing, the proceeds from sales. Businesses, which have as funding loans taken from MFIs account for about 20 percent, versus 5.5 percent of businesses that are a source of financing loans taken from commercial banks. We see that businesses have other sources of funding are about 2.5 percent.

From Figure 4.1 shows that about 66 percent of SMEs have benefited in the last five years of massive loans from microfinance institution 'FEDINVEST'. About 17 percent have received loans from 'Besa Fund', about 10 percent of the 'NOA', followed by 'FEDINVEST' by 2.7 percent and 2.3 percent respectively from 'FAF' and 'Vision Fund'.

From the graph it shows that one of the factors affecting the choice of MFIs as alternative credit-worthiness is to know your procedures by about 23 percent. Another factor of choice is preparing soon documentation and ease of application, with around 22 per cent respectively. We note that the interest rate is estimated lower than other factors in the election with around only 13 percent. Delivery fast loan estimated 12 per cent of SMEs and 10 percent of them choose the IMF because not required collateral for obtaining credit.

From the data presented in the chart above that prevailing distinguish the percentage of SMEs who are relatively satisfied and only a small fraction have reservations about the level of satisfaction they get from the products / services offered by microfinance institutions. Specifically we see about 47 percent of the respondents are relatively satisfied. About 35 percent of them are satisfied with the products and about 17 percent are indifferent to the assessment.

The respondents were asked to grade the ongoing cooperation with micro finance institutions. Specifically grades five of the evaluation 'have not cooperated' grade six assessment "fairly satisfied", grade seven for the claim "relatively satisfied" Grade eight evaluation "satisfied with the cooperation", grade nine rating "very satisfied cooperation" and expressed utmost appreciation tenth grade, "I am a regular member, I even referred relative to cooperate with the institution of the IMF." From Figure 4.8 we see that about 17 percent of SMEs have not cooperated with MFIs, and about 22 percent of those who have cooperated sufficiently satisfied with the cooperation. About 19 percent are relatively satisfied, 13 percent are satisfied and 16 percent express high levels of satisfaction. Only 13.5 percent are SMEs which consider regular member of the business and further reference to other businesses for the products / services offered by MFIs.

Table 4.1 is collecting information about the difficulty in lending by MFIs in investment cases and the analysis shows that about 65 percent think it is not difficult to obtain credit in the investment case, against those who claim the difficulty with around 35 percent. It also asked whether the IMF to provide opportunities for discussion in cases of conflicts of interest between the parties involved. We see that around 83 per cent think that MFIs are ready for discussions compared with 17 percent who think the opposite. Respondents were asked how are the procedures for applying and

getting credit in the bank compared to those in the IMF and Parties concerning this about 42 percent think the bank application procedures associated costs in time. About 28 percent think they are more complex than those of MFIs and 30 percent have no comparisons.

Figure 4.3, in response rates appear assessment on the impact of interest rates and the products or services offered by MFIs in the creation, development of micro enterprises. We see about 68 percent of SMEs appreciate the positive impact that the products / services offered by MFIs have on the development of micro enterprises. About 28 percent think their service or product does not have an impact on the development of micro and less than 5 percent of the value negative impact. We note that the same trend exists in assessing the impact of interest rates. Specifically, about 65 percent of the value the positive impact of interest rates on the development of micro and this means that lower interest rates, SMEs will increase their investments as long as borrowing is lower cost than if interest rates are high. Fully 29 percent feel the impact.

Loans taken from financial institutions use for certain purposes by contributing in various fields. It is in this chart reflects information collected on the contribution of loans taken from microfinance institutions. See occupies a significant percentage of loans in the growth contribution of new investment by about 13 percent. About 11 percent think that loans taken from MFIs have increased the level of welfare and about 1 percent less think that borrowing from MFIs has increased the income of SMEs. 9 percent of SMEs believe that obtained loans from MFIs lead to the creation of new products and services and 10 percent attribute their contribution borrowing from MFIs in poverty reduction. About 8 percent of survey finds that borrowing from MFIs helps in opening of new farms and equally appreciate the impact on growth of assets.

In Figure 4.5 appears the micro impact of cooperation with financial institutions. Bulk or about 26 percent finds that cooperation with the IMF has brought an increase in investment. About 17 per cent increase in production value, 10 percent assess the quality improvement of products and services, and about 1 percent more value increase in the number of employees. 9 and 10 percent cost reduction evaluate products and services and the improvement of technology, respectively. If about 13 percent revenue growth estimate, only 6.5 percent increase in profit ascertained.

3.2 Contingency Tables

By crostabulation of the main business activity and the number of applications for loans from commercial banks (Table A1) noted that the relationship between them is statistically insignificant at 5 and 10 percent. While referring test Hi-square connection between the principal activity of the business and the number of applications for loans from MFIs (Table A2), we see that it is statistically important at 5 percent and the coefficient of correlation Cramer's V is about 20 percent. Businesses that have applied for loans more than 1 time, 35 percent operate in farming, 30 percent operate in agriculture, and only 5 percent had major activity by development. Such a figure is about 9 percent of the firm's commercial activity. In parallel, if businesses agricultural activity and livestock, about 61 percent have applied for loans from MFIs more than once, only 32 percent with the same frequency application are businesses with commercial activity, and only 30.8 percent were those with activity construction.

Table A3 presents crostabulation between key business activity and borrowing options. We note that Hi-square test for about results invalid. Well, not met the assumption that no more than 20% of table cells have the expected frequency less than 5 and none of them is less than 1.

From the results of Chi-Square test for the connection between the main business activity and difficulty in currency borrowing from MFIs, we see that the relationship is statistically significant at the 10 percent level. Lambda coefficient is zero connection to the combinations recommended for nominal variables used Cramer's V, which this is about 0.16. Table A4 contingency resulted see that although businesses with commercial construction activity and less time to apply for loans from MFIs, they are less difficult than the process agricultural and livestock businesses. Specifically, if less than 7 percent of the construction business and about 10 percent of them have no difficulty in trading by MFIs borrowing full 25 and 29 percent of agricultural and livestock businesses, respectively, difficulties in application. Such a result is about 24 percent for businesses that operate in services.

The form of organization of business and the application and obtaining credit from commercial banks (Table A5), noted that the relationship between them is statistically significant at the 5 percent level. Cramer's V coefficient of connectivity is about 19 percent. About 41 percent of individual businesses have never applied for loans from commercial banks, compared with about 25 percent of the partnership business. However, businesses that have applied more than once, about 64 percent are individual businesses and only 35.6 percent are businesses partners. Well, we can not say how much more organized business structure is, the higher are the applications for loans to commercial banks. Such a result can be attributed to higher frequencies of individual businesses compared with those in the partnership.

Table A6 shows the results of Chi-Square test for the connection between body shape business and application / borrowing from MFIs. It is noted that the link is statistically significant at the 5 percent level of connectivity and Lambda coefficient is just 0.038. Despite poor connectivity, businesses that have applied more than once for loans from MFIs, about 81 percent are individual businesses and only 12 percent are businesses with partnership. If only 9 percent of individual businesses have never applied for loans from MFIs, such a figure is around 41 percent for businesses with partnership. It could be argued by the fact that the latter have greater initial capital than businesses with a single owner. However, as long as there is expectancy business looking at the market, and the initial capital (which do not constitute the focus of the study), the argument can be taken as an assumption.

Test Hi-square connection form of business organization and the option of borrowing (Table A7) results invalid because it does not meet the assumption that no more than 20 percent of the cells have frequencies expected less than 5 and that none of them to be less than 1. The form of business organization and difficulties of borrowing from MFIs, note the connection between them is statistically significant at the 5 percent level. Phi coefficient of connection was (21.7) percent. Negative connection is shown in the fact that businesses have a partnership with the difficult process of borrowing rather than individual businesses. Specifically, firms that do not face difficulties in applying for currency borrowing, about 87 percent are individual businesses compared with only 13 percent of businesses in partnership. However, such a result is the specific case of firms in the survey obtained and assumed that other factors, like the bureaucracy of credit institutions, or the amount of the loan period and the financial performance of SMEs.

4. Findings, Conclusions and Recommendations

The connection between the main business activity and the number of applications for loans from commercial banks is their statistically insignificant at 5 and 10 percent. While referring Hi-square test for the connection between the main business activity and the number of applications for loans from MFIs, it was found that it is important statistically at 5 percent and the correlation coefficient is about 20 percent. We saw that there was no link between the main business activity and borrowing alternatives while the main link between business activity and difficulty in currency borrowing from MFIs, is statistically significant at 10 percent. The correlation coefficient for this relationship is 0:16. Although resulted businesses with commercial construction activity and less time to apply for loans from MFIs, they are less difficult than the process agricultural and livestock businesses.

The link between business organization form and the application and obtaining credit from commercial banks is statistically significant at the 5 percent level. The correlation coefficient of connectivity is about 19 percent. It was noted that this link can not say how much more organized business structure is, the higher are the applications for loans to commercial banks. Such a result can be attributed to higher frequencies of individual businesses compared with those in the partnership. The connection between form of business organization and application / borrowing from MFIs is statistically significant at the 5 percent level and the connection coefficient is just 0.038.

Despite poor connectivity, businesses that have applied more than once for loans from MFIs, am more individual businesses than those with the partnership. It could be argued by the fact that the latter have greater initial capital than businesses with a single owner. However, as long as there is expectancy business looking at the market, and the initial capital (which do not constitute the focus of the study), the argument can be taken as an assumption. The link between business organization form and difficulties of borrowing from MFIs, is statistically significant at the 5 percent level. Phi coefficient of connection was (21.7) percent. Negative connection is shown in the fact that businesses have a partnership with the difficult process of borrowing rather than individual businesses. However, such a result is the specific case of firms in the survey obtained and assumed that other factors, like the bureaucracy of credit institutions, or the amount of the loan period and the financial performance of SMEs.

The link between the impact of interest rates on loans in the development of micro and applying for loans from MFIs is statistically significant at 5 percent level. Kendall's τ coefficient of correlation for this is about (17) percent. So be negative as the impact of interest rates on the loan, the lower will be the number of applications for borrowing from MFIs. Rather, the connection between the application for loans from MFIs and reasons for applying for loans at these institutions, it is noted that the relationship between them is statistically insignificant at 5 percent despite the validity of the test. On the other hand, the connection between the application for loans from MFIs and influence of SME cooperation with them in their development of micro enterprises is statistically significant at the 5 percent level and Cramer's V coefficient is about 23 percent.

Test results Hi-square connection between the application and obtaining credit from MFIs and aspects of borrowing that SMEs appreciate more, show that the connection between them is statistically significant at the 5 percent level and coefficient Cramer's V correlation is around 21 percent.

Hi-square test of the relationship between the level of knowledge of products / services offered by MFIs and the borrowing application or to show that connection is statistically significant at the 5 percent level. Kendall's τ coefficient for this relationship is about 31 percent. So, the higher the level of recognition, the higher will be the frequency of application or receipt of credit. Relationship between the level of knowledge of products / services offered by MFIs and SME aspects of estimate more from obtaining their results statistically significant at the 5 percent level and Cramer's V coefficient is about 19 percent.

Also, the connection between the assessment of cooperation with the IMF and the application or obtaining loans from them is statistically significant at the 5 percent level. Kendall's τ coefficient of connectivity is about 40 percent. It is evident that companies that have not obtained a single time credit can not assess the level of satisfaction with the cooperation with the MFIs. The link between evaluation of the performance aspects of cooperation with SMEs to assess more to MFIs is statistically significant at the 5 percent level and Cramer's V coefficient of connectivity is about 26 percent.

The same conclusion on the link between assessment said the cooperation with the IMF and the reasons for cooperating with them. The correlation coefficient Cramer's V is about 19 percent. Firms that share the high level of satisfaction, 10 percent more or 22 percent value of well-defined procedures, 24 percent of companies state that the documentation is prepared quickly and just 6 percent evaluate quick disbursement of the loan.

The connection between the application or receipt of credit from MFIs and demand for collateral assessment is statistically significant at the 5 percent level. Kendall's τ coefficient of connectivity is about 14 percent. Also, the relationship between the demand for collateral valuation and difficulty for currency borrowing is statistically significant at the 5 percent level and the correlation coefficient Cramer's V is about 41 percent. Specifically, businesses that have difficulty in currency borrowing from MFIs, most appreciate high demand for collateral and the rest of the low regard. The link between the difficulty in currency borrowing from MFIs and interest rates impact on the development of micro enterprises is statistically significant at the 5 percent level and Cramer's V coefficient of correlation is about 30 percent.

This research enabled the identification of the impact of microfinance in the development of SMEs in Albania. Data analysis shows that there is a difference between entrepreneurs who have used and which are not funded by MFIs.

- Microfinance presents financial stability for the development of entrepreneurial activities in Albania.
- SMEs have access to capital to develop their activity through microfinance.
- Microfinance has contributed positively to the growth of entrepreneurship in the country.
- Development of entrepreneurship is vital to the process of industrialization in the country.
- The great contribution of microfinance institutions in emerging economies like Albania's role in promoting the development of entrepreneurship in the country. One of the goals of the enterprise has been the reduction of unemployment and poverty alleviation.

One of the key findings of this paper is the necessity and importance of SME financing by MFIs. These funds have contributed to the growth of SMEs. The financial industry is considered as very important seeing that they contribute to the economic development of the country. This sector has a major impact on the economy as a whole, to the assessment, analysis, and monitoring of its performance is very important. Since self MFIs require continued funding for Native successfully conducted their business, they should be very careful in the administration of resources through evaluation of financial activity indicators.

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