

Inclusive Growth through Targeted Microfinance of SMEs at Ballari.

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Abstract: The majority of People lives in rural area if a rural area develops the entire economy will grow at faster. The motto is of this paper is how an individual increase their income by making use of financial assistance (credit to borrowers) from the various financial institutions such as Gramina banks, co-operative bank (DCC banks) NABARD, SIDBI schemes, Mudra loans. An individual will make startup businesses like textile units, traditional art craft businesses; become rural women entrepreneurs, self employed by providing access to the basic services, social protection, equal distribution throughout society to strengthen the financial inclusion are all possible by local cooperative banks and NGOs this article will explain how individuals will increase their income in different reason in Ballari District. This study concludes that an individual by taking financial assistance with reasonable ROI and will start up as SMEs as rural entrepreneurs, women entrepreneurs through which they will provide the employment opportunities to people.

Keywords: SMEs, Entrepreneurs, Self Employed, Micro Finance.

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I. INTRODUCTION

In developing country like India, where majority of the people lives in villages and people depends on the agriculture and its income. If the rainfall is sufficient and it will determine the cultivation and how output will be. When Compare to city corporation regions, the literacy rate is very low.

The study is focused on low income earner and economically weaker section of the society by providing various Central, State Government schemes and services to improve the basic facilities such as Health care, Education, Clear drinking water facilities, Sanitary conditions, amenities, digital banking facilities, law and order facilities, roads and highways. Now the government of India focused on the SMEs, Entrepreneurs and self Employed among individuals to become financial independent.

India is enriched with human resources and segregated like Skilled, Semi-skilled and Unskilled resources to make use of semi skilled and Unskilled Labors. The Indian government has put in place a number of programs and given loans and subsidies to help low-income and impoverished families and households, which has improved and increased economic growth. GDP, NNP, per capita income, and the paper's central thesis is that financial aid from different organizations, such as MUDRA loans, NABARD, and SIDBI schemes, can raise an individual's income. NGOs and local cooperative banks will

assist people in making the initial decisions to start their own textile, artisan, or traditional craft businesses that will provide employment opportunities or self-employment opportunities by providing access to basic services, financial inclusion, regional balance, sustainability, social protection, and opportunities that are distributed equitably throughout society. Numerous researches on inclusive growth have been conducted in various Karnataka regions.

The implementation of national policies towards inclusive growth can lower poverty, support women's empowerment, help vulnerable populations, raise living standards, boost per capita income by giving low-income families access to microfinance and deliver social justice. Small and medium-sized businesses (SMEs) in Ballari District work in a variety of industries, such as services, technology, and agriculture. Shivashakthi Enterprises, Sri Annapurneshwari Enterprises, Sri Xerox and Graphics, Apoorva Enterprises, Pragathi Enterprises, and Sri Indu Industrial Services are a few instances of SMEs in Ballari.

II. REVIEW OF LITERATURE

Dr V. Basil Hans, (Feb 2025) etal, The role of MSMEs in fostering and promoting intrapreneurs to become an entrepreneurs or to start up new business in Karnataka by the way of knowing the technology, innovation, government policy, subsidies and Collaboration, Sustainability and

Environmental Responsibility through which by focusing on empowering women entrepreneurs, creates job opportunities in Karnataka. In this financial inclusion and enhance the financial assistance in the various government schemes and policies to reach to Everyone and focusing on the rural and remote area in Karnataka and concludes increasing the financial stability in entrepreneurs and to become financial independent

A Study entitled on how microfinance helps in inclusiveness in finance **Dr. Inamur Rahaman, Etal, (September, 2024)** viewed that, the micro finance plays vital role by eradicating the poverty and empowering the entrepreneurs, self-employed or women entrepreneurs through training and development by conducting the workshops educating and enhancing the literacy and giving the awareness to poor and economically weaker section in the Society. Concludes that there should be a financial improvement and to provide the basic infrastructure facilities in tribal and remote locations. Micro finance helping in financial inclusiveness and propagate its programs across the backward areas.

Savitha P, (2023) in her study on Microfinance: A catalyst for driving inclusive growth she found that Microfinance sector in India which provides verity of loans from various financial institutions like Mudra loan scheme, NABARD loans, DCS (district Co-operative societies) banks, gramina banks, NBFC the role of these financial institutions to eradicate poverty by enhancing the financial inclusiveness.

SAIJA VAYRYNEN (May 2019) in his study women's empowerment through targeted microfinance programs which helps in building the confidence in strengthening the financial independent entrepreneurs to become more confident in participating economically, socially, politically empowering and also they were participating the in micro finance programs in improving the Women entrepreneurs and promote start up business entrepreneurs.

Dr. RAVIKUMAR S, (July 2018) in his Study inclusive growth of scheduled caste Population in Karnataka especially in Literacy rate, health and nutrition workers participation rate, economic status, these are slowly progressing and school dropout rate, Poverty ratio, housing condition, sources of drinking water, access of electricity, sanitation facility are bad conditions he concludes that scheduled caste fails to get government facilities and excludes from the development process.

, **Dinesha P T, (Dece 2018)** A Study entitled on Educational level and how Scheduled Caste (SC) and Scheduled tribes (ST) are facing the financial crises in economically weaker section in the society because of which they will have very less resources and development

opportunities and this paper concludes that the earning capacity and the saving habit, managing the savings in households, or income of the family. This study will helps to central, state, local municipal corporations, gram panchayat to facilitate the suitable program and policies to enhance the financial strength and status of the Scheduled Caste (SC) and Scheduled tribes (ST). and we have other backward class of weaker section of the society.

Paramasivan S Vellala (November 2014), etal, how inclusive growth will going to ascertain the inclusive growth in different states in India: based on the cross section data he found that based on economy, governance sustainability were classified on the bases of performance of different states like Highly medium and low performances in inclusive growth and he concludes inclusive growth is a major game change in economic growth.

III. SCOPE

The contemporary study is restricted to Ballari District. The problem statement is centered around inclusive growth through targeted Microfinance of SMEs at Ballari .A random sample of 63 SME's in Ballari district are identified by using convenient sampling.

IV. OBJECTIVES OF THE STUDY

Inclusive growth through targeted microfinance for Small and Medium Enterprises (SMEs) aims to enhance their financial, economical, development by providing financial access to low income earners here we have objective include:

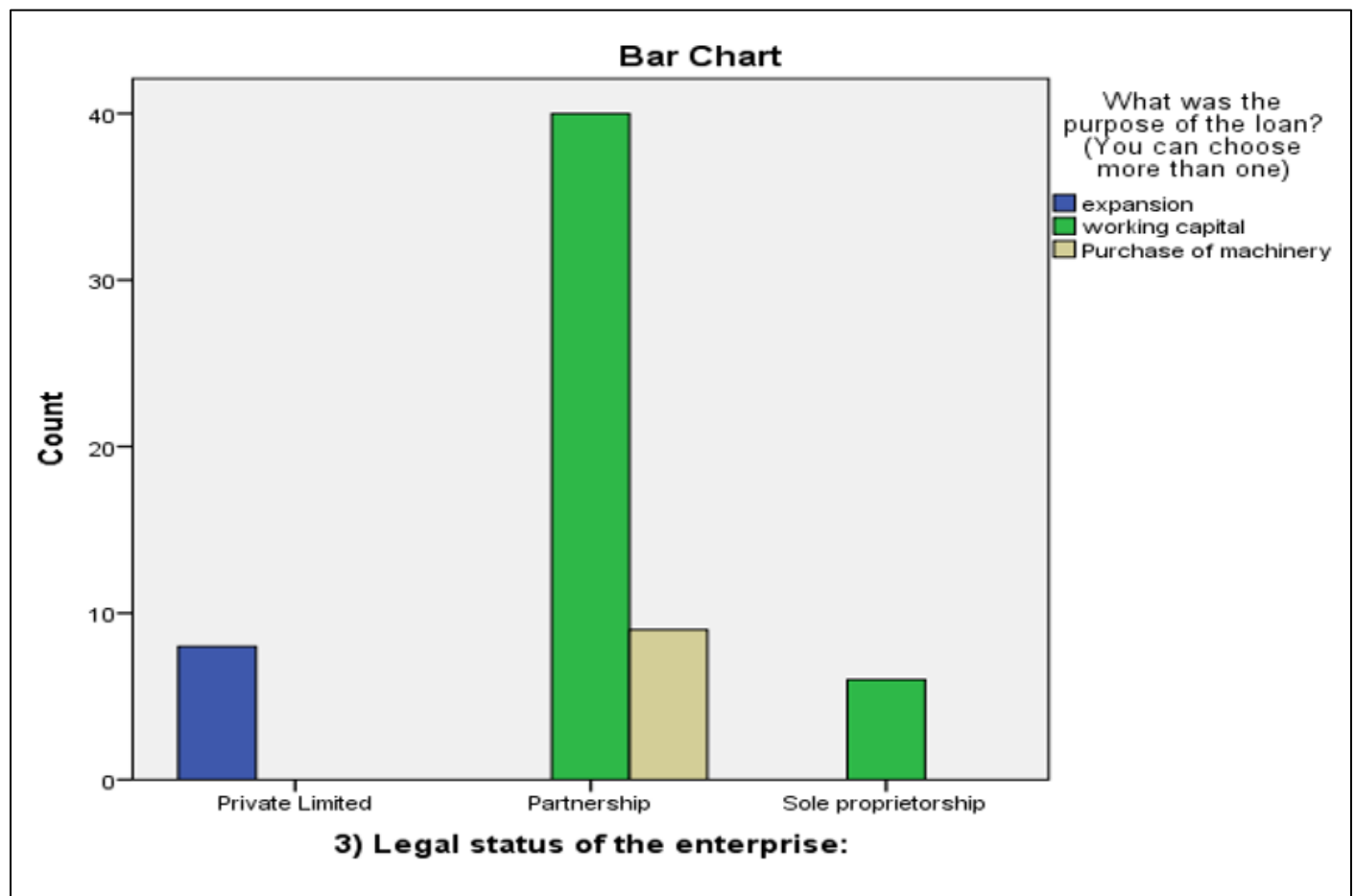
- To examine the purpose of microfinance loan availed by SME's.
- To evaluate the impact of microfinance on enterprise growth.

V. RESEARCH METHODOLOGY

The present study is undertaken by collecting the data from 20 members of Entrepreneurs in Bellary district. On the other side the primary data was collected through structure questionnaire method. This questionnaire was designed based on the information like type of The enterprise, year of establishment, legal status of the enterprise, number of employees, awareness of microfinance, purpose of the loan, whether the sanctioned loan amount met their needs, and assisted to improve their Standard of living. The objective of the study is to examine that whether the entrepreneur is excelled in his Small business performance and transformed both personal and socio-economic status of the society. Convenient method sampling is used to collect data and SPSS data analysis software is employed to verify the stated objectives.

VI. DATA ANALYSIS**➤ Objective 1 To Examine the Purpose of Microfinance Loan Availed by SME's****Table 1 Legal Status of the Enterprise: Purpose of the Loan**

			Purpose of loan availed			Total	Chi-square	
			Expansion	working capital	Purchase of machinery		CC	P Value
	Private Limited	F	8	0	0	8	0.711	0.000**
		%	12.7	0.0	0.0	12.7		
	Partnership	F	0	40	9	49		
		%	0.0	63.5	14.3	77.8		
	Sole proprietorship	F	0	6	0	6		
		%	0.0	9.5	0.0	9.5		
Total		F	8	46	9	63		
		%	12.7	73.0	14.3	100.0		

➤ Purpose of availing loan**Fig 1 Purpose of availing loan****➤ Hypothesis 1****• $H(0)$:**

There is no significant association among the type of SME's and purpose of microfinance loan availed.

• $H(1)$:

There is significant association among the type of SME's and purpose of microfinance loan availed.

The table 1 presents an overview of chi-square test conducted to examine the purpose of microfinance loan availed by SME's. The objective is verified by the hypothesis of no significant association among the type of SME's and purpose of microfinance loan availed at 1% level of significance. The study reveals that there is significant association among the type of SME's and purpose of microfinance loan availed with **moderately strong association** ($CC = 0.711$, $P = 0.000$) between the type of SME and the purpose of the microfinance loan.

The insights are evident to state that the purpose of availing microfinance loan differs with type of the SME. This study focuses on three key SME structures—Private Limited Companies, Partnership Firms, and Sole Proprietorships—revealing distinct financing behaviors in terms of utilizing the funds from Microfinance loans.

➤ *Private Limited Companies*

Demonstrate a strong preference for expansion financing, using microfinance solely for scaling their operations. This suggests they view microfinance as a credible funding source for growth-oriented strategies, possibly due to their structured business model and long-term vision.

➤ *Partnership Firms*

Primarily rely on loans for working capital, emphasizing day-to-day operational liquidity. However, a smaller segment

(18.4%) also utilizes financing for machinery purchases, indicating occasional capital expenditure needs. This dual pattern reflects their operational demands, balancing immediate cash flow requirements with periodic investments in productivity-enhancing assets.

➤ *Sole Proprietorships*

Exhibit an exclusive focus on working capital loans, highlighting their priority for short-term liquidity management. As typically smaller enterprises, they prioritize immediate operational needs over long-term investments, relying on microfinance to sustain daily business activities.

➤ *Objective 2 to evaluate the impact of microfinance on enterprise growth.*

➤ *Hypothesis: 2*

• $H(0)$:

There is no significant impact of microfinance on enterprise growth

• $H(1)$:

There is a significant impact of microfinance on enterprise growth

Table 2 Microfinance Helps in Improving Business

Legal status of SME			Did microfinance help in improving your business		Total	Chi-Square Test	
			Yes	No		CC	P Value
	Private Limited	F	6	2	8	0.212	0.228
		%	9.5	3.2	12.7		
	Partnership	F	45	4	49		
		%	71.4	6.3	77.8		
	Sole proprietorship	F	6	0	6		
		%	9.5	0.0	9.5		
Total		F	57	6	63		
		%	90.5	9.5	100.0		

➤ *Microfinance helps in improving business*

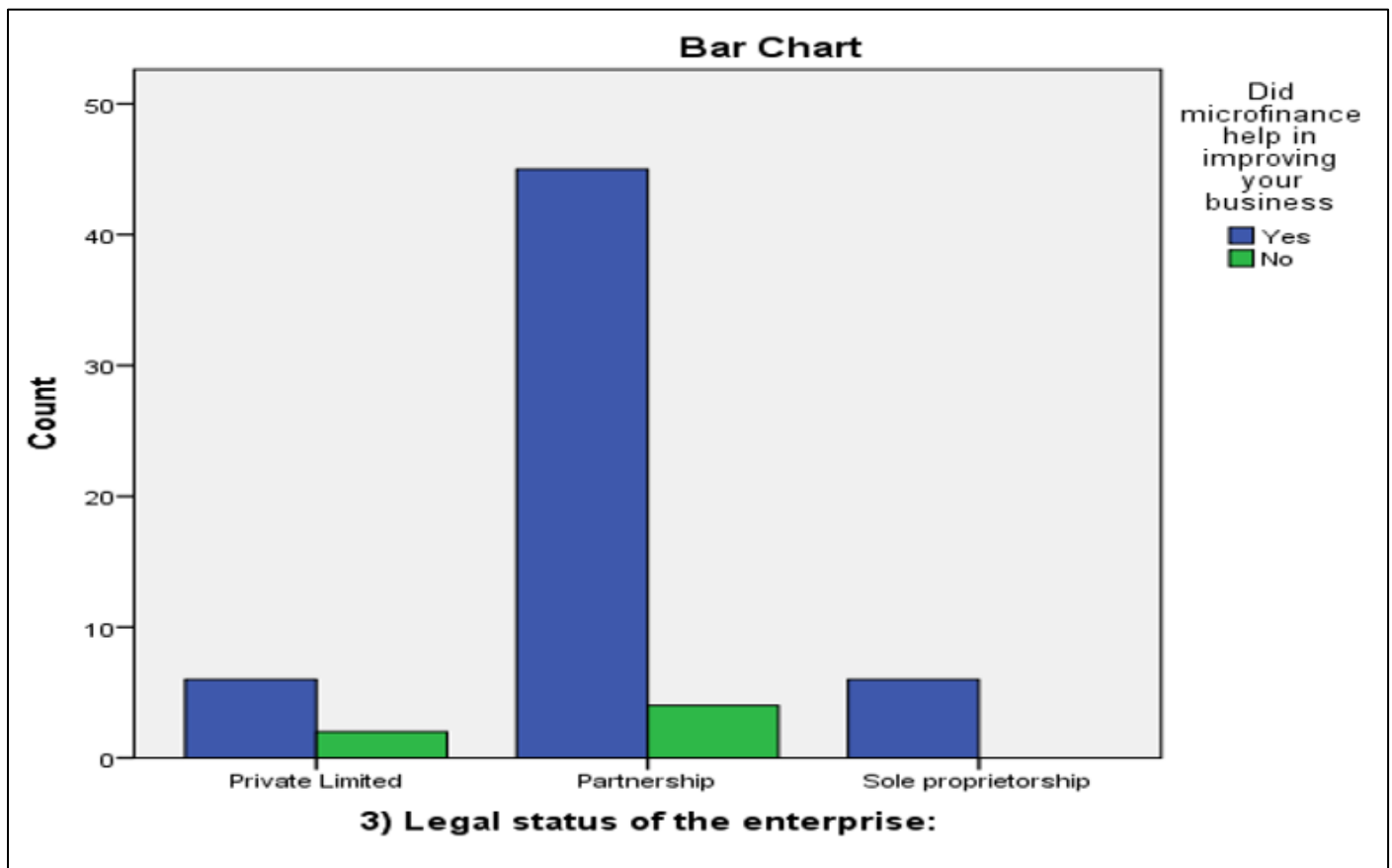


Fig 2 Microfinance helps in improving business

The data reveals that an overwhelming **90.5%** of SME entrepreneurs acknowledged that microfinance contributed to business improvement, with only **9.5%** reporting no benefit. Breaking this down by legal structure:

- Partnership firms*

Showed the highest agreement, with **71.4%** affirming microfinance's positive impact.

- Private Limited companies*

Had mixed responses—**9.5%** reported improvement, while **3.2%** did not.

- Sole Proprietorships*

Unanimously agreed (**9.5%** "Yes," **0%** "No") that microfinance aided their business.

The **Chi-Square Test** results further clarify this relationship:

- The **Contingency Coefficient (CC = 0.212)**

Suggests a **weak link** between an SME's legal status and perceived business improvement from microfinance.

- The **p-value (0.228)**,

Being above the **0.05** significance threshold, confirms that this association is **not statistically significant**.

- Conclusion:*

The legal form of an SME does not appear to significantly influence whether microfinance enhances business performance.

Table 3 Ways of increasing sales

Legal status		ways of increasing sales					Total	Chi-square Test	
			Increase in sales	Improved inventory	Expansion of operations	Better cash flow		CC	P Value
	Private Limited	F	4	2	0	2	8	0.283	0.484
		%	6.3	3.2	0.0	3.2	12.7		
	Partnership	F	19	8	10	12	49		
		%	30.2	12.7	15.9	19.0	77.8		
	Sole proprietorship	F	4	0	0	2	6		

	Sole proprietorship	%	6.3	0.0	0.0	3.2	9.5		
Total		F	27	10	10	16	63		
		%	42.9	15.9	15.9	25.4	100.0		

➤ *Ways of increasing sales*

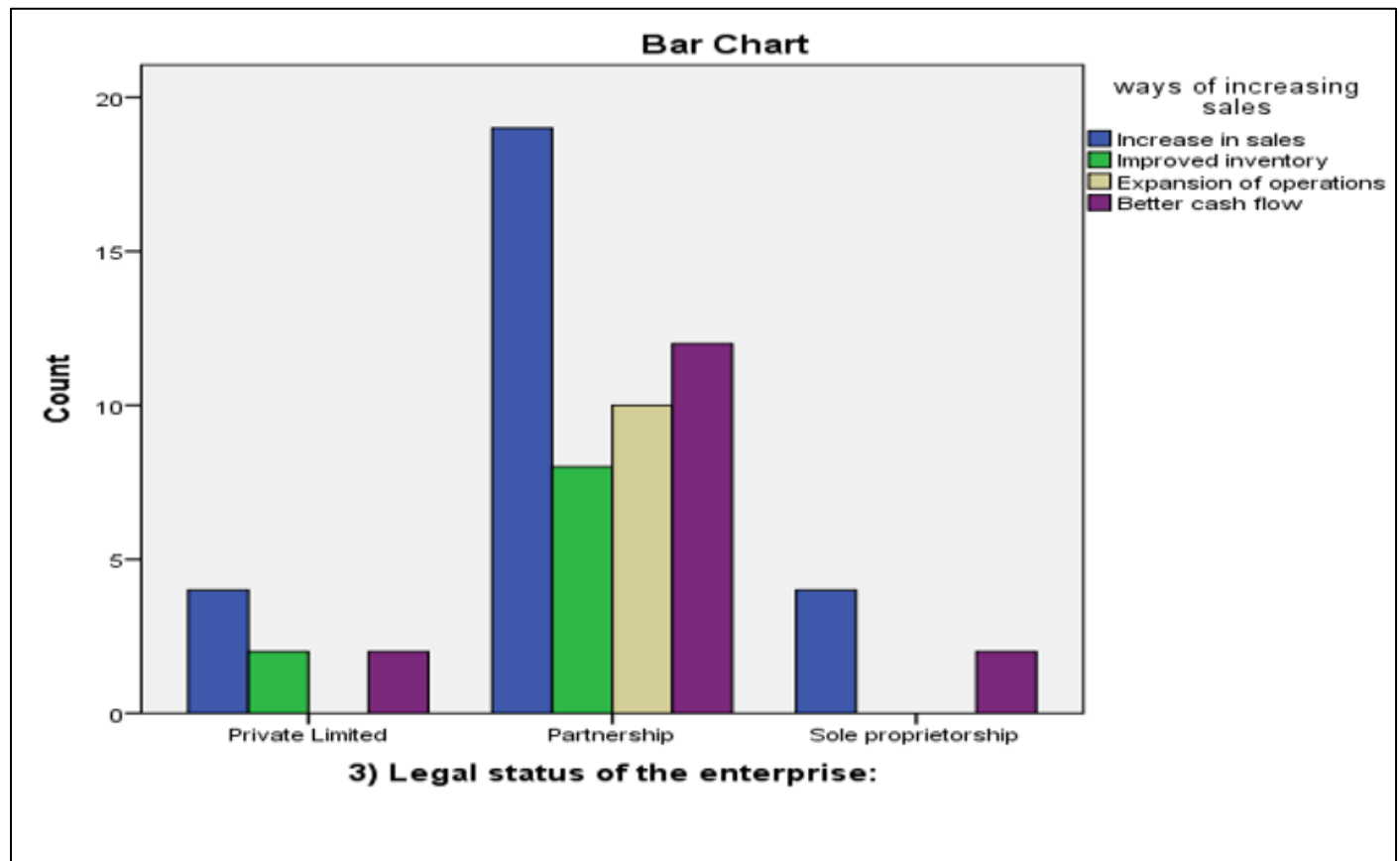


Fig 3 Ways of increasing sales

The study highlights that microfinance primarily enhanced SME sales through direct sales growth (42.9%), followed by better cash flow management (25.4%), and improved **inventory (15.9%)**, and business expansion (15.9%).

➤ *Variations by Legal Structure:*

- Partnerships leveraged microfinance across all four areas, with sales increases (30.2%) being the most prominent.
- Private Limited firms primarily focused on sales growth (6.3%) and inventory improvements (3.2%).
- Sole Proprietorships reported benefits only in higher sales (6.3%) and cash flow (3.2%), with no observed impact on inventory or expansion.

➤ *Statistical Analysis:*

The **Contingency Coefficient (CC=0.283)** indicates a moderate but non-significant relationship between legal structure and sales growth methods.

The p-value (0.484), exceeding the 0.05 threshold, confirms that this association lacks statistical significance.

• *Conclusion:*

While microfinance supports sales growth through multiple channels, the legal form of an SME does not play a decisive role in determining which specific method is most effective.

Table 4 Microfinance Support Lead to Improvement in Standard Of Living among the Entrepreneurs

Legal status of the enterprise:			The microfinance support lead to improvement in standard of living among the entrepreneurs		Total	Chi-square Test	
			Yes	No		CC	P Value
	Private Limited	F	6	2	8	0.429	0.001
		%	9.5	3.2	12.7		
	Partnership	F	49	0	49		
		%	77.8	0.0	77.8		
	Sole proprietorship	F	6	0	6		
		%	9.5	0.0	9.5		
	Total	F	61	2	63		
		%	96.8	3.2	100.0		

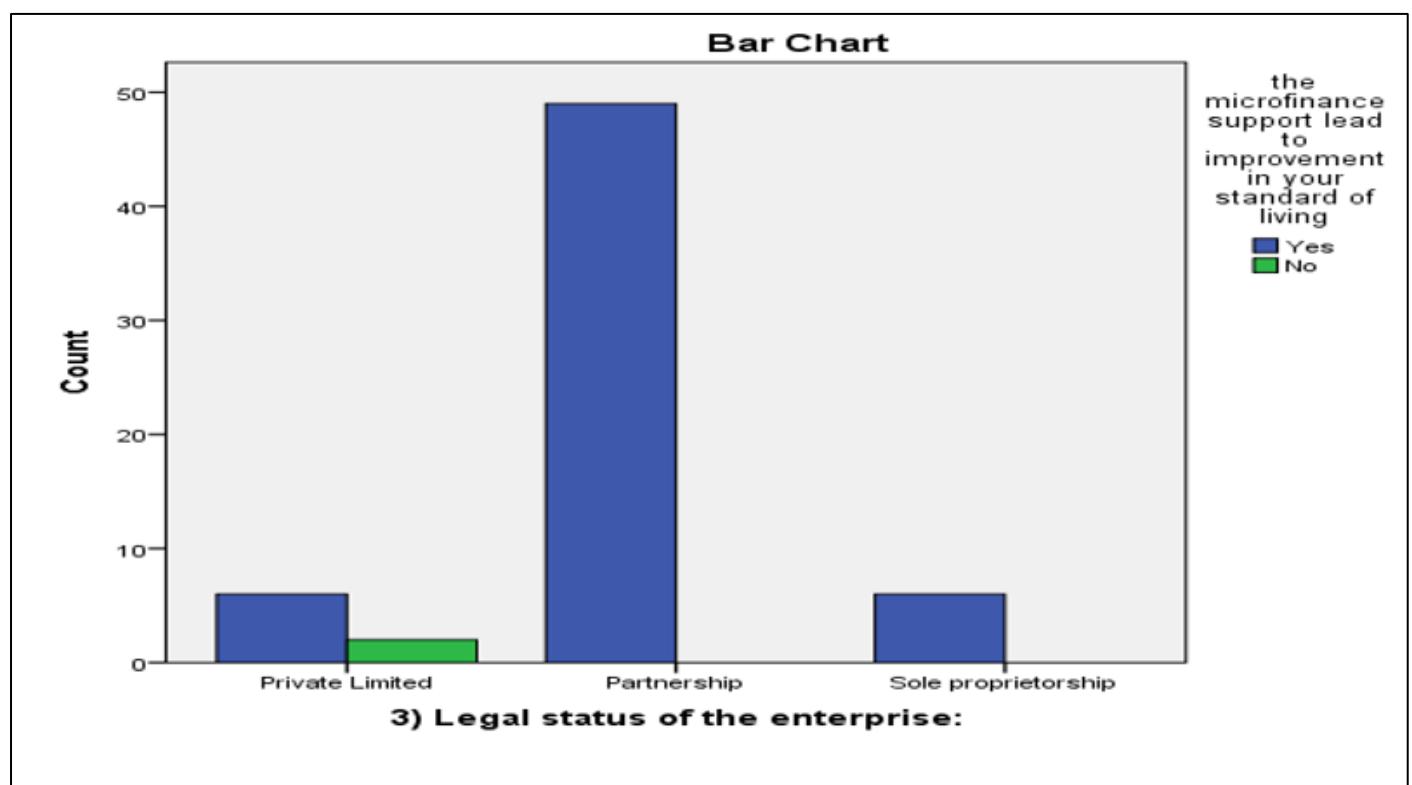


Fig 4 Legal status of the enterprise

➤ *Microfinance support*

The study reveals that an exceptional 96.8% of entrepreneurs experienced improved living standards through microfinance, with a mere 3.2% reporting no benefits.

➤ *Variations by Business Structure:*

- Complete agreement came from Partnerships (77.8%) and Sole Proprietorships (9.5%), with all respondents confirming quality of life improvements.
- Private Limited companies showed strong but not unanimous approval - while 9.5% reported benefits, 3.2% noted no significant improvement.

➤ *Statistical Evidence:*

- The Contingency Coefficient (0.429) demonstrates a meaningful connection between business structure and living standard enhancements.
- With a highly significant p-value of 0.001, we can confidently state this relationship is statistically valid.

• *Conclusion:*

The legal framework of SMEs plays a decisive role in determining microfinance's effectiveness for quality of life improvements, with unincorporated businesses (partnerships and sole proprietorships) deriving the greatest advantages.

This suggests that business structure may influence how financial support translates into personal wellbeing.

VII. SUMMARY OF FINDINGS

➤ Key Findings on Microfinance Utilization Patterns:

Statistical analysis confirms a strong and significant relationship ($CC = 0.711$, $p < 0.001$) between enterprise legal forms and their microfinance usage purposes. The study highlights distinct borrowing patterns:

- *Private Limited Companies*

Direct all microfinance funds toward business expansion, indicating their strategic focus on scaling operations.

- *Partnership Firms*

Predominantly utilize loans for operational liquidity (81.6%), while maintaining a secondary allocation for equipment acquisition (18.4%), demonstrating a dual approach to financial management.

- *Sole Proprietorships*

Concentrate completely on operational financing needs, emphasizing immediate cash flow requirements rather than long-term asset investments.

These results clearly illustrate how different business entities employ microfinance in ways that align with their organizational structure and growth objectives, with each legal form exhibiting unique financial behaviour patterns.

VIII. KEY FINDINGS ON IMPACT OF MICROFINANCE ON BUSINESS GROWTH.

➤ High Overall Impact:

90.5% of SMEs reported business improvement through microfinance, while only 9.5% saw no benefits

➤ Variation by Legal Structure:

- *Partnerships*

Showed strongest agreement (71.4% positive response)

- *Private Limited*

Companies had mixed results (9.5% improvement vs 3.2% no improvement)

- *Sole Proprietorships*

Showed unanimous benefit (9.5% positive, 0% negative)

➤ Statistical Analysis:

- Weak association found ($CC = 0.212$)

- Non-significant relationship ($p = 0.228 > 0.05$)

While microfinance benefits most SMEs, the legal structure does not significantly determine its effectiveness for business improvement. The positive impact appears consistent across different business types.

- *From The Study It is Found That, Microfinance Primarily Boosted SME Sales Through:*

- ✓ Direct sales growth (42.9%)
- ✓ Improved cash flow (25.4%)
- ✓ Inventory enhancement (15.9%)
- ✓ Business expansion (15.9%)

- *Usage Patterns By Business Type:*

- ✓ *Partnerships:*

Utilized all four growth methods (strongest in sales growth at 30.2%)

- ✓ *Private Limited's:*

Focused mainly on sales (6.3%) and inventory (3.2%)

- ✓ *Sole Proprietorships:*

Benefited only in sales (6.3%) and cash flow (3.2%)

➤ Statistical Results:

- Moderate but insignificant association ($CC=0.283$)
- No statistically significant relationship ($p=0.484 > 0.05$)

While microfinance effectively supports various sales growth strategies, the legal structure of SMEs does not significantly influence which specific methods are employed. The benefits are achieved across all business types regardless of their legal form. However the results are not significant at 5% level of significance.

Overwhelming 96.8% of entrepreneurs reported improved living standards through microfinance, with only 3.2% seeing no benefits.

➤ Structural Variations:

- Partnerships (77.8%) and Sole Proprietorships (9.5%) showed unanimous life quality improvements
- Private Limited's had majority benefits (9.5%) but some dissent (3.2%)

➤ Statistical Validation:

- Moderate association ($CC=0.429$) between business structure and impact
- Highly significant relationship ($p=0.001$)

Unincorporated businesses (partnerships/sole props) benefit most significantly, demonstrating that legal structure strongly influences how effectively microfinance translates to personal wellbeing improvements. The more flexible business forms appear better positioned to convert financial support into quality-of-life gains.

IX. LIMITATIONS OF THE STUDY

The study is confined to Ballari district, focusing on the inclusive growth and performance of SME's. It is primarily a cross sectional study based on the perceptions of SME entrepreneurs. The study may be extended to include large

scale and service sector industries comparing the performance of SME's in North Karnataka and South Karnataka.

X. CONCLUSION

The significant role of the inclusive growth through targeted microfinance of SMEs at Ballari. Which is a key in fostering economic development especially among Small and Medium Enterprises (SMEs) in rural, semi urban and Urban area in ballari district.

The microfinance helps in increasing the individuals or SMEs income by the way of expanding their business, working capital management, purchasing of plant and machinery, operational liquidity will help financial independent. As per the survey majority of the respondents 90.5% of SMEs reported improved business performance from the Microfinance with increasing sales, cash flow into business and inventory management especially in sole trader, partnership and private limited, rural women entrepreneurs are improved their standard of living with 96.8% and its strong positive impact on entrepreneurs' quality of life. These business units were benefited that flexible business structures and enhanced personal financial stability from Microfinance.

The study focused on low-income earners women entrepreneurs and rural businesses stimulate and educate them the schemes of Gram payanchat subsidies and loans from various financial institutions like NGOs Mudra loans, NABARD, SIDBI, DCC banks and various credit schemes from these institutions through with business holders will enhance this financial stability in the business and their family. This Inclusive growth and rural development will help in contributing national income by the way of paying tax to the government

These financially benefited entrepreneurs or self-employed or business units are able to provide full time employability in rural, semi urban and urban area in Ballari district through which inclusive growth will helps increasing income and conclude that at large focused on poor, low-income earners, upliftment of weaker section of the society by the way of marginal rate of interest on their loans. This study advocates that continues policy support, financial awareness programs, and targeted microfinance initiatives to ensure sustainable economic progress in regions like Ballari.

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