IMPACT OF MICROFINANCE LOANS ON THE PERFORMANCE OF SMES: THE CASE OF LEBANON

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Abstract. Microfinance is the arrangement of budgetary administrations to low-income individuals and to SMEs. An empirical study was undertaken to identify the relationship between micro credits from MFIs and the SMEs' financial performance. Secondary data were collected from 17 SMEs in North Lebanon. Another secondary data were collected from four MFIs in Lebanon concerning the characteristics of their beneficiaries. Data were analyzed using SPSS Ver. 23. The results showed notable relationships between amount of micro loan and the dependent variables, the number of women recipients of credits remains little in Lebanon, the categories of businesses mostly profiting from the MFIs in Lebanon are commerce, service, and trade sectors and the beneficiaries are primarily situated at Mount Lebanon, South, Bekaa, and at the north. The research contributes to the enduring deliberation on the effect of micro loans on the SMEs' financial performance. It is vital to see how MFIs could add to the monetary advancement of the country, by improving the welfare levels of all the needy individuals. This study can be utilized to provide useful empirical evidence for future research and to raise awareness on this significant matter for SMEs' managers, MFIs' managers and clients, and for the analysts.

Keywords: microfinance, MFIs, micro credits, micro loans, SMEs, SMEs' performance, miniaturized scale loans.

JEL Classification: D63, O12, O43.

Introduction

Microfinance is the arrangement of budgetary administrations, for example, credits, investment funds, cash exchanges, and installments offices to low-income individuals. In addition to that, it is used for productive purposes such as ventures, seeds or extra working capital for smaller scale ventures. Microfinance could be utilized to assist poor families in their sustenance, preparing, lodging, and prosperity. As per Robinson, microfinance engages destitute people to manage their compelled budgetary resources, decrease the impact of money related shocks and addition their advantages and pay (Robinson, 2001). Microfinance has a significant job in combating destitution through working of advantages and remaining in as a protection against external unrealities and cash related dazes. Microfinance isn't constrained and limited to simply little scale credit; it is exhaustive of other money related services, for instance, smaller scale grants, cash exchange, and investment funds. It is used and spread numerous pieces of the world, for example, Africa, Asia, Latin-America, Europe and North America. Micro-financing is the most

strong money related system that would raise powerless social needs to more elevated amounts.

Poverty is unavoidable in our economy and many attempts to eradicate it have not yielded the coveted outcomes. Henceforth, it is fundamental to study the reality of destitution in our country by meaning to assess how microfinance associations could reduce the rate of neediness. It is also essential to perceive how microfinance associations could add to the fiscal advancement of the nation, by improving the welfare dimensions of all the destitute people in the locale. SMEs expect an imperative employment in overall money related and social improvement (Pérez-Gomez et al., 2018). SMEs are the motor of growth of the Lebanese economy according to the ministry of economic and trade, they also represent (95%) of the Lebanese firms (MoET, 2018).

The main purpose of the paper is to investigate the connotation between micro loans from MFIs and the financial performance of the SMEs in Lebanon. In other words, the study examines the degree to which micro loans from MFIs improve or not the financial performance of the SMEs that had took micro loans. It also

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studies the characteristics of the MFIs' beneficiaries as gender, poverty level, industries covered, and regions covered.

The essential focus of this exploration is to break down the impact of microfinance on the welfare of needy individuals and desperation facilitating in Lebanon. The specific goals join the underneath:

1. To evaluate the effect of microfinance on the development of little and medium scale ventures in Lebanon.
2. To examine how microfinance manages to allocate credit among the working poor in Lebanon.
3. To evaluate the degree to which microfinance has helped efficiently the poor to enhance their way of life.

The study comprises two sections of data: demographic data and financial data. Secondary data is used as the type of data gathering. From four MFIs, the annual reports are gathered regarding the data and statistics on the characteristics of their beneficiaries: geographic and demographic data of the MFIs clients (gender, region, field of industry, etc…). After finishing from showing the demographic results the author will then expose the financial data gathered from seventeen SMEs themselves who got micro loans from MFIs and examining the results. From the balance sheet of the SME' financial results, the financial status of the SME before and after getting micro credit from the MFI are analyzed. Document and content analysis is a suitable strategy that will be utilized with a specific end goal to transform data collected into useful information with the assistance of the computer and software like SPSS in order to analyze and acquire answers to the questions. This paper explores the components that contribute in the financial performance of the SMEs which are also the dependent variables: own resources, liability, total assets, stock, liquidity, turnover, and net profit are utilized as pointers to gauge the dimension of progress in the SMEs execution (Peprah & Ayayi, 2016; Florido et al., 2015; Rono, 2018). The independent variable is the amount of micro loan.

The investigation works on accepting or rejecting the following hypotheses:

The null hypothesis, *Ho*: Microfinance Institutions have not affected the development of little and medium scale endeavors in Lebanon.

H1: there is a positive link between MFIs' micro loans and SMEs' financial performance.

The H1 has sub hypotheses which are the following:

H1.a: MFIs' loans positively affect SMEs' Own resources.

H1.b: micro loans impacts are positive on the Liability.

H1.c: there is a positive relationship between micro credits and the total asset.

H1.d: it exist an optimistic connotation between micro loans and STK of the SME.

H1.e: there is a positive link between micro loan and liquidity of the SMEs.

H1.f: the relationship between micro credit and the SMEs' turnover is positive.

H1.g: microfinance loans affect positively the net profit.

The results showed a strong connotation between amount of loans and the dependent variables. In other words, the study found a positive relationship between micro loans and the financial performance of the SMEs, which means that micro loans from MFIs help in improving the financial performance of the SMEs which also contributes in poverty alleviation. Concerning the recipients' attributes, the quantity of female beneficiaries of credits stays little in the microfinance area in Lebanon, the sectors of organizations that are for the most part benefitting from the MFI in Lebanon have all the earmarks of being engaged in the commerce, service, and trade sectors. It very well may be understood that the recipients are essentially arranged at Mount Lebanon, South, Bekaa, and at the north, for example, Akkar and Tripoli.

The journal article is arranged as follows. The introduction includes the framework of the research alongside with the purpose and the hypotheses. The Section 1 examines relevant literature review. Section 2 sketches the study methodology. Section 3 present the results and the analysis. Last but not least, section 4 reveals the discussions.

1. Literature review

Microfinance was dependably the focal point of focus for financial establishments and NGOs around the around. A major survey revealed customers who benefit from microfinancing, included 116 million who are considered in the strata of the most miserable people (Reed, 2014). Microfinance has opened the pioneering want of a bit of the world's poorest people. The UNCDF has amassed basic comprehension and estimations about the status of microfinance Worldwide. A part of the basic experiences are presented as pursues:

1. Appraisals of the overall enthusiasm for microfinance organizations go from 400 and 500 million families of which just around 30 million were represented to approach viable microfinance benefits in 2002;
2. The current 10,000 microfinance foundations (MFIs) accomplish only 4 for each dollar of the potential market;
3. No under 90 for every penny of qualified autonomously utilized need access to microcredit programs. Disregarded solicitation is around 270,000,000 (Units);
4. In Africa, women speak to more than 60 for every dollar of the rural work compel and contribute up to 80 for each dollar of sustenance age, yet they get under 10 for every dollar of credit provided for farmers.

As Murdoch (2000) talked about in his paper, microfinance firms are vulnerable to disappointment as they depend exclusively on the awards and appropriations of sponsors. Kimotho (2007) watches that it is fundamental to pick up from various countries the issues that are

considered as essential and basic accomplishment segments to microfinance tasks like the accompanying: Maintaining Minimum Portfolio at Risk, Adequate Provisioning, Appropriate Entrepreneurial Spirit, Reduce ability of Loan Default, Capacity Building, Provision of Access to the Poor for Financial Services, and so forth.

An investigation in Malaysia accomplished by Samer et al. (2015) meant to observe the part of Malaysian microfinance "Amanah Ikhtiar Malaysia" (AIM) on family revenue. A cross-sectional survey questioned 780 from old and new customers in Selangor and Melaka regions in Malaysia. The stratified haphazard technique was utilized to assemble the records from city and rustic areas. The discovery exposes that AIM has optimistic effect on family pay of women beneficiaries who consumed three years in the arrangement as matched to new beneficiaries who have not received treatment. In Tanzania, an investigation talks about the effect of Microcredit in the execution of Small and Medium Scale Enterprises (SMEs) in Temeke Municipality Dar es salaam Tanzania. The investigation has the accompanying destinations: to survey the effect of MFIs' micro credits in the business extension of SMEs, to evaluate regardless of whether MFIs preparing help SMEs to enhance their money related status, to evaluate whether MFIs gives a superior opportunity to little and medium business to enhance their efficiency limit, to evaluate quality of administrations given by SMEs in the wake of getting advance. The discoveries of the investigation uncovers that critical number of the SMEs profited by the MFIs credits in both monetary and social well-being of individual customers, despite the fact that just a couple of them were competent enough to verify the required sum required. Curiously, most of the SMEs recognize positive commitments of MFIs advances towards advancing their piece of the overall industry, budgetary validity, number of business, deals income, net benefits, what's more, diminished liabilities. It, along these lines, suggests that enhancement in the arrangement dimensions of smaller scale credit will result in expanded huge effects on execution of business endeavors (Monge, 2016). Additionally in Tanzania, a study by Nendakulola (2015), talks about the effect of Microfinance Institution (MFIs) on the development of little and Medium Scale Enterprises (SMEs) in Mwanza City. The investigation inspected the nifty gritty profile of SMEs in Mwanza City, the commitment of MFIs to enterprising development, the difficulties experienced by SMEs in getting to credit and the rate of credit use by SMEs. At the end of the examination, the exploration plainly uncovers that MFIs positively affect the development SMEs. In other to improve a supported and quickened development in the activities of SMEs credits ought to be customer situated and not item arranged. Legitimate and broad observing exercises ought to be accommodated customers who are conceded credits.

A paper by Geoffrey and Emenike (2017) examines the connection between microfinance establishments (MFIs) backing and development of little and medium

size undertakings (SMEs) in Nimule, South Sudan. These discoveries demonstrate, among others that MFIs support contributes fundamentally to development of SMEs in Nimule South Sudan. The examination suggests, that MFIs ought to embrace Microfinance-gather show just as increment arrangement of non-budgetary administrations, for example, administrative abilities trainings, for SMEs (Boateng et al., 2015), Ghana, their examination found out the effect of microfinance on neediness decrease in Ghana. The examination utilized monetary and social factors, for example, singular salary, family development, access to training, lodging and interest in social and religious exercises as benchmarks for estimating the effect. Surveys were managed to 60 clients and recipients of microfinance results of two noteworthy microfinance establishments in Ghana: Opportunity International Savings and Loans Ltd. what's more, Sinapi Aba Savings and Loans Company Ltd. The investigation found a positive connection among microfinance and the benchmark factors and prescribed preparing for recipients to guarantee proficient utilization of assets and formation of sound political and monetary conditions so microenterprises can flourish. In south of India (Bhaskar, 2015), intends to concentrate its investigation on the microfinance area in the South Indian province of Kerala, unmistakable from whatever remains of India because of an extraordinary social and administrative condition with respect to microfinance areas in whatever is left of the world. The focal end is that microfinance is profoundly culture and setting explicit, with Kerala's collective culture and welfare state being key drivers for the division's prosperity. In this particular circumstance, the non-benefit introduction and bank linkage models empower establishments to concentrate all the more completely on their statements of purpose, as confirm by their interest drove combination model of assaulting destitution through a few distinctive network advancement activities. This contextual analysis likewise shows an intriguing edge on government contribution with regards to the microfinance area, as endowments have cultivated the segment's development while all the while exposing the part to a high level of political hazard. As for (Awuah & Addaney, 2016), the examination inspected the impacts of microfinance administrations and items given by Multi Credit Savings and Loans Limited on the execution of SMEs in the Sunyani Municipality of Ghana and furthermore analyzed the issues experienced by both in managing one another. The investigation built up that the impact of microfinance foundations on SMEs was sure. Income, benefit and resources base of SMEs expanded after some time when they disparaged the administrations of microfinance foundations. Another study in Kenya conducted by Kihara (2016), the examination researched the effect of SMEs among the SMEs in Nairobi County. The exploration utilized a clear research plan. The discoveries set up that the relationship connecting microcredit and budgetary gainfulness of SMEs is certain and irrelevant while connection connecting small scale funds

and money related execution of SMEs in Nairobi County was additionally positive and unimportant. The investigation presumed that microcredit and smaller scale funds don't essentially influence the money related execution of SMEs in Nairobi County. In Ethiopia, (Azeref & Gelagil, 2018), the target of this examination was to research the job of financial institutions on the development of little and medium endeavors and to give suggestions dependent on the issues. There was sure connection between length of credit, effortlessness of criteria, follow up and supervision and development of SMEs. In any case, the impact is moderately irrelevance. The investigation suggests that the legislature and budgetary instincts to make credit accessible and moderate to SMEs diminishing the customary hindrances to SMEs financing, make money related instincts items and administrations without unattainable criteria and at lower obtaining cost, setup systems of preparing for SMEs when the advance. The examination additionally suggests that make sparing record effectively available encouraged with innovation for their

Table 1. MFI indicators and type of impact covered
(source: responsability, n.d.)

Indicator	Type of impact covered
Structured description of MFI mission/vision and main stakeholders	General approach of the MFI towards social impact and stakeholder relations
Structured descriptions of MFI clients and their economic activity	Check that clients are economically active. Estimate economic impact on personal/community/regional level. Estimate job supporting/creation potential. Trade versus production oriented activities
Type of products and services offered to different client groups' (loans, savings, training, other ...)	Check that services offered are adapted to the needs/possibilities of different client groups and income levels
Number of branches or credit officers operating in rural/urban locations	Contribution of Microfinance to income and job creation in rural areas
Number of active borrowers	Outreach of Microfinance
Number of outstanding loans	Outreach of Microfinance
Average amount of loan, by client group	Check that loan amounts are adapted to the needs/possibilities of different clients groups and income levels
Average annualized interest rates for loans, if possible by client group	Financial viability of borrowing money, from the point of view of the client
Number of clients with saving accounts	Possibility to save money as an additional source of financial income, supporting job and income creation and resilience to external shocks
Share of women, as part of total clients	Empowerment of Women

development.

The social markers of neediness, in Lebanon, have been appearing for quite a while assumes that are fairly hopeless than attractive. The main gauge till now, directed by the World Bank puts the 28% of the Lebanese populace under the neediness line. Another investigation directed by the World Bank and Lebanon's Central Administration of Statistics uncover that more than one out of four people in Lebanon live in poor conditions.

Microfinance can have useful social effects at different dimensions of society, from the person to the gathering, to the commonplace dimension. The social impact can be masterminded by three dimensions: the individual, the gathering and the commonplace dimension. First and superior, the passageway to microfinance, generally, brief a higher and better-extended pay circumstance, both at the individual and at a gathering/nearby dimension. From this stems a whole game plan of positive social impacts. Particular sorts of social impact at different dimensions have been seen in past social impact considers:

1. Personal/Household level
2. Local people group level
3. Regional level

The table (Table 1) above exhibits unmistakable and diverse estimating pointers of MFI that decide its social effect. Accordingly, the mission and vision of MFI and its stakeholders influences the dimension of social improvement. One more marker can be planned by the MFI customers and the degree of their financial exercises. The kind of items and administrations offered to customers can help or not the improvement of the general public; so it is vital to offer an appropriate item/administration to the best possible customer dependent on their need and salary level. Country zones are the most ones that are in need to MFI branches or credit officers. Likewise, the desperation could be recuperated by the high number of dynamic borrowers and outstanding loans. Without overlooking the job of the normal annualized financing costs for loans and the quantity of customers with sparing records in improving the standards of living. As half of each network, the Microfinance establishments can support the unmistakably job that plays the ladies in the working division.

2. Methodology

This exploration contemplate uses secondary data as the kind of data gathering. From the MFIs, the yearly reports will be assembled in regards to the data and statistics on the attributes of their recipients: geographic and statistic data of the MFIs' customers (sex, area, field of industry, and so on…). From the balance sheet of the SME's financial results, the financial performance of the SME when getting miniaturized scale credit from the MFI will be uncovered. The model will be amassed using SPSS. Two principle sampling techniques were embraced to choose the sample and these were simple random sampling and purposive sampling. Simple random sampling technique was used as a piece of gathering the secondary data from

17 SMEs (Fauster, 2014). With respect to the MFIs, four of them were intentionally selected. There is one independent variable and 7 dependents for this situation. The independent one is micro loans from MFIs. While the dependents are: own resources, liability, total assets, stock, liquidity, turnover, and net profit (Peprah & Ayayi, 2016; Florido et al., 2015; Rono, 2018).

Analysis of data was completed in 4 stages. At first stage, descriptive statistics intended to obtain the mean and standard deviation were estimated (Mendenhall et al., 2009). At second stage, correlation analysis test the quality of connection between microfinance credits and execution of SMEs. At the third stage, One Way Manova demonstrates the connection between the two variables (Kibet et al., 2015). At the third stage, regression analysis demonstrated the degree of difference.

2.1. Empirical model

The model is in the form (Owusu, 2012):

$$\rho = \beta_0 + \beta_1 M + \mu,$$

where: ρ = is the production level; M = is the amont of Micro-credits; μ = stochastic term (include all omitted variables that can influence the dependent variables); β = parameters to be estimated to measure the impact of micro-credit on production level.

3. Results

3.1. Demographics of MFIs' beneficiaries

Demographic characteristics of MFIs' (Table 2) customers, gender, poverty level, industries covered, and regions covered are the accompanying: the men rank the highest point of the recipients in three of the four MFIs, and the females' recipients' numbers stay low.

NGOs MFIs give more credit to men than to ladies (Wahidi, 2017). It appears that the most secured individuals are extremely poor (Wahidi, 2017). Concerning the area of exercises secured, it demonstrates a high positioning for the services, next comes the commerce and trade. It tends to be understood that the recipients are fundamentally arranged at Mount Lebanon, South, Bekaa, and at the north, for example, Akkar and Tripoli, despite the fact that these data are not accessible in two of the four MFIs (Wahidi, 2017). For certain MFIs, the break among the service sector and the trade sector isn't excessively extraordinary. For other division, for example, agriculture, their percentage are modestly little. This showed up nearly reliable since a low amount of the loans goes to recipients arranged in the Bekaa where agriculture is the central business of the people living there.

3.2. Descriptive statistics of SMEs

Descriptive statistics analysis (Table 3) was utilized to create yield containing the mean, the standard deviation, and the lower and upper quartiles of the considerable number of variables (Mendenhall et al., 2009).

As indicated by the descriptive analysis table, it was found that Turnover (Y1) has the biggest mean of 80.38618 and a standard deviation of 53.139754, while the most reduced is Liquidity (Y1) scored the least mean of 16.87771 and a standard deviation of 10.968049. The standard deviation for all variables are littler than their methods which suggests that they have a solid consistency. The littler the standard deviation, the steadier the variable is. Small scale credit yields positive profit for own resources, LIAB, liquidity, business deals, stock, costs and profits. The arrival on turnover is, in any case, higher than the remainder of the variables of intrigue. These outcomes are steady with the investigation of (Peprah & Ayayi, 2016).

Table 2. Characteristics of MFIs beneficiaries in Lebanon (source: author's statistics collected from MFIs in Lebanon, 2018)

Microfinance institution / Characteristics of the beneficiaries	ESFD	Al Tamkeen	VITAS	Al Majmoua
Gender beneficiary	Female: 16.74% Male: 83.26%	Female: 33.1% Male: 66.9%	Female: 40% Male: 60%	Female: 57% Male: 43%
Poverty level	Average poverty	Average poverty	High poverty (84%)	Low poverty (16%)
Industries covered	Service: 38.5% Commerce: 36% Industry: 14.5% Agriculture: 11%	Agriculture: 5.24% Industrial: 13.49% Trade: 24.66% Transportation: 7.13% Craft: 0.3% Services: 22.76% Personal loans: 26.35%	Tourism: 16% Trade: 28% Manufacturing: 20% Services: 20% Agriculture: 16%	Service: 49% Trade: 25% Industry: 17% Construction: 6% Agriculture: 3%
Regions covered	Mount Lebanon: 29.03% Bekaa: 12.66% North: 17.73% Beirut: 4.84% South: 13.53% Nabatieh: 22.21%	Unavailable	Unavailable	South: 32% Beirut and Mount Lebanon: 37% Bekaa: 26% North Lebanon: 5%

Table 3. Descriptive statistics of the variables (source: author's computation from investigation's field data, 2018)

	Mean	Std. Deviation
Amount_of_Loan	26.47059	11.747966
Own_Resources_Y1	21.00482	14.721915
LIAB_Y1	48.02494	36.240089
TA_Y1	50.50312	36.990940
STK_Y1	19.58906	14.365520
Liquidity_Y1	16.87771	10.968049
Turnover_Y1	80.38618	53.139754
NP_Y1	39.70341	24.925122
Own_Resources_Y0	17.27471	13.218844
LIAB_Y0	41.53824	31.326552
TA_Y0	42.90776	32.416925
STK_Y0	15.40859	11.698799
Liquidity_Y0	15.07829	10.237039
Turnover_Y0	64.94406	48.520227
NP_Y0	30.65135	20.120237
Valid N (listwise)		

3.3. Correlation analysis

From the investigation of the connection between the amount of loan and the dependent variables (Table 4), it very well may be discovered that the Pearson Correlation exhibits a noteworthy positive relationship between amount of loan and the reliant factors individually starting from Own resources 0.965, LIAB 0.908, TA 0.890, STK 0.835, Liquidity 0.884, Turnover 0.773, to wrap things up NP 0.885. As it is shown in the table all the needy factors got a P value <.01 which demonstrates the presence of a critical connection between amount of loan and different factors.

In this manner the null hypothesis, (Ho) that microfinancing has no effect on the performance of the SMEs they support, can be rejected at 0.01 level. The discoveries are in accordance with the results of Awuah and Addaney (2016) and Geoffrey and Emenike (2017).

3.4. One way MANOVA analysis

The analyst can see from the Table 5 that the "Sig." estimation is .000, which suggests $p < .05$ (Statistics, 2018).

Thusly, the examiner can reason that the association between the smaller scale loans and the dependent variables are significant and positive.

A one-way MANOVA uncovered a noteworthy multivariate primary impact for locale, Wilks' λ = .000, F = 70.588b, p <. 05. The outcomes oblige an examination for (Akram & Hussain, 2011) which reasoned that microfinance is productively serving the poor by expanding their salary level. Therefore the alternative hypothesis 1, H1: there is a positive connection between MFIs' micro credit and SMEs' financial performance, was affirmed. Clearly there happens positive relationship between monetary

Table 4. Correlations between the amount of loan and the dependent variables
(source: edited author's computation from investigation's field data, 2018)

		Amount_ Of_Loan	Own_ Resources	LIAB	TA	STK	Liquidity	Turnover	NP
Amount_ of_Loan	Pearson Correlation	1	.965**	.908**	.890**	.835**	.882**	.773**	.885**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.000
	N	17	17	17	17	17	17	17	17

Note: **. Correlation is significant at the 0.01 level (2-tailed).

Table 5. Multivariate Tests[a] – relationship between amount of loan and dependent variables
(source: author's computation from study field data, 2018)

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	1.000	17116.246[b]	2.000	1.000	.005
	Wilks' Lambda	.000	17116.246[b]	2.000	1.000	.005
	Hotelling's Trace	34232.492	17116.246[b]	2.000	1.000	.005
	Roy's Largest Root	34232.492	17116.246[b]	2.000	1.000	.005
Amount_ of_Loan	Pillai's Trace	1.983	16.909	28.000	4.000	.007
	Wilks' Lambda	.000	70.588[b]	28.000	2.000	.014
	Hotelling's Trace	16395.035	.000	28.000	.000	.
	Roy's Largest Root	16336.136	2333.734[c]	14.000	2.000	.000

Note: a. Design: Intercept + Amount_of_Loan; b. Exact statistic; c. The statistic is an upper bound on F that yields a lower bound on the significance level.

intermediation services of MFIs and the SMEs they maintain (Fauster, 2014). In this manner *Ho* is rejected and the *H1* is acknowledged[1].

3.5. Curve estimation regression analysis

Regression analysis is an essential portion of numerous exploration projects (Weisberg, 2005). This model can be utilized to portray the connections between at least two variables in a sample (Allen, 1997).

Table 6a. Model summary and parameter estimates – effect of MFIs services on own resources of SMEs (source: author's computation from investigation's field data, 2018)

Dependent Variable: Own_Resources_Y1						
Equa-tion	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Cons-tant	b1
Linear	.932	204.044	1	15	.000	−11.011	1.209
The independent variable is Amount_of_Loan						

The outcomes demonstrate a solid relationship between amount of loan and the own resources (Table 6a–6g) of the organization with 0.932. Additionally the significance value p < 0.05. Consequently, the sub theory, *H1.a:* MFIs' loans emphatically influence SMEs' Own resources, is acknowledged[2]. This outcome is like what is obtained in the investigation of Rono (2018) that entrance and utilization of microcredit by SMEs prompts extended efficiency on account of extended working capital.

Table 6b. Model summary and parameter estimates – effect of MFIs services on LIAB of SMEs (source: author's c omputation from investigation's field data, 2018)

Dependent Variable: LIAB						
Equa-tion	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Cons-tant	b1
Linear	.824	70.231	1	15	.000	−26.099	2.800
The independent variable is Amount_of_Loan						

The outcomes likewise shows that when a SMEs grow their work with the assistance of the micro credits, it is ordinary that the LIAB of this equivalent SMEs will increment. What's more, a loan is a liability (Bawley, 1999). The speculation *H1.b:* micro credits impacts are sure on the Liability, is affirmed. This outcome is reliable with (Karnani, 2007, refered to in Rono, 2018).

Table 6c. Model summary and parameter estimates – effect of MFIs services on TA of SMEs (source: author's computation from investigation's field data, 2018)

Dependent Variable: TA						
Equa-tion	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Cons-tant	b1
Li-near	.792	57.010	1	15	.000	−23.658	2.802
The independent variable is Amount_of_Loan						

The relationship between amount of loan and TA of the organization is 0.792 which is resilient. The significance value is under 0.05, which implies that the TA is expanding while at the same time getting a miniaturized scale loan, which is a typical thing when a SME gets a loan since now it will most likely procure more assets (Geoffrey & Emenike, 2017). The *H1.c:* there is a positive connection between smaller scale credits and the total asset, is acknowledged. The outcome is identified with the investigations of Rono (2018) and Monge (2016).

Table 6d. Model summary and parameter estimates – effect of MFIs services on STK of SMEs (source: author's computation from investigation's field data, 2018)

Dependent Variable: STK						
Equa-tion	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Cons-tant	b1
Linear	.697	34.521	1	15	.000	−7.436	1.021
The independent variable is Amount_of_Loan						

A firm relationship between amount of loan and STK of the organization with 0.697. The significance is under 0.05. The outcomes may be a result of the high sales and the extreme interest for the SMEs in the wake of getting the smaller scale credit. High sales create more STK (Grob, 2018). In any case, the *H1.d:* it exist an idealistic implication between micro loans and STK of the SME, is acknowledged. The outcomes are in accordance with the investigation of (Peprah & Ayayi, 2016).

Table 6e. Model summary and parameter estimates – effect of MFIs services on liquidity of SMEs (source: author's computation from investigation's field data, 2018)

Dependent Variable: Liquidity						
Equa-tion	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.778	52.448	1	15	.000	−4.915	.823
The independent variable is Amount_of_Loan						

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[1] Note that the author also run Tests of Between-Subjects Effects. It shows significant correlation between variables (e.g. 0.005 for own resources, for LIAB 0.005, TA 0.008, STK 0.001, liquidity 0.023, turnover 0.032, and NP of 0.007, p < 0.05).

[2] Each table in the Curve Estimation Regression analysis includes a figure that ascertain the results of the table.

A solid relationship between amount of loan and liquidity of the organization with 0.778. The significance value under 0.05. The high liquidity may be a direct result of various reasons one of them is the higher created profits. Hereafter, the theory, *H1.e:* there is a positive connection between miniaturized scale loan and liquidity of the SMEs, is acknowledged. The outcome is like Rono (2018) and Saleem and Rehman (2011), refered to in Peprah and Ayayi (2016).

Table 6f. Model summary and parameter estimates – effect of MFIs services on turnover of SMEs (source: author's computation from investigation's field data, 2018)

Dependent Variable: Turnover							
Equa-tion	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Cons-tant	b1
Linear	.697	22.242	1	15	.000	−12.146	3.496
The independent variable is Amount_of_Loan							

A solid relationship between amount of loan and turnover of the organization with 0.697. The significance value is under 0.05. At the end of the day the relapse outline shows that the autonomous variable contributes ~ 7% of the variety in the needy variable (Kihara, 2016). Which likewise influence the analyst to acknowledge the *H1.f:* the connection between micro credit and the SMEs' turnover is sure. The outcome is in accordance with the inquires of Peprah and Ayayi (2016), Rono (2018) and Monge (2016).

Table 6g. Model summary and parameter estimates – effect of MFIs services on NP of SMEs (source: author's computation from investigation's field data, 2018)

Dependent Variable: NP							
Equa-tion	Model Summary					Parameter Estimates	
	R Square	F	df1	df2	Sig.	Constant	b1
Linear	.784	54.295	1	15	.000	−10.009	1.878
The independent variable is Amount_of_Loan							

A solid relationship between amount of loan and NP of the organization with 0.784. The significance value under 0.05. The examination discoveries demonstrated that there was a solid positive connection between the factors (Waliaula, 2012). It is evident when a SMEs gets a miniaturized scale advance, uses their work, and increment their turnover, the NP will increment. Hence the theory, *H1.g:* microfinance credits influence positively the NP, is acknowledged. The outcome is predictable with Monge (2016), Rono (2018), Pei-Wen et al. (2016), Peprah and Ayayi (2016), Priya (2006), refered to in Peprah and Ayayi, 2016) and Akram and Hussain (2011).

4. Discussions

In the wake of leading a factual research, and subsequent to breaking down the information from the past area, the creator can say the accompanying. The results also perceive seven variables that speak to the financial performance of the SMEs. To begin with, there is a positive connection between micro loans and SMEs' very own resources. The sub hypothesis, *H1.a:* MFIs' credits decidedly influence SMEs' Own resources, is accepted. This outcome is like what is gotten in the investigation of (Rono, 2018) that entrance and utilization of microcredit by SMEs prompts extended profitability as a result of extended working capital. The capital is viewed as a fundamental piece of the organization's own resources. At the point when the organization grows, it extends as far as their resources. It is typical for the SMEs' very own resources to increment when contributing the microcredit from a MFI.

Second, *H1.b:* micro credits impacts positively on the Liability, was affirmed. A conceivable clarification for this outcome is that microcredit helps in destitution destruction just as it can drive a borrower to cause extra commitments, this outcome is predictable with (Karnani, 2007, referred to in Rono, 2018). The SMEs now, in the wake of gaining the micro credit, have more obligations as far as extending their work. They will most likely spread their extra obligations with the extra expanded benefits.

Third, from the information investigation the *H1.c:* there is a positive connection between micro loans and the total asset, is acknowledged. The outcome is identified with the investigations of (Rono, 2018) and (Monge, 2016) which presumed that the SMEs' total assets extended in light of using credit. The SME's total assets will develop with the development of it tasks.

Fourth, *H1.d:* it exist a confident association between small scale credits and STK of the SME, was affirmed. The outcomes are in accordance with the investigation of Peprah and Ayayi (2016) the results of the examination show that MFIs' recipients have recorded positive addition in stock as appeared differently in relation to non MFIs' customers. They included that this outcome demonstrates little scale credit has the power of growing business estimate among recipients. Furthermore, the development in stock does not infer that clients were unfit to sell, yet rather, they can turn over their stock periodically so that whenever, there is adequate stock to sell. Moreover, Monge (2016) affirmed that credits given by MFIs help pretty much nothing and medium dares to keep up and improve their cash related status of their business to the extent stock. It, as such, derives that improvement in the arrangement measurements of little scale credit will result in extended immense impacts on the execution of medium and private venture endeavors.

Fifth, *H1.e:* it exist a positive connection between micro loans and liquidity of the SMEs, is acknowledged. Rono (2018) demonstrated that SMEs which have all the more working capital can enlist more delegates to execute

assignments. The usage of microcredit influences the creation of more SMEs. This is inferable from the way that microcredit can be used as initial capital. The measure of load of product moreover shows the nearby liquidity position of a business since supply of items is one of the nearby cash current assets that examiners generally consider in reviewing liquidity position of a business (Saleem & Rehman, 2011, refered to in Peprah & Ayayi, 2016).

Sixth, *H1.f:* the connection between micro loans and the SMEs' turnover is sure. The hypothesis is acknowledged. The outcome is in accordance with the examinations of Peprah and Ayayi (2016), Rono (2018) and Monge (2016), which demonstrate that entrance to littler scale credit has conveyed significantly in sales. The SME improved similarly as sales volume on account of using microcredit. This clearly shows microfinance has some benefits for its clients. Higher stock turn produces higher sales livelihoods. SMEs that uses microcredit improved their sales for a particular budgetary year since addition in wages helped the benefit from now on working capital extended. Access to little advances is expected for purchase of items or stocks for resale to create profits. Limit of recipients to repay their advances is penniless upon the ability to make profits.

Seventh, *H1.g:* microfinance's credits influence positively the NP, is affirmed (Monge, 2016; Rono, 2018; Pei-Wen et al., 2016; Peprah & Ayayi, 2016; Priya, 2006, refered to in Peprah & Ayayi, 2016; Akram & Hussain, 2011) express that there is extended benefit of SMEs by using microcredit which is inferable from extended working capital. This infers SMEs can improve their profits when get financed by microfinance. Advantage development requires not simply conveying items and ventures in any event cost yet what's more, amplifying salary (Pérez-Gomez et al., 2018).

The outcomes concerning the attributes of the recipients in Lebanon from MFIs matches the aftereffects of (Wahidi, 2017). The whole of females' beneficiaries of credits remains low in the microfinance part (Wahidi, 2017). Only a solitary association "Al Majmoua" out of four MFIs who assented to offer information that uncovered a measure of females getting a small scale credits that outperforms that of men with 57%. It appears that Al-Majmoua is one of the MFIs involved on the freedom of females, anyway they have to accomplish more things (Wahidi, 2017). The results demonstrated that the most secured individuals are extremely poor (Wahidi, 2017). With respect to the part of exercises secured, it demonstrates a high positioning for the services, next comes the commerce and trade. It very well may be understood that the recipients are basically arranged at Mount Lebanon, South, Bekaa, and at the north, for example, Akkar and Tripoli, despite the fact that these data are not accessible in two of the four MFIs (Wahidi, 2017). For certain MFIs, the break among the administration area and the exchange segment isn't excessively incredible. For other segment, for example, agriculture, their rate are decently little. This showed up similarly solid since a low measure of the credits goes to beneficiaries arranged in the Bekaa where agriculture is the main business of the people living there.

Conclusions

The goal of this research is to exhibit the influence of micro loans granted by the MFIs on the financial statement of the SMEs. Therefore, the dependent variables were chosen from the balance sheet to describe the financial status of the SMEs. The main focus was to study the impact of micro credits on the SMEs. Therefore, the observer established other secondary questions considering the status of beneficiaries regarding the gender, regions being served, poverty level, etc. SMEs assume a key job in the social and financial improvement of both created and creating nations, regarding commitment to GDP as well as business age and development (Assefa, 1997; Hallberg, 1999) (cited in Pérez-Gomez et al., 2018). After the data analysis, the researcher can reject the null hypothesis, ***Ho:*** micro financing has no impact on the performance of small and medium enterprises they support. The alternative hypothesis, ***H1:*** it exist a positive association between micro loans from MFIs and the SMEs' financial performance, is accepted. The sub hypothesis for the alternative one, (***H1.a, H1.b, H1.c, H1.d, H1.e, H1.f,*** and ***H1.g***), were accepted and explained in the discussions paragraph.

Concerning the data from SMEs, it is seen that 2 out of 17 SMEs did not show progress after getting micro loans. The average of NP growth for the other 15 SMEs was 36.78% which is considered great. These preliminary results are consistent with a study by (Geoffrey & Emenike, 2017) in which their outcomes concluded that microfinance Institutions funds have improved the development of Small and Medium Enterprises. The correlation analysis table, showed a strong connotation among the independent variable and Own resources, LIAB, TA, STK, liquidity, turnover, and NP. The significant positive link was showed among the amount of loan, own resources, and liquidity with $p < .01$. Mostly, the outcomes show that microfinance influences positively on all the variables (Boateng et al., 2015). The findings of the One Way MANOVA table were similar with the previous results of the correlation table. The One Way MANOVA tables in addition to Curve estimation regression analysis also generated parallel fallouts as the previous models which can assure that the work is error free (Quaye et al., 2014).

Regarding the results delivered by the SPSS, concerning the SMEs in Lebanon, it exist an important connections between the amount of micro credit and the dependent factors. The accepted affiliations bolster the possibility that the MFIs' micro credits influence decidedly the monetary performance of the Lebanese SMEs (Wahidi, 2017). The greatest the measure of micro credit the better are the outcomes. This examination found that the execution of the SMEs is attached to getting micro credits and

grow their exercises (Fauster, 2014), despite the fact that there are two SMEs that didn't indicate advance, anyway it might be because of different reasons, for example, the buying intensity of the clients, the political and monetary circumstance of the nation, the sort of sector, and so on. Be that as it may, what it can guaranteed is that the micro credits from the MFIs are behind the positive budgetary execution and revenue of the SMEs (Green et al., 2006). MFIs are pro to the rising and development countries. The middling of NP development for the other 15 SMEs was 36.78% which is viewed as constructive.

The quantity of female beneficiaries of credits stays little in the microfinance part in Lebanon (Wahidi, 2017). Ladies these days are endeavoring to help their spouses so as to give a superior living conditions to their families, tragically the vast majority of the MFIs still have no trust in the lady's ability to lead a business (Wahidi, 2017; Mayoux, 2001). They stay apprehensive that a lady is unfit to pay back the advance. Not very many are the MFIs that know about the significant job that the ladies are doing in the general public and they endeavor to engage them. Moreover, the classes of organizations that are generally benefitting from the MFI in Lebanon seem, by all accounts, to be engaged in the commerce, service, and trade sectors. It very well may be understood that the recipients are fundamentally arranged at Mount Lebanon, South, Bekaa, and at the north, for example, Akkar and Tripoli. MFIs are exceptionally fundamental in the development of SMEs and particularly those in country zones. These MFIs give services to SMEs in territories of manufacturing, trading, service provision and small scale industry (Wahidi, 2017). Scaled down scale credit produces positive benefit for business deals, stock, costs and profits. The entry on NP is higher than the straggling leftovers of the components of interest (Peprah & Ayayi, 2016).

This paper has affirmed the globally prevailing confirmed rule that Microfinance Institutions help to ease destitution, stir improvement and produce occupation by developing SMEs' advancement and size through the arrangement of micro credit (Rono, 2018; Ashenafi, 2017; Akram & Hussain, 2011; Quaye et al., 2014; Kasali et al., 2016; Peprah & Ayayi, 2016; Monge, 2016; Samer et al. 2015; Azeref & Gelagil, 2018; Delija, 2017; Pei-Wen et al., 2016). However this study was needed to be done for many reasons. First of all, there is a lack of such studies in Lebanon, which means that not lot of Lebanese people are aware of the MFIs and SMEs subject and the results of this matter are almost absent for Lebanese people and for people around the world who are interested in acquiring results regarding this topic applied in Lebanon. Doing this research is vital since it will underline and highlight this topic for all people especially the Lebanese. Second of all, today Lebanon is searching for solutions which will help in poverty alleviation. Therefore, this study will draw the attention of people who are searching for poverty's solutions. These people might be the responsible in the Lebanese government who might want to support the MFIs or

it might be the normal Lebanese citizens who are looking themselves for settlements regarding their hard financial situation. In other words, the essentialness of this investigation cannot be over underlined. Destitution is inescapable in our economy, more specifically the Lebanese economy, and endeavors to lighten it have not yielded the coveted outcomes. Hence, it is essential to survey the seriousness of neediness in our nation by intending to evaluate how microfinance organizations could diminish the rate of poverty. It is additionally vital to see how microfinance organizations could add to the monetary advancement of the country, by improving the welfare levels of all the needy individuals in the region. From the overhead referred discussions it is settled that microfinance is productively helping the poor by expanding their salary level (Akram & Hussain, 2011) and Kasali et al. (2016).

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APPENDIX

Notations

Abbreviations

ESFD – Economic and Social Fund for Development
LIAB – Liability
MFI – Microfinance Institution
MoET – Ministry of Economy and Trade
NGO – Nonprofit Organization
NP – Net Profit
Sig – Significance
SME – Small to Medium Enterprise
SPSS – Statistical Package for the Social Sciences
STK – Stock
TA – Total Assets
UNCDF – United Nations Capital Development Fund