

Impact assessment of Islamic microfinance on small and medium-sized enterprises in Mogadishu, Somalia



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ABSTRACT

Small and medium-sized enterprises (SMEs) play an increasingly vital role in the economic advancement of nations. Nonetheless, these enterprises often face challenges in accessing formal external funding channels. The emergence of Islamic microfinance presents a potential solution to alleviate the financial constraints confronting SMEs. Given the primary mission of Islamic microfinance institutions (MFIs) to uplift the socio-economic status of the underprivileged, it becomes imperative to scrutinize their influence on SME growth. This study aims to ascertain the effects of Islamic microfinance on SMEs in Mogadishu, Somalia. Employing a systematic random sampling method, a carefully selected sample of 100 SMEs was determined. A structured survey framework was developed to collect data, and data analysis was conducted using the Statistical Packages for the Social Sciences (SPSS). The study reveals that micro-savings significantly contribute to SME augmentation, with comparatively limited impact from micro-insurance. While many SMEs benefit from Islamic microfinance, there is a shortfall in the attainment of required funding among beneficiaries. This research sheds light on concerns related to borrower defaults, pre-financing screening deficiencies, resource inadequacy, and the absence of governmental and donor support in Islamic microfinance institutions. The implications extend to future research opportunities, emphasizing the need for governmental and stakeholder efforts to streamline financing acquisition from MFIs by relaxing collateral requirements for SME borrowers.

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1. Introduction

Microfinance (MF) is a concept that has been defined in various ways. Microfinance is the provision of financial services to low-income poor and self-employed people (Kiros, 2022; Guled, 2022). Microfinance usually involves credit and savings, but it can also include insurance and payment services. MF, on the other hand, is defined as "an effort to give poor households that banks haven't helped access to small deposits and small loans." So, MF helps people with low incomes in both cities and rural areas get insurance, loans, and savings accounts that they couldn't get from official financial institutions like banks.

Because of the growth of microcredit institutions, lending to people who need it, and other financial services. MF is now an important part of the financial industry. Microfinance institutions (MFIs) are also important because they help small and medium-sized businesses (SMEs) and people with low incomes who aren't taken care of by the traditional financial services sector. This is because banks usually only credit people with something to put up as collateral or large, well-known businesses (Dubale and Beshir, 2020). Moreover, the majority of individuals with modest incomes in countries that are developing a residency in rural areas, which are frequently located at a considerable distance from any urban centers that may contain financial institutions (Santoso, 2019; Herlinawati et al., 2017).

MFIs provide a variety of services, the most popular of which is credit loans. Depending on their skills and experience, the people who get loans can either improve the businesses they already have or start new ones. Most likely, these activities will change the way of life of the recipients' families, which will have an effect on their economic

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participation (Xalane and Salleh, 2019). Some economists say that microfinance programs (MFPs) have been one of the best ways to fight poverty over the last 30 years. It's important to remember that MFPs were mainly started to help people out of poverty (Disli et al., 2023).

Microfinance can also help people with low incomes build and grow their sources of income so they can meet their current needs and plan for the future. This is done by giving them the money they need to start new businesses or take advantage of new opportunities. So, even though the idea of microfinance has spread around the world, there are still good microfinance programs in Asia (Herliansyah et al., 2020; Ülev et al., 2022). Next, most microcredits in Sudan have been given through non-governmental organizations (NGOs) and rural improvement projects. Even though many Islamic banks in Sudan, there are Islamic microfinance programs at the Sudanese Islamic Bank, Faisal Islamic Bank, and the Islamic Cooperative Development Bank. However, their reach has been limited. Somalia has been doing microfinance since 2010. The United States Agency for International Development (USAID) says this is because microloans were bundled with humanitarian aid and treated as grants or because charging interest was thought to be against Sharia law.

Sharia-compliant Microfinance Institutions (MIFs) and other groups, like Hawala, are now getting into the market. Some of the best-known Microfinance Institutions (MIFs) are Dahabshiil International Bank, Salama Somali Bank, and Kaah Islamic Microfinance. In 2010, Salaam Somali Bank started a microfinance program in Somalia to help the poor. In short, Salaam Somali Bank started microfinance services with the "Sa'id Foundation" and other non-governmental organizations to help poor people in cities.

Most people work for small and medium-sized enterprises (SMEs) in most developing countries. In Somalia, for example, many poor people depend on the informal economy to make a living and get by every day. SMEs in Somalia also face problems like not being able to get enough loans or capital from well-known financial institutions. This is because banks usually give credit or loans to people who can put up collateral or too large, prominent businesses, that is, small and medium-sized enterprises (SMEs). They are having trouble meeting the bank's requirements for collateral (Xalane and Salleh, 2019).

In Somalia, rising graduate unemployment poses a challenge not only to individuals but also to the government. Due to these challenges, many SMEs have closed, and many new ideas have not been supported, resulting in a lack of economic progress and, therefore, a failure to eradicate poverty across the country. At the individual level, the creation of businesses, in particular SMEs, is a path to employment. They have mentioned that the best way to help entrepreneurs fight against poverty is by using Microfinance to finance micro-businesses in

stimulating economic activities. Unfortunately, Somalia has low financial literacy and no enhanced and sufficient access to finance for SMEs. Thus, this examination explores the impact of Islamic Microfinance on SMEs in Somalia, especially in Mogadishu. Even though much more is written about Islamic microfinance services and how they affect the economy and financial system, not much is known about how businesses grow and how Islamic microfinance services develop their ideas. On the other hand, studies that looked at Islamic microfinance services have focused a lot on how easy they are to get (Xalane and Salleh, 2019). There needs to be a study of how Islamic microfinance services affect businesses to find out exactly how Islamic microfinance helps businesses grow and helps entrepreneurs develop. This study aims to look at how Islamic microfinance institutions in Mogadishu, Somalia, affect small and medium-sized businesses.

2. Literature review

Microfinance is said to be a long-term way to help poor and low-income people and their businesses get access to financial services. These services include remittances, credit, savings, and microinsurance (Ben Abdelkader and Mansouri, 2019). Since the beginning of the idea, the MF has been seen as a potentially useful development instrument for alleviating poverty and increasing access to finance among the underprivileged people of the globe (Hussein Kakembo et al., 2021; Santoso, 2019). Microfinance is widely recognized as a powerful instrument for raising poor people's productivity and supporting a nation's economic development. In other words, microfinance is usually linked to small, working capital loans that are used to start small businesses or yield productive activities. Micro-finance is the practice of giving small loans to people who do not have a lot of money, especially people who are not used to getting money from banks. Projects are made to help these people and meet their needs. MF is an effort to help poor family units that banks haven't reached get access to small stores and small loans (Muhammad and Ibrahim, 2020).

2.1. Growth of small and medium enterprises

Notwithstanding disagreements in how SMEs are defined, academics agree that SMEs actively contribute to economic growth and development. Manzoor et al. (2021) stated that SMEs are crucial for creating employment opportunities for people, particularly in rural regions, which helps to reduce income inequality and foster economic growth and prosperity in low-income nations. Dushime et al. (2022) sought to provide light on the Islamic finance techniques for small businesses. He aimed to investigate how such funding might affect helping small business owners and grow their firms. He tried to clarify several ideas about small businesses and

Islamic financing. He discovered that a number of administrative and marketing obstacles prevent small business owners from receiving financing from Islamic financial institutions. He realized that Islamic banks' financial models are extremely important and positively impact SMEs and the whole economy (Abdinur and Ondes, 2022).

The Grameen Bank's experience shows that most of the requirements set by traditional lenders, such as requiring collateral, shouldn't actually stop small farmers and poor people from getting credit if there are good ways to give out loans, keep track of them, and make sure they pay them back. Kiros (2023) said that because poor people below or just above the poverty line don't have access to credit, micro-credit helps them start their own businesses and spreads out their spending over time. Small business owners are better able to fund their operations, hence reducing their exposure to external shocks such as poverty reduction, universal primary education, battling diseases such as malaria, and environmental sustainability (Xalane and Salleh, 2019). Second, micro-enterprise finance promotes growth in the informal sector by assisting in the expansion of business capital, creating new jobs, and keeping income levels at the same level. An essential short-term benefit of investing borrowed money in small businesses is increased household spending and welfare. While financial services are generally seen as a driving force for economic growth, they are also a key tool for breaking the poverty shackle.

The main findings reveal that very few small companies and low-income groups have access to microfinance services; however, microfinance can be used as a weapon for battling poverty. Little research has been done in Mogadishu, Somalia, on microfinance for small companies. This signifies that there was a void in the existing body of knowledge that necessitated more investigation. So, this study aims to find out how Islamic microfinance affects small and medium businesses in Mogadishu.

2.2. Micro-credit

There are many different types of microfinance, and microcredit is one of them. It has been said that it is the foundation of microfinance institutions (Guled, 2022). These are funds that are given to small businesses or people who own their own businesses over time. They use the term microcredit to help small businesses get more working capital. This leads to more sales and bigger businesses, both in terms of their profits and size. Furthermore, microcredit gives low-income people a small loan in order to help them keep their jobs (Jote, 2018). Microcredit is making a small amount of credit available to poor people who don't have collateral and are not working. It's meant to encourage entrepreneurship and help people out of poverty (Mukami, 2017). As a result of a lack of saved money to fund a business, people take out loans. These are money that has been borrowed and for which payback terms have been set. If the return on

borrowed money is higher than the interest rate, and if it is more profitable to borrow than to put off business activities until they can save enough money, and if they are sure they can pay back the loan, they may borrow. Loans are frequently obtained in order to boost a company's productivity, i.e., to bring in more money for the company. In a poll of SME entrepreneurs, it was found that they place a high value on loans as a means of expanding their businesses and increasing profitability.

SMEs are expected to improve their financial performance by gaining access to loans. Increasing the efficiency of small businesses by providing them with modest loans that aren't available from traditional lenders is the primary goal of microcredit (Navin, 2015). Some people think that if the poorest Americans, who live just below or just above the federal poverty line, have less access to loans, small businesses and the economy as a whole could suffer. Increases an SME's ability to handle risks, makes it easier for them to deal with risks, and spreads out consumption over time. These reasons are based on the idea that microfinance will help small and medium-sized enterprises do better (Giri and Shah, 2019).

2.3. Micro training

Some microfinance institutions help businesses grow by giving them services like skill training, marketing, bookkeeping, and production. Some MFIs also offer social services like health care, education, and learning to read and write. Both business development and social services can make it easier for low-income people to run businesses in a direct or indirect way (Uddin et al., 2020; Maulana et al., 2018). Studies have shown that training gives small and medium-sized businesses the Knowledge and skills they need to do better. Ali and Mohamed (2018) concluded that people decided to start a business because of their education and experience, which in the end, affected how well the business did.

2.4. Micro-saving

Micro-saving is a part of Microfinance that lets people save a small amount of money for the future. Most of the time, it doesn't have balance requirements. In addition, saving accounts help families store a small amount of money so that they can cover unexpected expenses and plan for the future, like saving for college and retirement (Abdinur and Ondes, 2022). Microfinance savings mobilization is a hot-button issue. They have helped policymakers and practitioners become more aware of the wide variety of informal savings programs.

MFIs, such as credit unions, have successfully enlisted customers to save money. The expansion of small and medium-sized firms (SMEs) in Kenya might be attributed to savings, according to a study by Xalane and Salleh (2019). Micro savings and the success of small businesses were examined in

research by Navin (2015). According to the findings, there is a strong link between small-business growth and micro-savings.

2.5. Micro-insurance

The term "micro-insurance" refers to a low-value insurance product that is meant for poor people. People with a low income could get micro-insurance more easily, giving them some protection, peace, and dignity (Babajide, 2012; Aladejebi, 2019). Furthermore, Ali and Mohamed (2018) said that microinsurance is a low-value product that needs different ways to be made and sold because it has a low premium that depends on how risky the people in the area are. With microfinance insurance, you can get coverage for things like your health, your home, and more (Gyimah and Boachie, 2018). MFIs and insurance firms are experimenting with a variety of services and products, including this one. One reason for this is that connecting SMEs with other service providers, like insurance companies, can help the SME sector do better (Okero and Waweru, 2023).

In the case of a catastrophe, such as a fire or a strike, or if one of their staff is wounded on the job, SMEs must have insurance to protect themselves from such risks (Angaine and Waari, 2014). SMEs and insurance providers need each other, and MFIs are working hard to bridge the gap.

The owners of small and medium-sized enterprises (SMEs) must devise disaster recovery plans in the event of a calamity that is beyond their control (Ssekiziyivu et al., 2018). Employees' well-being and safety should be a priority at all stages of an emergency response. Even in the event of a crisis, businesses may begin to recover and work efficiently if they have proper crisis preparation, response, and recovery measures in place.

This demonstrates the necessity of MFIs in connecting small and medium-sized businesses (SMEs) with insurance providers so that they can recover and perform in the event of a disruption. The Grameen Bank is a typical example of an MFI participating in a group lending program using an insurance or guarantee system as collateral. Loan insurance requires 1% of the loan amount to be paid by each group member as a contribution (Xalane and Salleh, 2019). Studies have shown that the insurance that MFIs offer has a positive effect on the performance of SMEs (Hussein Kakembo et al., 2021). For example, a study looked at how MFIs affect the performance of SMEs. The study's main goal was to figure out how microcredit affects the fight against poverty in Zambia. It also supported adding microinsurance to help small businesses do better.

2.6. Micro education

MFBS teach SMEs how to use their resources efficiently, keep track of their inventory, and keep accurate records. MFBS also teach their customers many things, like accounting, marketing, writing

business plans, working with customers in the same trade, and setting up cooperative groups. These are non-financial services that MFBS offer (Indarti, 2021).

Micro-education programs can substantially affect the development of small and medium-sized enterprises (SMEs), according to research conducted by the International Labour Organization (ILO). The researchers analyzed the results of a micro-education program in Ghana that taught entrepreneurs how to run their businesses more efficiently. The outcomes demonstrated that those who participated in the program saw significant productivity, efficiency, and income improvements.

Fig. 1 shows the conceptual framework of the study. The main aim of the study is to assess the impact of Islamic microfinance on small and medium enterprises in Mogadishu Somalia. The dependent variable of the study is the Growth of SMEs while independent variables are micro credit, micro training, micro saving, micro insurance, and micro education. The hypotheses have been developed based on the existing literature and tested with the data collected based on the location in Mogadishu, Somalia.

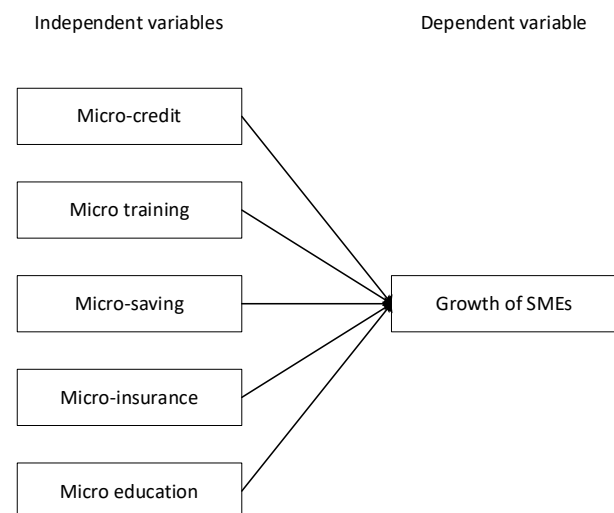


Fig. 1: Conceptual framework

3. Methodology

A survey research design was used to give the researcher a comprehensive overview of the variables under examination. Random sampling was used, and the sample size of this study was 100 owners and staff of SMEs in the two main markets, namely Bakaro and Hamarweyne, in Mogadishu, Somalia. SPSS was used to analyze the data in order to achieve the research objectives.

4. Results and discussion

4.1. Demographic information of the respondents

Table 1 depicts the demographic profiles of the respondents. The research had several variables in this part, including gender, marital status, age,

educational background, Business Experience, Nature of business, and loan/finance received. As can be seen from Table 1, the gender distribution of the respondents, 70.0% of the people who answered the questionnaire were male, while female respondents were only 30, which shows 30% of the remaining. This shows the male domination in response rate.

Table 1: Demographic information of the respondents

Demographics	Frequency	Percent
Gender		
Male	70	70.0
Female	30	30.0
Total	100	100.0
Marital status		
Single	36	36.0
Married	56	56.0
Divorce	4	4.0
Widow	4	4.0
Total	100	100.0
Age		
18-25	29	29.0
25-45	59	59.0
More than 45 years	12	12.0
Total	100	100.0
Level of education		
Ph.D.	8	8.0
Master	30	30.0
Bachelor	47	47.0
Primary	7	7.0
Diploma	6	6.0
Others	2	2.0
Total	100	100.0
Business experience		
Less than 2 years	10	10.0
2-5 years	20	20.0
More than 5 years	70	70.0
Total	100	100.0
Nature of business		
Food vending	15	15.0
Electronic shops	30	30.0
Supermarkets	50	50.0
Others	5	5.0
Total	100	100.0
Amount of loan/financing		
< 1000	25	25.0
1000 - 2000	65	65.0
2000 - 3000	5	5.0
> 3000	5	5.0
Total	100	100.0

In this study, several demographic factors among the respondents have been identified and analyzed. Firstly, it is worth noting that the majority of the study participants who both worked and initiated their businesses were male. This phenomenon can be attributed to the higher rate of illiteracy among females, particularly in Africa, and specifically in Somalia. This educational disparity has resulted in a significant gender gap in terms of employment opportunities. Traditionally, females in this context are primarily engaged in familial caregiving roles, which limits their participation in entrepreneurial activities.

Regarding the marital status of the respondents, a substantial 56% were married. This high percentage can be attributed to cultural factors where early marriage is advised, especially for individuals around the age of 20. Consequently, a significant portion of the youth population in the country is married, while a smaller percentage remains single, and even fewer are widowed or divorced.

In terms of age groups, the majority of respondents, at 59%, fell within the 25-45 years old range. This is in alignment with the demographic of educated individuals and the working population in the country. The younger generation, aged 18-25, accounted for 29% of respondents, while those above 45 constituted the smallest group at 12%. This age distribution aligns with the preference for online surveys, as younger individuals tend to have easier access to the internet and greater confidence in responding to such surveys.

Regarding education levels, nearly half of the participants, 47%, held a bachelor's degree or were currently pursuing undergraduate studies. Postgraduate level participants comprised 30% of the sample. The remaining categories, including PhD, Primary, Diploma, and others, constituted smaller proportions of the respondents.

Furthermore, most respondents had been engaged in business for over five years, comprising 70% of the total. Those with businesses in operation for 2-5 years accounted for 20%, while those with less than two years of business experience made up 10%. This distribution indicates that a significant portion of the respondents possessed substantial experience in their respective businesses, possibly influencing their interactions with microfinance institutions.

Regarding the nature of businesses, supermarkets were the predominant category, representing 50% of the businesses in the city. Electronic shops followed with 30%, while food vending and other businesses had smaller shares at 15% and 5%, respectively.

Lastly, concerning the amount of loans received from Microfinance Institutions (MFIs), the majority of respondents, 65%, received between 1000 and 2000 US Dollars. This is due to the limited funds typically available through MFIs. A quarter of the respondents received less than 1000 USD, while the remaining 5% received amounts exceeding 2000 USD.

This comprehensive demographic analysis provides valuable insights into the characteristics of the study's participants and their relationship with various factors, including gender, education, marital status, business experience, and loan amounts received from MFIs.

4.2. Micro credit services

To figure out how well microcredit works as a product that MFIs offer to SMEs. Respondents were given five statements on a point Likert scale and asked to rate how much they agreed with each one. Table 2 depicts the scales of various items under the Micro Credit Services variable from the respondents. As shown, the statement of profit rate that MFIs charge businesses for finance is too high. The highest percentage of 28 percent of the people who answered agreed with this, and 53 percent of them strongly agreed. With this statement (8%) of the respondents were neutral, while (7%) and (4%)

Strongly disagreed and disagreed, respectively. On the other hand, the statement of maximum financing limit offered by the MFIs is appropriate to the business had the lowest percentage, with (48%)

strongly agree. In comparison, another (33%) of the total respondents also agreed, and (7%) of the respondents preferred neutral, while (9%) and (3%) disagreed and strongly disagreed.

Table 2: Descriptive analysis of microcredit services items

Scale	Frequency	Percent	Mean	Standard deviation
When businesses have to wait longer to get their loan/finance, their profits go down				
Strongly disagree	1	1.0	4.22	.975
Disagree	8	8.0		
Neutral	8	8.0		
Agree	33	33.0		
Strongly agree	49	49.0		
Total	100	100.0		
The business generates more profit when the microfinance institution gives long-term loans or financing				
Strongly disagree	7	7.0	4.08	1.267
Disagree	9	9.0		
Neutral	6	6.0		
Agree	24	24.0		
Strongly agree	53	53.0		
Total	100	100.0		
Microfinance helps businesses improve their profitability by giving them loans in medium-term terms				
Strongly disagree	5	5.0	4.11	1.171
Disagree	8	8.0		
Neutral	9	9.0		
Agree	27	27.0		
Strongly agree	51	51.0		
Total	100	100.0		

Based on the average weight, it can be seen that short-term financing offered by microfinance helps businesses, and microfinance makes it easy for businesses to get loans/finance. These two points tied for the highest mean score of 4.23. However, the collateral required for loans/finance by microfinance facilitates additional inventory was the lowest, with a mean score of 4.6.

4.3. Micro training

Table 3 describes the scales for several items under the training. As Table 3 shows, only 4% of respondents strongly disagreed the training programs that microfinance institutions (MFIs) offer

are held often enough, while 26% agreed, 55% strongly agreed, and 7% were neutral on this statement. Table 3 also found that 5% of respondents were neutral on the claim that management skills training offered by MFIs is sufficient for the company, while 54 % strongly agreed and 28% agreed. On the other hand, 9% said they disagreed, and 4% said they strongly disagreed. When asked if it is important for the business for MFIs to be trained on how to keep records, 8 percent of those who answered neither agreed nor disagreed, 27 percent agreed, and 54 strongly agreed.

Table 3: Descriptive analysis of micro training

Scale	Frequency	Percent	Mean	Standard deviation
The training programs that microfinance institutions (MFIs) offer are held often enough				
Strongly disagree	4	4.0	4.20	1.128
Disagree	8	8.0		
Neutral	7	7.0		
Agree	26	26.0		
Strongly agree	55	55.0		
Total	100	100.0		
The training that MFIs give on management skills is enough for the business				
Strongly disagree	4	4.0	4.19	1.134
Disagree	9	9.0		
Neutral	5	5.0		
Agree	28	28.0		
Strongly agree	54	54.0		
Total	100	100.0		
The business needs MFIs to train their employees on how to keep records				
Strongly disagree	3	3.0	4.21	1.085
Disagree	8	8.0		
Neutral	8	8.0		
Agree	27	27.0		
Strongly agree	54	54.0		
Total	100	100.0		
MFIs train people in the areas of investment, which helps the business increase its revenue				
Strongly disagree	3	3.0	4.27	1.081
Disagree	8	8.0		
Neutral	6	6.0		
Agree	25	25.0		
Strongly agree	58	58.0		
Total	100	100.0		

Training in investment areas by MFIs increases the revenue of the business 4.3 percent of respondents strongly disagreed with this statement, while 8% disagreed, and 6% neither agreed nor disagreed. 25 percent of the people who responded agreed with the statement, and 58 percent strongly agreed. Only 3 percent of respondents strongly disagreed with the statement. With a mean score of 4.27, the highest score came from Table 3, which showed that MFIs training in the investment areas leads to more sales for the business. Then, training on keeping records got a mean score of 4.21, and the number of training programs got a mean score of 4.20. The MFIs' training on management skills got a

mean score of 4.19, which was the lowest of all the categories.

4.4. Micro-saving

Table 4 exhibits the scales of various statements under the micro-saving variable. In the first statement of the, micro-saving higher number of respondents, 25% agreed, plus 58% strongly agreed. In addition, a small number of people, 6%, showed disagreement. Only 3% received strong disagreement. On the other hand, 10.3% of the respondents recorded doubt by showing their view in this statement as neutral.

Table 4: Descriptive analysis of micro-saving

Scale	Frequency	Percent	Mean	Stand deviation
The minimum savings allowed by the MFIs is affordable for businesses				
Strongly disagree	3	3.0	4.29	1.047
Disagree	6	6.0		
Neutral	8	8.0		
Agree	25	25.0		
Strongly agree	58	58.0		
Total	100	100.0		
The profit rate on savings offered by the MFIs is attractive to businesses				
Strongly disagree	3	3.0	4.27	1.072
Disagree	7	7.0		
Neutral	8	8.0		
Agree	24	24.0		
Strongly agree	58	58.0		
Total	100	100.0		
The business requires the different types of savings accounts that MFIs offer				
Strongly disagree	4	4.0	1.47	.502
Disagree	8	8.0		
Neutral	5	5.0		
Agree	26	26.0		
Strongly agree	57	57.0		
Total	100	100.0		
MFIs make it easy for a business to save money through mobile banking				
Strongly disagree	4	4.0	4.21	1.131
Disagree	8	8.0		
Neutral	7	7.0		
Agree	25	25.0		
Strongly agree	56	56.0		
Total	100	100.0		
The micro savings services that MFIs offer are enough for the business				
Strongly disagree	2	2.0	4.40	.953
Disagree	5	5.0		
Neutral	6	6.0		
Agree	25	25.0		
Strongly agree	62	62.0		
Total	100	100.0		

Furthermore, the second statement of the micro saving received a higher number of strong agreements with 58% and agreement of 24%. 7% and 3% disagreed and strongly disagreed, respectively, while 8% of the respondents showed their neutrality in this statement. The third states, "The business needs the different types of savings accounts that MFIs offer" The majority of the respondents showed a strong agreement level with 57% and 26% agreed. On the other hand, some people disagreed with this statement, with 8 % strongly disagreeing with 4%. The remaining 5% of respondents preferred to be neutral on this specific item. The fourth statement states, "MFIs make it easy for a business to save money through mobile banking." The majority of the respondents showed a strong agreement level, with 56% and 25% of agreed. On the other hand, some people disagreed with this statement, with 8 % strongly disagreeing

with 4%. The remaining 5% of respondents referred to be neutral on this specific item.

Last but not least, the statement is about "The micro savings services that MFIs offer is enough for the business." this showed that 25% indicated they agreed and 62% indicated strongly agreed. Meanwhile, 6% indicated neutral, and 5% and 2% indicated disagreed and strongly disagreed.

From Table 4, it looks like the micro-saving services offered by MFIs are enough for businesses, and the minimum savings allowed by MFIs are affordable for businesses, both with mean scores of 4.40 and 4.29. It was also seen that the rates of return on savings came next, with a mean score of 4.27. The average score for savings through mobile banking was 4.21, which was the lowest. The business needs the different types of savings accounts that MFIs offer, which have the lowest mean score of 1.47.

4.5. Micro-insurance

Table 5 presents the descriptive analysis of items of the Micro Insurance variable and their scales. In the first statement, Insurance MFIs' Takaful coverage is essential to the business. A higher number of respondents, 53% strongly agreed, followed by 29% agreed. In addition, a small number of people, 8%, disagreed, while only 3% received strong disagreement. On the other hand, 7% of the respondents indicated neutral. Six percent of the people who answered did not agree that the amount of insurance premiums paid to MFIs for insurance covers are affordable. 5 percent did not agree or disagree, and 28 percent agreed with the statement. Followed by 58 of the respondents indicated

strongly agreed with the statement. While only 3 of them strongly disagreed. The last third statement, "The compensation period for insurance is appropriate" has received. Eight percent of the people polled thought it didn't matter if the insurance compensation period was right or wrong. However, 59 percent of the people polled strongly agreed with the statement, and 21 percent of the people polled agreed with the statement. Only 7 percent and 5 percent disagreed or strongly disagreed with the statement. Table 5 also shows that the number of insurance premiums paid to MFIs for insurance/Takaful covers is affordable. The compensation period for insurance/Takaful is appropriate and got the highest mean scores of 4.32 and 4.22, respectively.

Table 5: Descriptive analysis of micro-insurance

Scale	Frequency	Percent	Mean	Standard deviation
Insurance/Takaful covers provided by MFIs are essential to the business				
Strongly disagree	3	3.0	4.21	1.076
Disagree	8	8.0		
Neutral	7	7.0		
Agree	29	29.0		
Strongly agree	53	53.0		
Total	100	100.0		
The Insurance/Takaful premiums paid to MFIs for coverage are not too expensive				
Strongly disagree	3	3.0	4.32	1.024
Disagree	6	6.0		
Neutral	5	5.0		
Agree	28	28.0		
Strongly agree	58	58.0		
Total	100	100.0		
The compensation period for insurance is appropriate				
Strongly disagree	5	5.0	4.22	1.168
Disagree	7	7.0		
Neutral	8	8.0		
Agree	21	21.0		
Strongly agree	59	59.0		
Total	100	100.0		

4.6. Micro education

Table 6 presents the descriptive analysis of items of education variable and their scales. In the beginning, the first statement of the education, which says, IMFIs should provide Knowledge to interested borrowers for the better utilization of credit 'has a higher number of respondents. 63% strongly agreed, followed by 19% agreed. In addition, a small number of people, 5%, showed they disagreed, while only 4% strongly disagreed. At the same time, 9% indicated neutral in this item.

Further, the second one, Islamic MFIs should continue to monitor and provide solutions for their clients and give training and capacity building' received a higher number of strong agreements with 53% and agreement of 33%. 3% and 6% strongly disagree, respectively, while 5% of the respondents showed neutrality in this statement. Moreover, the third statement is about Islamic MF services should be made available for all living below the poverty line income' received (25%) agreement and (60%) of the respondents strong agreement, while (7%) indicated strong disagreement and disagreed and neutral least with equal parentage with (4%). Furthermore, the fourth statement, The government should provide training and development on Islamic

MFIs in the country to enhance their role in alleviating poverty, received 18% agree plus 67% strongly agreed. In addition, 6% and 7% of the respondents answered strongly disagree and disagree, respectively; neutral respondents were, 2%. The last fifth statement, government should support the Islamic MF by providing additional funds to expand the role of Islamic MF in poverty eradication, was exactly the same scale as the previous question. From Table 6, Knowledge should be provided by IMFIs to interested borrowers for the better utilization of credit had the greatest mean score of 4.32. The government should provide training and development on Islamic MFIs in the country in order to enhance their role in alleviating poverty' had also the least mean score of 4.23.

4.7. Growth of SMEs

Table 7 describes the scales for several items under the growth of SMEs. As seen in the first statement, "Microfinance institutions are significant to the sustainable development of SMEs," the majority of respondents strongly agreed 53%, followed by 25% agreed. Additionally, a relatively small percentage of respondents, 8%, showed disagreement, while just 5% showed strong

disagreement. The second statement of the SMEs growth, which states "MFIs contributed to Increases the number of entrepreneurs who Started new ventures," received the higher number of agreements with 48% and a strong agreement of 39%. Followed by 9% disagreed, and only 1% of the respondents strongly agreed, while 3% showed their neutrality in this statement. On the other hand, 9% of respondents indicated a neutral. In the third statement, "Islamic MF services should be made available for all living below the poverty line income," 28% agreed, and 57% strongly agreed. However, unlike the previous, 5% strongly disagreed, and 4 percent disagreed with that assertion. The remaining 6% chose neutrality. Meanwhile, 61% strongly agreed with the fourth statement, and 19% agreed. In addition, 6% strongly disagreed, 7% disagreed, and 7% were moderate. The fifth statement, "Providing training and financial literacy programs to SMEs will make a big difference in their growth," was agreed on by 25 percent of respondents. 61 percent and 4 percent of respondents were neutral, while 8 percent and 2 percent of respondents disagreed and strongly disagreed with the statement. The sixth statement says, "SMEs' growth and survival are affected by financial management and counseling services provided through workshops and seminars." Most of the people who answered said how much they agreed, with 57 percent saying they strongly agreed and 27 percent saying they agreed. On the other hand, some people disagreed with that statement, unlike the first group. Six percent strongly disagreed,

and three percent disagreed. The other 7 percent of participants chose to be neutral about this statement. The last one which states as follows: "Microfinance institutions play a significant role in the growth and development of SMEs" received a relatively higher rate of agreement, with 18% and 67% strongly agreeing. On the contrary, 7% and 5% were recorded as disagreeing and strongly disagreeing with this statement which is very low compared to the agreement level. However, 3% of the remaining respondents showed their opinion on a neutral level. From Table 7, we can see that training and financial literacy programs for SMEs will help them grow and develop in a big way and that microfinance institutions play a big role in the growth and development of SMEs. Both of these statements got the same mean score of 4.35.

5. Conclusion

The present study's findings answer the research questions stated above and fulfill the study's objectives that Islamic microfinance positively impacts the growth of SMEs. As discussed above, the study results revealed that most respondents benefit from the Islamic microfinance exercises in the study area, Mogadishu. It is successfully helping needy entrepreneurs by expanding their respective incomes. However, the product with the most support for the growth of SMEs was micro-saving, and micro-insurance was the lowest compared to others.

Table 6: Descriptive analysis of education

Scale	Frequency	Percent	Mean	Standard deviation
Knowledge should be provided by MFIs to interested borrowers for the better utilization of credit				
Strongly disagree	4	4.0	4.32	1.091
Disagree	5	5.0		
Neutral	9	9.0		
Agree	19	19.0		
Strongly agree	63	63.0		
Total	100	100.0		
Islamic MFIs should continue to monitor and provide solutions for their clients and give training and capacity building				
Strongly disagree	6	6.0	4.24	1.093
Disagree	3	3.0		
Neutral	5	5.0		
Agree	33	33.0		
Strongly agree	53	53.0		
Total	100	100.0		
Islamic MF services should be made available for all living below the poverty line income				
Strongly disagree	7	7.0	4.27	1.171
Disagree	4	4.0		
Neutral	4	4.0		
Agree	25	25.0		
Strongly agree	60	60.0		
Total	100	100.0		
Government should provide training and development on Islamic MFIs in the country in order to enhance their role in alleviating poverty				
Strongly disagree	6	6.0	4.23	1.100
Disagree	7	7.0		
Neutral	2	2.0		
Agree	18	18.0		
Strongly agree	67	67.0		
Total	100	100.0		
Government should support the Islamic MF by providing additional funds to expand the role of Islamic MF in poverty eradication				
Strongly disagree	3	3.0	4.30	1.106
Disagree	8	8.0		
Neutral	8	8.0		
Agree	18	18.0		
Strongly agree	63	63.0		
Total	100	100.0		

Table 7: Descriptive analysis of growth of SMEs

Scale	Frequency	Percent	Mean	Standard deviation
Microfinance institutions are essential to the long-term growth of small and medium-sized businesses (SMEs)				
Strongly disagree	5	5.0	4.13	1.178
Disagree	8	8.0		
Neutral	9	9.0		
Agree	25	25.0		
Strongly agree	53	53.0		
Total	100	100.0		
MFIs helped out. Boosts the number of people who want to start their own business				
Strongly disagree	1	1.0	4.25	1.132
Disagree	9	9.0		
Neutral	3	3.0		
Agree	48	48.0		
Strongly agree	5	39		
Total	100	100.0		
Small and medium-sized businesses can make more money with the help of loans from microfinance institutions				
Strongly disagree	5	5.0	4.28	1.083
Disagree	4	4.0		
Neutral	6	6.0		
Agree	28	28.0		
Strongly agree	57	57.0		
Total	100	100.0		
MFIs can't help SMEs grow as much as they could because they do not have enough money and have high operating costs				
Strongly disagree	6	6.0	4.22	1.211
Disagree	7	7.0		
Neutral	7	7.0		
Agree	19	19.0		
Strongly agree	61	61.0		
Total	100	100.0		
Training and financial literacy programs for SMEs will help them grow and develop in a big way				
Strongly disagree	2	2.0	4.35	1.019
Disagree	8	8.0		
Neutral	4	4.0		
Agree	25	25.0		
Strongly agree	61	61.0		
Total	100	100.0		
Workshops and seminars that help SMEs with financial management and counseling affect their growth and ability to stay in business				
Strongly disagree	3	3.0	4.29	1.038
Disagree	6	6.0		
Neutral	7	7.0		
Agree	27	27.0		
Strongly agree	57	57.0		
Total	100	100.0		
Small and medium-sized businesses (SMEs) grow and develop with the help of microfinance institutions				
Strongly disagree	5	5.0	4.35	1.149
Disagree	7	7.0		
Neutral	3	3.0		
Agree	18	18.0		
Strongly agree	67	67.0		
Total	100	100.0		

In the end, this study comes to the conclusion that MFIs are clear tools for developing entrepreneurship because of the different services they offer and the role they play in the growth and development of SMEs in Mogadishu. Since the study focused on how microfinance services affect the growth of small and medium-sized businesses (SMEs) in Mogadishu's Bakaro and Hamarweyn markets, it is suggested that more research be done on the other markets in Mogadishu. This is because different markets have different traits and situations that could affect the microfinance services given to SMEs. It is also suggested that a study be done to find out why many SMEs do not use microinsurance. The study also says that tools for gathering data for studies that need to know about business growth and business records should be made to ask for both facts and opinions.

Based on what was found and what was learned from the study, the following suggestions are made, such as a regular awareness program in collaboration with the religious organizations by the Islamic MFIs to promote and increase trust and a designated department to assist and guide the

program participants in selecting appropriate and viable businesses as many of them are operating in tiny businesses. First, the government and other partners need to make it easier for SMEs to get financing from MFIs and reduce the amount of collateral they need. Second, SMEs should be informed more about the environment and what they do. Lastly, this study suggests that microfinance institutions' rules for financing money to SMEs should be flexible and that microfinance institutions should help SMEs with technical issues. This would allow the SMEs to succeed in the SME sector. Third, this study recommended that MFIs be responsible for ensuring that credit is used. Since it is such an important part of how well businesses do financially.

Compliance with ethical standards

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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