



Conceptualizing the Role of Financial Capital, Human Capital and Innovation Capacity in the Development of Microenterprises in Bangladesh

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Abstract

Microenterprise creates an opportunity to generate income and employment for a significant number of workforces in rural and urban areas through the production of basic goods and services such as the making of traditional foods, fisheries, livestock & poultry, handicrafts, small trade & business, timber business/carpentry, garments & tailoring, etc. for the need of rapidly growing populations. Thus, the development of microenterprises has attracted the attention of regulators, governments and other stakeholders either in developing or least developed countries. In Bangladesh, Microfinance Institutions are, therefore, providing the loans to increase the income level of poor people along with achieving the prime goal of poverty reduction. However, in the literature, several studies have examined the determinants of microenterprises development, yet, there are several venues that need to be examined. After reviewing previous studies and based on the underpinning theoretical ground, the study finds that human capital and innovation capacity are the factors that have received little attention. Based on the human capital theorist, an individual's skills help enterprises to perform better in business. As enterprises that possess proper skills and competencies are more likely to have higher levels of growth and profitability. Consequently, the innovation on new products can increase sales volume and market share, which can attract new consumers, while maintaining the loyalty of old consumers. Subsequently, studies on service innovation professed that providing new services can enhance the profitability of existing businesses. Therefore, these relevant issues are principally interesting to explore in the context of an emerging economy such as Bangladesh as a country has the vision of becoming a truly middle-income country and is setting ambitious targets to help achieve the UN's Sustainable Development Goals (SDGs). This finding provides useful implications for the stakeholders and policymakers and contributes to future literature.

Keywords: Microenterprise, Human Capital, Innovation, Microfinance Institutions, Bangladesh

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1. Introduction

The microenterprises play a crucial role in the of Bangladesh economy, especially as the key resources of poverty reduction and employment creation. In Bangladesh, the development of enterprises has contributed to poverty alleviation by creating self- and wage-employment opportunities (Khalily et al. 2016). The enterprises are important vehicles for diversifying economic activity and have the ability to make a significant contribution to the economic well- being of the people. According to the Bangladesh Economic Census (2013), out of a total of 7.8 million enterprises in Bangladesh, 89% are micro (including cottage) enterprises.

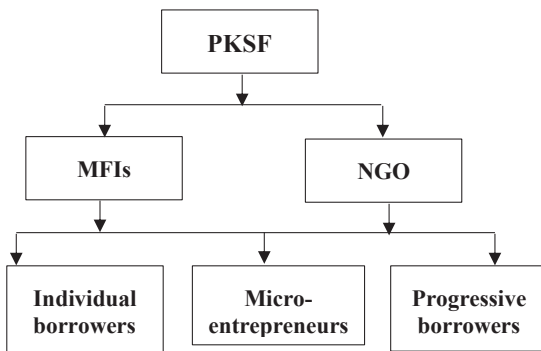
However, it is often argued that small-scale enterprises suffer from financial constraint and the formal financial sector has failed to serve the poor to reduce poverty (Chowdhury, 2000, Khalily et al. 2016). The main constraints are their nature of business and operational requirements including availability and size of loan, terms, and condition of credit, and nature of client relationship (Khalily et al. 2016). The failure of the formal sector to provide affordable credit to the poor is often viewed as one of the main factors that reinforce the vicious circle of economic, social and demographic structures that ultimately cause poverty (Chowdhury, 2000).

In this concern, to reduce poverty and raise small-scale enterprises, microfinance institutions providing microenterprise loans to the poor and potential entrepreneurs (Khalily et al. 2016). When the microfinance institutions started their microfinance program, there were no ideas on microenterprise. Microfinance institutions were providing small loans to the poor people for self-employment projects that generate income in allowing them to take care of themselves and their families (Microcredit Summit, 2004). Recently, increasing the loan size to start up and scale up the borrowers' business, microfinance institutions providing microenterprise loans (Khalily et al. 2016). Usually, a loan size above Tk. 50,000 is termed as a microenterprise loan. According to the Bangladesh Microfinance Statistics (BMS) report- 2015-16 published by Credit and Development Forum (CDF) in 2017, 54.72% of the 530 microfinance institutions have implemented microenterprise program covering the poor and low-income members.

Consequently, the government of Bangladesh adopted a comprehensive approach to provide microenterprise loans through Palli Karma-Sahayak Foundation (PKSF). Combining financial and non-financial services, PKSF is attempting to scale up the microenterprise sector. PKSF distributes the fund to the listed partner organizations (PO) such as microfinance institutions and NGOs and these PO provide a loan to the target individual, micro-entrepreneurs and progressive borrowers. Following figure 1 shows the recent growth of loan distribution compares to the previous years.

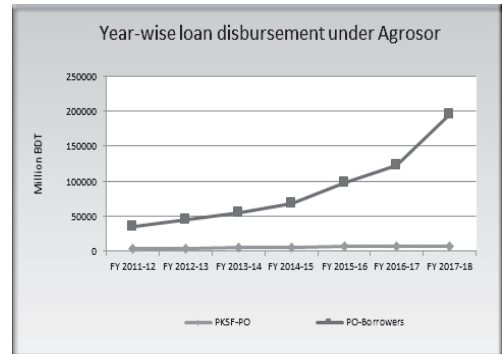


Figure 1: Loan Distribution Channel



Source: Author’s own compilation

Figure 2: Growth of Microenterprise Loan Provided by PKSF



Source: Palli Karma-Sahayak Foundation (2019)

According to the CDF annual report (2017), five hundred thirty reporting Microfinance Institutions are working in Bangladesh individually or jointly with PKSF to reduce poverty. Despite this growth of loan providing trend, poverty and unemployment are still a central illness to the progress of the country. Though hundreds of NGOs are operating in the country with a view to alleviating poverty but peoples are still in the vicious circle of poverty. According to the world bank and IDB reports, poverty is dropping but still, it shows about 24.3% of people living under the national poverty line. The unemployment rate increased to 4.30 percent in 2018 from 4.20 percent in 2017. In this situation, it is more important to understand how microenterprise can help to reduce poverty and create employment. Particularly, a narrow focus on microenterprise lending program of microfinance institutions can help to draw a broader picture. Thus, the present study will focus on Bangladeshi prominent microenterprise lending program of microfinance institutions to conceptualize the potential determinants and performance of this area. Particularly, to achieve the expected performance, this study proposes a causal model that combines financial support, non-financial support from microfinance institutions and entrepreneurs’ managerial skills and capabilities to achieve business performance. This study also conceptualizes the interaction effect of innovation on business performance to attain higher business performance.

2. Literature Review

To accelerate the prime goal of poverty reduction and employment creation, microfinance institutions introduced as revolutionary approaches to provide the credit to the poor without any collateral, increase their productivity in the self-employed economic activities. Wrenn (2007) defined microfinance institutions as “the financial institution for the poor people who are living in the urban and rural recessive areas, and who are not able to take a loan from formal financial institutions.



However, if compared to the conventional banks or financial institutions, microfinance institution is the alternative provision for poor people to get financial services such as loan, savings, and insurance. As one of the institutional objectives, some of the microfinance institutions provide integrated welfare services such as training, health, and primary educations.

Murray and Boros (2002) identified some common characteristics of conventional microfinance which are: easy access to microfinance which saves the borrower's time and money, collateral-free loan, very simple application procedure and short processing time, etc. Following these characteristics, 510 microfinance institutions are currently reached to the 39,216,816 borrowers in Bangladesh which is truly remarkable (CDF report, 2017). Of them, 247 microfinance institutions implemented the microenterprise program with 3,640,007 number of borrowers which is 11.22% of the total financing sector borrowers. Through 13 specified sub-sectors such as small trade & business, agriculture, livestock & poultry, fisheries, cottage industries, handicrafts & poultry, water, health & sanitation, housing, transportation, food & food processing, small industry & mills/factory, garments & tailoring, timber business/carpentry and others (phone/fax, etc.), microfinance institutions have been providing financial supports to the poor and the low-income clients.

2.1 Microenterprise Growth

According to Mao (2009), enterprise growth is a development process of enterprise from weak to strong and small to big. Xuemin (2004) professed that enterprise growth is the development process that enterprise keeps the tendencies of balanced and stable growth of total performance level including output, sales volume, profit, and asset gross. The authors used the benchmark of microenterprise growth as generating sales revenue, increase income, creating employment for others, moving from part-time to a full-time operation. Santos & Brito (2012) cited from Whetten, (1987) that enterprise growth demonstrates the ability to increase its size. The increasing size will increase microenterprises' absolute profit and it also can bring economies of scale and market power.

Santos & Brito (2012) further advocate that enterprise growth is an important dimension for measuring the enterprise's economic performances with some growth indicators such as net revenue growth, net income growth, number of employee's growth, market-share growth and asset growth. The authors professed that growth is the most relevant motifs for the existence of a business enterprise and must be included in any attempt to measure performance is indisputable. Adekunle (2011) stated that sales and profitability of the business enterprise are important to know how well the microenterprises are performing and whether their source of finance substantially affects their sales and profitability.





It is found from literature studies that as a multidimensional construct, it has several dimensions of measure growth such as return on assets (Mahmood and Rosli, 2013, Muneer and Khalily, 2015, Haider et al. 2017), business income (Wen et al. 2016, Jamak et al. 2014, Berrone et al. 2014), sales growth (Haider et al. 2017, Alrawshedh, 2016, Beck et al. 2015, Fauster, 2014), and employment creation (Haider et al. 2017, Berrone et al, 2014). Additionally, Mahmood and Rosli (2013) added that it includes enterprise stability, customer satisfaction, and market outreach and business network. However, microfinance institutes are working to help the poor people providing loans for their microenterprise business and advise to developing and maintaining their borrower's business activities (Muridan and Ibrahim, 2016). As business activities are the main medium of the poor borrowers improving livelihood standards, it is important to see their enterprises' actual performance.

2.2 Potential Resources for Microenterprise Growth

To find out the possible resources, this study attempts to review the literature critically and explore some considerable resources affecting the development of microenterprise business. Though the findings show a different result, therefore, the empirical results are described as follows:

2.2.1 Financial Capital from Microfinance Institutions

Financial capitals are the main driver for enterprise growth. The growth of microenterprise is found to be mainly impeded by a lack of access to finance, among other factors (Green et al, 2006). Finance is the essential resource for purchasing fixed assets, for working capital, and for financing initial operations and the living expenses of the owners (Atmadja, 2016). To start up or scale up the existing enterprise, poor people have limited access to traditional credit facilities. But, it is very important to get enough money from the loan provider to run a project successfully (Rahman and Khan, 2013). Hamdan et al. (2012), Saad and Duasa (2010), Al Mamun et al (2012) measured the economic performance of clients participating in the MFIs program of Amanah Ikhtiar Malaysia (AIM). The authors found that a number of loan borrowings from AIM positively and significantly increased his business income. Rahman and Khan (2013) conducted a study to examine the effectiveness of ASA microcredit programs. The study revealed that loan sufficiency is found to have a positive significant effect on beneficiaries' improvement. It means that those who are granted a sufficient loan are found to have a higher likelihood of improving their business and livelihood as compared to those who do not get sufficient ASA loans.

On the other hand, Atmadja (2016) found that financial capital may not necessarily influence business success. The author found a negative relationship between financial capital and performance. Beck et al (2015) did not find any significant influence in the formal finance on business performance.



Therefore, Mawa (2008) mentioned that the range of loan size varied depending on their needs. The researcher found in her study that a small amount of money creates lots of income opportunities' in rural areas. This small amount from microfinance institutions has a great impact on business outcomes in terms of profits, revenue, business inputs, and the number of workers employed by the business (Banerjee et al. 2009). Generally, enterprise loan has a positive effect on the socio-economic conditions of the clients, their households, and their microenterprise (Abed, 2010). Mohamad and Sidek (2013), Muneer and Khalily (2015), Fauster, (2014) also found the similar result that loan from microfinance institutions is positively related to the business growth and it has a significant effect on microenterprise profit. Mahammad and Rosli (2013) also found that microcredit significantly enhanced business performances.

However, "All you need is financing" is an axiom and generalized idea to succeed in a business project. But, researchers such as Berrone et al, (2014), Mohamad et al. (2015), Atmadja (2016) argued that finance is only one facet of the wider set of issues and some other related issues also need to consider. Thus, the following resources explored from the literature survey better explain enterprise growth performance.

2.2.2 Human Capital

Besides the above potential resource, human capitals also influence the microenterprise growth. According to the theory of human capital, an individual's skills help him to perform better in business and produce economic value (Becker, 1994). Berrone et al (2014) stated that when this concept applied to microenterprises, it implies that individuals with greater human capital tend to better at building their ventures. The term human capital has been broadly used as entrepreneurial skills, capabilities, readiness, business expertise, experiences, and proficiency. Different study used these terms just interchangeably, such as, Man et al (2002), Rudmann (2008), Brown et al (2005) used entrepreneurial skills, Jamak et al (2014) used readiness, Bradley (2012), Mohamad and Sidek (2013) used business expertise, Yusuff et al (2016) used self-efficiency. Adekunle (2011) and Bradely et al (2012) used entrepreneurial or managerial ability. Therefore, most of the study (Berrone et al, 2014, Alrawashdeh, 2016, Atmadja, 2016, Mahmood and Rosli, 2013, Roomi, 2011) examined the experience of business which is also synonyms of competencies.

However, skills are seen as important for business growth and success (Mitchelmore & Rowley, 2010). skills are the higher abilities of the owner to run the business successfully and it plays an important role in determining business performance. (Man et al 2002). This is supported by Mitchelmore & Rowley's (2010) study which described that success, performance, and growth of enterprises greatly depends on the business owner's skills.





2.2.3 Institutional Assistance as Non-financial Capital

Training helps people to become more efficient. Usually, borrowers are able to show better business knowledge after receiving training (Karlan and Validivia, 2011). Sameer et al (2015) found in Malaysia that access to business training has a positive impact on women's household income. Morshid and Abdullah (2013) mentioned that the borrowers are interested in learning more about their business field by training. Ameer (2013), Chowdhury and Mukhopadhaya (2014) suggested in their study that microfinance institution should provide some training to the layman so that they will be able to use the loan in a more efficient manner.

Therefore, Rahman and Khan (2013) conducted a study to examine the effectiveness of ASA microcredit programs. The study found that 70.50% of borrowers did not receive training from ASA though the respondents thought that training was necessary. The authors also cited from Schereiner and Woller (2003) that in developing countries like Bangladesh, Indonesia and Bolivia, microfinance programs focused on loan rather than training. Therefore, there is a lack of literature on monitoring and advisory for borrowers after providing loan which is very important. Hassan (2010) argued that in many cases the borrowers receive a loan for micro-business but they used this loan for their consumption need. In that case, monitoring and advisory to use the loan in proper income-generating activities are important. Therefore, Mahmood and Rosli (2013) professed that advisory services can strongly affect the micro and small size business performance.

2.2.4 Innovations

Innovation refers to the development of new products, new processes, new sources of supply, but also to the exploitation of new markets and the development of new ways to organize business (Szirmai et al. 2011). Innovations that are new to the world are primarily found in the advanced economies. In developing countries, the domestic firm introduces innovations that have already been developed elsewhere, but which are new to the market in their own country (Szirmai et al. 2011). Innovations new to the firm refer to knowledge flows within the domestic economy. According to the Rogerian concept of innovation (Rogers, 2003), innovation is already present in the market but is now adopted by a given firm. What is new to the firm may not be very innovative in any objective sense. It may be simply introducing a machine for moulding handles of kitchen knives, rather than doing it by hand or introducing a new oven for hardening ceramics (Voeten, et al. 2009). This means that some kinds of innovations that are new to the small firms in developing countries may coexist with stagnant economies.

However, according to previous studies, innovation is important for business success (Pavitt, 2005). Forsman, (2011) stated that innovation as the generation and implementation of new or improved services and products, which aim at increasing the competitiveness of an enterprise.



Product innovation is a crucial factor in firm performance (Forsman, 2011), in particular, the financial performances of enterprises (Dunk, 2011). Therefore, the large-scale success of new products can increase sales volume and market share, which can attract new consumers, while maintaining the loyalty of old consumers (Gunday, et al. 2011). Therefore, studies on service innovation professed that providing new services can enhance the profitability of the existing business (Zhou, et al. 2005; Droege, et al. 2009). Koellinger (2008) argued that product and service innovations have positive relations with enterprise performance.

3. Conceptual Framework

Microenterprise has developed as a means to eradicate poverty and particularly in generating income to supplement household income (Jamak et al, 2014). It is found that the microenterprise lending program is contributing to reducing poverty from Bangladesh. The development and growth of microenterprise programs are seen as important to generate income and employment creation. Past studies show the mix result of microenterprise performance. These mixed results created the demand to investigate the actual progress in the context of Bangladesh. Thus, enterprise growth has been adopted as the dependent variable of the study. The most important indicators such as enterprise income growth, profit growth, employment creation status are proposed in the framework to measure the dependent variable.

Therefore, the literature on previous studies documented that microenterprise growth is depending on some valuable factors. Explained by Penrose's (1959) firm's growth theory some important capitals can significantly change the growth status of microenterprise. Literature directed that besides the financial capital, some other capitals may accelerate the growth. It is found that some common influencing factors include institutional assistance in the form of training, monitoring and advisory focused less previously. To see the broader effect of the microenterprise lending program on their success these factors exposed in the framework.

Further, human capitals are an important element for developing and running microenterprises (Al Mamun et. al. 2016). Human capital in the form of skills, competencies, capability to run enterprise is comprised in the framework as an independent variable.

According to previous studies, innovation is important for business success (Pavitt, 2005). Innovation is a key factor in the performance of an enterprise, particularly its financial performance (Balkin et al. 2000; Dunk, 2011). Since the various type of innovation gives the advantage to increase their business performance, it has been exposed in the framework as a moderator variable to find out any higher effect is existing on business growth or not.



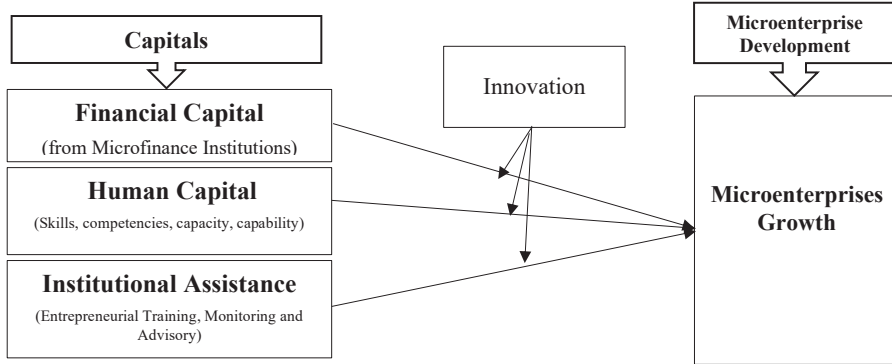


Figure: Conceptual Framework

3.1 Proposition Development

Concentrating on the research objectives and taking into account of supporting literature that was discussed and reviewed in section 2, the following propositions are proposed.

3.1.1 Resources that Influenced the Enterprise Growth

Finance is a very important resource to run a project successfully (Rahman and Khan, 2013). To start up a business or scale up the existing small business, poor people have limited access to traditional credit facilities. Saad and Duasa (2010), Hamdan et al (2012), Al Mamun et al (2012) stated that a number of loan borrowings from microfinance organization can increase borrower's income positively and significantly. Rahman and Khan (2013) stated that loan sufficiency has a positive significant effect on beneficiaries' improvement. It means that those who are granted a sufficient loan are found to have a higher likelihood of improving their business and livelihood as compared to those who do not get sufficient loan.

On the other hand, Atmadja (2016) argued that financial capital may not necessarily influence business success. The author found a negative relationship between financial capital and performance. Beck et al (2015) did not find any significant influence between formal finance on business performance. Bradley et al (2012) found a similar result from their study that loan size has a negative or non-significant relationship with performance. Therefore, Mawa (2008) mentioned that a small amount of money creates lots of income opportunities' in rural areas. Mohamad and Sidek (2013), Muneer and Khalily (2015), Fauster, (2014) found from their study that microfinance is positively related to business growth and it has a significant effect on microenterprise profit. Mahammad and Rosli (2013) also found that microcredit significantly enhanced business performances. Therefore, aligned with the positive arguments, it is hypothesized that;

H_{1a}: Microfinance loan has a positive and significant effect on microenterprise growth



Human capital is seen as important to business growth and success (Mitchelmore & Rowley, 2010). The higher skills and abilities of the owner help to run the business successfully and it plays an important role in determining business growth (Man et al 2002). This is supported by Mitchelmore & Rowley (2010) which describe that success, performance, and growth of enterprises greatly depends on the business owner's skills and competencies. Consequently, Man et al (2002), Brown et al (2005), Rudmann (2008) have found that skills are the important factors for business success. On the other hand, Bradley (2012), Mohamad and Sidek (2013) found business expertise, Yusuff et al (2016) found self-efficiency, Adekunle (2011) and Bradely et al (2012) found entrepreneurial or managerial ability, Berrone et al, (2014), Alrawashdeh, (2016), Atmadja, (2016), Mahmood and Rosli, (2013), Roomi, (2011) found that experience is associated with business performance. Therefore, the theory of human capital explains that an individual's skills help him to perform better in business and produce economic value (Becker, 1994). Berrone et al (2014) stated that when this concept applied to microenterprises, it implies that individuals with greater human capital tend to better at building their ventures. Hence, the following hypotheses have been proposed:

H₂a: Loan borrowers' human capitals are positively and significantly related to their microenterprise growth

Institutional assistance is important for better business performance. Training is like an institutional assistance which helps people to become more efficient. Usually, borrowers are able to show better business knowledge after receiving training (Karlan and Validivia, 2011). Schereiner and Woller (2003) stated that in developing countries like Bangladesh, Indonesia and Bolivia, microfinance programs focused on loan rather than training. Rahman and Khan (2013) conducted a study to examine the effectiveness of the ASA microcredit programs in Bangladesh. The study found that 70.50% of borrowers did not receive training from ASA though the respondents thought that training was necessary. However, Samer et al (2015) found in Malaysia that access to business training has a positive impact on women's household income. Morshid and Abdullah (2013) mentioned that the borrowers are interested in learning more about their business field by training. Ameer (2013), Chowdhury and Mukhopadhaya (2014) suggested in their study that microfinance institution should provide some training to the layman so that they will be able to use the loan in a more efficient manner. Besides, advisory services and monitoring from microfinance organizations can help the borrowers to scale up their business. Kamyabi and Devi (2011) stated that advisory services have a positive effect on enterprise performance. Hence, the following hypothesis is developed:

H₃a: Institutional assistance in the form of training, monitoring and advisory has a positive and significant effect on microenterprise growth.





3.1.2 Moderating Effect of Innovation

Innovation is important for business success (Pavitt, 2005). Forsman, (2011) stated that innovation as the generation and implementation of new or improved services and products, which aim at increasing the competitiveness of an enterprise. Product innovation is a crucial factor in firm performance (Forsman, 2011), in particular, the financial performances of enterprises (Balkin et al. 2000; Dunk, 2011). Therefore, the large-scale success of new products can increase sales volume and market share, which can attract new consumers, while maintaining the loyalty of old consumers (Gunday, et al. 2011). Therefore, studies on service innovation professed that providing new services can enhance the profitability of the existing business (Zhou et al, 2005; Droege et al. 2009). Koellinger (2008) argued that product and service innovations have positive relations with enterprise growth. The above arguments are supported by the “Innovation Theory of Profit” professed by Schumpeter (1934). According to this theory, the enterprise can earn a profit by implying successful innovation in their business. Thus, it is assumed that borrower’s business growth can be higher when interacting the innovation in business and therefore, it is hypnotized that:

H₄a: The relationship between different capitals and microenterprise growth is stronger when innovation is higher.

4. Measurement

4.1 Dependent Variable

The dependent variable in this study is microenterprise development. Enterprise growth is proposed as a proxy variable for measuring the development. To find out the enterprise growth, this study will collect the data such as income from sales, profit after implicit and explicit cost, employment growth, business assets creation and enterprise stability adapted from Bradly et al. (2012), Berrone et al. (2014), Mahmood and Rosli (2013), Atmadja (2016). This study proposes to investigate at least three years of operation because these are the most crucial years for any enterprise survival (Boden and Nucci, 2000).

4.2 Independent Variables

The independent variables of this study include financial capital from a microfinance institution, human capital and intuitional assistance in the form of training, monitoring, and advisory services. Financial capital is defined by the total loan received from microfinance institutions proposed by Rahman and Khan (2013), Mohmood and Rosli (2013), Fauster (2014), Beck et al. (2015), Muneer and Khalily (2015), Atmadja (2016). Human capital placed with five items include managerial capacity, daily account maintaining ability, business problem-solving capacity, risk handling capability, and network development and maintaining skills adapted from



Mohamad and Sidek (2013), Tanpa (2013). These measures capture how micro-entrepreneurs manage his or her daily business activities and maintain business networks. It reflects the capacity and capability that micro-entrepreneurs possess. Training, monitoring and advisory services provided by microfinance institution along with the amount of loan are categorical variables measured with ordinal scale adapted from Karlan and Validivia, (2011), Kamyabi and Devi (2011), Mahmood and Rosli (2013), Samer et al (2015), Ahamad et al (2016). The items proposed here are subjective in nature based on a five-point Likert scale starting from “1 - strongly disagree to “5 - strongly agree”.

4.3 Moderating Variable-Innovation

Moderating variable innovation placed with four items include using new equipment, new product, new process and innovative marketing strategy adapted from Berrone et al. (2014). These measures capture how micro-entrepreneurs introduce and use innovative tools and ideas to run business. All items are proposed to measure by a five-point Likert scale starting from “1 - strongly disagree to “5 - strongly agree”.

The literature revealed that enterprise age and size are significant control variables in measuring business performance. Besides, it is found from previous studies that entrepreneurs' age and experience have a potential controlling impact on business performance. Thus, this study proposes these control variables to avoid problems in data analysis and interpretation of results. The number of employees will represent the microenterprise size and the age of microenterprise will be assessed by the number of years from the time when established the enterprise (Mohamad and Sidek, (2013). Entrepreneurs' age refers to the current age (in years) of the micro-entrepreneur and experience refer to whether the micro-entrepreneur had experience before starting the current microenterprise (Tanpa, 2013).

5. Conclusion

The paper takes an empirical and theoretical perspective on microenterprise development. Particularly the objective of this study was to examine the existing literature on the microenterprise development and conceptualize the influencing factors on development. After examination, this paper enabled us to conclude the strengths and gaps. From the overall review, this study found that microfinance institutes lending programs are able to develop borrower's business enterprise. This study also provided supports to understand what determinants of microenterprise development have been studied so far and described the lacking.

First, from the literature, it is found from the Penrose's Firms Growth Theory (1959) that the resources are a key source of firm expansion, learning, innovation, and profitable growth. The specialized resources and use of the resources lead to a



firm's diversification of products and services, which provide a basis for firms to achieve long-run survival and profitable growth in a changing and competitive environment.

Second, the review highlights that some valuable resources affect enterprise growth. For example, microfinance institutional loans, training, monitoring and advisory can affect enterprise growth though controversial results exist. Therefore, the other determinants such as human capital and innovation have received little attention and have not appropriately examined yet in the field of microfinance driven microenterprise. Thus, this study conceptualized these issues for future research to examine the relationship.

Third, this study has used the microfinance industry as a context of this conceptual proposition. By including the concept of innovation capacity, this study offers conceptual understandings of how entrepreneurs' innovativeness along with other supports in the microfinance industry leads to their higher business growth. A future empirical study is needed to validate the framework developed here.

Fourth, besides the quantitative approach, future research can also consider a qualitative approach to explore different resources in different contexts such as how social capitals affect their business performance.

Finally, it will be more robust if future research considers a comparative study between the subsidized program versus the non-subsidized program, for example, PKSF supported program versus the non-supported program. Further, a study on loan borrowers before and after situation; comparative study between the loan borrowers versus non-borrowers and performance study between microfinance institutions versus non-microfinance institutions will be helpful to get a clear efficiency picture and strength and gaps that which institutions are efficiently operating to empowering microenterprises in Bangladesh and thus contributing to reducing poverty from the society.

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