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Does Microcredit Contribute to the Profitability of Micro and Small Enterprises (MSEs)? An Empirical Study from Yemen

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ABSTRACT

Purpose: The study aimed to examine the extent to which microcredit contributes to the profitability of micro and small enterprises (MSEs) in Yemen.
Methodology: The current study is descriptive-analytical. The owners of MSEs in Yemen who have access to microfinance services are this study's population. A total of 90946 active clients were the study population, and the sample size was 398 owners identified via the use of the Yamane formula. Different statistical tools, including descriptive statistics such as frequencies, mean and standard deviation, and inferential statistics such as regression analysis, were employed, and data were analysed using SPSS.
Findings: The regression model results revealed a significant and positive relationship between the profitability of MSEs and Microcredit (B= 0.358, P < 0.05), with an increase in the former resulting in a similar improvement in the latter by a factor of 35.8 %.
Practical Implications: MSEs play essential roles in a country's development and economic growth.
Originality/Value: The study was conducted in a new setting where fewer empirical studies were done to investigate the connection between the tested variables.

1. Introduction

A substantial role in global economic growth is played by micro and small-sized enterprises (MSEs) since they contribute to economic growth. MSEs play essential roles in a country's development and economic growth, which applies to developing and developed countries. The responses of MSEs to financial policies and shocks are significant, and the effects on firm profits (Araya & Miras, 2015; Araya, Dahalan, & Muhammad, 2022). The MSEs' profits and performance directly impact the livelihoods of many in developing economies, where these firms employ many (Greve, Lay, & Negrete, 2023). Furthermore, a significant impact on the economy's GDP, job creation, and entrepreneurial development can be achieved via MSEs (SME Corporation Malaysia, 2014; Tambunan, 2014). Their role has been driving regional growth while ensuring social stability (Huang, Yin, Choi, & Muhammad, 2022). Apart from creating jobs, MSEs are responsible for the majority of technological and managerial innovations and contributing to economic development (Araya, Dahalan, & Muhammad, 2021a; Araya, Dahalan, & Muhammad, 2021b; Huang et al., 2022). Economic and social goals like poverty alleviation are also linked to the development of MSEs (Cook, 2001). MSEs contribute to the well-being of small business owners, many of whom are from low-income families (Rahman & Ahmad, 2010). MSEs aim to create jobs, eradicate poverty, and boost the economy's resilience (Asian Development Bank, 2014). Even though MSEs make up the majority of businesses in many developing countries, policymakers are nevertheless concerned about their growth and development (Cook, 2001). According to the YMIT's most recent Economic Census, the Profile of MSEs in Yemen's manufacturing sector accounted for 97.58 per cent of the country's total of 27,796 firms in 2014 (Abdullah et al., 2015). Microfinance can help governments eradicate poverty, provide new jobs for jobless people, and grow home-based enterprises. It facilitates their access to money that improves their families' standard of living. These micro and small loans help husbands and children overcome financial obstacles (A. S. Alshebami & Khandare, 2015). In other words, microfinance provides budgetary administrations to low-income individuals, such as credits, investment funds, cash exchanges, and instalment offices. Additional uses include enterprises, seeds, or extra working cash for smaller-scale ventures (Moussa, 2020).

According to Robinson, microfinance empowers the poor to manage their budgetary resources better, lessen the impact of financial shocks, and increase their access to benefits and wages (Robinson, 2001). 'Microfinance' is a term that encompasses deposits and loans of a very tiny amount (Johnson & Rogaly 1997). The socioeconomic development goals focus on reducing poverty and creating jobs. Many developing and underdeveloped countries have given them exceptional attention. Microfinance has been beneficial in reducing poverty, providing jobs, and improving impoverished people's lives. Because of their involvement in economic growth and the wide range of services they offer, microfinance institutions are potent tools for fostering SMEs and entrepreneurship. It's widely acknowledged that the role of microfinance in promoting entrepreneurial endeavours is crucial to expanding a nation's economy (Al-Shami et al., 2013;

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AL-Maamari et al., 2022). Yemen is one of the poorest Arab countries, with a high prevalence of poverty and a spatially skewed basic infrastructure, making it one of the least developed countries in the region. Due to the current political and economic crises that have plagued the Arab area, the country's situation has worsened, resulting in a significant rise in poverty (up to 54 per cent) and high rates of youth unemployment (up to 60 per cent) (World Bank, 2014). Due to the above circumstances and the difficulty of getting funds from banks, owners of MSEs tend to seek funds from microfinance institutions. Therefore, the current study was conducted to answer the question: "does microcredit contribute to the profitability of micro and small enterprises (MSEs) in Yemen?".

2. Literature Review

2.1 Microfinance and Microcredit

The term "microfinance" refers to the lending of small amounts of money to those with low incomes. Microfinance used to be called "microcredit" before formal microfinance institutions were established. With the evolution of the microfinance system, microcredit has recently become just one of the many microfinance services available. Microcredit refers to the provision of small loans to low-income individuals and communities, typically those who have been excluded from mainstream financial services (Al-Absi 2016). As defined by Matin (2002), providing financial services for the poor entails merely assisting them in amassing sufficient funds to meet a wide variety of commercial, consumer, personal, social, and asset-building needs. These "financial derivatives" must be adaptable enough to meet short, medium, and long-term needs. They must be convenient, appropriate, secure, and affordable. To alleviate poverty, it is crucial to provide the poor with access to reliable financial services that help them manage their limited resources.

Microcredit utilisation helps borrowers start income-generating activities and engagement of the workforce within their household and beyond. According to Al-Shami et al. (2014), The significance of microcredit can be viewed from various perspectives. It can be viewed as a human right from the standpoint of empowerment because it empowers the most vulnerable people, particularly women, by allowing them to work and generate income.

2.2 Microcredit and Profitability of Micro and Small Enterprises (MSEs)

Hartarska (2008) investigated whether the microfinance institutions at all improved access to credits for Bosnia and Herzegovina microenterprises. According to this approach, microenterprises with improved credit access rely less on internal funds for investment. The findings show that MFIs helped microbusinesses with their financing needs. Gampala (2018) looked into how financing affected the productivity and expansion of micro and small businesses in Telangana, India. According to the study, credit has an impact on MSE performance. The study concluded that financial institutions serving these credit programmes must classify MSEs as medium and large companies and that credit programmes created by state and federal governments must consider field-level reality. Only then can the newly implemented credit programmes be effective and substantially impact the performance-oriented growth of MSEs in the state of Telangana. Al-Absi (2016) assessed how Sana'a's microfinance banks' five microcredit service pillars—collaterals, loan amount, loan length, loan repayment, and interest rates—affected the spread of small businesses. A survey was sent to 375 Sana'a-based small enterprises that have taken advantage of the microcredit services offered by the country's existing microfinance banks. According to the findings, each of the five microcredit service components has a substantial positive link with the small business spread. Similarly, all five microfinance components were found to be associated with small business spread. As a result of these findings, it can be concluded that repayment of a loan is the most critical factor in determining the proliferation of microcredit among small businesses. No significant impact on the spread of small businesses was discovered on the basis of collaterals.

Ahmad (2012) investigated how microfinance institutions (MFIs) support the growth and development of women's small and microbusinesses in Yemen and how well they cater to their customer's demands. The findings reveal that microfinance institutions aim to alleviate poverty and lend money to women who want to create their businesses. Although MFIs have been able to meet their client's needs, they can still not provide a definitive response to the question of how microfinance affects women entrepreneurs. However, microfinance challenges and opportunities can be summarised carefully in other parts of the country based on similar socioeconomic conditions. From this perspective, the SFD's MFIs in Yemen can significantly contribute to women's empowerment if they are properly designed. Briefly, While MFI facilities may provide some benefits for women entrepreneurs, the impact is not as substantial or long-lasting as has been claimed. Moussa (2020) researched the connection between SMEs' financial performance and microcredits from MFIs. Secondary data was provided from 17 SMEs in North Lebanon. Other secondary data on the characteristics of their beneficiaries were acquired from four MFIs in Lebanon. The results showed a strong correlation between the number of microloans and the dependent variables; the percentage of women receiving credit in Lebanon is still low; the sectors of businesses that benefit from MFIs in Lebanon the most are those in the trade, service, and commerce sectors; and the beneficiaries are mainly concentrated in Mount Lebanon, the south, Bekaa, and the north. Alshebami and Khandare (2015) investigated the obstacles to women's empowerment in Yemen. This article depended primarily on secondary data gathered from Yemeni Government programs such as the Social Fund for Development, Microfinance publications, websites, official reports, and other sources relevant to the research topic. Yemen is the subject of the specified study, which spans from 1997 to 2013. According to the study's findings, numerous elements influence

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women's empowerment in Yemen through microfinance, including norms and traditions, high-interest rates, financial literacy, incorrect religious perceptions, and collateral requirements. Despite the obstacles and hurdles that women's empowerment faces in Yemen, it is thought that women who participate in microfinance programs have positively impacted their households in various ways, as many studies have indicated.

Banerjee and Jackson (2017) critically analysed market-based strategies for eradicating poverty in developing nations. An ethnographic study of three Bangladeshi villages was conducted to examine microfinance's role in reducing poverty. An increasingly well-liked strategy for reducing poverty by giving the underprivileged access to new business opportunities is microfinance. Additionally, it seeks to strengthen social capital in underprivileged communities while advancing empowerment, particularly among women. But the results show a different picture. The study discovered that microfinance exacerbated economic, social, and environmental vulnerabilities and increased debt among already impoverished communities.

H1: There is a significant impact of microcredit provided by MFIs on the profitability of MSEs in Yemen.

3. Research Methodology

3.1 Research Design

The current research is descriptive-analytical. It relies on both primary and secondary data. The primary data was collected through a structured survey questionnaire using Five-point Likert scale questions. A total of 23 closed-ended questions measuring the study's variables were used in the survey. Secondary data were obtained from books, theses, reports, research articles, and other online academic sources.

3.2 Population and Sample Size

The population for this study refers to the owners of MSEs in Yemen who have access to microfinance services. The total population for this study is 90946 active clients, who were total clients of all MFIs in Yemen at the time of this study; the microfinance institutions that provide their services to the beneficiaries were identified, and their number was ten institutions, and the sample size of this study was 398 owners of MSEs in Yemen who have access to microfinance services.

3.3 Research Instrument

In order to complete this study, both primary and secondary sources of information were utilised. The primary data were collected through the use of a survey, while the secondary data were obtained through an in-depth desk analysis. The primary data were gathered with the help of a questionnaire survey modified from (Geoffrey, A. M., & Emenike, K. O. 2018; Aladejebi, O. 2019; Arora, S., & Meenu. 2011; Sayed, G., & Trevedi, P. 2015; Kiflie Hayleeyesus, R. E. D. A. 2016; Mohamud, I. A., & Awale, A. A.2016; Mohammed Abdulellah Yousuf Saeed, Bekhet, & Dhar, 2017; Mohd Abdulellah Yousuf Saeed, & Bekhet 2018; Atiase, V. Y.2018; and Uusiku, E. P. 2019). The independent variable in this study is microcredit. On the other hand, the dependent variable is the profitability of MSEs.

Table: 1 variables of the study

Variable	code	Variable type
Microcredit	MC	Independent
Profitability	PR	Dependent

4. Results and Discussion

4.1 Demographic Analysis

4.1.1 Gender

As shown in Table (2), it is mentioned that out of all the respondents (398), 333 (83.7%) are males who get services from MFIs. In comparison, 65 (16.3%) are females because most of the people who start a business in Yemen are males.

Table: 2 Gender

Gender	Frequency	Percent
Male	333	83.7
Female	65	16.3
Total	398	100.0

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4.2 Age Group

Table No. (3) shows the distribution of the respondents based on age. Of the total sample, 46 (11.6%) of the respondents surveyed are between 18-25 years, and 198 (49.7%) are between 26-33 years old, which is the highest of the respondents' age groups. Besides, 125 (31.4%) of the respondents' range in age from 33-41 years old, and the remaining age group, 29 (7.3%), are over 41 years old. Overall, 299 (88.7%) of the respondents are over 30 years old, while 115 (34.1%) are over 40 years old. Thus, it is concluded that these results are in line with the expectations that most clients of MFIs who start a business are still young.

Table: 3 Age Group

Age	Frequency	Percent
18-25	46	11.6
26-33	198	49.7
34-41	125	31.4
41 and above	29	7.3
Total	398	100.0

4.3 Level of Education

Table No. (4) shows that 36 (9.0%) are Illiterate, and the majority of the respondents, 161 (40.5%), hold only a high school, 81(20.4%) hold a Vocational certificate, and 107 (26.9%) hold a bachelors' degree. Besides, only 13 (3.3%) of the respondents hold a Postgraduate as their highest education. Thus, it is clear that most of the respondents, 161 (40.5%), hold a high school, which reflects that most of the respondents with a high school certificate are more than those with a bachelor's degree from the surveyed respondents.

Table: 4 Level of education

Level of education	Frequency	Percent
Illiterate	36	9.0
High School	161	40.5
Vocational	81	20.4
University	107	26.9
Postgraduate	13	3.3
Total	398	100.0

4.4 Years of Business Experience

Table No. (5) shows that 22 (5.5%) had Less than one year of experience, 120 (30.2%) have between 1-3 years of business experience, and the same 120 (30.2%) have between 4-6 years of business experience, 46 (11.6%) of the respondents have business experience between 7-9 years, and the rest of respondents, 90 (22.6%), have more than 9-years of business experience.

Table: 5 Years of business experience

Years of business experience	Frequency	Percent
Less than one year	22	5.5
1-3 years	120	30.2
4-6 years	120	30.2
7-9 years	46	11.6
More than nine years	90	22.6
Total	398	100.0

4.5 Type of Business

It is observed in Table (6) that 28 (7%) of the respondents have an Agriculture business. In contrast, 56 (14.1) percent of the respondents have a Services business, and the majority of the respondents, 270 (67.8%), have Trading enterprises. In

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contrast, 14 (3.5%) of the MFIs clients have a Food business, while 16 (4%) work in a technical business rest of the respondents, 14 (3.5%), have a medical enterprise.

Table: 6 Type of business

Type of business	Frequency	Percent
Agriculture business	28	7.0
Services	56	14.1
Trading	270	67.8
Food	14	3.5
Technical	16	4.0
Medical	14	3.5
Total	398	100.0

4.6 Years of Business Operation

Table No. (7) shows that the respondents 398 were asked about Years of business operation where 34 (8.5%) of respondents have Less than one year of business operation, the majority of respondents, 178 (44.7%), have between 1-3 years of business operation, and 103 (25.9%) have between 4-6 years of business operation, and the rest of respondents, 83 (20.9%), have more than six years of business operation.

Table: 7 Years of business operation

Years of business operation	Frequency	Percent
Less than one year	34	8.5
1-3 years	178	44.7
4-6 years	103	25.9
More than six years	83	20.9
Total	398	100.0

4.7 The Primary Source of Financing the Business

Table No. (8) shows that for the majority of the respondents 293 (73.6%), the primary source of financing their business was personal and family finance, and only 4 (1.0%), The primary source of financing their business was loaned from banks, 92 (23.1%) get the primary source of financing their business from MFIs. Besides, only 9 (2.3%) of the respondents get the primary source of financing their business from other sources.

Table: 8 The primary source of financing the business

The primary source of financing the business	Frequency	Percent
Personal and Family Finance	293	73.6
Loan from Banks	4	1.0
Loan from MFIs	92	23.1
Other sources	9	2.3
Total	398	100.0

4.8 The Number of Employees in Your Business

Table No. (9) shows that the majority of the respondents, 269 (67.6%), have less than two employees in their enterprises, 78 (19.6%) have from 3 to 5 employees in their enterprises, and 40 (10.1%) have 6 to 8 employees in their enterprises. Only 11 (2.8%) of the respondents have more than eight employees in their enterprises. This show that 347(87.2) of the respondents have micro-enterprises, and 51 (12.8%) of the respondents have small enterprises; this is based on the definition of MSMEs in Yemen, which said any enterprises have five employees or less called micro-enterprises, and any enterprises have between 5 to 10 employees called as small enterprises.

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Table: 9 The number of employees in your business

The number of employees in your business	Frequency	Percent
Less than 2	269	67.6
3-5	78	19.6
6-8	40	10.1
More than 8	11	2.8
Total	398	100.0

4.9 How Many Times Did You Take a Loan From MFIs

Table No. (10) shows that the majority of the respondents, 247 (62.1%), take only one-time loans from MFIs, 84 (21.1%) take two loans from MFIs, and 45 (11.3%) take three loans from MFIs. Besides, only 22 (5.5%) of the respondents take more than three loans from MFIs.

Table: 10 How many times did you take a loan from MFIs

How many times did you take a loan from MFIs	Frequency	Percent
One time	247	62.1
Two time	84	21.1
Three times	45	11.3
More than three times	22	5.5
Total	398	100.0

4.10 Period of Loan Borrowings

Table No. (11) illustrates the period of loan borrowings. The results show that for the majority of respondents, 314 (78.9%) of the respondents their period of loan borrowing was up to one year, 80 (20.1%) of the respondents they a period of loan borrowing were 1-3 years, and only 4 (1.0%) of the respondents they period of loan borrowings were from 4-6 years, and no one of the respondents they period of loan borrowings was more than six years.

Table: 11 Period of loan borrowings

Period of loan borrowings	Frequency	Percent
Up to one year	302	75.9
1-3 years	80	20.1
4-6 years	16	4.0
Total	398	100.0

4.11 I Took This Loan

Table No. (12) illustrates why the clients took a loan from MFIs. The results show that 48 (12.1%) of the respondents took a loan to start a new business, 44 (11.1%) of the respondents took a loan to get a new machine, and the majority of respondents, 251 (63.1%) they took a loan to expand an ongoing business, and rest of respondents 55 (13.8%) took a loan for others reasons.

Table: 12 I took this loan

I took this loan	Frequency	Percent
To start a new business	48	12.1
To get a new machine	44	11.1
To expand an ongoing business	251	63.1
Others	55	13.8

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Total	398	100.0

4.12 How Long Have you Been Taking Services From MFIs

Table No. (13) shows that the respondents 398 were asked about Years of taking services from MFIs, where the majority of respondents, 218 (54.8%), have taken services from MFIs for Less than one year, 153 (38.4%) of respondents have between 1-3 years of taking services from MFIs, and only 13 (3.3%) have between 4-6 years of taking services from MFIs, and the rest of respondents, 14 (3.5%), have more than six years of taking services from MFIs.

Table: 13 How long have you been taking services from MFIs

How long have you been taking services from MFIs	Frequency	Percent
Less than one year	218	54.8
1-3 years	153	38.4
4-6 years	13	3.3
More than six years	14	3.5
Total	398	100.0

4.13 Descriptive Analysis

The mean score of all respondents regarding the microcredit provided by MFIs in Yemen is 3.993 (see table 14), which indicates a high level of consensus regarding the quality of this service (4-5). And with a standard deviation of only (0.607), it's clear that people's views on microcredit are beginning to converge and become more uniform. The views of the respondents on the effect of the services provided by microfinance institutions on the rise in MSE profitability are displayed in Table (14). As a whole, the respondents in this section have a mean score of (3.936). This shows that respondents agree that MFI services contribute to MSEs' increased profitability. Furthermore, the standard deviation (0.615) explains the similarity and consensus among assessments of MFIs' services' contribution to MSEs' enhanced profitability.

Table: 14 Descriptive Statistics

Constructs	N	N of items	Minimum	Maximum	Mean	Std. Deviation
Microcredit	398	7	1.00	5.00	3.993	0607
Profitability	398	4	2.00	5.00	3.936	0.615
Valid N	398					

4.14 Reliability of Instrument

Cronbach's alpha (α) was used on the data from this study to infer the reliability of the instrument. To determine an instrument's trustworthiness, Cronbach's alpha is the most widely used statistic. In terms of Cronbach's alpha, values between 0.70 and 0.90 are considered highly reliable, while values between 0.50 and 0.70 are regarded as moderately reliable (Hinton, Brownlow, McMurray & Cozens, 2004). In Table 14, we present the Cronbach Alpha values for each measure. It's worth noting that most Cronbach Alpha coefficients were higher than 0.70. The results show that the reliability of the instruments used in this study was satisfactory overall. The instruments used in this research are reported in Table 15.

Table: 15 Reliability test

Constructs	Number of Items	Cronbach's Alpha Coefficient(α)
Microcredit	7	87.3%
Profitability	4	83.2%

4.15 Hypothesis Test

To determine if the microcredit has any meaningful effect on the profitability of MSEs, a simple linear regression is performed. Here is an example of how the model constructed to predict a dependent variable from a single independent one might look:

$Y = a + bX$

Where:

a = Constant

Y = Dependent Variable (profitability of MSEs)

X = Independent Variable (Microcredit) called corporate governance index.

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Simple linear regression analysis is conducted using "Microcredit" as the independent variable and "profitability of MSEs" as the dependent variable. The regression analysis is presented in Table 16.

From Table 16, the regression equation generated concerning one independent variable can be seen, which can be expressed to predict the dependent variable as follows: Accounting Profitability of MSEs = 2.507+ 0.358 Microcredit

Table: 16 Model summary and coefficients for the impact of microcredit on the profitability of MSEs

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	2.507	0.192		13.031	0.000
Microcredit	0.358	0.048	0.353	7.512	0.000
R= 0.353 R^2 = 0.125 F= 56.432					

The coefficient of determination (R2) for the predictor variable microcredit was calculated, and it was found to be 0.125, indicating that microcredit accounted for 12.5% of the variance in MSEs' profitability. Furthermore, the significance level is set at P=0.000 (P < 0.05), and the F value is 56.432. This finding suggests that the regression model is capable of making accurate predictions about the profitability of MSEs. The regression model results reveal the extent to which differences in the microcredit explain differences in the profitability of MSEs. The profitability of MSEs has a B value (unstandardised coefficient) of 0.358. This suggests a positive correlation exists between the profitability of MSEs and Microcredit, with an increase in the former resulting in a similar improvement in the latter by a factor of 35.8 %.

Consequently, we can conclude that the relationship between microcredit and the profitability of MSEs is highly significant at a 95% confidence level. This shows that the relationship is genuine and not just by chance, and it shows good predictive power regarding the profitability of MSEs. That indicates that microcredit was a good tool and significantly increased the profitability of MSEs in Yemen. Thus, the hypothesis microcredit has a significant impact on the profitability of MSEs in Yemen is accepted.

5. Implications of the Study

As previously recommended in the existing literature, there is a need to continue investigating the impact of microfinance institutions (MFIs) services on the performance of Micro and Small Enterprises (MSEs) in Yemen. This study sought to investigate the relationship between microcredit, which is one of the significant MFIs services, and the profitability of Micro and Small Enterprises (MSEs) in Yemen. The study's results are noteworthy and could be useful to a wide range of parties in Yemen.

5.1 Theoretical Implications

The fundamental concept in the current study is microcredit which is an essential service provided by microfinance institutions (MFIs). The present study try fills a gap in the literature by providing empirical evidence for the connection between microcredit and the profitability of Micro and Small Enterprises (MSEs) in the Yemeni context.

5.2 Practical Implications

Based on the findings, this study has established a practical implication that must be followed appropriately by MFIs operations in Yemen. In practice, MFIs operating in Yemen should ensure that microcredit is given to Micro and Small Enterprises (MSEs) to maximise their profitability. MFIs should make microcredit available by offering flexible loan repayment terms, a sufficient loan size, and reasonable processing fees, loan deposits, and interest rates. MFIs should implement innovative credit management strategies that would allow Yemeni MSEs to acquire larger loans in order to expand their entrepreneurial activity while using acceptable credit risk management systems. Increasing investments in sales and other areas of business expansion would produce the necessary employment in Yemen. The present study found that microcredit was a good tool and significantly increased the profitability of MSEs in Yemen. Microcredit has played an important role in filling the void and providing MSEs with access to the finance they need to grow and increase profitability.

6. Limitations of the Study

The research has a few restrictions, which provide some insight into the possible shortcomings of the research. The limitations stem from an insufficient amount of data provided by MFIs' activities (microfinance clients). The vast majority of MFIs do not maintain up-to-date operational data on their customer base. As a direct consequence of this, the data that were collected consisted primarily of primary data obtained through the distribution of questionnaires, so because of that, It is possible that some of the respondents answered certain questions with an inherent bias in their answers. Additionally, it was discovered that MSEs lacked adequate financial data on the operations of their businesses. Also, the

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findings of this study are limited due to the fact that the current study was conducted only in Yemen and its sole focus was on the influence of microcredit on the profitability of MSEs.

7. Conclusion

The main objective of this study was to investigate the impact of microcredit on the profitability of Micro and Small Enterprises (MSEs) in Yemen. To accomplish this goal, the researcher evaluated the effects of microcredit on the profitability of MSEs. After analysing the data, the researcher can accept the hypothesis. According to the study findings, access and utilisation of microcredit could increase the profitability of MSEs in Yemen. The study findings, which revealed a positive relationship (R= 0.353) between microcredit and the profitability of MSEs, support the conclusion. Therefore, the question "does microcredit contribute to the profitability of micro and small enterprises (MSEs) in Yemen?" is supported by the study results. Credit availability resulted in a significant increase in the profitability of MSEs, which is due to increased working capital. The following conclusions were reached as a result of the analysis: Microcredit had an acceptable impact on the profitability of MSEs in Yemen, but they must focus more on reducing the interest rate and facilitating the guarantees required to obtain loans from microfinance institutions. It is hoped that future academics will investigate the issues that are discussed in this study, put the findings from this study into practice, and expand upon the opportunities that are presented by this research. The aforementioned lines of inquiry could be investigated further in the future by looking at how the microcredit offered by MFIs influences the profitability of MSEs. This can be accomplished by taking measures to address the limitations of the study that is currently being conducted.

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