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**AN APPRAISAL OF IMPACT OF MICRO FINANCE ON
SOCIO-ECONOMIC DEVELOPMENT OF RURAL
PEOPLE OF INDIA**

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ABSTRACT

Micro Finance Institutions are becoming more popular and promoting additional capable ways to use inadequate development funds to complete the objectives of socio-economic development of rural sector. Microfinance is a provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban areas, for enabling them to raise their income levels and improve living standards. Purpose of this study is to know and examine the impact of micro finance on socio-economic development of rural people in the different regions of India. In this study, data has been collected and used the views of the people about micro finance services and activities of MFIs through the empirical questionnaire containing different types of questions related to their income generation, employment, literacy and living status. An attempt has also been made to know the level of satisfaction, consequent behavior and the extent of agreement on development and growth aspect of the respondents who are enjoying the services of MFIs, NGOs and other microfinance related bodies. The development of micro finance is committed to enabling and alleviating a bright economy in the rural area in India. This study highlights that microfinance activities coupled with socio-economic development initiatives may bring cascading effect on the life of these rural people.



Key Words: Micro Finance, Development, Rural People, Socio-Economic, Impact.

INTRODUCTION

As micro credit is defined by Reserve Bank of India as a provision of banking, credit and other financial services of small amounts to the rural poor and semi-urbanites which will help them to raise their standards of living and levels of income. Micro credit also acts as a means to poverty alleviation through social and economic empowerment of the poor. Micro credit is a tool for Socio-economic development. This Socio-economic development is measured by the degree of empowerment, income generation, employment generation, level of living, decision making at household level and self-perception. Some of the individual factors influence empowerment of rural poor like economic decision making which shows that how they take decision and how well their decisions are respected or implemented in the family. Some of the factors like poor people have good say and their decisions are well accepted in the community and the way they take decision and take control of the work is extremely different from home. Other variables like purchasing capacity, control of loans amount, money spending decisions and control over income and savings also represent the economic power of the rural poor. Micro credit has also enabled the rural poor to increase their participation in the economic and social processes of society.

OBJECTIVES OF THE STUDY

This study is an attempt to know and examine the impact of micro finance on socio-economic development of rural people in the different regions of India, more specifically with the following objectives.



1. To study the impact of micro finance on income, employment and living status.
2. To analyze the impact on family decision making.
3. To study the impact on social decision-making of beneficiaries.
4. To find out the impact of MFIs on development and growth of rural people.

RESEARCH METHODOLOGY

As this study is at the all India level, hence India is divided into three regions i.e. North-East Region, South Region and West Region. From each region, one state is purposively selected. The selected states include Punjab from North-East Region, Kerala from South Region and Gujarat from West Region. Then 100 rural poor people are selected from each selected state keeping in view their availability. The Sample of the study is based on multistage convenience sampling technique. The primary data regarding their socio-economic conditions before and after MFIs assistance are collected on a specially structured questionnaire. In Punjab, data is collected through personally filled Questionnaire and from Kerala and Gujarat; it is collected through postal Questionnaire. The analysis of the data is done by applying simple tools like frequencies, percentages, averages, etc. as well as advance statistical techniques like Z-test and Analysis of Variance (ANOVA).

REVIEW OF LITERATURE

Prasad (1998) broadly envisaged empowering rural women by expanding their resources, improving access to credit, raising the level of awareness, better access to health and establishment of a viable model for women's development.



Selvaraj and Vasanthi (1999) observed that these SHGs, because of their manageable size, close knit identity and operational flexibility are fast emerging as promising instruments of job creation and income generation among rural youth.

The National Bank for Agriculture and Rural Development (2000) study concluded that the involvement in the group significantly contributed to improving the self-confidence of the members.

Gautam and Sharma (2007) have conducted research study “Micro Finance in North East India: An assessment of SHG-Bank Linkage Programme”. The study observed that SHG-Bank Linkage approach while attempting to reduce poverty and increase the income generation ability of rural people provides an access to a very convenient mode of financial accommodation in order to manage their financial affairs in cost effective manner.

Lokhande (2009) has observed in his study “Microfinance Initiatives in India” that micro-finance programme has a significant role to play in Indian economy for boosting micro entrepreneurial activities for creating productive assets coupled with employment generation.

Kumar and Paul (2010) in their study “Impact of SHG- Bank Linkage Program on Savings of Rural Poor” observed that Greater accessibility to formal credit due to their association with the SBLP has resulted in ‘credit deepening’ and ‘credit widening’, which ultimately led to increased income, savings, employment generation, asset acquisition, entrepreneurship development, capacity building and empowerment by the rural poor.

Gupta (2011) found in her article “Micro Finance - A social Innovator” published in ‘Indian Journal of Finance’ that Poorest can benefit from micro finance from both an economic and social well being point of view and that this can be done without jeopardizing the financial sustainability of the MFI.



Chakraborty (Governor RBI) (2012), said at India news Network in his speech entitled “Micro Finance Crucial to Financial Inclusion” that Micro finance has been found to facilitate development outcomes including enabling poor households to access services at the times of need and improving economic welfare of households.

ANALYSIS AND INTERPRETATION OF DATA

In order to study the impact of Micro Finance on socio-economic development of rural people of India, data is analyzed and statistically interpreted to draw meaningful conclusions as under.

IMPACT OF MICRO FINANCE ON INCOME, EMPLOYMENT AND LIVING STATUS

The impact of micro-finance on income, employment and living status of beneficiaries was asked in more than one form and region wise results have been presented in Table 1.

Table 1: Impact of Microfinance on Income, Employment Generation and Living Status

Variable	North-East Region	South Region	West Region	F-ratio
Income				
Increased	81 (81.00)	78 (78.00)	76 (76.00)	0.68
Constant	16 (16.00)	18 (18.00)	20 (20.00)	
Decreased	3 (3.00)	4 (4.00)	4 (4.00)	
Average	0.78	0.74	0.72	
Employment				



Increased	79 (79.00)	80 (80.00)	78 (78.00)	0.53
Constant	21 (21.00)	20 (20.00)	22 (22.00)	
Decreased	0 (0.00)	0 (0.00)	0 (0.00)	
Average	0.79	0.80	0.78	
Living Status				
Better	77 (77.00)	74 (74.00)	71 (71.00)	0.74
Same	23 (23.00)	26 (26.00)	29 (29.00)	
Worse	0 (0.00)	0 (0.00)	0 (0.00)	
Average	0.77	0.74	0.71	

Source: Compiled from the respondents' views in Questionnaire.

The respondents were asked to express the impact of micro-finance on their income and employment in terms of 'increased', 'constant' and 'decreased'. These attributes were assigned weights in the respective order of 1, 0 and -1. The weighted mean scores were calculated and compared between three regions with the help of F-ratio. The results are presented in Table 1.

The data given in Table 1 shows that 81, 78 and 76 percent of the respondents in North-East, South and West region respectively told that their income has increased after joining MFIs, while 16, 18 and 20 percent of them expressed that their income remained unaffected while only 3, 4 and 4 percent of them respectively told that their income has decreased after joining MFIs. The reasons behind this were loss in business activity, unsure market and lack of funds. The mean score of income came to be 0.78, 0.74 and 0.72 in North-East, South and West region respectively, which indicated that overall the income of MFI beneficiaries has increased after getting



assistance from MFIs. The calculated F-ratio of 0.68 conveyed that the variation in income across three regions was the same.

The data given in Table 1 further shows that 79, 80 and 78 percent of the respondents in North-East, South and West region respectively told that their employment has increased after joining MFIs, while 21, 20 and 22 percent of them expressed that their employment remained unaffected while none of them was reported to saying that their employment has decreased after joining MFIs. The mean score of employment came to be 0.79, 0.80 and 0.78 in North-East, South and West region respectively, which indicates that overall the employment of MFI beneficiaries has increased after getting assistance from MFIs. The calculated F-ratio of 0.53 conveyed that the variation in employment across three regions was the same.

The respondents were asked to express the impact of micro-finance on their living status in terms of 'better', 'same' and 'worse'. These attributes were assigned weights in the respective order of 1, 0 and -1. The weighted mean scores were calculated and compared between three regions with the help of F-ratio. The results are presented in Table 1.

The analysis shows that 77, 74 and 71 percent of the respondents in North-East, South and West region respectively told that their living status has bettered after joining MFIs, while 23, 26 and 29 percent of them expressed that their living status remained unaffected while none of them was reported saying that their living status has worsened after joining MFIs. The mean score of living status came to be 0.77, 0.74 and 0.71 in North-East, South and West region respectively, which indicated that overall the living status of MFI beneficiaries has bettered after getting assistance from MFIs. The calculated F-ratio of 0.74 conveys that the variation in living status across three regions was the same.



IMPACT ON FAMILY DECISION MAKING

The respondents were asked to register the extent of their decision making authority in the family regarding different economic issues by using the loan amount provided by MFIs. They answered in terms of 'Completely', 'To a Large Extent', 'To Some Extent', 'Rarely' and 'Never' with the respective score of 5,4,3,2 and 1. The region wise weighted mean scores and F-ratios were calculated and presented in Table 2.



Table 2: Impact on Economic Decision Making by the Regional Respondents in Rural Areas

Statement	North-East Region		South Region		West Region		Overall		F-ratio
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Use of loan amount	3.92	1.50	4.05	0.82	3.82	1.02	3.97	0.90	1.45
Regarding the business to be started with the loan amount from MFIs	3.59	1.10	3.84	0.90	3.60	1.12	3.72	1.01	1.80
Regarding the use of income generated by the business	3.59	1.16	3.88	0.78	3.67	1.06	3.76	0.99	2.11
Do you think you can take decision of house infrastructure/ smokeless chullah/	3.18	1.19	3.49	1.08	3.49	1.22	3.41	1.14	1.67



house repair									
Do you thing you can take decision for house hold purchase like equipment/ live stock	3.15	1.15	3.46	1.12	3.47	1.26	3.39	1.21	1.61

Source: Compiled from the respondents' views in Questionnaire.

The overall average score of 'use of loan amount' came to be 3.97, indicating that the decision making of respondents was to a large extent. Region wise analysis also depicts the similar pattern. The overall average score of 'decision making regarding the business/work to be started with the loan amount' was 3.84 in South region, showing the decision making to a large extent. Regions also registered a similar trend.

The decision making score of 'the use of income generated by the business' in South region was on the overall 3.88 indicating again a large extent involvement in decision making. The decision making regarding the use of income generated through business is noticed to a large extent in all the Regions. The overall average of 'decision making regarding household infrastructure/ smokeless chulla/household repairs' came to be 3.41. This indicates that the decision making in this regard was to some extent. It was also to some extent in different Regions. The average score of 'decision making regarding purchases like farm equipments/livestock' worked at 3.39, which indicates that the decision making in this regard was to some extent. The average score was 3.15 in North-East Region, 3.46 in South Region and 3.47 in West Region depicting the decision making to some extent.



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The analysis shows that the decision making regarding use of loan amount, business/work to be started with the loan money and use of income generated through business was to large extent while the decision making regarding household infrastructure and purchases of households was to some extent in all the regions as well as the whole. This shows that the rural people are making a proper utilization of the loan amount for attaining their motive and efforts are being made for upliftment of their business and socio-economic standard of living.



IMPACT ON SOCIAL DECISION-MAKING OF BENEFICIARIES

Table 3: Impact of MF on Beneficiaries on Decision Making Power in Socio-Economic Affairs

Family Affairs for Socio-Economic Development	Before MFI Help			After MFI Help			Z-test (Before vs After)		
	Male	Female	Joint	Male	Female	Joint	Male	Female	Joint
Marriage of girls	228	48	24	162	102	36	5.65**	5.09**	1.63
%age	76.00	16.00	8.00	54.00	34.00	12.00			
Marriage of boys	234	54	12	174	108	18	5.25**	4.97**	1.12
%age	78.00	18.00	4.00	58.00	36.00	6.00			
Education of Children	246	42	12	186	96	18	5.46**	5.24**	1.12
%age	82.00	14.00	4.00	62.00	32.00	6.00			
Loan arrangement	300	0	0	240	60	0	8.17**	8.17**	0
%age	100.00	0.00	0.00	80.00	20.00	0.00			
Purchasing	192	72	36	126	114	60	5.40**	3.71**	2.67**
%age	64.00	24.00	12.00	42.00	38.00	20.00			
Saving	198	60	42	138	96	66	4.94**	3.35**	2.55*



%age	66.00	20.00	14.00	46.00	32.00	22.00			
Expenditure on festival	258	0	42	192	48	60	6.22**	7.22**	1.96*
%age	86.00	0.00	14.00	64.00	16.00	20.00			
Participation in meeting	234	24	42	168	66	66	5.73**	4.80**	2.55*
%age	78.00	8.00	14.00	56.00	22.00	22.00			
Interaction with outsider	252	12	36	198	48	54	5.09**	4.90**	2.06*
%age	84.00	4.00	12.00	66.00	16.00	18.00			
Asset building	240	30	30	180	78	42	5.35*	5.10**	1.51
%age	80.00	10.00	10.00	60.00	26.00	14.00			

Source: Data Collected Through Questionnaires for Analysis

*Significant at 0.05, ** Significant at 0.01



All the respondents were asked to register their opinion about the decision making role in family affairs related to socio-economic development by different family members. They were asked whether there was any shift from male domination to female decision making capacities or not. Their opinions have been presented in Table 3.

In case of marriage of girls, there were 76.00 percent males who dominated in the decision making before joining MFIs but after joining MFIs it reduced to 54.00 percent. On the other hand, the proportion of females increased from 16.00 percent to 34.00 percent. The shift from males to females is found to be significant as indicated by calculated Z-values. The joint decision making though increased from 8.00 percent to 12.00 percent but the increase was insignificant.

As much as in 78.00 percent of families, males dominated the decision making regarding marriage of boys before joining MFIs which declined to 58.00 percent after joining MFIs. The decline is significant. There is a significant increase in the proportion of families where females dominated the decision making regarding the marriages of boys. It increased significantly from 18.00 percent to 36.00 percent as indicated by the Z-value. The joint decision making power remained the same.

In case of education of children, there were 82.000 percent males who dominated in the decision making before joining MFIs but after joining MFIs it reduced to 62.00 percent. On the other hand, the proportion of females increased from 14.00 percent to 32.00 percent. The shifts from males to females were found to be significant as indicated by the calculated Z-values. The joint decision making though increased from 4.00 percent to 6.00 percent but the increase was insignificant.

In all the 100 percent families, males dominated the decision making regarding arrangement of loan before joining MFIs which declined to 80.00 percent after joining MFIs. The decline was significant. There was a significant increase in the proportion of families where



females dominated the decision making regarding the arrangement of loan. It increased significantly from zero percent to 20.00 percent as indicated by the Z-value. The joint decision remained at zero level before and after the formation of the group.

In case of making different purchases, there were 64.00 percent males who dominated in the decision making before joining MFIs but after joining MFIs it reduced to 42.00 percent. The decline was significant. On the other hand, the proportion of females increased from 24.00 percent to 38.00 percent and the increase was statistically significant. This was due to the fact that the joint decision making also increased from 12.00 percent to 20.00 percent.

As much as in 66.00 percent of the families, males dominated the decision making regarding making savings before joining MFIs which declined to 46.00 percent after joining MFIs. The decline was significant. There were insignificant increases in the proportions of families where females and joint decision making regarding making savings dominated. It increased from 20.00 percent to 32.00 percent in case of females and 14.00 to 22.00 percent in case of joint decision making.

In case of making expenditure on festivals, there were 94.00 percent males who dominated in the decision making before joining MFIs but after joining MFIs it reduced to 64.00 percent. The decline was highly significant. On the other hand, the proportion of females increased significantly from zero percent before joining MFIs to 16.00 percent after joining MFIs. The joint decision making also increased from 14.00 percent to 20.00 percent.

As much as in 78.00 percent of the families, males dominated the decision making regarding participation in meeting before joining MFIs which declined to 56.00 percent after joining MFIs. The decline was significant. This shows a significant increase in the proportions of families where females dominated regarding participation in meetings. It increased from 8.00 percent to 22.00 percent. The joint decision making also increased from 14.00 percent to 22.00 percent.



In case of interaction with outsiders, there were 84.00 percent males who dominated in the decision making before joining MFIs but after joining MFIs it reduced to 66.00 percent. The decline was significant. On the other hand, the proportion of females increased significantly from 4.00 percent before joining MFIs to 16.00 percent after joining MFIs. The joint decision making also increased from 12.00 percent to 18.00 percent.

As much as in 80.00 percent of the families, males dominated the decision making regarding assets building before joining MFIs which declined to 60.00 percent after joining MFIs. The decline was significant. There was significant increase in the proportion of families where females dominated regarding assets building. It increased from 10.00 percent to 26.00 percent. The joint decision making also increased from 10.00 percent to 14.00 percent, though insignificant.

IMPACT OF MFIS ON DEVELOPMENT AND GROWTH OF RURAL PEOPLE

A region wise view of the people expressed their extent of agreement on some statements related to the development and growth of living status of rural poor. They expressed in terms of 'Strongly Agree', 'Agree', 'Neutral', 'Disagree' and 'Strongly Disagree'. The mean extent of agreement and the calculated F-ratios are shown in Table 4. This aspect of growth and development is confined to literary level of improvement, improvements in the knowledge for the work and the handling the work efficiently. This segment also covers the attributes which provide social recognition to a person through his power of expression in the society as a whole.

Table 4: Extent of Agreement on Development and Growth Aspects of the Respondents

Statement	North-East Region		South Region		West Region		Overall		F-ratio
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	



Your literacy level has increased	4.21	1.02	4.31	1.01	4.15	1.27	4.25	1.07	0.48
Your education level has increased	1.70	1.42	1.62	1.31	2.18	1.75	1.76	1.46	1.04
Your knowledge for the work has increased	4.11	0.88	4.12	0.93	3.76	1.07	4.04	0.96	2.01
You can manage work independently	3.89	1.00	4.03	1.00	3.73	1.21	3.93	1.05	1.69
You can express your views independently	3.77	1.00	3.96	1.05	3.63	1.28	3.84	1.09	1.78
Your family/people respect you and your decision	3.74	1.00	3.87	1.06	3.64	1.25	3.79	1.09	1.00

Source: Compiled from the respondents' views in Questionnaire.

The overall average extent of agreement on 'the increase in literacy level' was 4.25, indicating that the respondents agreed on the increase in their literacy level after receiving help from MFIs. The average score was 4.21, 4.31 and 4.15 in North-East, South and West Region



respectively. This shows that the respondents in all the regions agreed that their literacy level increased after MFI help.

The overall average extent of agreement on ‘the increase in education level’ was 1.76, indicating that the respondents disagreed on the increase in their education level after MFI help. The average score was 1.70, 1.62 and 2.18 in North-East, South and West Region respectively. This shows that the respondents in all the regions disagreed that their education level increased after MFI help. The overall average extent of agreement on ‘the increase in knowledge of work’ was 4.04, indicating that the respondents agreed on the increase in their knowledge level for work after MFI help. The average score was 4.11, 4.12 and 3.76 in North-East, South and West Region respectively. This shows that the respondents in all the regions agreed that their knowledge of work increased after MFI help.

The overall average extent of agreement on the ‘ability to manage the work independently’ was 3.93, indicating that the respondents agreed on the increase in their ability to manage the work independently after MFI assistance. The average score was 3.89, 4.03 and 3.73 in North-East, South and West Region respectively. This shows that the respondents in all the regions agreed that their ability to manage the work independently increased after getting assistance from MFIs. The overall average extent of agreement on ‘the expression of views independently’ was 3.84, indicating that the respondents agreed on the increase in the expression of views independently after MFI’s help. The average score was 3.77, 3.96 and 3.63 in North-East, South and West Region respectively. This shows that the respondents in all the regions agreed that their expression of views independently improved after MFI help.

The overall average extent of agreement on ‘family/people respect the respondents and their decisions’ was 3.79, indicating that the respondents agreed on the increase in the respect by the family/people after joining SHG. The average score was 3.74, 3.87 and 3.64 in North-East, South and West Region respectively. This shows that the respondents in all the regions agreed that their respect among family/people of society improved after getting MFI help.



Overall, it can be said that the development and growth of rural poor has significantly increased after getting assistance from MFIs, except the increase in the educational level. However, their literacy level has improved a lot.

CONCLUSION

Thus, the present study verifies and justifies that micro-finance has helped significantly in improving the socio-economic conditions of the rural poor in India. There is increase in the income, employment and living status of the beneficiaries after getting assistance from MFIs. The characteristics like economic activities control, utilization of loan and saving amount, family and community decision making are different parameters, which are significantly and positively influenced by the micro-finance advanced to the rural poor. Therefore, micro-finance emerged as a revolutionary force in upliftment of the rural poor in India.

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