



Rural Development And Microfinance: A Case Study

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ABSTRACT

Microfinance plays an important role for rural development. Poor group of society can start their own small business on small level and create new job opportunities with the help of Microfinance. Microfinance is the backbone of rural economy. Low-income people or the unemployed who do not have other access to financial services can use microfinance, also known as microcredit, which is a banking service. They lack access to regular financial sources and do not have enough money to conduct business. From this angle, microfinance is helping the impoverished, especially in rural regions. Women living in rural areas around the nation have seen notable improvements thanks to financial assistance from the microfinance industry. This study specifically focuses on Sivadi Village, Peddapanjani Mandal, Chittoor district. In addition to examining how the poor people's quality of life has changed since they started microfinance and whether microfinance has helped the residents of Sivadi Village, Chittoor District, this study assesses whether microfinance genuinely helps the impoverished in rural areas. This study tries to determine whether microfinance has helped the poor in Sivadi Village, Chittoor District, and whether it has improved their standard of living since joining the program. It also assesses whether microfinance genuinely helps the impoverished in rural areas. A structured questionnaire is used in a survey approach to gather data with a sample size of 100. After applying correlation, chi-square testing, and descriptive analysis to the data, it was discovered that the respondents' financial holdings increased along with their improved standard of living. The respondents believed that microfinance facilitated economic growth, and it was ultimately determined that microfinance is crucial to rural development.

Key words: standard of living, financial assets, microcredit, microfinance, and economic development.

I.Introduction:

Since the bulk of them are imprisoned in poverty, unable to access other financial services, and lacking the capital to do business with traditional financial institutions, microfinance, also known as microcredit, is a banking service provided to low-income individuals, unemployed individuals, or organizations. It comes in the form of credit, insurance, loans, savings account access, and beginning funds for small businesses. The microfinance borrowers are the folks from India's rural and underdeveloped areas. Many developing nations, such as Uganda, Indonesia, Serbia, Honduras, and India, refer to their financial services as "microfinance." The typical amount of money obtained through microfinance is tiny, ranging from \$100 to \$25,000. The main objective of microfinance is to assist individuals who are in need. If an individual lacks the necessary funds or resources to launch a business, microfinance can help by offering loans or credit. From providing basic services like bank checking and savings accounts to providing small business owners with launch cash and supporting education programs, microfinance banks support a wide range of projects. These courses could cover topics like accounting, financial flow management, plus more topics linked to jobs or technology. With the founding of SIDBI on April 02, 1990, microfinance in India underwent a transformation. The Small Industries Development Bank of India is referred to as SIDBI. A law was introduced in 1989 with the goal of developing small industries. With this goal in mind, SIDBI developed the act to assist those without access to financial resources. In the banking sector, National Bank for Agricultural and Rural Development (NABARD) was founded in 1992 and came after SIDBI. Lending money to farmers for their agricultural and rural ventures was the bank's main objective.

Women hold important positions in society. Women barely have any say in economic choices or activities. Since the development of microfinance, women have participated in the economy and made more decisions. In India, between 85 and 95 percent of self-help groups (SHGs) are run by women. This is because women are more dependable, trustworthy, and punctual savers since they are more used to managing financial responsibilities. The empowerment of women is a key component of more general development aims. Women's empowerment is crucial to the fight against poverty since they are the primary workers who contribute to the economy and the eradication of poverty through paid and unpaid labour at home, in the community, and in the workplace. Women's self-help groups, or SHGs, are acknowledged as a successful method of empowering women.

II. Review of Literature:

Dr. Shubhra Rahul, Dr. Alok Chandra (2021) In their study of microfinance approaches, concerns regarding MFIs' self-sufficiency, and factors influencing financial sustainability, discovered that, despite commercial banks' support for agribusiness and marketing, the credit flow to the rural sector was never sufficient to meet demand. Asif Khan, Alam Ahmed, and Shireen (2021) discovered that the MFI industry has significantly improved in terms of performance with the aim of examining the efficiency variances across Indian Microfinance firms. One may wonder how the COVID-19 pandemic has affected MFIs' level of

performance. In order to assess the sociological attributes of MFIs, curious researchers could incorporate further factors like the percentage of women or rural borrowers.

Umesh Balu Gadekar (2020) examined the financial situation of the impoverished in rural areas. The study included percentage, frequency, and the chi-square test. The primary data comes from 340 women who use private microfinance companies as their clients. It has been discovered that women from underprivileged social and economic backgrounds favor private microfinance institutions over government funding sources. The conclusion is that the revelation that rural women from restricted groups were resorting to commercial microfinance organizations for financial support occurred as a result of the establishment of microfinance as a means of alleviating poverty in rural India.

According to Dr. Vishal Goel (2020), women participants did not repay the requisite amount of microcredit, and around 16% of participants did not have a consistent source of income. The income of Indians has been found to have increased dramatically.

Sunil Sangwan, Narayan Chandra Nayak (2020) investigated the risk of repayment associated with funding from Indian microfinance institutions (MFIs). 498 homes provided their information via a questionnaire and in-person interview. It is discovered that households with low incomes, high debt and loan diversion rates, and high borrowing costs have a higher chance of defaulting. Through the use of a regression model, Swati Chauhan (2020) [6] was able to determine the parameters influencing MFI effectiveness. Through the Microfinance Information Exchange, the data was acquired. Research indicates that NGO-MFIs have an average financial efficiency score of 82.88 percent and an average social efficiency score of 71.82 percent. It's discovered that MFIs and NGOs have greater financial than social success.

Ram Pratap Singa, Pallavi Pandey (2019) examined the effectiveness and output of MFIs in India. The researcher used simplified regression and bootstrap data envelopment analysis techniques to estimate the performance of MFIs. The data sources were the MFI annual reports and the MIX market. The capital-to-asset ratio of the sampled institutions is found to positively correlate with inefficiency, suggesting that the institutions are making inefficient use of their money. The average efficiency has grown and is now rising.

Dr. Deepika Goutam, Dr. Alok kumar (2019) An analysis of the impact of microfinance on women's empowerment revealed that the tribal women of Himachal Pradesh have benefited greatly from it. Chi-square testing, skewness, kurtosis, and mean were employed by the researchers. The conclusion is that tribal women affiliated with SHGs benefit much from microfinance in terms of their own personal empowerment.

III. Statement of the Problem:

The financial support provided by the microfinance sector has led to significant advancements for rural women nationwide. Andhra Pradesh Chittoor district has 70 per cent of its area in the rural sector. Although the state of Andhra Pradesh counts this district as one of its major microfinance markets, no particular research has been done on the contribution of microfinance to rural development. To close the gap, this study, using Sivadi village as a case study, emphasizes the importance that microfinance plays in rural development.

IV.Objectives of the Study:

- To Study the Micro Finance in the rural development of Sivadi Village in Chittoor District
- To examine the relationship between annual income of women respondents and their repayment levels
- To study the relationship between years of existence in micro finance and income after benefitting from micro finance.

V.Hypotheses of the Study:

- There is a significant association between respondents annual income and their repayment levels of existing loan
- There is a significant association between respondents years of existence in micro finance and income after taking micro finance

VI.Research Methodology:

a.Sources of Data: Primary Data:

A survey approach is used with a standardized questionnaire that accounts for all study-related components in order to obtain correct data. Since this is a survey approach, respondents are those who reside in the Sivadi village of Chittoor district and receive microloans.

B.Secondary Data:

The websites of Andhra Pradesh microfinance institutions are the source of secondary data about the programs that these institutions provide to women. A portion of the information is also gathered from research papers, articles, and journals.

c. Sample Size:

A sample of 100 respondents who get microfinance loans from Sivadi village in Chittoor district has been selected for the study.

d. Statistical Tools used in the study: Frequencies:

Frequencies are employed in the analysis of the whole data description. Frequencies can be used to assess percentages, data frequency, and descriptive statistics. This facilitates a streamlined and clear understanding of the gathered data. The variables are displayed in detail, including the percentage and number of respondents who selected a particular response, as well as the mean and standard deviation of the total number of replies that were gathered from the respondents.

Chi-square test:

The chi-square statistical test is used to determine how much the observed and predicted frequencies of a set of variables or events differ from each other.

e. Limitations of the study:

This survey includes only 100 respondents and is limited to the Sivadi village of Chittoor district, Andhra Pradesh State. The accuracy of the responses affects the findings. The study's time frame is restricted to 2022–2023.

f. Scope for further research:

This aids in determining how long-lasting the effects of microfinance are for these rural women. By concentrating on the levels of entrepreneurial activity among rural women who get microfinance services, the research can be expanded even further. This aids in determining how long-lasting the effects of microfinance on these rural women in the study area.

g. Data Analysis:

Sivadi Village in Chittoor district provided 100 respondents with microloans, which served as the source of data for this investigation. A survey method is used to get the data, and a structured questionnaire is used. The respondents were questioned regarding their knowledge of microfinance, their motivations for entering the market or not, their standard of living following entry, and their interest rates in the market. Numerous statistical tools are used to examine the gathered data. Based on the responses of women who are members of SHG –BLP in a particular village

Table-1 Demographic details of respondents

| Variables | Category | Frequency | Percentage |
|----------------|---------------|-----------|------------|
| Age | Below 20 | 24 | 24.00 |
| | 20 - 30 | 34 | 34.00 |
| | 30-40 | 38 | 38.00 |
| | 40-50 | 04 | 4.0 |
| Education | Illiterate | 65 | 65.00 |
| | Literate | 15 | 15.00 |
| | Inter & Above | 20 | 20.00 |
| Marital Status | Unmarried | 04 | 4.0 |
| | Married | 95 | 95.0 |
| | Divorce | 01 | 1.0 |
| Annual Income | Below 10000 | 01 | 1.0 |
| | 10000-20000 | 04 | 4.0 |
| | 20000-50000 | 48 | 48.00 |
| | 50000 & above | 47 | 47.00 |

Source: Primary Data

Chi-Square test for Annual Income –Repayment of Existing Loan

| | Valid | | Missing | | Total |
|--------------------------------------------|--------------|----|----------------|-------|--------------|
| | Percent | N | Percent | N | Percent |
| Annual Income & Repayment of Existing Loan | 98.00 | 02 | 02 | 98.00 | 100.00 |

Source: Primary Data

The data in Table-1 displays the frequencies of the demographic variables. 72 per cent of the sample is middle-aged, falling between the ages of 20 and 40. The percentage of illiterate respondents is 65 per cent. This suggests that compared to banking and other financial services, micro finance is much more convenient and quick for illiterates to use.

Table-2 Case processing summary

| | | Repayment of existing loan | | | | Total |
|----------------------|------------------|-----------------------------------|--------------------|------------------------------|---------------------|--------------|
| | | "Fully paid" | "Half paid" | "More than half paid" | No repayment | |
| Annual income | "10000rs" | 0 | 0 | 1 | 0 | 1 |
| | "10000-20000rs" | 0 | 3 | 0 | 0 | 3 |
| | "20000-50000rs" | 6 | 28 | 14 | 0 | 48 |
| | "50000-100000rs" | 3 | 14 | 29 | 0 | 46 |
| | 7 | 0 | 0 | 0 | 1 | 1 |
| Total | | 9 | 45 | 44 | 1 | 99 |

Source: Primary Data

Table-3 Annual income and repayment levels of existing loan-Cross tabulation

| | value | df | Asymptotic Significance (2- sided) |
|------------------------------|----------------------|----|------------------------------------|
| Pearson Chi-Square | 114.883 ^a | 12 | .000 |
| Likelihood Ratio | 28.592 | 12 | .005 |
| Linear-by-Linear Association | 29.331 | 1 | .000 |
| N of Valid Cases | 99 | | |

a. 16 cells (80.0%) have expected count less than 5. The minimum expected count is .01.

Source: Primary Data

Table-4 Chi-square test for years of existence in MF & income after taking microfinance

| | Cases | | | | | |
|--------------------------------------------------------------------------|-------|---------|---------|---------|-------|---------|
| | Valid | | Missing | | Total | |
| | N | Percent | N | Percent | N | Percent |
| years of existence in microfinance * Income after taking microfinance | 99 | 98.0% | 2 | 2.0% | 99 | 100.0% |

Source: Primary Data

Tables 2, 3, and 4 make it clear that the annual income of the respondents and their loan repayment schedules are significantly correlated. The crucial value of 0.05 is exceeded by the predicted chi-square value of 0.00. ($p = 0.00$, $df = 12$, $X^2 = 114.883$). This indicates a substantial correlation between the respondent's yearly income and the amount they repay on their current debt. A higher annual income allows respondents to complete the survey more quickly and on time. As a result, the alternative hypothesis, H1, which states that there is a strong correlation between respondents' annual income and their loan payback behavior, is accepted.

Table-5 Case Processing Summary

| | | Count | | | |
|------------------------------------|----------|----------------------------------|------------|----|-------|
| | | Income after taking microfinance | | | Total |
| | | "Increased" | "Constant" | 15 | |
| years of existence in microfinance | "2" | 10 | 6 | 0 | 16 |
| | "3" | 28 | 3 | 0 | 31 |
| | "4" | 24 | 4 | 0 | 28 |
| | "Others" | 22 | 1 | 0 | 23 |
| | 10 | 0 | 0 | 1 | 1 |
| Total | | 84 | 14 | 1 | 99 |

Source: Primary Data

Table-6 Years of existence in microfinance and Income after taking microfinance Cross tabulation

| | Value | df | Asymptotic Significance (2-sided) |
|-----------------------------------------------------------------------------------------|----------------------|----|-----------------------------------|
| Pearson Chi-Square | 108.531 ^a | 8 | .000 |
| Likelihood Ratio | 19.487 | 8 | .012 |
| Linear-by-Linear Association | 14.583 | 1 | .000 |
| N of Valid Cases | 99 | | |
| a. 11 cells (73.3%) have expected count less than 5. The minimum expected count is .01. | | | |

Source: Primary Data

Tables 5 and 6 yield a computed chi-square value of 0.000, which is less than the critical value of 0.05 ($X^2 = 108.531$, $p = 0.000$, $df = 8$). In other words, micro finance has raised member's income levels and improved their financial standards, especially in the short term. This shows that

there is a significant correlation between the number of years a respondent has been involved in micro finance and their income after doing so. Overtime this would improve women's living standards. it is therefore acknowledged that alternative Hypothesis H2 which posits that the income of a respondent utilizing micro lending is significantly correlated with their years of experience in micro finance is correct.

VII. Findings:

1. The annual income of the respondent and their loan repayment habits are found to be highly connected. Respondents with higher annual incomes can finish the survey quickly and efficiently. Therefore, it may be concluded that there is a high link between respondents' annual income and their loan payback behavior, supporting the alternative hypothesis, H1.
2. There is a substantial positive correlation between the number of years respondents have been participating in microfinance and their income afterward; in other words, microfinance has enhanced members' income levels and improved their financial standards, especially in the short term. As a result, it is acknowledged that Alternative Hypothesis H2, which asserts that the income of the responder following microlending and their years of experience with microfinance, are significantly correlated, is correct.
3. As a result of taking part in micro lending, the responder now has more assets. Since using microfinance, the respondent's standard of living has grown due to an increase in their financial worth.
4. Of those who answered the questionnaire, 47.5% said they earned between 20,000 and 50,000 rupees annually. 64.4% of those surveyed lack literacy abilities. The respondents' degree of education has no bearing on their capacity to repay their existing debts.
5. Most respondents who obtained loans through microfinance are illiterate and between the ages of 30 and 40. This indicates that microloans are a simple way to obtain loans, and that persons without formal education prefer microfinance services to banking services.

VIII. Suggestion:

The awareness of microfinance services and programs among rural dwellers is essentially no different from that of credit schemes. The government should support MFIs and SHGs in order to give rural residents the essential trainings and activities so they may learn more about various microfinance programs that would boost the growth and empowerment of rural communities.

IX. Conclusion:

The impact of microfinance on rural development is estimated in this study. MFIs provide loans to the poor and impoverished in rural areas; these loans are their primary source of income and ensure both their financial security and the growth of the national economy. After beginning to participate in microfinance, the respondents' financial holdings increased and their standard of living somewhat improved. Thus, it can be concluded that microfinance is crucial to the rural development of the area and a major source of income for rural residents, especially in Shivadi village in the Chittoor district. With the help of microloans, rural women were able to raise their standard of living and positively influence their families.

X.References:

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