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Socio-Economic Impact Of Microfinance On Agricultural Sector With Special Reference To Arakkonam Taluk, Ranipet Dist, Tamil Nadu

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ABSTRACT

The agricultural sector is the life blood of our economy. The current quantitative study was showed to discover the Socio-economic Impact of microfinance on agricultural sector. The main purposes of this study To assess the impact of microfinance on output levels of farmers Microfinance scheme has been dramatically increase in last decades to reduce poverty among farmers and elevate their standard of life. Data was collected from Arakkonam Taluk, Ranipet district in Tamilnadu. Data were collected from 200 microfinance participants using questionnaires and face-to-face interviews. It also increases the production through which farmer is able to reinvest its surplus amount to gain maximum profit. The researcher proposed that the credit facility should be available on time while delaying in the complex procedure for taking loans resultant in the farmers not gets maximum profit regarding their plans. Microfinance had optimistic effects on growth of agricultural assets, revenue from agriculture, agricultural Education, Agricultural productivity, consumption and health. However, the impact is limited due to lack of finance.

Key Words: Microfinance, Standard of Life, Farmer, Socio-Economic Life.

1. INTRODUCTION

Indian economy is a rural economy. Agriculture is an important engine for economic growth in of our country as well as for each of the districts of India. The rural agricultural sector needs access to financial services, including credit and savings products, which should be provided through a proficient and energetic microfinance sector. The rural agricultural sector is essential in both connecting urban and rural economies and industries of different types and sizes. It needs a very specific blend of innovative financial instruments and business support. Microfinance is the source of socio-economic development of poor and farmers. It morally and ethically motivates a poor to work for self-employment. The expansion of loan is quick and fast as well as easy. Microfinance helps an individual to become self-regulating economically and provides added income generating activities. NABARD takes pride in the fact that the Self Help Group - Bank Linkage Programme, which is the largest microfinance programme in the world, today touches nearly 11 cr households through more than 87 lakh SHGs with deposits of Over Rs 19500 cr and annual loan off take of more than Rs 47000 cr and loan outstanding of over Rs75500.it is probably the world's most widely participated grassroots oriented microfinance programme. Microfinance is a form of economic development that has first and foremost focused on easing poverty through rendering financial services to the farmers and poor. Most of people think microfinance, if at all, as being about micro-credit i.e. given somebody the use of small amounts of money to the farmers and poor. The rural people who have no collateral for bank loans, microfinance institutions offer an alternative source of credit for them. Moreover, microfinance institutions provide loans on subsidized interest unlike moneylenders that charge high interest rates. Microfinance institutions usually focused small-scale businesses

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in the rural and agricultural sectors . The role of microfinance in economic development is that it serves the needs of economically marginalized populations. Microfinance was developed by a Bangladeshi economist Muhammad Yunus, says ING, adding that he came to be known as "the banker of the poor." In 1976, Yunus established Grameen Bank in Bangladesh, which provided "microcredit," literally the extension of loans to impoverished borrowers. Before that, banks had generally concentrated only on lending to middle- and upper-income customers, as well as the very rich. Yunis' idea of microcredit caught on quickly. It was so popular that it led to similar microfinance institutions springing up all over the world, finally evolving into what is today known as microfinance. For his efforts, Yunus won the 2006 Nobel Peace Prize. In awarding Yunus the peace prize, which was actually awarded jointly to Yunus and his bank, the Nobel committee noted that it was honoring Yunus and his bank "for their efforts to create economic and social development from below." In other words, the committee paid homage to Yunus' concept of creating economic opportunity from the ground up.

2. MEANING

"Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises."

3. OBJECTIVES

- To assess Socio-Economic impact of microfinance on output levels of farmers.
- To propose recommendations to enhance the credit administration process and access to microfinance.

4. RESEARCH METHODOLOGY

Primary data have been collected by using well-structured questionnaires, personal or face to face contact to the respondents. The secondary data have been collected from various journals and magazines. the study was analyzed with 300 samples. It explored the economic changed of farmers before and after involving in the microfinance services.. The simple random sampling technique was used to select. The collected data was tabulated, analyzed and interpreted to meet the objectives of this study. Percentage analysis and Chi-square were the statistical tools used.

5. LIMITATION OF STUDY

The period of study is limited three months .The sample size is 300, Preference and opinions are supposed to change from time to time.

6. REVIEW OF LITERATURE

Harika and Ramakrishna (2017) in their paper attempt to assess the status of microfinance in India in terms of Saving Amount, Loan Amount and Outstanding Amount through trend analysis. To analyse the status of microfinance in India in terms of above indicators over the period 2010-11 to 2015-16, Compound Annual Growth Rates, Mean, Standard Deviation (SD), Coefficient of Variation (CV) and Instability Index were calculated. The study concluded that the SHG-BLM has emerged as a dominant model in terms of number of borrowers and loans

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outstanding. Due to widespread rural bank branch network, the SHG-BLM is very suitable to the Indian context.

Muhammed and Reddy (2017) in their study explored he knew paradigm shift and performance of Microfinance sector and analyze the impact of financial technology (Fin Tech) on this sector. They studied the emerging trends in Indian Microfinance and the impact of policy reforms, financial technology (Fintech) and banking initiations. The Government of India and Central Bank (RBI) reaffirmed the role of Microfinance Institutions (MFIs) in financial inclusion by introducing NBFC MFIs guidelines, Priority Sector Lending (PSL), promoting MFIs as Business Correspondents (BC) of banks and launching of MUDRA bank due to its easy viability and wide range beneficiaries across the country. AS a result of the recent movement of the Indian government towards demonetization (8th Nov 2016) and Andhra Pradesh Microfinance crisis of 2011, this sector is dropping large collections and experienced loan defaults due to the cash crunch.

Kumar Vipin et. al. (2015) study concluded that the SHG's and MFI's are playing a vital role in delivery of microfinance services which leads development of poor and low income people in India. However, slow progress of graduation of SHG members, poor quality of group functioning, dropout of members from groups etc., have also been reported various study findings in different parts of the country, which need to be taken into account while designing the road map for the next phase of the SHG programme.

Nikita (2014) study concludes that first time in the year 2012-13 after the launch of SHGs BLP there is a decline in the number of SHGs who's saving linked with banks. The study also finds out there was growth in the loan outstanding of SHG and which was responsible for increases in NPAs. At last it is found out that the major share belongs to commercial banks when the agency wise loan issued to MFI. He suggested that steps should be taken to improve the performances of programs launched under Microfinance time to time.

Sarmah, G. N and Das, D. K. (Sarmah 2012) investigated the role of Microfinance and SHGs on the socio-economic aspects of folks in Lakhimpur District of Assam. They found that once associated with the SHGs the agricultural poor will increase their financial gain and improve their way of living by participating in economic activities independently.

SOCIO ECONOMIC PROFILE

DEMOGRAPHIC PROFILE	CLASSIFICATIONS	FREQUENCY	PERCENT
Age	Below 25	28	9.33
	25-35	95	31.67
	35-50	81	27.00
	51-65	65	21.67
	Above 65	32	10.67
	Total	300	100
Education	Illiterate	77	25.67
	Below 5th Std	97	32.33
	6th Std to 10th Std	92	30.67
	11th Std to 12th Std	24	8.00
	Graduate	10	3.33
	Total	300	100
Marital status	Unmarried	62	20.67

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	Married	198	66.00
	Widows	40	13.33
	Total	300	
Family Size	Up to 2	79	26.33
	3-5	133	44.33
	Above 5	88	29.33
	Total	300	100
Types of Family	Joint Family	152	50.67
	Nuclear Family	148	49.33
	Total	300	100
House Status	Own House	210	70.00
	Rental	54	18.00
	Leasing	36	12.00
	Total	300	100
Annual Income	Below Rs 80000	118	39.33
	Rs 80001-150000	75	25.00
	Rs 150001-300000	41	13.67
	Rs 300001-450000	39	13.00
	Rs 450001-600000	27	9.00
	Total	300	100
Cultivated land	1-5 acre	109	36.33
	5-10	87	29.00
	10-15	48	16.00
	15-20	29	9.67
	20-25	27	9.00
	Total	300	100

Sources: Primary Data

TABLE NO 1

The above table shows that 70% percent of the respondents have own house, 39.33 percent of the respondents annual earning is below Rs 80000,25% of respondents are annual earning Rs 80001-Rs150000 ”. On the other hand 36.33% of the respondents have 1-5 acre for cultivation ,29% of respondents use 5-10 acres for agricultural purpose .50.67% of respondents living in joint family .44.33 % of respondents have 3-5 dependents in their family .66% of respondents have married, 32.33% of respondents studied only below 5th standard .31.67% of respondents age group is 25-35 .

RESPONDENTS OPINION

OPINION	INCOME HAS BEEN INCREASED AFTER JOINING MICROFINANCE PROGRAMS		SAVINGS HAS BEEN INCREASED AFTER JOINING MICROFINANCE PROGRAMS		MICROFINANCE PROGRAMS HAS CREATED THE EMPLOYMENT OPPORTUNITIES		IMPROVED IN FINANCIAL SITUATION OF THE FAMILY AFTER JOINING MICROFINANCE PROGRAMS		MICROFINANCE HAS REDUCED THE POVERTY LEVEL	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Strongly Agree	66	22.00	70	23.33	61	20.33	82	27.33	72	24.00
Agreed	110	36.67	122	40.67	118	39.33	111	37.00	117	39
eutral	42	14	31	10.33	46	15.33	39	13.00	42	14
Disagreed	45	15	39	13	41	13.67	40	13.33	35	11.67

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Strongly Disagreed	37	12	38	12.67	34	11.33	28	9.33	34	11.33
Total	300	100	300	100	300	100	300	100	300	100

Sources: Primary Data

TABLE NO 2

The above table inference that 36.67 % of respondents are agreed that after joined in this microfinance programme their income has been Increased only 12% of respondents disagreed with this point.40.67 % of respondents are agreed that after joined in this microfinance programme their savings has been Increased only 12.67% of respondents disagreed with this point. 39.33% of respondents have positive opinion about Microfinance programs has created the employment opportunities, only 11.33% of respondents have negative opinion about microfinance programme.37% of respondents family financial situation is increased after they joined in microfinance programme.39% of respondents have positive opinion about this microfinance programme has helps to reduce poverty level .

7. CHI-SQUARE TEST

Ho: There is no relationship between Annual Income of the respondents and opinion about microfinance reduced the poverty level of farmer.

CHI-SQUARE TEST-1: RELATIONSHIP BETWEEN

ANNUAL INCOME / MICROFINANCE HAS REDUCED THE POVERTY LEVEL	SA	A	N	SA	DA	TOTAL
Below Rs 80000	19	43	14	13	19	108
Rs 80001-150000	15	33	10	11	6	75
Rs 150001-300000	14	21	8	6	2	51
Rs 300001-450000	12	16	4	3	4	39
Rs 450001-600000	12	4	6	2	3	27
Total	72	117	42	35	34	300

TABLE NO 3

O	E	O-E	(O-E) /E
19	25.92	-6.92	1.85
43	42.12	0.88	0.02
14	15.12	-1.12	0.08
13	12.06	0.94	0.07
19	12.24	6.76	3.73
15	18.00	-3.00	0.50
33	29.35	3.65	0.45
10	10.05	-0.05	0.08
11	08.75	8.25	7.78
6	08.05	-2.05	0.52
14	12.24	1.76	0.25
21	19.89	1.11	0.06

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8	07.14	0.86	0.10
6	05.95	0.05	0.25
2	05.78	-3.78	2.27
12	09.36	2.64	0.65
16	15.21	0.79	0.04
4	05.46	-1.46	0.39
3	04.55	-1.55	0.53
4	04.42	-0.42	0.42
12	06.41	5.59	4.87
4	10.53	-6.53	4.05
6	03.78	2.22	1.30
2	03.15	-1.15	0.42
3	03.06	-0.06	0.53
		TOTAL	30.26

TABLE NO 4

Degree Of Freedom
= (R-1) (C-1)
= (5-1) (5-1)
= 4×4
=16×1.96(5% level of significance)
= 31.36
Result: Since the Calculated Value is less than Table Value, the null hypothesis is rejected at 5% significant level. Hence there is a relationship between Annual Income of the respondents and opinion about microfinance reduced the poverty level of farmer.

8. OBSERVATION OF STUDY

- It was found that 70% percent of the respondents have own house,
- It was revealed that 39.33 percent of the respondents annual earning is below Rs 80000, 25% of respondents are annual earning Rs 80001-Rs150000 .
- It was identified that 36.33% of the respondents have 1-5 acre for cultivation, 29% of respondents use 5-10 acres for agricultural purpose.
- It was Revealed that 50.67% of respondents living in joint family.
- It was found that 44.33 % of respondents have 3-5 dependents in their family, 66% of respondents have married, 32.33% of respondents studied only below 5th standard, 31.67% of respondents age group is 25-35.
- It was discovered that 36.67 % of respondents are agreed that after joined in this microfinance programme their income has been increased only 12% of respondents disagreed with this point.
- It was exposed 40.67 % of respondents are agreed that after joined in this microfinance programme their savings has been Increased only 12.67% of respondents disagreed with this point.
- It was Revealed that 39.33% of respondents have positive opinion about Microfinance programs has created the employment opportunities, only 11.33% of respondents have negative opinion about microfinance programme.
- It was identified 37% of respondents family financial situation is increased after they jointed in microfinance programme.

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9. CONCLUSION AND RECOMMENDATIONS

Microfinance programme area source of income generation and empowerment. Microfinance is the source of socio-economic development of farmer. Through microfinance farmers standard of living is changed. Microfinance increases the investment of farmer and become even better off and helps them to maintain current living standards and gradually increase in standard of living. Agriculture sector can't give maximum profit using old technique so Government should support to purchase new equipment. Agricultural banks should give the credit to farmers according with the importance of crop. Due to illiteracy, they can't get maximum profit by credit as compare to literate farmers. The government should provide farmers support education programme which should guide them to increase productivity and sales which lead to increase in standard of living of farmers. The study found the significant contribution to change the economic status of farmers after involving in the microfinance activities. Farmers are agreed that microfinance services has supported to improve the socio-economic status by creating the employment opportunities. The study showed that there was need to more intensive livelihood program to reduce the size of poor by improving their socio-economic status.

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