

MICROFINANCE AND ITS IMPACT ON RURAL DEVELOPMENT: A 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. For this study researcher collected information from 192 respondents of rural area of Morena district of Madhya Pradesh. The objectives of this study are to know the impact of Microfinance on rural development and to know the relationship between Microfinance and rural development. Linear regression analysis used to check the hypothesis and find out the result with the help of SPSS software and it is found that Microfinance and rural development is correlated with each other having r value 0.784, and Microfinance has a significant and positive impact up to 61.50% having r^2 value 0.615. The computed value of F is 194.907, which is given in ANOVA table greater than its critical value for 191 degree of freedom at 0.054 level of significance also indicate that Microfinance has a positive and significant impact on rural development. The computed value of t is 7.676, which is also greater than its standard value i.e. 1.96, indicating that there is a significant impact of Microfinance on rural development.

Keywords: *Microfinance, Rural Development, Rural Economy, Significant Impact, Correlated.*

Introduction

Microfinance is a category of financial services targeting individuals and small business that have lack access to the conventional banking and finance related services. Microfinance services are designed to reach excluded classes, usually poor population segments, possibly socially, marginalized or geographically more isolated group of people, and the motto is to help them to become financially self-sufficient. It refers to the delivery of various financial services for the poor to allow them to raise their income levels up to the developing. It is a way to promote economic development and create new employments and growth through the support of micro-entrepreneurs and small business. There are various financial institutions that provide loan facilities for the development of rural areas such as NABARD, Reasonal Rural Bank, National housing Bank HUDCO etc.

Rural development is the process of improving the quality of life and economic well-being of the people living in the rural areas, often relatively isolated and sparsely populated areas. It is a comprehensive term, it essentially focuses on action for the development of areas outside the mainstream urban economic system. We should understand of what type of rural development is really needed because more modernization of villages leads to urbanization and that caused the disappearance of simple and holistic villages environment.

Review of Literature

Verma, Renu. (2008), in her article concludes that microfinance is expected to play a significant role in poverty alleviation and rural development [J. Ref.No.30,P/163]. Microfinance has, in the recent past become one of the more promising ways to use core development funds to achieve the objectives of

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poverty alleviation. Further he stated that certain microfinance programs have gained prominence in the development field and beyond. The ultimate aim is to attain social and economic empowerment. These microfinance institutions may very well have had a major impact on improving the standard of living of millions of poor people as well as on promoting economic development. Therefore microfinance has become one of the utmost active involvements for economic enablement of the poor.

Vani Kamath (2010), "Finding usage in access to banking and scope for microfinance in Gulbarga District, Karnataka: A study of Financial Inclusion on Below Poverty Line Families" summarized in the thesis the points like There is a significant difference between Financial inclusion and lack of awareness by rural households. There is a significant difference between the financial inclusion and institutional negligence by banks. There is a significant difference between household perceptions about the formal and informal sources of finance. There is a significant difference between access to a savings account and usage of that account. There is no significant difference in the perceptions of households between Self Help Group Savings and chit funds

Aminu Sulemana & Samuel Appiah Adjei (2015), microfinance played an important role in increasing agricultural production. It was also revealed that despite the unimaginable desire for agricultural loans, actors in the area are challenged with factors such as lack of understanding of the loan acquisition process and unavailability to collateral securities. Based on the major findings of the study, the following recommendations were suggested.

Dr. Sangita Bharuka, Dr. Renu Mehta Soni (2015), A core conclusion of this paper is that microfinance can contribute into solving the problem of insufficient housing and rural services as an integral part of poverty alleviation programs. Eventually it would be ideal to improve the creditworthiness of the poor and to make them more bankable to financial institutions and allow them to meet the criteria for long-term credit from the formal sector.

Ravikumar, (2016), "Contribution of Microfinance in empowering the women entrepreneurs in Gulbarga city" concluded in his article women entrepreneurs have been empowered in the different sections of their business operations and social status under the dynamic guidance and support of micro finance institutions and if women entrepreneur is given a proper guidance and training further that will definitely enhance the profitability of the enterprises and the future will be bright and prosperous.

Dr. Roopali Patil, Dr. Vani Kamath (2017), In a nut shell, we can say Microfinance tries to overcome the shortcomings and failures of the existing financial institutions and development programmes by providing adequate and hassle free finance to the needy and also acts as gap filler in the formal institutional network for providing small finance to poor people.

Objectives of the Study

- To know the Impact of Microfinance on Rural Development.
- To know the relationship between Microfinance and Rural Development.

Research Methodology

The study is casual in nature; survey method is used to collect for primary data.

sample Design

- **Population:** The population of this study is all the respondents of rural area of Morena district of Madhya Pradesh.
- **Sampling Technique:** Non probability, purposive and convenient sampling technique used to identify the respondents of the study.
- **Sampling Elements:** Individual Respondents were sampling elements of the study.
- **Sample Size:** Sample size was 192 respondents.
- **Tools used for Data Collection:** Survey method is used to collect for primary data.
- **Tools used for Data Analysis:**
 - Reliability test
 - Normality test
 - Linear regression Analysis
 - **Reliability Test:** Reliability test were used for all variables with the help of SPSS software and its results are given below. In this study Microfinance is considered as an independent variable and rural development is considered as a dependent variable.

Reliability Statistics

Test variable	Cronbach's Alpha	No. of Items
All variables	.742	10

On the basis of the result of reliability test, it is clear that the computed value of cronbach's Alpha is .742 which is greater than its standard value .70, it indicates that both the variables are reliable.

- **Normality Test:** To apply any parametric statistical tool, it is an essential assumption that data should be normally distributed.

Test of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Microfinance	.486	192	.198	.574	192	.253

a. Lilliefors significance correction

The above table shows that data used in this study is normally distributed. Tested through significant values of K-S test i.e. 0.198 and Shapiro-Wilk i.e. 0.253, both the p values are more than its standard value i.e. 0.050 ($p > 0.050$ normally distributed) and ($p < 0.050$ Not-normally distributed)

Hypothesis

H₀: There is no significant Impact of Microfinance on rural development.

H₁: There is a significant Impact of Microfinance on rural development

Model Summary^b

Model	r	r Square	Adjusted r Square	Std. Error of the Estimate	Durbin-Watson
1	.784	.615	.587	3.2216	1.3618

a. Predictors: (constant), Microfinance

b. Dependent Variable: Rural Development

The value of r 0.784, indicating that there is highly degree positive correlation between Microfinance and rural development. The value of r^2 0.615, indicates that Microfinance has a significant impact on rural development up to 61.50%.

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7436.182	1	7436.182	194.907	.054
Residual	7248.964	190	38.152		
Total	14685.146	191			

a. Predictors: (constant), Microfinance

b. Dependent Variable: Rural Development

In the above table the computed value of F is 194.907, is greater than its critical value for 191 degree of freedom at 0.054 level of significance, So it is clear that Microfinance has a significant impact on rural development.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std Error	Beta		
1 (Constant)	8.128	1.138		7.676	.000
Microfinance	.713	.029	.708	10.162	.000

Dependent Variable: Rural Development

The computed value of t is 7.676, is greater than to its standard value i.e. 1.96, is indicating that there are positive impact of Microfinance on Rural development. Hence, null hypothesis is rejected and alternative hypothesis is accepted.

Conclusion

On the basis of above data analysis, it is clear that Microfinance plays an important role for the development in rural area. The value of r 0.784, which is given in the Model Summary Table indicating that there is a highly degree of positive correlation between Microfinance and Rural Development. The value of r^2 0.615, which is also given in the same table indicating that Microfinance has a positive and significant impact on rural development up to 61.50%. The computed value of F is 194.907, which is given in the ANOVA Table is greater than its critical value for 191 degree of freedom at 0.054 level of

significance, indicates that Microfinance has a significant impact on rural development. The value of t is 7.676, which is given in the Coefficients Table, is greater than its standard value i.e. 1.96, indicating that Microfinance has a positive and significant impact on rural development. Thus, we could claim that Microfinance is very useful and significant for rural development. With the help of Microfinance poor groups of the society can change their living standard up to the satisfactory level and also can help to create new employments through setup new small scale business.

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