

# **Availability of Micro-Finance And Its Effectiveness on Rural Development; with Special Reference to Karthikapally Taluk of Kerala.**

**Saviour F**

P.G & Research Department of Commerce,  
Scott Christian College, Nagercoil, Affiliated to M.S University, Tirunelveli,

**Dr. G. Jeslin Viola Pet**

Assistant Professor, P.G & Research Department of Commerce,  
Scott Christian College, Nagercoil, Affiliated to M.S University, Tirunelveli,

## **ABSTRACT**

*Finance has been recognized as the life blood of all economic activities; like all other business man, rural entrepreneurs also need Finance. Micro-Finance emphasizes on capacity building of micro-entrepreneurs, employment generation through business expansion etc. Micro-Finance act as a tool for socioeconomic development in Rural and it serve as a tool for providing a sustainable livelihood for millions of rural Indians who don't have a means of livelihood. In this research paper an attempt has been made to analyse the availability of Micro-Finance and its effectiveness on rural development with special reference to Karthikapally Taluk of Kerala. The paper mainly concentrates on how Micro-Finance from various institutions have contributed to the overall development of Rural Villages.*

**Key Words:** *Rural Development, Rural credit, Micro-Finance, Micro credit.*

## **INTRODUCTION**

In India, the poor always struggle in search of food, clothes and dwellings. They are not able to Manage in Mobilization of Resources to develop their enterprises and their dwellings.

Available financial services trying to enable the poor to leverage their initiative, accelerating the process of income generation and economic empowerment . However, esteemed finance institutions avoid serving the needs of the rural poor. They are habitually denied access to credit for any purpose (Priyanka 2014)<sup>1</sup>. Therefore, the rural people mostly depend on micro financing institutions. Micro-finance 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 micro-enterprises (Sharma 2001)<sup>2</sup>. The fundamental problem is not so much of unaffordable terms of loan as the lack of access to credit itself ( Kim 1995)<sup>3</sup>.

## **RESEARCH PROBLEM**

A research problem is a statement about an area of concern, a condition to be improved, a difficulty to be eliminated, or a troubling question that exists in scholarly literature, in theory, or in practice that points to the need for meaningful understanding and deliberate investigation. The research problem is typically posed in the form of a question. The study focus mainly on two questions; first one is, whether the micro finance services are available for all classes of rural poor or not?. If it is available, then whether it contribute to rural development or not?.

## **OBJECTIVES OF THE STUDY**

The primary objectives are:

1. To find whether the Micro financial services are available for all classes of poor people.
2. To find out the effectiveness of Micro-financing on rural development.
3. To analyse the relationship between ‘Availability of Micro-Finance’ and ‘Effectiveness of Micro-Finance on Rural Development’.

## **RESEARCH METHODOLOGY**

Research is a systematic and intensive study directed towards a more complete knowledge of the subject under study. Research Methodology may be understood as a science of studying how research is done scientifically. It is the specific procedures or techniques used to identify, select, process, and analyze information about research problems. The Personal Interview Survey method is used as the main research tool for collecting data.

Chi square test is used to test the hypothesis. The sample size for the study is 200 rural people. The survey for primary data collection was during the month of January 2020.

### **HYPOTHESIS**

$H_0$  - There is no significant relationship between 'Availability of Micro-Finance' and 'Effectiveness of Micro-Finance on Rural Development'.

$H_1$  - There is a significant relationship between 'Availability of Micro-Finance' and 'Effectiveness of Micro-Finance on Rural Development'.

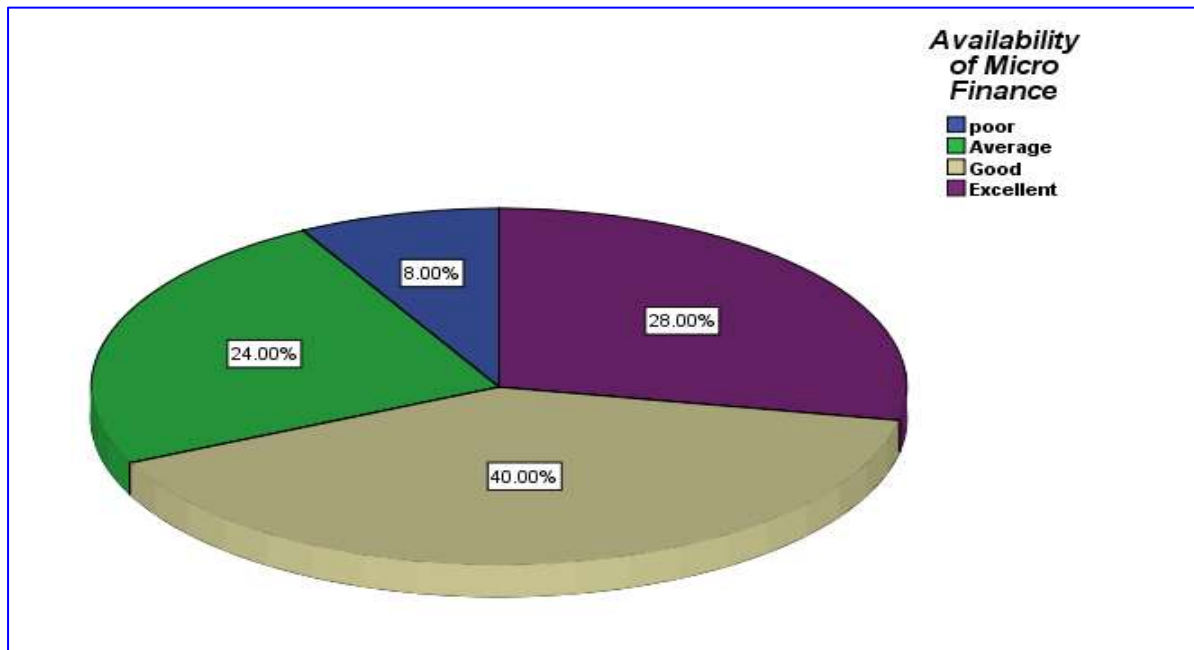
### **SIGNIFICANCE OF THE STUDY**

The research aims to find out the availability of micro finance and its effectiveness on rural development. It also aims to analyse the relationship between 'Availability of Micro-Finance' and 'Effectiveness of Micro-Finance on Rural Development'. The study hopes to enable the Micro-finance institutions to gain insight to the areas where it has to make improvements. And it also enable the government to study about the availability status of micro-finance so as to take necessary steps to enhance the availability of funds. So this Research becomes critical and important for both the Micro-Finance institutions and the Government.

### **DATA ANALYSIS AND INTERPRETATION**

Data analysis and interpretation is the process of assigning meaning to the collected information and determining the conclusions, significance and implications of the findings

### 1. Availability of Microfinance- Opinion of Rural People.

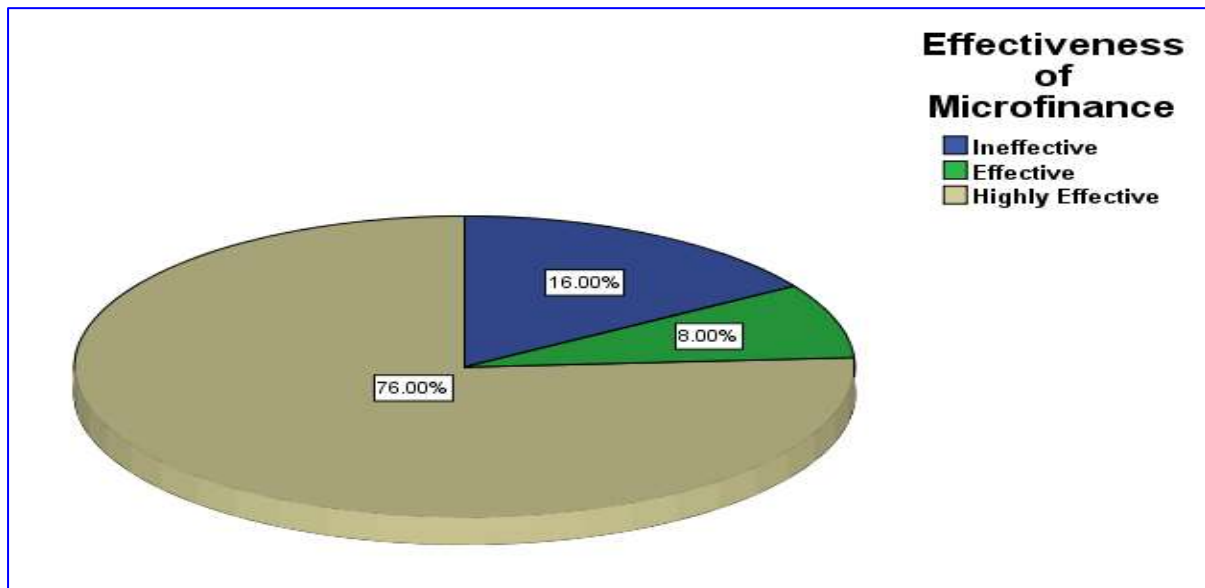


Source: Primary Data

### INTERPRETATION

By analysing the above pie chart, it is found that 40% of the rural people rated the availability of Microfinance in their area as 'Good', another 28% of rural people rated it as 'Excellent', other 24% rated it as 'Average', and only 8% of rural people rated availability of Microfinance as 'Poor'. From the analysis it is clear that the microfinance services are easily available to rural peoples of Karthikapally taluk.

**2. Effectiveness of Microfinance on Rural Development.**



Source: Primary Data

**INTERPRETATION**

By analysing the above pie chart, it is found that 76% of rural peoples thinks that the micro-finance services are ‘Highly Effective’ in the process of Rural Development, another 8% of rural people rated it as ‘Effective’. But, 16 % of rural peoples thinks that the micro-finance services are ‘Ineffective’ in the process of Rural Development.

**3. ‘Availability of Micro-Finance’ and ‘Effectiveness of Micro-Finance on Rural Development’ - Chi-square Test.**

Availability of Micro Finance * Effectiveness of Microfinance Crosstabulation						
			Effectiveness of Microfinance on Rural Development			Total
			Ineffective	Effective	Highly Effective	
Availability of Micro Finance	poor	Count	16	0	0	16
		Expected Count	2.6	1.3	12.2	16.0
	Average	Count	16	0	32	48
		Expected Count	7.7	3.8	36.5	48.0
	Good	Count	0	16	64	80
		Expected Count	0	16	64	80

		Expected Count	12.8	6.4	60.8	80.0
	Excellent	Count	0	0	56	56
		Expected Count	9.0	4.5	42.6	56.0
Total		Count	32	16	152	200
		Expected Count	32.0	16.0	152.0	200.0

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	142.456 <sup>a</sup>	6	.000
Likelihood Ratio	140.368	6	.000
Linear-by-Linear Association	85.144	1	.000
N of Valid Cases	200		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is 1.28.

#### INTERPRETATION

Since the P-value (<0.001\*\*) is less than the significance level (0.01), the null hypothesis is rejected. Hence, there is a 'highly significant' relationship between 'Availability of Micro-Finance' and 'Effectiveness of Micro-Finance on Rural Development'.

#### CONCLUSION

The research empirically studied the availability of micro-financial services in Karthikapally taluk of Kerala, and found that the services are easily available to rural peoples of Karthikapally Taluk. The Researcher also studied about the opinion of Rural people about the 'effectiveness of micro-finance services on rural development', and found that the majority of the rural people thinks that the micro-finance services are 'Highly Effective' in the process of Rural Development. Finally, a Chi Square test were conducted to analyse the Relationship between 'Availability of Micro-Finance' and 'Effectiveness of Micro-Finance on Rural Development', the result was nothing but the relationship between 'Availability of Micro-Finance' and 'Effectiveness of Micro-Finance on Rural Development' is 'Highly significant'. To conclude, it is evident from the study that Micro-Finance services have a great influence on Rural Development. Micro-Finance act as a tool for socioeconomic

development in Rural areas, and it serve as a tool for providing a sustainable livelihood for millions of rural Indians who don't have a means of livelihood.

## REFERENCES

1. *Kim Kyung-Hwan (1995) “ Access to Credit, Term of Housing Finance and Affordability of Housing”, Housing Finance International 9(4), June 22-27.*
2. *Sharma, A., (2001), “Developing sustainable microfinance systems, Asian Development Bank”.*
3. *Priyanka Bargal (2014), “Effectiveness of Microfinance in Development of Slum Areas of Indore” PhD Thesis, Devi Ahilya Vishwavidyalaya, Indore.*