



## To study the role of micro finance institutions in rural economic development of Kabirdham district (Chhattisgarh)

Vinod Ahirwar<sup>1</sup>, Dr. Amrendra<sup>2</sup>

<sup>1</sup> Department of Economics, Research scholar, Faculty of Social Science, Sant Gahira Guru Vishwavidyalaya, Sarguja, Chhattisgarh, India

<sup>2</sup> Professor, Department of Economics, Govt RBR NES PG College Jashpur, Chhattisgarh, India

### Abstract

This study “The Role of Micro Finance Institutions in Rural Economic Development of Kabirdham district (Chhattisgarh) is conducted to understand the economic status of rural population of Kabirdham district, this study is based on primary data sources collected through field survey method. From finding o the data analysis it is very much clear that more than 54% of respondents agreed that they could start a business using the loan, demonstrating the effectiveness of financial aid in entrepreneurship. 59% confirmed proper utilization of business-generated income, though 37% remained neutral, indicating uncertainty about reinvestment or spending decisions. 74% reported using income for essential household items, equipment, or livestock.

**Keywords:** Micro finance institutions, rural population, economic development

### Introduction

In state like Chhattisgarh, the poor always struggle in search their basic necessities of food, shelter, clothes and dwellings. In 2005 its poverty index was 70% which has been reduced from 70% to 37% from 2005 to 2015 still poverty is one of the challenging tasks. People of the state and basically of the rural area of the Kabirdham district are not able to manage in mobilization of basic necessity to develop their enterprises and their dwellings. Institutions like MFIs has gained a lot of attention at rural area level in recent decades due to its wide-ranging impact on provision of financial services to poor. In the initial stage there were two modes of microfinance deliver in India-first one is Self Help Group Bank Linkage Programme (SBLP) and second Micro Finance Institutions (MFIs). Under SBLP model, pioneered by NABARD in year 1992, saving and other banking services are inbuilt components along with micro-credit. However, MFIs working hard and focusing on extending micro-credit service to clients by raising resources from banks and other sources. Institution like Micro Finance broadly means financing small amounts of money to the poor people for their current need like illness, school fees, electricity bills, consumption, and margin for their basic amenities like house consumption, marriage, etc. In 1976. Prof Muhammad Yunus developed the concept of Microfinance and set up the Grameen Bank as experiment, on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh.

### Basic Features of Microfinance

1. Microfinance is a financial assistance skim basically for the rural and urban village (slums) finance.
2. The beniacaries of this skim are belongings from the low-income group.
3. Small amount of loan is provided i.e called as micro loans.
4. Microfinance is short very short-term loans with frequency of repayment.

5. Loans are offered to poor's and very poor people without any credit report without any collateral and are generally taken for income generation purpose.

### Microfinance

Microfinance is an activity of financial assistance provided to poor who are living below poverty line, the basic aim is to incorporate loans, savings, deposits, insurance, transfer services etc. It is a socio- economic development activity that involves providing financial services,

In country like India there are three types of sources which provide Microfinance services to rural population:

1. Rural small banks basically a Formal type of institutions
2. Non-government organizations run by (NGOs) called Semiformal type of institutions
3. Informal organizations, they called as moneylenders and shopkeepers.

### Micro-credit

Micro-credit is a component of microfinance and it is the extension of small loans to entrepreneurs basically, who are very poor or weaker section to qualify for traditional bank loans.

### Micro-savings

Microwaving's are saving activates which allow poor people to save small amounts of money for his/ her future use

### Micro-insurance

Insurance is a system which shares the risk of insurance holders.

### Micro finance Institutions (MFIs)

MFIs is an institution which is engaged in extending small loans like micro credit loans and other small financial services to poor/ slum population to enhance the source of

income generation and self-employment activities. Micro finance Institution is an informal banking system and not a part of the formal banking industry or government organization. It can also be referred to as an NGO (Non-Government Organization).

### Rural Economic Profile of Chhattisgarh

Kabirdham district, located in Durg Division, in the central part of Chhattisgarh, in India, encompasses a significant rural population engaged primarily in agriculture. This district has a population of 822,526 (males 412,058; females 410,468, where 89.4% rural and ~10.6% urban. In this district 14.6% population is SCs and about 20.3% is STs. District's rural economy is characterized by traditional farming practices, supported by various government initiatives aimed at enhancing agricultural productivity and farmers' welfare.

### Need for Study

It is evident that social development, economic development, educational development and psychographic factors do occur in the decision-making. Understanding why and how contributes to Microfinance.

### Purpose of the Study

The purpose of this study is manifold. At first to find out the effect of microfinance on socioeconomic development of rural population. Secondly to investigate the relationship between psychographic factors and MFIs. Thirdly to check that psychographics i.e. different type of personality has a correlation among themselves or not. Fourth to check that combination of these personalities and demography has any significant role with MFIs. Finally, researcher tries to check whether demographic factors have any relation with MFIs and socioeconomic developments.

### Significance of the Study

This research study is relevant for rural population, marketing professionals as well as the academicians. Marketers should integrate the Socio components to develop his/ her products according to their social needs and status so that it leads to purchase. These components will be very helpful for the policymakers to study in different aspects of living standard as well as general consumption behavior.

### Scope of the Study

The scope this research study is in the following ways:

1. The study is limited to rural population *viz*, farmers, labors, daily vases population, unorganized workers
2. The study subject's utilization of MFIs of some selected personalities and only economic development of villages of Kabirdham district

### Review of Literature

A literature historical details review about the facts and reality related to study in the form of published information of a particular topic in a meticulous subject area for a certain time period.

#### 1. Microfinance – An Overview

Gaur (2010) "basics of Micro Credit –on Rural Orientation" he defined Microfinance as a set of financial activities provided to poor and slum population, which basic aim is to incorporate loans, savings, deposits, insurance, transfer

services etc. He stated that microfinance as a promising strategy for financial inclusion in India. The author has tried to emphasize on the concept of micro-credit, its strengths and weaknesses. As the percentage share of total rural credit, microfinance sector holds 0.68 % in year 2001 and 6.27% in the year 2006.

Wenner (1995) designed first empirical studies on the determinants of repayment system of groups. Sharma and Zeller (1997), concluded the data of 128 groups from four group lending programs in one of the poor countries like Bangladesh, show that repayment problems increase when there are more relatives in the same group. Sharma and Zeller in (1997) elaborated that groups that were formed using a self-selection (screening) process show a better repayment performance.

Zeller and team in (1998), stated that groups with internal rules and regulations demonstrate better repayment rates, a result that was also reported in Wenner (1995). Wydick in (1999), on the basis of data collected from 137 groups from a group-based lending program.

#### 2. Micro finance Institutions (MFIs)

Union Budget of (1998-99), Indian Government announced that NABARD would endeavor to ensure credit linkage of 2 lakh rupees to Self Help Groups in a period of 5 years.

Swarna Gram Swarajgar Yojana (SGSY) introduced in (1999), which was launched with an amalgamation of government programmes RBI (2006),

Hollis and Sweetman in (1998), introduced a concept of mid-19th century Irish loan funds and find that Microfinance institutions were able to lend to the poor at the competitive interest rates without subsidies. Perry (2002) elaborated the concept of Indirect evidence that the poor may not mind paying high interest rates can be drawn from where Microfinance institutions clients borrow funds to become moneylenders, presumably successfully lending at rates higher than their Microfinance institutions charges. According to James C. Brau, and Gary M. Woller (2004), poor who cannot obtain Microfinance institutions membership are thus willing to pay rates higher than that charged by the MFI.

#### 3. Research Methodology

A research methodology is a systematic approach of a blueprint of research process which assist the researcher in his/her study to solve the specific problem.

#### Objectives of the Study

The objective of this study is to find out the impact of (MFIs) on the economic development of the rural population in the Kabirdham district of Chhattisgarh

1. To examine the role of microfinance institutions in the economic development of the rural population in Kabirdham district, Chhattisgarh.
2. To assess the impact of microfinance services on income generation and employment opportunities in rural areas of Kabirdham district

#### 1. Research Design

The research design is a guideline of the research study which indicates the researcher to reach up the level of concept of the study.

**2. Data Collection Procedures**

In the proposed study, the procedure of data collection is Survey method independent variables/attributes and dependent variables/attributes.

**3. Data Gathering Plans**

Survey method is adopted for data collection by administering structured on the basis of designed Schedule.

**4. Sources of Data:** There are two sources of data collection

**5. Primary data**

Data needed for this research is to understand the impact of MFIs, on economic enhancement of Kabirdham district for that primary data sources have been used

**6. Sampling Procedure**

Researcher has used structured schedule for collecting the data by interviewing the clients attached to the MFIs.

**7. Sample size:** For this study sample size is 100 respondents the final schedules have been offered to 100 respondents who are the users of MFIs of different

demographic level of different

**Data Analysis and Interpretation**

This research study SPSS version 23 has been used for the interpretation of data. Hypothesis is used to test the theoretical models based on demographic, Education and social development of microfinance users.

**1. H01a:** Micro Finance does not play any role in Economic development in rural population

**Impact of Microfinance on Economic development of rural population.**

This hypothesis is analyzed through following five statements (items) that are part of Economic development construct:

1. Regarding the business to be started with the loan amount
2. Regarding the use of income generated by the business
3. You can take decision for house hold purchase like equipment/ live stock
4. You have enhanced your income
5. You have enhanced your Saving

**Table 1:** Analysis of each statement

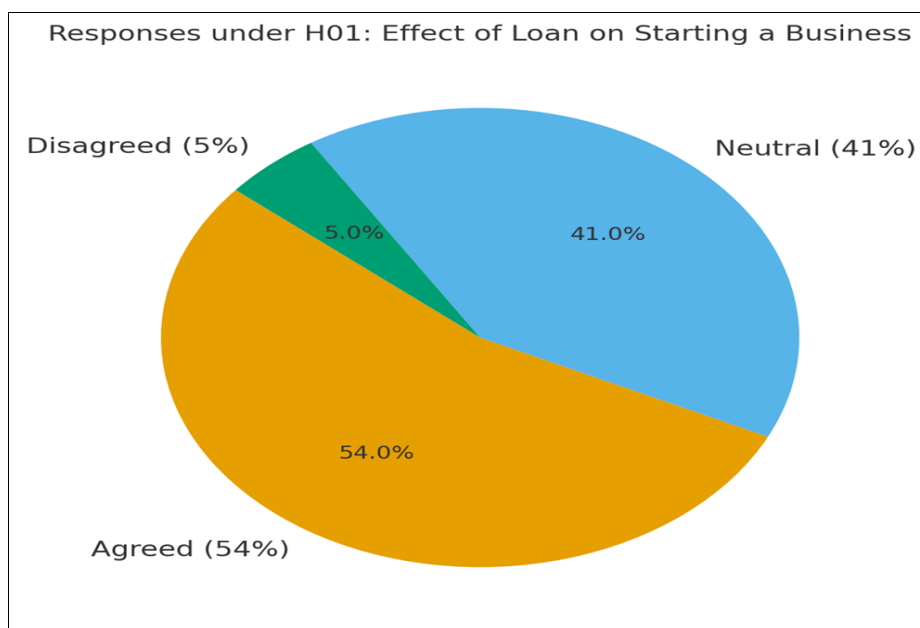
Regarding the business to be started with the loan amount					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.0	1.0	1.0
	Disagree	4	4.0	4.0	5.0
	Neutral	41	41.0	41.0	46.0
	Agree	54	54.0	54.0	100.0
	Total	100	100.0	100.0	

Source: Primary data

**Interpretation**

From above table, under H01, 54% of respondents agreed that they could start a business with the loan, indicating that the loan effectively facilitated entrepreneurship. While 41% remained neutral, suggesting uncertainty about how effectively they could start a business with the loan. And

Only 5% disagreed, indicating a small group found the loan insufficient for business purposes. Therefore, on the basis of response we may conclude that microfinance is an opportunity which can increases the Economic level of rural population.



**Chart 1:** Business Started with Loan Amount

**Table 2:**

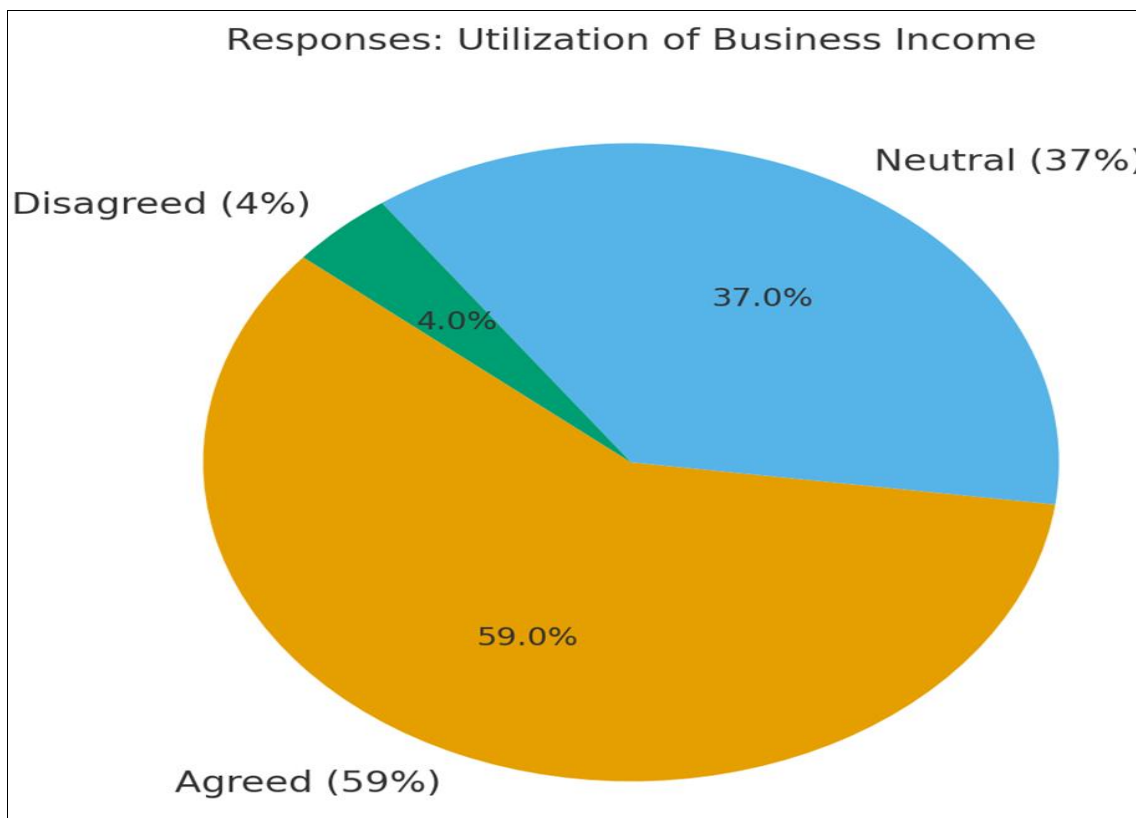
Regarding the use of income generated by the business					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	4.0	4.0	4.0
	Neutral	37	37.0	37.0	41.0
	Agree	45	45.0	45.0	86.0
	Strongly Agree	14	14.0	14.0	100.0
	Total	100	100.0	100.0	

Source: Primary data

**Interpretation**

**Overall agreement (59%):** A majority believe that income from their business is being utilized effectively. Significant neutrality (37%): This may indicate uncertainty about financial management or reinvestment. Low disagreement

(4%): Few respondents found issues with utilizing business income. Therefore, on the basis of response we may conclude that microfinance is an opportunity which increases the income level of rural population.



**Chart 2:** Use of Income Generated by the Business

**Table 3:**

You can take decision for house hold purchase like equipment/ live stock					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	3.0	3.0	3.0
	Neutral	23	23.0	23.0	26.0
	Agree	54	54.0	54.0	80.0
	Strongly Agree	20	20.0	20.0	100.0
	Total	100	100.0	100.0	

Source: Primary data

**Interpretation**

From above table, (74%) or Most respondents used their income for household improvements like equipment or livestock. While (23%): A portion of respondents may not have used their income for such purchases. And Low

disagreement (3%): Very few found it impossible to make such purchases. Therefore, on the basis of response we may conclude that microfinance provides an opportunity which increases the knowledge level of rural population.

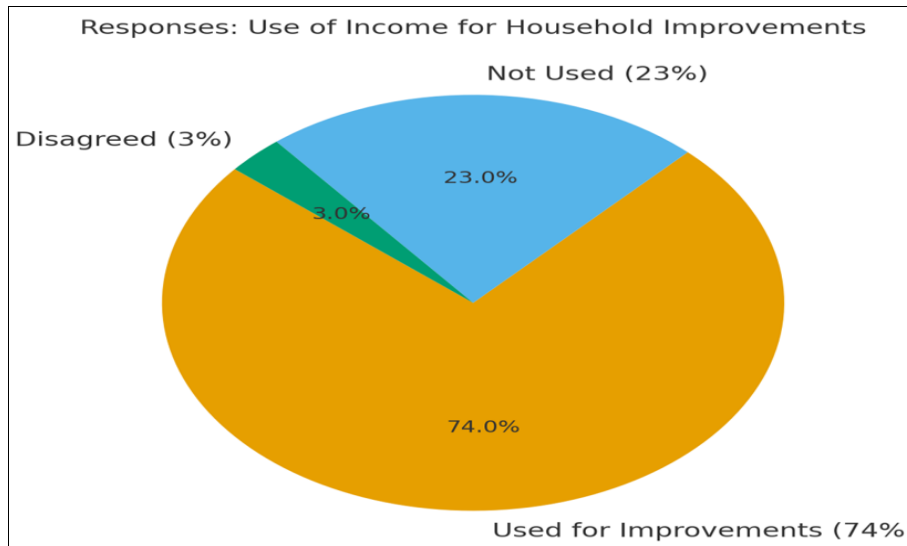


Chart 3: Household Purchases (Equipment/Livestock)

Table 4:

You have enhanced your income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	1.0	1.0	1.0
	Disagree	8	8.0	8.0	9.0
	Neutral	31	31.0	31.0	40.0
	Agree	42	42.0	42.0	82.0
	Strongly Agree	18	18.0	18.0	100.0
	Total	100	100.0	100.0	

Source: Primary data

**Interpretation**

- From above table. 60% report income growth: This suggests that business or financial decisions improved earnings. Moderate neutrality (31%): Indicates income enhancement may not be uniform for all. Minor

disagreement (9%): A small group did not experience income growth. Therefore, on the basis of response we may conclude that microfinance is an opportunity which increases Income Enhancement level of rural population

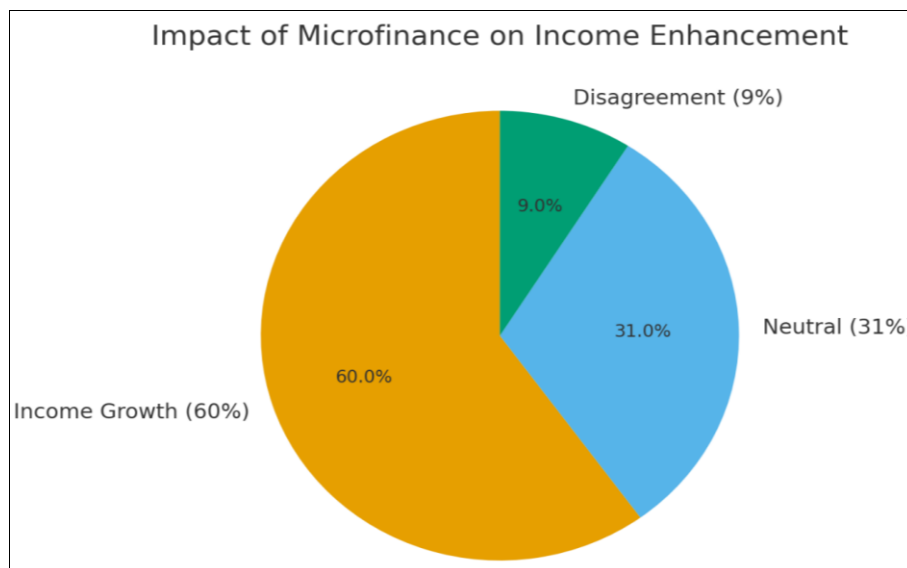


Chart 4: Income Enhancement

Table 5:

You have enhanced your Saving					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	4.0	4.0	4.0
	Neutral	22	22.0	22.0	26.0
	Agree	52	52.0	52.0	78.0
	Strongly Agree	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

### Interpretation

- From above table. 74% improved savings: A strong indicator that income management has been effective. Lower neutrality (22%): Fewer respondents were unsure about their savings status and Minimal

disagreement (4%): A very small fraction felt they were unable to save. Therefore, on the basis of response we may conclude that microfinance is an opportunity which increases Savings Enhancement level of rural population

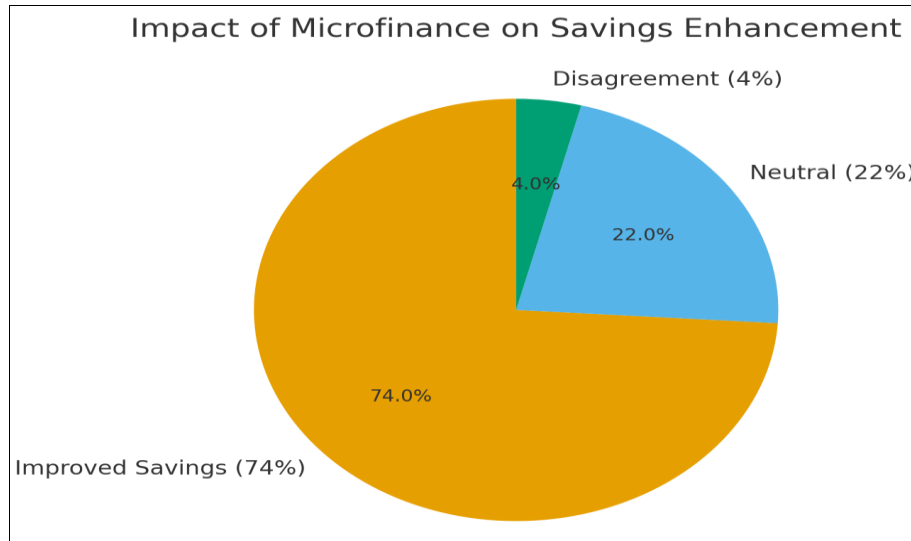


Chart 5: Savings Enhancement

### Conclusion

From analysis it is also clear that more than 54% of respondents agreed that they could start a business using the loan, demonstrating the effectiveness of financial aid in entrepreneurship. 59% confirmed proper utilization of business-generated income, though 37% remained neutral, indicating uncertainty about reinvestment or spending decisions. 74% reported using income for essential household items, equipment, or livestock, reinforcing the positive financial impact. 60% of respondents agreed that their income had improved post-loan, but 31% were neutral, suggesting uneven income distribution or inconsistent financial benefits. 74% of respondents reported enhanced savings, demonstrating that financial stability improved for most participants. From analysis it is clear that more than 70% population are agree that their Economic status has been enhanced. However, a considerable portion remained neutral, particularly in categories related to business utilization and income enhancement, highlighting areas that may require further support or intervention

#### 1. Managerial implication

This study is relevant to the study of Microfinance, its impact on rural population. This study is MFIs professionals, Researchers and academicians alike as it provides a methodology for effectively studying impact of MFIs spacialy in rural areas of Kabirdham district, Chhattisgarh

#### 2. Recommendations & Suggestions

- Workshops & Training:** Organize financial literacy programs to help recipients maximize the benefits of their loans and income. Business Advisory Services: Offer free consultation services to improve financial decision-making.

#### 3. Imitations of the Study.

Due to having limitations of time as well as financial constraints researcher has to limit his study to the

Kabirdham district only. The study is based on 100 respondents, which may not be large enough to represent broader trends. Findings might not be generalizable to different regions or industries.

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