

Impact of Microcredit on Living Standard of Dairy Entrepreneurs at Rayalaseema Region of AP.

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Submitted: 20-06-2022

Revised: 27-06-2022

Accepted: 30-06-2022

ABSTRACT

Microcredit is part of micro finance, which provides a wider range of financial services for low income people. Micro

credit serves as a vital role for living standard of poor people in the developing countries. In this study Rayalaseema region of AP was selected as research area. Most people in the Rayalaseema region area are subordinate to the poverty line, because most of the displaced people who are female other than male staying here. Women lost their male relatives in struggle, and forced to take responsibility of their family in order to look after their children, aged parents and their male relatives. Micro credit helps the poor people particularly women in effective ways in order to create income generating activities. The prime objective of this study is to investigate the impact of micro credit on living standard of dairy entrepreneurs in Rayalaseema Districts. In the rural areas of Rayalaseema

region Divisional Secretariat Divisions 100 dairy entrepreneurs were selected as the sample size of population. The selected entrepreneurs who have received loan from banks for dairy farming activities in Rayalaseema region. Primary data were used for gathering information and quantitative analysis was carried out to find out the results. In the quantitative analysis the correlation and regression methods were employed to examine the hypotheses by using SPSS. The result of this study concluded that there is a positive impact of micro credit on living standard of dairy entrepreneurs. In addition to this, using micro credit facilities create more job opportunities and variety of economic activities and improve

household education, income, saving and health condition of the people. The study recommends that micro credit institutions should consider improve the living standard of dairy entrepreneurs through increase the loan amount with lower interest rate.

Keywords : Microcredit, Dairy Entrepreneurs Living standards

Microcredit plays a vital role in significant innovations in development policy of the past twenty-five years. Microfinance is not a new concept; it comes from the development of Grameen bank concept introduced by Mohammad Yunus in Bangladesh. But it traced back to 1906 in Latin America. Thus, there was evidence for in the social banking, group-based lending, self-help group concepts, etc. Normally rural financial market can identify as formal financial market and informal financial market which act as financial intermediaries. In developing country as a India formal financial institution doesn't serve financial services to the rural sector efficiently. Moreover, Low income people cannot be satisfied regarding formal financial institution's lending procedures. Because they haven't any fixed income way or any collateral to obtain financial services. So, the more people obtain the loans from informal financial institutions or informal money providers as low-income people are facing poorer situation and also, they save their funds in informal channels. So, they don't provide any guarantee for their savings. The microfinance activities have given a financial solution for that kind of people.

Further microfinance comes with the main objective of providing financial services to the poor segments of the society, contributes its role in the form of financial development with a primary focus on enhancing the living standard through poverty alleviation. In the last two decades, there are several modifications in the microfinance sectors such as, introduction of micro insurance, diversification of products, provide instructions and several types of collateral free flexible loan as the capacity of the borrowers.

Microcredit is part of micro finance, which provides a wider range of financial services, especially savings accounts, to the poor. Many traditional banks subsequently introduced micro credit despite initial misgivings. The United Nations declared 2005 as the international year of micro credit. As of 2012 microcredit is widely used in developing countries and is presented as having enormous potential as a tool that can be helpful to possibly reduce feminization of poverty in developing countries.

I. INTRODUCTION

It is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment, and a verifiable credit history. The micro credit movement aims to extend small amounts of capital to poor borrowers throughout the world, typically to facilitate income-generating self-employment activities. Thus, it has popularized creative, perhaps ingenious, lending techniques (Ahlin & Jing, 2008). On the other hand, improvement in living standard of low-income society in developing countries is achieved by improving health, education, income level, physical asset ownership and other living standards. This phenomenon diminishes poverty and foundations to achieve poverty alleviation objectives gradually. Poverty can be identified as where people cannot meet their basic needs for survival, such as food, water, clothing, shelter, sanitation, education and healthcare.

As per Barr (2005) in the global situation, there are about three billion people, half of the world's population, living on the income of less than two dollars a day. Among these poor communities, one child in five does not live to see his or her fifth birthday. To avoid this situation, as early mentioned, micro credit is the best mechanism for improving the living standard of the poor people. Poverty is a mainly rural phenomenon in Rayalaseema and four sectors of poverty can be identified in Rayalaseema

society, such as rural, coastal, urban and state sector. Low level of living conditions also affect the government policies and their development programs.

Rayalaseema districts are considered one of the more prosperous districts in comparison with other districts in the North. However, poverty raised by inequalities in income, employment, infrastructure, health and educational facilities is trickled within the post-war situation. Prior to the explosion of the civil conflict, Rayalaseema districts enjoyed a healthy economy. The foreign aids are used to develop the local economy in Rayalaseema most probably in the war affected areas specifically in Rayalaseema districts because most of the displaced people who are female other than male staying here. This study deals with the empowerment of rural dairy entrepreneurs through the micro credit activities and the challenges and scenarios under the post war development in selected rural areas in Rayalaseema districts. Therefore, this study is an endeavour to investigate the extent to which these micro credit activities of Rayalaseema lead to enhance the living standard of poor people in Rayalaseema region.

1. Problem of the Statement

It is accepted from the researches that the micro credit is an important tool to enhance the entrepreneurship development in the developing countries as well as in Rayalaseema. In the post war context, it has been realized from the past

experiences in Rayalaseema. However, there are some challenges and difficulties facing by entrepreneurs for their sustainable development.

The most people in the Rayalaseema region area in Rayalaseema region are subordinate to the poverty line. The economy of the district mainly depends on agriculture and fishing. The agriculture sector is the main income generating source in this district and the livestock is an important sector of the people of Rayalaseema region. Livestock is a high priority sector for future growth, investment and poverty alleviation. Livestock farming is a traditional activity of the Rayalaseema region people. Livestock provides not only the supplementary income but also a main source of animal protein.

However, people face various tribulations on livestock farming in this area such as death of the cattle due to the war context and continuous climate changes, due to the high temperature and urbanization the water has been drained and grazing lands have been destroyed thus maintenance cost of the livestock increased.

As well as higher cost of cattle feed and increase in the cost of labour have an impact on the development of dairy farming. So, the people need capital to manage the maintenance cost and purchase the new cattle. After the resettlement people faced a lot of hardship to mobilize capital to start and continue to run the self-employment activities. The Micro credit becomes a major tool for development of entrepreneurs in Rayalaseema.

Micro finance Institutions as part of their core business provide credit facilities to the entrepreneurs. In addition to the financial services, it provides social intermediations, enterprise development and social services like business and skill training, financial and business management and capacity building to improve their capacity on managing the resources granted to them to facilitate the self-employment activities. Further, the numbers of micro finance institutions in Rayalaseema region are growing rapidly. However, their wide existence does not match with the extent of reduction in the major challenges that affect the growth of self-employment activities in Mullaitivu. So, there is a way to mobilize such capital through the micro credit.

However, the most of the researches have been done regarding the women empowerment, entrepreneurship development and micro credit programmes in worldwide, it is very little bit in Rayalaseema especially in Rayalaseema districts.

2. Objective of the Research

- The prime objective of this research is to investigate the impact of micro credit on living standard of dairy entrepreneurs in Rayalaseema region

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Kaluarachchi & Jahfer (2014) investigated micro finance and poverty alleviation in Rayalaseema using selected microfinance beneficiaries from Polonnaruwa District. Attention was mainly given to identify the contribution of microfinance for the poverty alleviation. Accordingly, loan amount, repayment ability, accessibility of getting loan and interest rate were identified as significant factors that lead to reduce poverty among people. Finding further indicated that microfinance initiatives of the area had significantly uplifted lives of the poor.

Jayasuriya (2007) investigated the impact of microfinance on poverty alleviation in Rayalaseema through the impact of saving and credit programme for uplifting living condition of the poor. The study collected data from five banks and 20 holders randomly from Kegalle District. Findings of the study indicated that credit scheme helps poor people to sustain their current lives.

Further in Rayalaseema context the microfinance and livelihood development in poor coastal communities in Eastern Rayalaseema was examined by Thilepan & Thiruchelvam (2011). This study investigated the effectiveness of microfinance support for coastal communities' livelihood development in Trincomalee District. The study found that there is a significant impact of microfinance on people's income and saving level.

Abel, Grace, Willie (2014) investigated factors influencing poverty alleviation amongst microfinance adopting households in Zambia. Findings specified that majority of respondents could improve their well-being through microfinance initiatives. A study done by Awele Oguejiofor & Unachukwu (2014) identified interest rate, small size of loans, short loan repayment cycles, and very frequent group meeting as factors that affect successful graduation of microfinance clients from microfinance programs in Philippines.

The impacts of microfinance institutions on eradication of poverty in Meru South Sub County were examined by Makunyi (2017). The target population for this study comprised of all beneficiary households of Microfinance Institutions (MFIs) in Meru South Sub County and sample was 30% of the target population. Findings of the study highlighted microfinance institutions as a very strong tool in poverty alleviation process at household level. In

this process micro credit empowers the poor, enables them to cope with and overcome many of problems that they face. Further, microfinance loans were found to have led to establishment and expansion of businesses, acquisition of shelter, education, access to health care and opening up of opportunities for the poor to improve their living standard.

Idowu & Salami (2011) also examined impact of microfinance bank on standard of living of hairdressers in Oyo State. A total of 49 hairdressers who registered with Ogbomosho North LGA were used as study sample. The findings of the study indicated that there is a significant relationship between Microfinance bank efforts and standard of living of hairdressers in Ogbomosho North LGA. Similarly, a positive impact of microfinance on living standard was found in Nigerian context by Imoisi & Opara (2014).

Kenduiwa & Jahfer (2016) investigated the influence of smallholder dairy farmers' participation in microfinance on breed improvement in dairy farming in Longisa Sub-Country, Bomet Country, Kenya. Using ordered logistic regression this study revealed that the amount of microfinance credit accessed influenced the type of breeds kept by smallholder dairy farmers. Dairy breeds kept could be attributed to the amount of MFI's credit accessed. The most common type of dairy cattle breed in the study area was indigenous cattle. Smallholder dairy farmers should take advantage of the available and upcoming microfinance institutions in their effort to obtain the necessary finances for breed improvement.

Taj et al., (2012) found that micro credit significantly increased livestock population in agriculturally landless and landowning families. The special emphasis of the study was on the women livestock raisers. The study revealed the impact of institutional credit in terms of women empowerment, improved households' income and consumption.

Boney Bose (2017) investigated the effect of microfinance on dairy sector for poverty alleviation in Kerala.

This study indicates that microfinance has made rapid changes for beneficiaries of dairy sector and it has improved their standard of living. Although the dynamics underlying the micro finance industry have shifted to a new phenomenon that many decision makers still do not fully understand, the risks need to be managed efficiently in the industry of micro finance. The members working under microfinance are able to lead a better life compared to when they were before. They are able to provide better facilities for their family and also provide better education to their children. The next decade will most probably see a continuation of this growth. Such growth is not only sought by many MFIs but also needed in most countries because the unnerved and underserved markets continue to remain

large. There should be also good support from government side. Further schemes should be introduced to support the dairy farmers, proper market and training programmes should be given for them. Proper awareness also should be given for dairy farmers to increase production and improve the productivity of milk. Khandker (1998) conducted a study on income and employment effects of micro-credit programmes in Bangladesh. The article has attempted to quantify the village level impacts of the three most important micro-credit programmes of Bangladesh, namely Grameen Bank, Bangladesh Rural Advancement Committee (BRAC), and Bangladesh Rural Development Board's (BRDB) RD-12 project. Descriptive and econometric analysis showed that these programmes have positive impact on income, production, and employment, particularly in the rural non-farm sector. Also, growth in self-employment was achieved at the expense of wage employment, which implied an increase in rural wages. Khan & Rahaman (2007) investigated impact of

microfinance on living standards, empowerment and poverty alleviation of poor people in the Bangladesh. From analysis of data, the study found that microfinance has a positive impact on the standard of living of the poor people and on their lifestyle. Study further indicated that microfinance has not only helped the poor people to come over the poverty line, but has also helped them to empower themselves in the Bangladesh. Based on the literature review the following hypotheses have been developed in order to conclude the results. **H₁: There is a significant impact of micro credit on living standard of dairy entrepreneurs**

III. CONCEPTUAL FRAMEWORK

The conceptual model which is developed based on the literature review represents the association between micro credit and living standard of dairy entrepreneurs. In this research the main problem is that how micro credit impact on living standard of dairy entrepreneurs. This problem could be conceptualized based on the factors assumed that can cause for this problem.

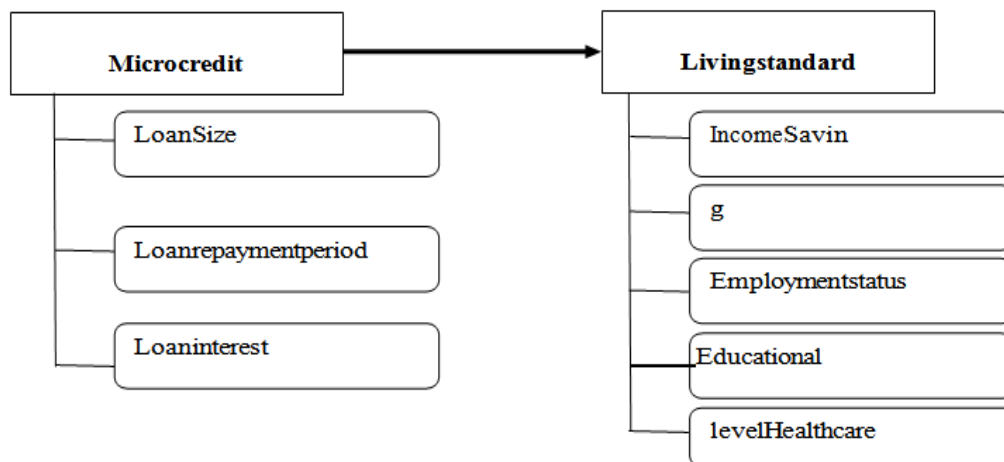


Figure 1. Conceptual Model

Micro credit is measured by loan size, loan repayment period and loan interest whereas the living standard considers income, saving, employment status, educational level and healthcare.

IV. METHODOLOGY

Research methodology focuses on the research process a kind of tools and procedures to be used. It describes research design, sampling procedure, data sources, instrumentation, and mode of analysis

6.1 Data Collection

Data collection is important to gather the required

information and maintain the integrity of research. In this study the primary data has been collected by using questionnaire to identify the impact of micro credit on living standard of dairy entrepreneurs in Rayalaseema region. Questionnaires were issued to get the data from selected 100 beneficiaries from Rayalaseema region.

6.2 Population and Sample

Two-stage random sampling technique is suitable for selecting samples to achieve the research objective. In the first stage of random sampling, bank had been selected randomly for data collection purpose. In the second stage, the dairy entrepreneurs

who live in the Rayalaseema region s were selected. Rayalaseema region consist of 6 divisional secretariat division, 136 Gramaniladharidivisions and 632 villages. The population of this study is 257 dairy entrepreneurs and the information has been collected from 100 respondents who were selected randomly.

6.3 Empirical Model

To determine the impact of micro credit on living standard, an empirical model was used and stated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where,

$\beta_0, \beta_1, \beta_2, \beta_3$ are the regression coefficient
 Y - Living standard (dependent variable)
 X_1 - Loansize

X_2 - Repayment period
 X_3 - Interest rate
 ϵ - Error term

V. RESULTS AND DISCUSSION

7.1 Correlation Analysis

The Pearson correlation coefficient is presented to illustrate the relationship as well as the statistically significant between independent variables and dependent variables. In addition, Pearson's correlation analysis method is chosen because the correlation can be compared without regarding to the amount of variation exhibited by each variable separately. Purpose of the correlation analysis in this study is to find out the significant relationship between micro credit and living standard.

Table 1. Correlations between micro credit and living standard

		Living Standard	MicroCredit
Living standard	Pearson Correlation	1	.715**
	Sig. (2-tailed)		.000
	N	100	100
Microcredit	Pearson Correlation	.715**	1
	Sig. (2-tailed)	.000	
	N	100	100

** .Correlation is significant at the 0.01 level (2-tailed).

Source: Survey data 2019

Table 1 represents the correlation coefficient between micro credit and living standard of dairy entrepreneurs in Rayalaseema region. The value of correlation between micro credit and living standard is 0.715 ($p=0.000 < 0.01$) which represents a significant and positive association between micro credit and living standard at 0.01 levels. Therefore, micro credit is strongly positive associated with living standard of dairy entrepreneurs.

7.2 Regression Analysis

Regression analysis which is a statistical process used to examine the impact of independent variable on dependent variable. In this study regression analysis is employed to examine impact of micro credit on living standard of dairy entrepreneur in Rayalaseema region. The results of the regression analysis are given below.

Table 2. Regression Analysis

Model	Coefficients ^a				t	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
1	(Constant)	2.363	5.743		.411	.682
		1.783	.176	.715	10.130	.000
R=0.715		Adjusted R Square=0.507		F=102.610		
Sig=.000 ^b Dependent Variable: Living Standard						

Source: Survey data 2019

The above table 2 indicates that the summary of coefficient of regression between the micro credit and living standard. The coefficient of regression (β) 1.783 for micro credit which indicates if micro credit increased by 1 or 1% the living standard also will increase by 1.783. The P-value for two tailed test is 0.000, which is less than 0.01 significant level therefore there is a significant positive impact of micro credit on living standard of dairy entrepreneurs.

VI. CONCLUSION AND RECOMMENDATION

The results demonstrate that the micro credit plays an important role on reducing poverty, improving income of household, improves access to children's education and also supports improving self-employment activities of poor people. It is found that interest free loans could be used as a powerful tool against poverty. Education and training should be provided for micro credit beneficiaries on how to efficiently utilize the funds. Interest charged on micro credit should be reduced. Further management and staff of micro credit institutions must be given the needed training and education to help build and strengthen the skill, competencies and abilities for effective service delivery. Efforts should also be made to reach the poor who are the target of micro credit policies and programs. Loan products should be of a longer duration to give beneficiaries opportunities to generate future income out of the borrowed money. Loans should not be callable by the financial institution prior to maturity. Nowadays program has increased their level of credit for the purpose of beneficiaries. As the micro credit institutions are developing very rapidly, which are increasingly concerned with developing new products and services. The micro credit institutions have experienced dramatic growth during the last two decades, in general and the last decade, in particular. This study indicates that micro credit has made rapid changes for the beneficiaries of dairy sector and it has improved their standard of living. The members under the credit are able to lead a better life compared to when they were before. They are able to provide better facilities for their family and also provide better education to their children. There should be also good support from government side. Further schemes should be introduced to support the dairy farmers, proper market and training programmes should be given for them. Proper awareness also should be given for dairy farmers to increase production and improve their living standard.

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