

Micro-Finance for Rural Livelihood in District Hoshangabad of Madhya Pradesh

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ABSTRACT

Rural life faces a very limited flow of cash and local moneylenders are the only source of credit which results into exploitation of various kind. Institutional micro-finance for rural entrepreneurship to farm and non-farm sectors assure timely availability of credit in form of cash or kind at nominal rate of interest. To understand money utilization pattern of the micro-finance by the beneficiaries, their attitude and repayment pattern, this study was undertaken. The study shows that maximum beneficiaries of the micro-finance belonged to farm sector (71.2 percent). A fair 89.39 percent of the beneficiaries utilized the micro-finance in the same enterprise, which they have demanded for. Majority (83.33%) had highly favourable attitude towards micro-finance. The repayment pattern with 11.36 percent increased for credit up to Rs. 5000/- and 24.2 percent increased for more than Rs. 5000/- was found quite encouraging. The study concludes that rural livelihood can be best supported by institutional micro-finance.

Key words: Rural life; Flow of cash; Moneylenders; Micro-finance; Rural entrepreneurship, Rural livelihood

About three quarters of the world’s absolute poor live in rural area. Presently less than 10 % of the rural workers in India are employed on a regular basis (Datta *et.al.* 2004). Livelihood is a set of economic activity involving self-employment and / or wage development to meet the requirement of self and the household. Earning money to meet the both ends is the pre-requisite of mankind for which an enterprise is taken up. At village level, financial resource crunch is the main impediment in livelihood promotion and institutional micro-finance is an effective answer to it. Many studies confirm that the availability of the institutional credit has accelerated the livelihood in the rural life. The study was carried out with following objectives: (i) to study the money utilization pattern of the micro finance among beneficiaries. (ii) to know the attitude of the beneficiaries towards micro-finance. (iii) to study the repayment pattern/ status of the micro-finance.

METHODOLOGY

The study was conducted during 2004-05 in district Hoshangabad. Three villages were selected as the study area where micro-finance for farm sector was provided by a private agency through an NGO at 0 percent rate of interest. The data was collected by using an interview schedule. Data were analyzed by suitable statistical techniques.

A prior need identification session was conducted to know the requirements of villages by the agency and after that the micro-finance was provided. Various interventions are there to promote self-employment at

village level. Institutional micro-finance in the form of cash or kind helps in livelihood promotion in farm and non-farm sectors.

RESULTS AND DISCUSSION

Table 1 shows the distribution of the beneficiaries as per their requirement of micro-finance. It shows that maximum beneficiaries (71.2%) belonged to farm sector followed by those 28.8 percent who belonged to non-farm sector.

Table 1. Distribution of beneficiaries

Village	Beneficiaries			
	Farm Sector		Non-farm Sector	
	Number	Percentage	Number	Percentage
Anwari	10	15.15	8	12.12
Dolaria	8	12.12	8	12.12
Berakhaedi	29	43.93	3	4.55
Total	47	71.2	19	28.8

The data in Table 2 shows money utilization pattern of the beneficiaries. It shows that maximum 89.39 percent beneficiaries utilized the money in the same enterprise, which they have demanded for whereas, 10.61 percent beneficiaries diverged the money in to other enterprises.

Table 2. Utilization of the micro-finance by the beneficiaries

Number of Beneficiaries	Frequency	Percentage
Utilized in the same enterprise	59	89.39
Diverged to other enterprise	7	10.61
Total	66	100

Table 3: Attitude of beneficiaries towards micro-finance

Attitude	Frequency	Percent
Highly favourable	55	83.33
Favourable	8	12.13
Non-favourable	3	4.54
Total	66	100

Table 3 shows that attitude of maximum beneficiaries (83.33%) had highly favourable towards micro-finance which was followed by the beneficiaries who had favourable attitude (12.13%). Least percent of beneficiaries (4.54 %) had non-favourable attitude.

Table 4. Repayment Pattern

Amount Financed (Rs.)	Amount to be Paid in First Installment (Rs.)	Amount paid in First Installment (Rs.)	Percentage Increase	Defaulters
Up to 5000	4400	4900	11.36	00
More than 5000	5750	7150	24.2	00

Beneficiaries, who took micro-finance up to Rs. 5000/-, repaid 11.36 percent more money, as compared to the amount to be paid as first installment. Beneficiaries, who took micro-finance more than Rs. 5000/-, repaid 24.2 percent more money as first installment. Rest of the money was paid in second installment. It shows that repayment pattern of the micro-finance was quite encouraging (Table 4). This finding is similar with findings of Virk *et.al.* (2003).

CONCLUSION

Institutional micro-finance provides an opportunity for respectful livelihood to the rural people belonging to farm sector or non-farm sector. Maximum 89.39 percent beneficiaries utilized their micro-finance into same enterprise, which they have demanded for. Attitude of the maximum 83.33 percent beneficiaries towards micro finance was found highly favourable and the repayment pattern in two installments was found full and quite encouraging.

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