

THE IMPACT OF MICRO CREDIT ON EMPLOYMENT AND INCOME (WITH SPECIAL REFERENCE TO VILLUPURAM DISTRICT)

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Abstract

Micro credit as small loans extended to the poor for undertaking Self-employment projects that would generate income and enable them to provide for themselves and their families. In the present context, micro credit denotes a loan amount of less a Rs.50000 borrowed through micro credit programmes for income generating self-employment projects. In recent years micro credit is widely accepted as an instrument of employment generation and Income. In this regard, the present paper tries to analyse the extent of influence of micro credit on employment and income in the Villupuram District of TamilNadu.

Keywords: *Micro credit, Self-employment projects, employment generation, short-term credit, SGSY, SHGs, Mahalir Thittam*

Introduction

Micro credit as small loans extended to the poor for undertaking Self-employment projects that would generate income and enable them to provide for themselves and their families. In the present context, micro credit denotes a loan amount of less a Rs.50000 borrowed through micro credit programmes for income generating self-employment projects. In recent years micro credit is widely accepted as an instrument of employment generation and Income.

Micro-credit is provided to start small business or income generating activities to the people, who do not have their own source of finance to venture into business activities. For the establishment of micro-enterprise, one needs long-term credit for simple tools, machines/equipment and short-term credit for raw materials and day-to-day working. Those who go for small service and trading (In activity such as tailoring, cloth vending, cycle repair, ironing of cloths, tea stall, fast food, decoration, sari trade, selling fruits, vegetables, papad, paper, sweet-box making, garments making, embroidery, knitting, etc.) need credit ranging from Rs. 500 to Rs. 25000. However, for manufacturing and other service businesses like Xeroxing, packaging materials, stapler pin manufacturing, food products, etc. credit needs are higher ranging from Rs. 10000 to Rs. 50000.

Methodology

To examine the impact of micro credit programmes Tamil Nadu has been selected since next to Andhra Pradesh, TamilNadu scores second position in the implementation of micro credit programmes. TamilNadu government is giving priority for the implementation of micro credit programmes in Villupuram district. Hence, Villupuram district has been selected for the analysis 11 blocks out of 22 blocks SHGs is selected by the researcher, the

researcher for the analysis surveys 400 households. The researcher also collected secondary information from the district headquarters of DRDAs, NGOs and Mahalir Thittam located in Villupuram, Tamil Nadu statistical Hand Book, census of India report and Tamil Nadu Human Development.

In the study area SGSY which also includes SHGs is the most important micro credit programme. Hence, the impact of SHGs on employment and income is given priority in this analysis. To have a clear idea the following objectives has been taken by the researcher. The aim of the study is the impact of micro credit on employment and income generation.

Analysis

Pattern of Occupational changes

From table 1 it is inferred that nearly 40 per cent of programme households worked as cooley before they joined the programme. After getting loan from micro credit programmes, 11 per cent has started petty businesses and another 11 per cent has established business. Street vending and servicing have been engaged by 6.5 per cent of households in

Table 1: Pattern of Occupational changes

Present Occupation \ Previous Occupation	Dairy	Artisan	Cooley	Street vendor	Petty Business	Business	Service	Total
Non-poor								
Cooley					1 (0.5)			1 (0.5)
Poor								
Dairy						1 (0.5)		1 (0.5)
Artisan						2 (1.0)		2 (1.0)
Cooley	2 (1.0)	2 (1.0)		3 (1.5)	1 (0.5)	10 (5.0)	3 (1.5)	21 (10.5)
Petty business						2 (1.0)		2 (1.0)
Very Poor								
Dairy		1 (0.5)						1 (0.5)
Artisan				1 (0.5)	1 (0.5)			2 (1.0)
Cooley	8 (4.0)			9 (4.5)	21 (10.5)	12 (5.0)	10 (5.0)	60 (30.0)
Petty business						4 (2.0)		4 (2.0)
Total	10 (5.0)	3 (1.5)		13 (6.5)	24 (12.0)	31 (15.5)	13 (6.5)	94 (47.0)

Source: Computed

Figures in parentheses represent percentages

each category. Further, nearly 40 per cent of the total households has changed their employment from wage (Cooley) employment to self employment. The results of the table prove that micro credit programmes not only help the poor to start and improve their businesses but shift their occupation from wage employment to self employment. The main aim of the micro credit programmes is to create self-employment among the programme participants. In this context, Micro credit in non-farm sector proved the theory of loss of wage employment and rise in self-employment. The loss of wage employment and rise in self-employment need not necessarily generate employment among the programmes. So, the question raised here is whether the micro credit programmes generate employment significantly among the participants. The following table examines to what extent micro credit generates employment in non-farm sector among unemployed participants in Villupuram District.

Micro Credit and Shifting from Unemployment to Self Employment

Table 2 documents micro credit and shifting of unemployment to self-employment. For example, 3 per cent of programme households developed their businesses from petty business to businesses. Further, 7 per cent of programme households were unemployed before joining the programmes and after joining the programmes, they got loan from credit programmes and they have started self-owned businesses. In conclusion, in Villupuram district, the micro credit programmes help start self-employed non-farm businesses among programme participants on the one hand and on the other hand, it helps participants to develop their businesses also.

Table 2: Micro Credit and Shifting from Unemployment to Self Employment

Category	Dairy	Artisan	Cooley	Street vending	Petty business	Business	Servicing	Total
Non-poor						1 (0.5)		1 (0.5)
Poor				1 (0.5)	2 (1.0)	3 (1.5)		6 (3.0)
Very poor	1 (0.5)				2 (1.0)	2 (1.0)	2 (1.0)	7 (3.5)
Total	1 (0.5)			1 (0.5)	4 (2.0)	6 (3.0)	2 (1.0)	14 (7.0)

Source: computed

Figures in parentheses represent percentages

Impact of Micro Credit Programmes on Employment

The table does not explain to what extent, the micro credit programmes help generate employment among the participants. To analyse the issue, simple linear regression is used and the results are presented in table 3. To analyse the impact of micro

credit programmes on employment, dummy variable i.e. 1 for programme participants and 0 for controlled group is used.

Table - 3 Impact of Micro Credit Programmes on Employment

Category	Constant	Coefficient of micro credit programme	R ²	F-value
Non-Poor	350.400 (3.670)	0.756 (3.270)	0.572	10.694
Poor	459.319* (8.651)	0.260** (2.872)	0.067**	8.249
Very Poor	380.514* (14.325)	0.474* (8.886)	0.225*	78.955
Overall	398.280* (16.869)	0.419* (9.200)	0.173*	84.646

Source: Computed

* Significant at 1 per cent level.

** Significant at 5 per cent level.

From the results, the following inferences are arrived. The overall results indicate that the micro credit programmes are positively influencing employment generation in the study area of Villupuram district since the value of co-efficient of micro credit programmes receive positive sign and it is also statistically significant at 1 per cent level. From the R² value, one can conclude that micro credit programmes determine employment generation by 17 per cent only.

From this table, it can be concluded that the micro credit programmes are influencing employment in non-form sector positively and significantly in Vilupuram district.

From the preceding analysis, it is concluded that micro credit programmes generate employment among sample households in Vilupuram district. The general assumption is that the employment generation accompanies income generation. The following tables and discussions answer the questions such as,

- Do micro credit programmes generate income? If it is so,
- To what extent the micro credit programmes help generate income in the study area?

The succeeding discussions are an attempt in this direction.

Income from Micro Credit Enterprises

The income from micro credit enterprises is presented in table 4.

Table - 4 Income from Micro Credit Enterprises

Category	No. of Households	Average (Per Month)		
		Turn over	Total cost	Net Turn- over
Non-poor	5	3080.00 (100)	2468.69 (80.15)	611.30 (19.85)
Poor	69	3561.23 (100)	3200.54 (89.87)	360.69 (10.13)
Very poor	169	3157.94 (100)	2931.86 (92.84)	226.07 (7.16)
Total	200	3295.12 (100)	3012.97 (91.44)	282.14 (8.56)

Source: Computed

Figures in parentheses represent percentages

Table 4 investigates the average turnover of the micro credit enterprises of the programme participants of sample households. The net turnovers from the micro credit enterprises are negligible for all three categories. The net turnover from micro credit programmes has been relatively higher for non-poor as compared to poor and very poor. The net turnover for very poor has been hardly Rs. 282 per month only and this has been Rs. 360 for poor households. From the table, it can be concluded that the income generated with the help of micro credit programmes is very negligible in the study area.

From the above discussions, it can be concluded that micro enterprises started through micro credit programmes generate income irrespective of occupation and economic status of the programme participants.

The above findings have led the researcher to do further analysis of measuring the degree and magnitude of influence of micro credit programmes on income generation. In order to analyse the impact of micro credit programmes on income, the linear regression technique is applied and here also dummy variable is used. The results are presented in table 5.

Impact of Micro Credit Programmes on Income

From the table 5 it is inferred that although micro credit programme has positive impact on income, it is statistically insignificant. The value of coefficient of determination is also very less (0.001) i.e., the micro credit determines income by 1 per cent only.

Table - 5 Impact of Micro Credit Programmes on Income

Category	Constant	Coefficient	R ²	F-value
Non-poor	81400.00* (29.023)	-0.938* (-7.634)	0.079*	58.280
Poor	37680.43* (21.540)	0.160 (1.728)	0.026	2.987
Very poor	26204.80* (38.567)	0.110 (1.827)	0.012	3.337
Overall	30281.45* (32.595)	0.027 (0.536)	0.001	0.288

Source: Computed

* Significant at 1 per cent level

The length of membership and amount borrowed from micro credit programmes are positively and significantly influencing employment and income is being investigated here.

Impact of Length of Membership on Employment

The combined effect of both these independent variables has not been taken for further analysis. Hence, the individual impact of the above variables on the income and employment are being examined by applying simple linear regression technique. First, the impact of length of membership on employment is analysed and the results are presented in tables 6

Table 6: Impact of Length of Membership on Employment

Category	Constant	Co-efficient	R ²	F-value
Non Poor	588.649 (2.685)	0.342 (0.573)	0.117	0.397
Poor	720.297* (7.722)	0.095* (10.783)	0.009	0.613
Very Poor	694.494* (7.826)	0.039 * (9.433)	0.002	0.187
Overall	699.610* (10.871)	0.067* (10.104)	0.092	*0.011

Source: Computed

*Significant at 1 per cent level.

From the table, it is identified that the value of co efficient of length of membership for overall 200 sample households is positive and statistically significant at 1 per cent level indicating the increase in length of membership in the micro credit programmes leads to generate employment opportunities among participants. The value of coefficient of determination (R²) is 0.092 implying that employment is determined by length of membership by 9 per cent only.

Impact of Amount Borrowed on Employment

It is believed that increase in employment leads to increase in income. In this context, the researcher has analysed the impact of length of membership on income by applying the technique of simple linear regression and the results are furnished in table 7.

Table 7: Impact of Amount Borrowed on Employment

Category	Constant	Co-efficient	R ²	F-Value
Non Poor	654.676 (2.685)	0.374 (0.535)	0.140	0.488
Poor	678.973* (8.774)	0.043 (0.356)	6.002	0.127
Very Poor	748.372* (10.782)	0.032 (0.353)	6.912	0.125
Overall	716.759* (14.021)	0.020 (-0.275)	9.212	0.076

Source: Computed

*Significant at 1 per cent level.

Impact of Amount Borrowed from Micro Credit on Income

Though the value of coefficients of length of membership is positive for all categories, at the same time these values are statistically insignificant (vide table 6). Though length of membership and amount borrowed are highly correlated with each other, the individual impact of amount borrowed on employment and income is attempted here by applying linear regression technique and the results are presented in tables 7 and 8.

Table 8: Impact of Amount Borrowed from Micro Credit on Income

Category	Constant	Co-efficient	R ²	F-Value
Non-Poor	29901.581 (1.309)	0.216 (0.383)	0.047	0.147
Poor	33764.603* (6.211)	0.245 (2.071)	0.060	4.289
Very Poor	36828.811* (8.005)	0.026 (0.287)	0.001	0.082
Overall	39196.237* (10.412)	0.085 (1.201)	0.007	1.442

Source: Computed

*Significant at 1 per cent level.

The results of the impact of amount borrowed from micro credit programmes on employment emphasized the fact that the value of coefficient of amount borrowed is positive for all three categories and for overall participants.

From the above discussions, it can be concluded that the length of membership and amount borrowed are positively and significantly influencing employment and not significantly influencing income of the programme participants.

Conclusion

Length of membership in micro credit does not influence the income among the participants, which attributed that the micro credit programmes help the participants to change over from wage employment to self-employment like petty businesses. These petty businesses have limited scope for income generation. Most of the participants are engaged in petty businesses, which cannot generate income significantly. At the same time these businesses are able to absorb family members who may be unemployed or underemployed previously.

From the findings, it can be concluded that the hypothesis viz, The length of membership and amount borrowed from micro credit programmes are positively and significantly influencing employment and income is partially validated. That is, the length of membership and amount borrowed from micro credit programmes are positively and significantly influencing employment rather than income.

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