



## **IMPACT OF MICRO FINANCE ON ECONOMIC DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISE (MSMES) MANAGERS IN ANANTHAPURAMU DISTRICT OF ANDHRA PRADESH: AN EMPIRICAL ANALYSIS**

**D. Raveendra Reddy\***      **M Hampanna\*\***

*\*Research Scholar, SK Institute of Management. S.K.University, Ananthapuramu.*

*\*\* Professor (Retd ,)SK Institute of Management.S.K.University,Ananthapuramu.*

### **Abstract**

*Micro-Finance is one of the tools for reducing poverty in developing countries like India. It also improves socio-economic conditions of the rural entrepreneurs and making definite impact on socio-economic development of MSMEs managers in rural Andhra Pradesh in general and Ananthapuramu in particular. In this context, Micro-finance has gained a lot of significance and momentum in the recent times, in accomplishing the goal of growth and development especially in rural areas. The present study focuses on socio-economic empowerment of managers through micro-finance in Ananthapuramu District of Andhra Pradesh.*

### **Introduction**

India is one of the developing countries of the world. It is endowed with rich natural resources including human resources. Majority of its population depends on agriculture sector and this sector contributes a substantial income to National Gross Domestic product. But, of late this sector has been suffering from lack of sufficient and timely rains, prevalence of drought-prone conditions, use of traditional methods and indigenous technology, lack of reasonable prices, small land holdings and low agricultural productivity, farmers' indebtedness because of frequent crop failures and natural calamities, improper and poor supply of high yield varieties of seeds with subsidies<sup>1</sup>. Besides, in the recent past, small and marginal farmers from rural and urban areas are major for seeking employment. In spite of the government institutional and policy measures taken at all levels since Independence still, unfortunately this sector has not been found feasible and viable. Therefore, the industrial sector considered by the policy makers to solve these problems and achieve the India's sustainable socio-economic development. Hence, the dire need for and importance of industrial sector.

Micro, Small and Medium Enterprises (MSMEs) are treated as back bone of economies of any country, since they create jobs, use local resources, skills, less capital intensive, simple and flexible technology adoption and can be replicated based on the need of the region. Ancillary units which support Mega industries are also MSMEs provide support services. They contribute to social justice & decentralization of economic activities. Concept of cluster development has been engine for fostering the growth of MSMEs and artisan sector. These clusters add value to the economic growth. Worldwide, MSMEs have been accepted as the local players of economic growth for promoting equitable development. The MSMEs constitute over 90 percent of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports<sup>2</sup>. In India too, the MSMEs play a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and around 40 per cent of the total export of the country<sup>3</sup>. Further, in recent years the MSMEs sector has consistently registered higher growth rate compared to the overall industrial sector.



### Objectives of the study

1. To study the conceptual framework of Micro finance
2. To analyze the impact of micro finance on socio-economic development of MSMEs managers in Ananthapuramu District

### Hypothesis

H<sub>0</sub> : There is no significant impact of Micro finance on economic development of MSMEs managers

H<sub>1</sub>: There is significant impact of Micro finance on economic development of MSMEs managers.

### Sample design

Ananthapuramu District is the biggest district of Andhra Pradesh. It is situated in the western part of Deccan plateau and forms the southernmost part of Rayalaseema. The district is the one of the backward districts of Rayalaseema Region in Andhra Pradesh. The district is consisting of five revenue divisions. Ananthapuramu District has total 2812 MSME's. The study will cover only three revenue divisions. From each division, 100 sample MSMEs managers have been selected randomly. All together 300 sample respondents were selected from three revenue divisions.

### Data collection

The study is based on both primary and secondary data. The primary data was collected from sample respondents of MSMEs managers in Ananthapuramu District, Rayalaseema region of Andhra Pradesh through a structured interview-schedule. The secondary data also collected from various journals, reports, published and unpublished books etc.

### Impact of Micro finance on MSMEs

Finance is a life blood of any business organisation in competitive world. It is very important component. In this direction, the researcher must know the importance of finance and identified various sources of finance, based on this, the respondents have given their responses.

**Table-1, Sources of finance by the MSMEs managers**

**N=300**

S.No	Agency	No. of Respondents	Percentage to total
1	State Financial Corporation (SFC)	114	38.00
2	District Industries Centre (DIC)	153	51.00
3	Commercial Banks	273	91.00
4	Money Lenders	224	75.00
5	Relatives/friends	26	09.00

Source: Field Survey

From the TABLE 1 It is clearly found that 91 percent,75 percent,51 percent and 38 percent of MSMEs finance received from commercial banks, Money lenders, DIC's and SIC's Respectively. Only 9 per cent of the respondents have taken money from their friends and relatives in the study area. It is clearly indicating that majority of the respondents have taken loans and advances from commercial banks, money lenders and District Industries Centre.



**Details of income level of MSMEs before and after financial assistance**

In developing countries, finance plays a vital role for increasing business, trading and commerce and allied sector. In this direction, the researcher has focused on impact of micro finance on Micro, Small and Medium Enterprise income levels in Ananthapuramu District of Andhra Pradesh.

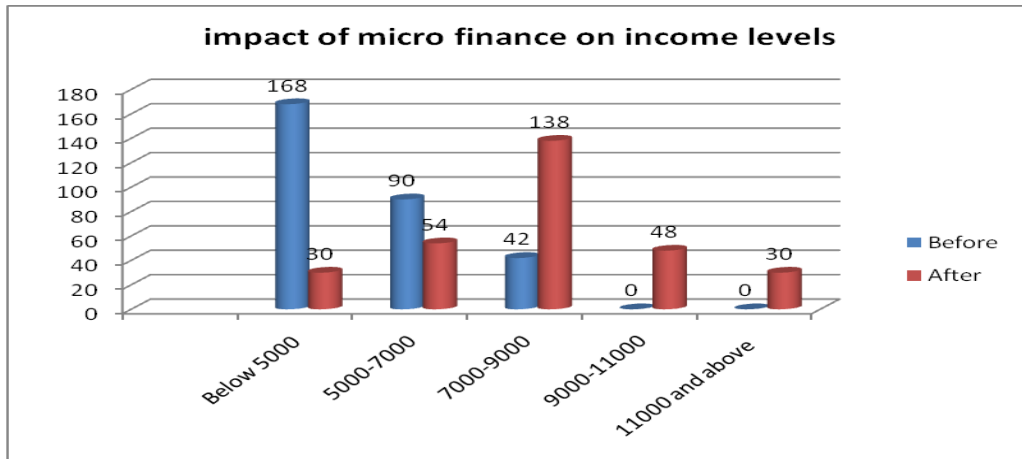
**Table 2, Details of Income Level of MSMEs before and After Financial Assistance**

S. No	Income (Monthly in Rs)	Before	After
1	Below 5000	168 (56.00)	30 (10.00)
2	5000-7000	90 (30.00)	54 (18.00)
3	7000-9000	42 (14.00)	138 (46.00)
4	9000-11000	00 (0.00)	48 (16.00)
5	11000 and above	00 (0.00)	30 (10.00)
Total		300(100)	300(100)

Source: Field survey

Chi-square value : **199.3533 (significant at .05 level)**

P-value : **<0.00001**



**Fig.1**

The researcher has collected, analysed and presented their income levels before and after getting finance from the various resources. It is evident from the study that the income level is gradually increased after getting micro-finance from various financial institutions and other sources. The income level is out of the 300 sample respondents, 16 percent, 14 Percent and 10 percent of the sample respondent's income level is increased from Rs. 9 thousand to 11 thousand, Rs. 7 thousand to 9 thousand, RS 11 thousand and above respectively, before micro finance 14 per cent of the sample respondents income range between Rs. 7-9 thousand after that the percentage were increased from 14 per cent to 46 per cent it means, nearly 32 per cent of the respondents income have been increased in the study area. It quite interesting that, the microfinance programme has significantly impact on income level of the MSMEs in the study area.



**Particulars of durable goods of MSMEs before and after micro finance**

Durable goods are one of the indicators for giving social status in the society. In this context, the researcher has focusing on various durables having MSMEs managers in the study area. It is found that finance is help to every business organisation for increasing productivity, establishing new equipment, purchase of raw materials. After that their income were increased, once income is increased the fulfil their needs and wants. Hence, the MSMEs managers have sufficient durable goods.

**Table 3, Particulars of Durable Goods of MSMEs before and After Financial Assistance**

S. No	Durables	Before	After
1	TV	168 (56.00)	30 (10.00)
2	Refrigerator	90 (30.00)	54 (18.00)
3	Washing Machine	42 (14.00)	108 (36.00)
4	Motor	00 (0.00)	48 (16.00)
5	Air Cooler	00 (0.00)	30 (10.00)
	Total	300(100)	300(100)

Source: Field survey

It is found from the above table that, the MSMEs owner managers have been using Air Coolers, Washing Machine and Refrigerator after generating good income through micro finance from various financial institutions in the study area. It shows that, a significant impact on durable goods of MSMEs managers by the micro finance.

**Impact of micro finance on social dimensions of MSMEs managers**

Social development is one of the parts in human life. It is major component like how to behave, how to live, how to help, how to move, how to recognise, how to maintain status etc. Based on this context, the researcher put a question to MSMEs managers like are you participating in community-based organisation, have any membership in CBDO, participated in local government or you are not participated any above activities.

**Table 4, Impact of micro finance on social dimensions of MSMEs managers**

S. No	Issue	Before	After
1	Participated in community-based organization	18 (06.00)	30 (10.00)
2	Having membership in CBDO	21 (07.00)	60 (20.00)
3	Participated local government	15 (05.00)	24 (08.00)
4	Not Applicable	246 (82.00)	186 (62.00)
	Total	300(100)	300(100)

Source: Field survey



From the Table4 it is found that there is an increase of respondents from 21to 60,18 to 30 and 15 to 24 in CBDO, community based organisations and Local Governments respectively. Based on the opinion of the respondents, the less significant impact of micro finance on social development of MSMEs managers in the study area.

**Impact of micro finance on various dimensions of MSMEs managers**

It is evident from the study that, impact of micro finance on various dimension of MSMEs managers in the study area.

**Table 5, Impact of micro finance on various dimensions of MSMEs managers**

S. No	Factor	Impact	
		High	Low
1	Income	226	74
2	Durables goods	189	111
3	Social dimensions	114	186

Source: Field survey

It can be found that, 226 of MSMEs managers income were significantly increased and rest of them are low impact or not, in case of social dimension, there is no significant impact on social dimensions. It is evident from the table that, the researcher has formulating null hypothesis like “There is no significant impact of micro finance on economic development of MSMEs managers”, hence, the present table results shows positive, that there is significant impact on economic development of MSMEs managers. So, the null hypothesis has been rejected and alternative hypothesis is accepted.

**Table -6, Satisfaction levels of owner-managers of MSMEs on significant impact of Micro finance on their income**

S.No	Level	No. of Respondents	Percentage	Weighted average
1	Highly satisfied	201	67.00	<b>0.67</b>
2	Medium satisfied	25	8.33	
3	Low satisfied	74	24.67	
	Total	300	100	

Source: Field survey

The researcher has to know the level of satisfaction on providing financial assistant at every state of their business organisation and how it can be significant impact on their income levels. It further found that 67 per cent of the sample owner-managers of the respondents stated that highly satisfied, 24.67 per cent of the MSMEs owner –managers are low satisfied and meagre percentage of the selected respondents have stated average satisfied. The data were statistically proved through weighted average (0.67), micro finance programme has been significant impact on the income levels of MSMEs owner-managers in Anantapuramu district.



**Table-7, Satisfaction levels of owner-managers of MSMEs on significant impact of Micro finance on social empowerment**

S.No	Level	No. of Respondents	Percentage	Weighted average
1	Highly satisfied	114	38.00	<b>0.38</b>
2	Medium satisfied	99	33.00	
3	Low satisfied	87	29.00	
	Total	300	100	

Source: Field survey

Table 7 demonstrated that the level of satisfaction on significant impact of micro finance programme on social dimension of selected MSMEs owner-managers in selected study area. It quite interesting that there is no high impact of micro finance on social status of owner-managers. The weighted average value is nearer to '0', it is less impact, in case of the value is nearer to 1, it is called high impact.

### Findings

- The present paper clearly found that majority of the respondents has taken loans and advances from commercial banks, money lenders and District Industries Centre.
- It can be further found that the microfinance programme has significantly impact on income levels of owner-managers of MSMEs in the study area.
- The present paper reveals that the MSMEs owner managers have been using some durable goods after increasing income levels after availing micro finance. It shows that, a significant impact on durable goods of MSMEs managers by the micro finance.
- It can be evident from the paper that, the data were statistically proved through weighted average (0.67), micro finance programme has been significant impact on the income levels of MSMEs owner-managers in Anantapuramu district.
- It quite interesting that there is no high impact of micro finance on social status of owner-managers. The weighted average value is nearer to '0', it is less impact, in case of the value is nearer to 1, it is called high impact.

### Conclusions

Micro, Small and Medium Enterprises plays a vital role in nation economy especially in developing countries like India. Hence, the government, financial institutions, commercial banks and industrial development banks have been providing financial assistance for development of MSMEs in rural areas. So, the present study focusing on socio-economic development of MSMEs managers through micro finance in the study area.

### Suggestions

- Micro finance institutions play a key role for development of any economy. Hence, the government will take favourable decision for free flow of finance to needy entrepreneurs.
- Micro finance institutions will reduce interest rates when provide finance to the MSMEs, it will make positive growth rate in industrialisation, it leads to unemployment problems, purchasing capacity, circulation of finance and so on.



- Micro, Small and Medium Enterprise owner-managers has not socially empowered, so the government will take various social developmental activities, like providing training programme for increasing administrative skills, technical skills, and conceptual skills.

### **References**

1. Rudra Datt. K.P.M., Sundaram, Indian Economy, S.Chand& Company Ltd. 1996, P.553.
2. Sarma (2016), “Performance of MSMEs in India –Problems and Prospects”, **International Journal of Social Science and Technology and Humanities Research**, Vol. 14m Issue 3, pp: 23-30.
3. WWW. dcmsme.gov.in/publications/committees.