Impact of Micro Finance Services on Micro Finance Beneficiaries' Welfare (With Special Reference to Sanasa Beneficiaries' in Wanduramba Area)

Akila Sundara Amila Perera

Small Enterprises Development Division, Habaraduwa Divisional Secretariat, Galle Sri Lanka
akila.rich.perera@gmail.com

ABSTRACT

This research was conducted in order to investigate the impact of microfinance services on micro finance beneficiaries' welfare. Microfinance is extensively accepted principle in world-wide to poverty alleviation, through that enriches welfare of microfinance beneficiaries'. It is not merely limited for words, in the practical situation also this tool has been used for few decades very successfully in Sri Lankan context. Even though there are some contradictory views too.

Members who financially facilitated from microfinance institutions were the population of the study and sample selected through random sampling method in which 100 respondents of SANASA society in wanduramba area. Data were collected through research administrated questionnaires (Chirkos, 2014) and analyzed using SPSS package. According to the result of this study there is a statistically significant associations between micro credit, advisory support, saving and welfare of the beneficiaries' in microfinance institutions. Similarly, regression outcome also showed significant impacts of micro credit, advisory support and micro saving on the welfare of microfinance beneficiaries'. Based on the findings, study suggest micro finance institutions to offer more micro loan opportunities with advisory support about management of loan, start business, make business plan, identify customer necessity over continuous training program to boost welfare and entrepreneurial skills among people. Further, study suggests microfinance institutes to attract new customers around companies proving attractive saving options to enhance their welfare.

Key Words: Micro Finance, welfare, Micro Credit, Saving, Micro consultancy.

INTRODUCTION

According to (Himanda, 2010) "Microfinance is the provision of a board range of financial services that are excluded from the formal financial system" and it is a practice of extending small loans and other financial services including savings and insurance to reduce poverty by providing finance to the small enterprises.

This study critically studied the impact of micro finance services on microfinance beneficiaries' welfare. People in wanduramba area who has taken loans from the SANASA   micro finance institution. Micro finance is now considered as one of the most vital and an effective tool for empowered welfare. Here, welfare measure through income level, quality and availability of educational level, access to quality healthcare (Chirkos, 2014).

There are numbers of studies have been conducted regarding the impact of microfinance on poverty alleviation not only in foreign but also in Sri Lanka. However there is only few researches that has been conducted to investigate the impact of microfinance services on the micro finance beneficiaries' welfare in Sri Lankan context. Therefore this research is conducted to fulfil the contextual gap.

LITERATURE REVIEW

Microfinance institutions operate with the intention of cater those people who are excluded from the traditional banking system. Basically in Sri Lankan context there are few micro finance models delivered by micro finance institutions, like credit cooperatives, village societies (Chirkos, 2014).Sri Lanka touching three mail fillers of microfinance as micro credit, micro savings and the micro consultancy (Weerasinghe & Dedunu, 2017) which I take as my independent variables.

When consider about the Sri Lankan context there are some researches relating to micro finance and poverty alleviation in Sri Lanka. According to Rahman (1999) it is concluded that there is a significant relationship between micro finance and poverty alleviation in a certain leel of percentage.

Ghalib (2007) explain the micro finance services as the delivering of set of financial services not only to the poor people but also for the micro and small enterprises with the intention of alleviating poverty through supplying massive support to their economic activities.

Commercial banks run as the leaders of the financial market thus their doors are closed for many of the low income people. As well commercial banks offer their financial services mainly targeting the middle and high income groups (Ghalib, 2007). Micro finance institutions come as a noble substitute for the people who are restricted from the formal financial system

RESEARCH METHODOLOGY

The following conceptual model is formulated to investigate the impact of microfinance on living standards of low income people.
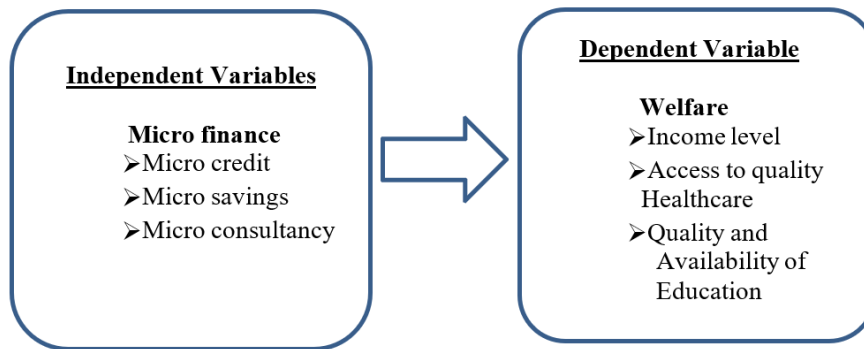
Conceptual Framework

According to the chart, this study is measured welfare by using income, access to quality healthcare, quality and availability of education. Micro finance activity has been taken as independent variable and under this there are sub variables as micro credit, micro savings and micro consultancy.

Data Analysis

Reliability test for Independent variable

Analysis results shows that there is a high internal consistency among the independent variables. Since it shows a Cronbach's alpha value greater than the 0.7000 which is the benchmark in this statistical method do determine whether the variables are reliable or not.

Table 4: 4 Reliability test for Independent variable

Survey Data

Cronbach's Alpha	N of Items
.7840	3

4.3.2.2. Reliability test for Dependent variable

Analysis results of the Cronbach's alpha value of the dependent variables in the research study shows the 0.7428. Which implies that there is a significant consistence between the each dependent variable which are income level, access to quality healthcare, quality and availability of education

Table 4:5 Reliability test for Dependent variable   Survey Data

Cronbach's Alpha	N of Items
.7428	3

Regression Analysis

Income level

Following regression output results drawn to test this hypothesis and according to those results, overall model summery shows a 0.687 value of R^2. Which implies that micro finance services impact to the income level of the microfinance beneficiaries' in 68.7%.

Table 4:6 Model Summary   Survey Data

Model	R	R Square	Adjusted R Square
1	.829[a]	.687	.667

Researcher used regression model to test the impact of impact of micro finance services on income level of the microfinance beneficiaries'. Following coefficient output depicts the results of the model. The study thus represent the income level as;

H0: There is no impact of micro finance services on income level of the microfinance beneficiaries'.

H1: There is an impact of micro finance services on income level of the microfinance beneficiaries'.

Quality and availability of education

H0: There is no impact of micro finance services on educational level of the microfinance beneficiaries'.

H1: There is an impact of micro finance services on educational level of the microfinance beneficiaries'.

Following regression output results drawn to test this hypothesis and overall model summery shows a 0.428 value of R^2. Which implies that micro finance services impact to the educational level of the microfinance beneficiaries' in 42.8%.

Model summery survey data

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719[a]	.516	.428	0.37836

Access to quality healthcare

H0: There is no impact of micro finance services on the healthcare of the microfinance beneficiaries'.

H1: There is an impact of micro finance services on the healthcare of the microfinance beneficiaries'.

Following regression output results drawn to test this hypothesis and overall model summery shows a 0.428 value of R^2. Which implies that micro finance services explain the Access to quality healthcare in 42.8%. On the other hand 42.8% of the variations in the healthcare of microfinance beneficiaries' results from the micro finance services.

Model Summary   Survey Data

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719[a]	.516	.428	.37836

As well all the sig (P-values) less than 0.05 which implies that we should accept H1, which ensure that there is an impact of micro finance services on quality and availability of education of the microfinance beneficiaries'.

Correlation

In a correlation analysis, output analyze the relationship between two variables. It may be positive or negative relationship .As well based on the value received for the relationship among two variables researcher can decide the level of the relationship such as no relationship, weak relationship(0.0-0.5), moderate relationship(0.5-0.8), strong relationship(>0.8).As well in here the sig value should be less than 0.05.

Income level

When examine the relationship between independent variables and each dependent it implies that income level has a moderate relationship with micro credit and micro savings, meanwhile it has a weak relationship with micro consultancy according to the following output table.

Correlations Table   Survey Data

		microcredit	micro savings	micro consultancy	income level
income level	Pearson Correlation	.681	.543	.451	1
	Sig. (2-tailed)	.023	.000	.015	
	N	100	100	100	100

Quality and Availability of Education

According to the following results it is clear that there is a moderate relationship between availability of quality education and micro credit, as well there is a weak relationship between availability of quality education micro savings and micro consultancy.

Correlation Table   Survey Data

		Microcredit	micro savings	micro consultancy	AQE
AQE	Pearson Correlation	.654	.467	.330	1
	Sig. (2-tailed)	.016	.029	.037	
	N	100	100	100	100

Access to Quality Healthcare

According to the following results it is clear that there is a moderate relationship between availability of quality healthcare and micro credit, micro savings, micro consultancy.

Correlations Table   Survey Data

		microcredit	micro savings	micro consultancy	AQH
AQH	Pearson Correlation	.552	.676	.567	1
	Sig. (2-tailed)	.011	.032	.025	
	N	100	100	100	100

CONCLUTION

According to the correlation results, it implies that income level has a moderate relationship with micro credit and micro savings, meanwhile it has a weak relationship with micro consultancy according to the output table. As well there is a moderate relationship between availability of quality education and micro credit and there is a weak relationship between availability of quality education micro savings and micro consultancy. Regression results shows that there is a moderate relationship between availability of quality healthcare and micro credit, micro savings, micro consultancy.

Correlation analysis of the study implies that there is a positive relationship among the each dependent variable and independent variables. It means micro finance services made a high impact on the income level, education level and for the healthcare of the micro finance beneficiaries.

When consider the conclusions of the study as a whole it is very clear that there is a high impact of microfinance services on the welfare of the micro finance beneficiaries'. So researcher made following implications based on the findings and conclusions drawn from the study for development of micro finance institution as well as achieve beneficiary's objectives.

References

Chirkos, A. Y., 2014. The Impact of Microfinance on Living Standards, Empowerment and Poverty Alleviation of the Poor People in Ethiopia. *Research Journal of Finance and Accounting,* Issue 5(14).

Ghalib, A. K., 2007. Measuring the Impact of Microfinance Intervention: A Conceptual Framework of Social Impact Assessment.

Goldberg, N., 2005. *Measuring the Impact of Microfi nance:.* s.l.:Grameen Foundation USA Publication Series.

Himanda, M., 2010. Financial services to the poor: an introduction to the special issue on microfinance. *The Developing Economies,* 1(48), pp. 1-14.

Khan, . M. A. & Rahaman, M. A., 2007. Impact of Microfinance on Living Standards, Empowerment and Poverty Alleviation of Poor People.

Kimotho, M., 2007. *The Key Success Factors in Microfinance: Wide Outreach and Long-Term Sustainability" – The Nigerian Microfinance Vol. 4 January 2007 New letter Magazine..* Valencia, International business information management association conference. Lanka, c. b. o. s., 2011. *Financial System Stability Review,* s.l.: s.n.

Mittal, S. & srivasthava, P., 2014. Contribution of Micro-finance Institutions for the

Development of Rural Community Region- Its Critical Aspects of the Success. *International Journal of Innovative Research in Engineering & Management (IJIREM),* Volume 1(II).

Samer, S. et al., 2015. The Impact of Microfinance on Poverty Reduction: Empirical. *ELSEVIER,* pp. 721-728.

Shashi anurada K.L, 2014. IMPACT OF MICROFINANCE ON LIVING STANDARDS OF LOW INCOME PEOPLE.

Statistics, d. o. c. a., 2018. *WWW.statistics.gov.lk.* [Online] [Accessed september 2018].

TaiwoJ.n, 2012. THE IMPACT OF MICROFINANCE ON WELFARE AND POVERTY ALLEVIATION IN SOUTHWEST NIGERIA.

Weerasinghe, I. & Dedunu, H., 2017. Impact of Micro Finance on Living Standard With Reference to Microfinance Holders in Kurunegala District. *International Journal of Business Marketing and Management,* Volume 2, pp. 16-23.

Zahid, I., Shahid, . I. & Muhammad , A. M., 2015. Impact of Microfinance on Poverty Alleviation: The Study of District Bahawal Nagar, Punjab, Pakistan. *absronline journal,* 4, (3), pp. 487-503.