

IMPACT OF MICRO CREDIT ON POVERTY (WITH SPECIAL REFERENCE TO VILLUPURAM DISTRICT)

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Abstract

In the present context micro credit denotes a loan amount of less a Rs.50000 borrowed through micro credit programmes for poverty alleviation projects. Dudley Jackson (1972), has confined poverty to the problem of want. Want is measured by ascertaining the minimum nutritional flows, which can sustain a standard of health and by calculating the minimum income necessary to purchase those flows. This income is generally referred to as 'the poverty line'. To Haq (1997), poverty of opportunity is a multi-dimensional concept, embracing lack of education and health, lack of economic assets, social exclusion and political marginalization. In recent years. Micro credit is widely accepted as an instrument of poverty alleviation with this background, the present paper the extent of influence of micro credit on poverty alleviation in the Villupuram dt. of Tamil Nadu.

Introduction

In the present context micro credit denotes a loan amount of less a Rs.50000 borrowed through micro credit programmes for poverty alleviation projects. Dudley Jackson (1972)¹, has confined poverty to the problem of want. Want is measured by ascertaining the minimum nutritional flows, which can sustain a standard of health and by calculating the minimum income necessary to purchase those flows. This income is generally referred to as 'the poverty line'. To Haq (1997)², poverty of opportunity is a multi-dimensional concept, embracing lack of education and health, lack of economic assets, social exclusion and political marginalization. In recent years. Micro credit is widely accepted as an instrument of poverty alleviation with this background, the present paper the extent of influence of micro credit on poverty alleviation in the VPM dt. of Tamil Nadu.

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 poverty reduction 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 to investigate the effect of micro credit on poverty reduction.

Socio-Economic Status of Sample Households

Status and Education-wise Distribution of Sample Households

The level of literacy of sample households is presented in table 1. According to the table, it is found that nearly 38 per cent of programme participants are illiterate which is higher than controlled group by 25 per cent. By comparing participants and controlled group, the level of education is relatively well under controlled group. These findings imply that SHGs become popular among less educated. In future the micro credit programmes will create literacy awareness among the participants.

Table 1: Status and Education-wise Distribution of Sample Households

Category	Illiterate	Schooling	Collegiate	Total
Non-Poor Participants	1 (0.5)	4 (2.0)		5 (2.5)
Controlled Group		4 (2.0)	1 (0.5)	5 (2.5)
Poor Participants	20 (10.0)	48 (24.0)	1 (0.5)	69 (34.5)
Controlled Group	5 (2.5)	39 (19.5)	3 (1.5)	47 (23.5)
Very Poor Participants	54 (27.0)	69 (34.5)	3 (1.5)	126 (63.0)
Controlled Group	21 (10.5)	121 (60.5)	6 (3.0)	148 (74.0)
Total Participants	75 (37.5)	121 (60.5)	4 (2.0)	200 (100.0)
Controlled Group	26 (13.0)	164 (82.0)	10 (5.0)	200 (100.0)

Source: Computed

Figures in parentheses represent percentages

Status-wise Distribution of Family Size of the Sample Households

Status wise distribution of family size (vide table 2) pointed out that the number of small families (maximum of 3 members) is found to be higher under controlled groups (nearly 26%). As against this, large size families are higher under programme participants.³

Table - 2 Status-wise Distribution of Family Size of the Sample Households

Category	Upto 3	4 to 6	Above 7	Total
Non-Poor Participants	4 (2.0)	1 (0.5)		5 (2.5)
Controlled Group	2 (1.0)	3 (1.5)		5 (2.5)
Poor Participants	10 (5.0)	57 (28.5)	2 (1.0)	69 (34.5)
Controlled Group	14 (7.0)	33 (16.5)		47 (23.5)
Very Poor Participants	23 (11.5)	95 (47.5)	8 (4.0)	126 (63.0)
Controlled Group	35 (17.5)	105 (52.5)	8 (4.0)	148 (74.0)
TOTAL Participants	37 (18.5)	153 (76.5)	10 (5.0)	200 (100.0)
Controlled Group	51 (25.5)	141 (70.5)	8 (4.0)	200 (100.0)

Source: Computed

Figures in parentheses represent percentages

Status wise family size of both programmes participants and controlled groups show that under controlled group, large family (above 7) is absent in the first two categories of poor and non-poor. Though the participants' family size has been larger (vide table 2).

Status-wise Annual Average Income of the Sample Households

In analysing the average income of the participants and controlled groups according to their status, it is observed that the average income of the programme participants are relatively higher (Rs.24026) as compared to the controlled groups (Rs.19797). The status wise average income of the households pointed out that the average income of non-poor

Table - 3 Status-wise Annual Average Income of the Sample Households

Category	No. of Households	Average Income (per year) in Rs.
Non-Poor Participants	5	44075
Controlled Group	5	65072
Poor Participants	69	32894
Controlled Group	47	24756
Very Poor Participants	126	18374
Controlled Group	148	16693
Total Participants	200	24026
Controlled Group	200	19797

Source: Computed

participants is lesser than the controlled groups. As against this, the average income of poor and very poor of the programme participants is relatively higher indicating the positive influence of micro credit programmes on income generation.

Analysis

Impact of Micro Credit on Poverty

The intensity of poverty is lesser for micro credit programme participants than that for the controlled group. To analysing the low-income rate, low-income gap, Gini Coefficient and Sen Index are calculated and the estimated values are presented in table 4. From the table, the first method of low-income rate explains what proportion of the sample households is below specified percentages of the median income. According to the table 4 the highest incidence of low-income has been recorded in both the poor and very poor categories.

Table - 4 Impact of Micro Credit on Poverty

Category	Low- Income Rate	Low-Income Gap	Gini Coefficient	Sen Index
Poor Participants	0.159	0.401	1.00	0.159
Controlled group	0.268	0.530	0.00000143	0.143
Very Poor Participants	0.143	0.229	0.00000056	0.033
Controlled group	0.202	0.262	0.00000024	0.053

Source: Computed

By comparing the low-income rate for poor between programme participants and controlled group, the percentage of population below the specified median income has been 26 per cent for controlled group and 16 per cent for programme participants. The gap between these two groups is considerably wider. The same results prevail for very poor category under programme participants and controlled group. In other words, the incidents of low income are much higher in poor households under controlled group.

The Low-Income Gap

The Average Low-income Gap (ALG) is commonly used as an indicator shows how far the low-income households fall below a given cut-off line which indicates the intensity of income-gap ratio and is defined as the difference between the average income of the low-income households and the low income line, as a percentage of that low-income line.

From the analysis of the table, it is found that the low-income gap was larger for controlled group in all the two categories of poor and very poor. This means the intensity of poverty is higher among controlled groups.

Gini Coefficient

A derived summary statistic used to characterise the distribution of income is the Gini coefficient. The Gini coefficient is 0 when all incomes are distributed equally and 1 (or 100) if expressed in a form more comparable with other indices when their perfect inequality. In the present analysis the interesting finding is that income distribution for poor households under programme participants has been 1 which indicates the perfect inequality in the income distribution in that particular category. Contrary to this, the Gini coefficients for remaining households are tending to 0 (Zero), indicates the income distribution is equal among the households of the categories mentioned above.

Sen Index

Finally as an alternative summary measure, the Sen index can be considered. This was developed by Sen to combine the three indicators described above into a single indicator of poverty for a given poverty line.

The Sen index consists of the head-count ratio multiplied by the income-gap ratio augmented by the Gini coefficient of the poor weighted by the ratio of the mean income of the poor to the poverty-line income level, and multiplied by 100 to be in a form comparable with other indicators. In short, the Sen index can be interpreted as a weighted sum of poverty gaps of the poor. The values for the Sen index line in the closed interval, with $S=0$ if everyone has an income above the poverty line and $S=1$ (or 100) if everyone has zero income.

According to the analysis, the Sen indices of programme participants and controlled group that has less than 50 per cent of the median income is compared. From the value of Sen index, there is not much difference between the programme participants and controlled group. In other words, marginal differences are noticed between participants and controlled group irrespective of status.

Conclusion

From the results, the following inferences are drawn:

- It is found that perfect inequality in income distribution exists for poor household under programme participants. For the remaining households in both the groups of participants and controlled group, the income distribution becomes tending to zero, indicating the more equitable distribution of income.
- The Sen index value gives clear picture about the intensity of poverty between programme participants and controlled group. According to the value, only marginal difference is noticed between the two groups of sample households.
- Despite, the intensity of poverty is marginally higher for controlled group.
- This is true because, though the micro credit programmes generate income among programme participants, it is not significant. This trend reflects in the Sen index.
- Hence from the analysis the hypothesis viz, *The intensity of poverty is lesser for micro credit programme participants than that for the controlled group is partially validated*. That is, the intensity of poverty is only marginally higher for controlled group than for participants.

References

1. Dudley Jackson (1972), *"Poverty-Macmillan Studies in Economics"* London 2 Macmillan.
2. Haq (1997), Cited in P.Krishnaiah (2003), *"Poverty Reduction Self-Help Group Strategy: A case study of Andhra Pradesh"*, UBS Publishers Distributors Pvt. Ltd.
3. 77 per cent of participants' households are having the family size of 4-6 but this percentage has been 71 per cent for controlled groups. The same trend is noticed in the third category of family size of above 7.