

Impact of Microcredit on Living Standard of Dairy Entrepreneurs: Special Focus on Oddusuddan DS Division in Mullaitivu District

Saseela Balagobei

Department of Financial Management
Faculty of Management Studies & Commerce
University of Jaffna, Sri Lanka
E-mail: saseelab@univ.jfn.ac.lk

Sankeetha Aravinthakumar

Department of Financial Management
Faculty of Management Studies & Commerce
University of Jaffna, Sri Lanka

Abstract

Microcredit is part of micro finance, which provides a wider range of financial services for low income people. Micro credit serves as a vital role for Living standard of poor people in the developing countries as well as in Sri Lanka. In this Study Oddusuddan DS division in Mullaitivu district was selected as research area. After the 30 years conflict situation most people in the Oddusuddan area in Mullaitivu district are subordinate to the poverty line, because most of the displaced people who are female other than male staying here. Women lost their male relatives in struggle, and forced to take a responsibility of their family in order to look after their children, aged parents and their male relatives. Micro credit helps the poor people particularly women in effective ways in order to create income generating activities. The prime objective of this study is to investigate the impact of Microcredit on living standard of dairy entrepreneurs in Oddusuddan DS division in Mullaitivu District. In the rural areas of Mullaitivu, Oddusuddan Divisional Secretariat Divisions 100 dairy entrepreneurs were selected as the sample size of population. The selected entrepreneurs who have received loan from samurdhi bank for dairy farming activities in Oddusuddan DS Division. Primary data were used for gathering information and quantitative analysis was carried out to find out the results. In the quantitative analysis the correlation and regression methods were employed to examine the hypotheses by using SPSS. The result of this study concluded that there is a positive impact of samurdhi micro credit on living standard of dairy entrepreneurs in Oddusuddan DS Division. In addition to this, using micro credit facilities create more job opportunities and variety of economic activities and improve household education, income, saving and health condition of the people. The study recommends that micro credit institution should consider improve the living standard of dairy entrepreneurs through increase the loan amount with lower interest rate.

Keywords: Microcredit, Dairy Entrepreneurs, Living Standard.

I. Introduction

Microcredit plays a vital role in significant innovations in development policy of the past twenty-five years. Microfinance is not a new concept; it comes from the development of Grameen bank concept introduced by Mohammad Yunus in Bangladesh. But it traced back to 1906 in Latin America. Thus, there was evidence for in the social banking, group-based lending, self-help group concepts, etc. Normally rural financial market can identify as formal financial market and informal financial market which act as financial intermediaries. In developing country as a Sri Lanka formal financial institution doesn't serve financial services to the rural sector efficiently. Moreover, Low income people cannot be satisfied regarding formal financial institution's lending procedures. Because they haven't any fixed income way or any collateral to obtain financial services. So, the more people obtain the loans from informal financial institutions or informal money providers as low-income people are facing poorer situation and also, they save their funds in informal channels. So, they don't provide any guarantee for that savings. The microfinance activities have given a financial solution for that kind of people.

Further microfinance comes with the main objective of providing financial services to the poor segments of the society, contributes its role in the form of financial development with a primary focus on enhancing the living standard through poverty alleviation. In the last two decades, there are several modifications in the microfinance sector such as, introduction of micro insurance, diversification of products, provide instructions and several types of collateral free flexible loan as the capacity of the borrowers.

Microcredit is part of micro finance, which provides a wider range of financial services, especially savings accounts, to the poor. Many traditional banks subsequently introduced micro credit despite initial misgivings. The United Nations declared 2005 as the international year of micro credit. As of 2012 microcredit is widely used in developing countries and is presented as having enormous potential as a tool that can be helpful to possibly reduce feminization of poverty in developing countries.