



AN ASSESSMENT ON SOCIOECONOMIC STATUS OF MICROCREDIT BORROWERS: A STUDY ON ELANGI VILLAGE, KOTCHANDPUR, JHENAIDAH.

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Abstract

The main objective of this study was to assess the socioeconomic status of microcredit borrowers. The study based on the primary data which were collected from 110 microcredit borrowers. The results showed that most of the borrowers are benefitted after taking microcredit i.e. socio-economic status has been improved to the microcredit borrowers on the basis of living standard of household, food habit and educational expenses for their children although they faced some problems such as high interest rate, complexity of taking loan, discrimination of taking loan. The study suggested that if the government takes necessary steps to supervise the all microcredit institution, they are unable to charge high interest rate and will reduce the complexity as well as discrimination of giving microcredit. Therefore, the socioeconomic status of microcredit borrowers will be improved to a great extent.

Key Words: *Socioeconomic Status, Microcredit, Living Standard of Household, Food Habit and Educational Expenses.*

Introduction

About 31.5% of total population in Bangladesh is living under the poverty line (WB, 2010). The GINI coefficient index score of Bangladesh is 32.1 that show a higher tendency in case of income inequality of the country (BBS, 2014). The main problems of the country are economic inequality, lack of proper education, lack of proper health and sanitation facilities, belief in different kinds of social and religious superstition, lack of electricity, lack of proper communication facilities etc. (Sultan, 2016). Most of the people of the country live in rural area. Lower level of standard of living and unemployment are the common phenomenon in rural area of Bangladesh (NRoB, 2012). For this reason, income inequality is increasing day by day that affects in economic growth of the country (Uddin, 2008; Sultan, 2016). The origins of the development of Bangladesh economy depends on rural sector rather than the urban sector. Therefore, the Government should give a special attention on this rural sector for the development of the rural people and poverty reduction in Bangladesh. The development of rural sector will lead to the development of socioeconomic status of Bangladesh. So, the development of rural sector is the lifeline of the development of Bangladesh (BARD, 2017).

Microcredit plays an important role for the development of rural sector (Adil and Badar, 2003). Microcredit is generally suitable to such an atmosphere where economic development is happening. Microcredit concept was introduced by Muhammad Yunus through the Grameen Bankin 1970 that earned him the Nobel Prize in 2006 at the field of Peace (Wikipedia). Microcredit is concerned with as financial organization that afford financial facilities to the poor unbanked people (Ahlin and Maio, 2011). That means microcredit provides small loans to the poor people for generating income for their existence as well as their families (Mamun and Ridhwan, 2008). At present, microcredit is one of the most useful weapons by which we can fight with poverty. Because, if rural people get adequate money in proper time, they will invest this money in proper places. As a result, they will earn money that will indicate that socioeconomic status of rural people will improve. Because, income is the main tool for the socioeconomic development of the rural people.

Bangladesh is a developing country. Almost eighty percent of total population lives in rural area in Bangladesh (BBS, 2014). Economic development of Bangladesh can be achieved by improving the rural sector consisting of poor households, craft man, agricultural labor, farmers etc. (Sultan, 2016). So, rural sector is the main source for economic development of Bangladesh (BARD, 2017). For the improvement of socioeconomic status of rural people the thing must be needed is financing. But the main problem in rural sector of Bangladesh is in financing. There is a great lack of finance to the rural people. But, financing is the life line for every venture (Kaur, 2009). In



this case, microfinance is the main weapon for solving this problem to the rural people. Considering this situation the present study will focus on:

1. To identify the purposes of the respondents of taking microcredit in the study area.
2. To evaluate the changing living standard of household i.e. wealth, cloth and building of rural people due to microcredit facility in the study area.
3. To examine the change in the quality of food available to the rural people due to microcredit facility in the study area.
4. To investigate the change in monthly children's educational expenses of rural people in the study area after taking loan.
5. To identify the problems faced by microcredit borrowers in the study area.
6. To give some recommendations for the improvement of socioeconomic status of microcredit borrowers.

Review of Literature

There are many studies have been done on the role of microcredit in the context of different countries as well as in Bangladesh. Such as Arifin et al. (2008), Ali (2008), Bernasek (2003), Carson et al. (1996), Chowdhury (1993), Fendru 1995), Goetz and Sen (1996), Islam and Sultan (2006), Kabeer (2001), Larance (2001), Makerna (2002), Newaz (2007), Panda (2009), Pitt and Khandker (1998), Todd (1996), Wakoko (2003), Adil and Badar (2003), Ahmed et al. (2004), Akram and Imtiaz (2011), Bashir and Azeem (2009), Khan et al. (2007), Manzoor and Akter (2006), Omobolanele and Nosiru (2010), Mushtaq (2011), Waheed (2009), Mamun and Rdhwan 22008), Berger and Udell (2007), Das and Shams (2007), Das and Nanda (2008), Goel and Goyal (2013), Kumaran (2002), Misra (2006), Patre (2008), Puhazhendhi and Satyasai (2009), Rahman (1999), Rajasekhar (2007), Bali and Wallentin (2007), Ahmed and Uddin (2004), Akter et al. (2009), Amin et al. (1998), Banegas et al. (2002), Barnes et al. (2001), Bhatt and Tang (2001), Cheston et al. (1999), Chowdhury and Alam (2007), kader and Salem (2013), Abraham and Balogun (2012), Ahlin and Maio (2011), Ahmed (2010), Ahmeti (2014) and so on. Ahmed et al. (2013) conducted a study on how microcredit program contributes to the socio-economic development of rural women. The study is based on empirical data collected through interviewing the two groups of rural women for example with credit and without credit rural women. It was found that majority of with credit respondents contribute much higher to the family incomes than the without credit respondents. The results also reveal that with credit respondents show higher educational attainment as well as engage in economic and social activities in a larger scale compared to without credit respondents. Sultan and Masih (2016) conducted a study on "does microfinance affect economic growth? Evidence from Bangladesh based on ARDL approach". They intended to empirically test the theoretical relationship between microfinance and the economic growth. They also examined whether there is any co-integration among microfinance, growth and other macroeconomic variables. Khan et al. (2007) carried out the research on short term agricultural loans scheme of a Bank on the increase in farm production in which they described that the unavailability of financial resources to farmers in the developing countries is one of the major constraints to increase farm production. Ahmad, et al. (2004) conducted a study on Role of micro finance in alleviating rural poverty in which he described that the concept of micro financing is now in place to play a vital role in alleviating poverty both in urban as well as in rural areas of the country. It was found that the microcredit scheme was efficiently serving the poor, helping them to get rid of poverty and improve their living standard. Akram and Hussain (2011) conducted the study to assess the contribution of microfinance in raising the living standard of low income people of District Okrarab Pakistan. Borrowers of microfinance from major microfinance institutions operating in the district Khushhali Bank Limited (KBL), Tameer Micro Finance Bank (TMB) and The First Micro Finance Bank (FMB) were studied. Positive impact of microfinance on income level and customers' satisfaction level about the services of microfinance institutions were observed. A few numbers of study exist in the study area taking the role of microcredit in socioeconomic development. Thus the present study will be an effort to fill the gaps that are found in the earlier studies.



Research Methodology

For getting precise information the researcher depended on the survey method. The most commonly used approach is the direct face to face interview method (Carson et al., 1996; Ahmed et. al., 2011) and used in this study. Data collected through interview method from the selected samples who took microcredit from microcredit institutions. This study selected 110 samples from the study area. After survey, all data coded directly on questionnaires and then put into personal computer. Simple descriptive statistics such as percentages and frequency used to analysis primary data. Statistical Package for Social Science (SPSS) software used to analyze the data.

Results and Discussion

The results of this study are shown in the following table. Table 1 shows the years of taking loan of the respondents. It is cleared that 13.64% borrower have taken microcredit for less than two years. The highest percentage of years of taking loan of the respondents is 49.09% who have taken loan five to seven years.

Table 2 shows the purposes of taking loan to the respondents 42.73% respondents have taken loan for running their business. For agriculture purpose 24.55% respondents have taken microcredit.17.27% and 10% respondents have taken microcredit for their building construction educational expenses for their children, respectively. For other purposes such as loan repayment, purchasing bicycle, rickshaw etc. 5.45% respondents have taken microcredit.

Table 3 shows the change in living standard of household of the respondent. 79.09% respondent of the study area has said that their living standard of household has improved after taking microcredit. But, 14.55% respondents have said that there is no change in their living standard of household after taking microcredit. 6.36% respondents have said their living standard of household unchanged.

Table 4 shows the improvement of food habit of the respondents. 86.37% respondents have said their food habit have been improved due to taking loan.The percentage of respondents whom food habit has not been improved is 6.36%.7.27% respondents have said that their food habit has still been unchanged.

Table 5 shows the change in monthly educational expenses of children of the respondent. 92.73% respondents have said that they have spent more money for their children’s educational expenses. 7.27% respondent has said there is no change for their children’s educational expenses.

Table 1: Years of Taking Loan of Respondents		
Years	Frequency	Percentage
Less than 2	15	13.64
2-4	28	25.45
5-7	54	49.09
7 or above	13	11.82
Total	110	100
Table 2: Purposes of Taking Loan		
Purposes	Frequency	Percentage
Business	47	42.73
Agriculture	27	24.55
Construction of building	19	17.27
Education	11	10
Others	6	5.45
Total	110	100



Table 3: Change in Living Standard of Household		
Status	Frequency	Percentage
Yes	87	79.09
No	16	14.55
Unchanged	7	6.36
Total	110	100
Table 4: Improvement of Food Habit		
Status	Frequency	Percentage
Yes	95	86.37
No	7	6.36
Unchanged	8	7.27
Total	110	100
Table 5: : Change In Monthly Educational Expenses of Children		
Status	Frequency	Percentage
Yes	102	92.73
No	8	7.27
Unchanged	0	0
Total	110	100
Table 6: Problems Faced by Borrower		
Problems	Frequency	Percentage
High interest rate	78	70.91
Complexity of taking loan	10	9.09
Discrimination of taking loan	22	20.00
Total	110	100

Source: Field Survey, 2017

Table 6 shows the problems faced by borrowers. 70.91% of the respondent has faced the problem of high interest rate. 9.09% of the respondent has faced the problem of Complexity of taking loan. 20% of the respondent has faced the problem of discrimination of taking loan from the microcredit institutions.

Recommendations

For the improvement of socioeconomic status of rural people, the researchers suggest the following recommendations:

1. Interest rate should be reduced.
2. Microcredit institutions should reduce their complexity at the time of taking loan.
3. Microcredit institutions should remove any kind of discrimination for giving loan to the borrowers.

In this case, all recommendations will be effective if the government takes necessary actions through the supervision of all microcredit institutions.

Conclusion

Microcredit program has optimistic influence on the socioeconomic status of the rural people. Microcredit investments in the rural sector led to the enhancement of economic status, improvement the standard of living, education of children and health status of rural people. Microcredit meaningfully enlarged income of the borrowers. And because of the increased income, farmers attain better economic condition. As a result, they definitely satisfy the demand of household expenses and needs of livelihood. Therefore, their living standard and access to the essential facilities of life is improved. The study has identified this result through the empirical analysis in the study area which will lead to the overall Bangladesh.



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