THE INFLUENCE OF MICRO-FINANCE SCHEMES ON THE INVESTMENT PATTERN OF RURAL PEOPLE IN ALAPPUZHA

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ABSTRACT

Investment is the backbone of any person's success. It is the process that supports wealth creation. As far as a rural family is concerned, even a small investment decision is more important than any other life decision. In India, where much of the rural population lives below the poverty line, it is crucial to develop an investment habit among the rural people to find a sustainable livelihood. "Micro-finance is the delivery of a wide range of financial services to low-income households and their microbusinesses, including deposits, loans, payment services, money transfers, and insurance." (Sharma 2001)[1]. Micro-finance has been recognised as a tool for poverty eradication. Services provided by micro-finance institutions and NGOs are somewhat helping rural people to fight poverty. The investment pattern of rural people also helps them to fight poverty. The researcher has attempted to study whether there is any relation between the micro-finance schemes introduced in rural areas of Alappuzha district and the investment patterns of the same people. The stratified random sampling method has been used for selecting the sample. A survey method using an interview schedule has been employed for collecting primary data from 150 respondents who are the users of micro-finance schemes in rural areas of Alappuzha district. The collected data has been analysed and interpreted using descriptive analysis, the independent sample t test, the chi-square test, and one sample T test to arrive at proper conclusions. The research paper concludes that micro-finance schemes significantly influence the investment patterns of rural people in Alappuzha district.

Key Words: *Investment, the investment pattern of rural people, Rural credit, Micro-Finance, Micro-finance services, Rural people,*

INTRODUCTION

The main goal of many rural Indians is to lead happy lives and secure a good future. They have had some success in living out their aspirations, and they are prepared to work hard to accomplish their goal. Hard work alone will not provide long-term happiness; therefore, they must invest their savings in a productive instrument to receive a consistent return in the future. People need savings to create investment; hence, savings lead to investment. The researcher here studies the influence of micro-finance schemes on the savings and investment patterns of rural people. Microfinance has been recognised as a tool for poverty eradication. The process of earning an income alone will not be successful in eradicating poverty. Thus, savings and investment are also required to eradicate poverty. In this context, the researcher tests whether the microfinance schemes are influencing the investment patterns of rural people. Many studies have been undertaken by various researchers related to savings and investment pattern; but there is little available about microfinance schemes and its influence on the investment patterns of rural people. Hence, the present research contributes to the knowledge of the relationship among micro-finance schemes and investment patterns.

RESEARCH PROBLEM

A research problem is a claim about an issue that needs to be fixed, a difficulty that needs to be conquered, or a misleading matter that pops up in scholarly writing, in theory, or in practise and calls for careful consideration, analysis, and inquiry. The research problem is usually described in the form of some questions. Here, the present study focuses mainly on three questions: The first is, "What are the popular investment avenues among rural people?" The second question is, "What are the most popular micro-financial services among rural people?" And the final question is "whether the micro-finance services influence the investment patterns of rural people or not?"

OBJECTIVES OF THE STUDY

- ✓ To identify the most popular investment avenues among rural people
- ✓ To identify the most popular Micro-finance services among rural people.
- ✓ To test whether all the statements about investment avenues are agreed or disagreed.
- ✓ To test whether all the statements about micro-finance services are agreed or disagreed.
- ✓ To test the association between micro-finance services and the investment pattern of rural people

SIGNIFICANCE OF THE STUDY

Individual investment has been the subject of numerous research investigations. Research comparing the investments of men and women are also conducted. Yet, because it hasn't been investigated before, the research describing the connection between microfinance and the investment habits of rural people is special. As you are aware, the majority of people in India reside in rural areas, which play a crucial part in the nation's growth. So, it's crucial to research how rural residents view and employ investment opportunities. The microfinance approach is employed as a tool to help people, particularly those who live in rural regions, generate more money. If it is

successful in the process of generating income, then it will create some savings among rural people. The present study explains the popular avenues of investment and microfinance services, it also explains the influence of micro-finance services on the investment patterns of rural people. Thus, the current research is significant as it helps the government and various financial institutions to investigate the investment pattern of rural people and to take necessary steps to divert their investments to a more productive area so as to enable the country to achieve more economic development.

RESEARCH METHODOLOGY

Research is a methodical, thorough investigation meant to gain a deeper understanding of the issues. Research methodology can be thought of as the scientific study of how research is conducted. It refers to the steps or methods used to locate, pick, organise, and assess data regarding research issues.

- ➢ The research uses the primary data for analysis and interpretation of the problem.
- ➢ The survey for primary data collection took place during the month of June 2022.
- ➢ The Stratified random sampling method is used for sample selection.
- ➢ The sample size for the study is 150 rural people who are the customers of micro-finance institutions.
- ➢ The primary research tool used for gathering data is the personal interview survey method.
- ➢ The reliability and validity test is used to test the reliability and validity of the questions and data.
- ➢ The chi-square test, independent sample t test, and one sample T test are used to test the hypothesis.

HYPOTHESIS OF THE STUDY

Ho1: opinion regarding statements of investment avenues are equal to the average level.
Ho2: opinion regarding statements of micro-finance services are equal to the average level.
Ho3: There is no significant difference between Male and Female with respect to factors of investment pattern of micro-finance users.
Ho4: There is no association between Microfinance services and investment pattern.

DATA ANALYSIS AND INTERPRETATION

1. **Reliability Test**

Table.1.Reliability_Test Result Analysis

Variable	Number of items	Alpha (Cronbach.)	Rule of thump	Reliability Level
Investment avenues	8	0.723		
Micro-finance services	6	0.711	>0.70	Reliable
MF effect on Income and Investment	2	0.735		
Overall	16	0.868		

Source: SPSS data analysis

"Alpha (Cronbach) model is a model of internal consistency, based on the average inter-item correlation." (*IBM Documentation*, 2021)[2] , It is used to test the reliability of the variables related to investment avenues, microfinance services, and the microfinance effect on income and investment. It was found that all the variables were reliable. The overall value of Alpha (Cronbach) is 0.868 and it is better than the rule of thump value. Hence, the variables are reliable.

2. Validity Test

Table.2.Validity test Analysis

Variable	Calculated r value	Pearson's r table value at df 148	Validity level
Bank deposits	0.464	0.174	Valid
Post office savings schemes	0.322		
Insurance schemes	0.584		
Mutual fund Schemes	0.893		
Chit-funds schemes	0.572		
Gold investments	0.582		
Debenture Investments	0.759		
Micro-loan schemes	0.557		
Micro-insurances	0.885		
Skill development schemes	0.749		
Emergency loan	0.815		
Income Generation Programs (IGP)	0.371		
MF Effect on income	0.617		
MF influence on Investment	0.551		

Source:SPSS Data Analysis

As far as the validity of the variables is concerned, the calculated values of r are greater than Pearson's r table value in all cases. Thus, the variables are valid for further analysis.

DESCRIPTIVE ANALYSIS OF MICRO-FINANCE AND INVESTMENT PATTERN DATA

3. Descriptive analysis on investment avenues.

Table.3.Most popular investment avenues.

Investment Avenues	Mean	SD
Bank Deposits	4.32	.681
Post office savings	4.00	1.012
Insurance schemes	2.90	1.478

Mutual funds	2.21	1.238
Chit-funds	3.70	1.444
Gold Investments	4.29	.698
Debenture Investments	1.89	1.214

Source: SPSS Data Analysis

Based on the mean score, the most popular investment avenues among rural people are bank deposits (4.32), gold investments (4.29), and post office savings (4.00).

4. Descriptive analysis on Micro-finance services.

Table.4.Most popular Micro-finance services.

Investment Avenues	Mean	SD
Micro Loans	4.43	.497
Skill Development programs	4.17	.553
Income Generation Programs	4.39	.489
Emergency loan	3.35	1.541
Micro Insurance	3.03	1.217

Source: SPSS Data Analysis

Based on the mean score, the most popular Micro-finance services among rural people are: microloans (4.43), income generation programmes (4.39), and skill development programmes (4.17).

INFERENTIAL ANALYSIS OF MICRO-FINANCE AND INVESTMENT PATTERN DATA

HYPOTHESIS I

Null Hypothesis:-opinion regarding statements on investment avenues are equal to average level.

Table.6.T test for Specified-value (Average = 3) of Statements on investment avenues.

Statements on investment avenues	Mean	SD	t value	P value
I am aware of various bank deposit schemes and its interest rates	4.32	.681	26.321	< 0.001**
I am aware of various post office schemes and their interest rates	4.00	1.012	12.334	
I am aware of various Insurance schemes and their benefits.	2.90	1.478	-.476	.350
I am aware of various mutual fund schemes and their return.	2.21	1.238	-6.668	
I am aware of various chit-fund schemes and their return.	3.70	1.444	5.432	< 0.001**
I am aware of gold investment schemes and their return.	4.29	.698	22.014	
I am aware of debenture investment options and its return.	1.89	1.214	-11.369	

 "Note:**denotes significant at 1% level" (J & K, 2015)[3]

"Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance" (J & K, 2015)[3] regarding all the Statements except the statement related to Insurance schemes. "Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance" (J & K, 2015)[3] regarding all the Statements except the statement related to Insurance schemes. Hence, the opinions regarding bank deposits, post office schemes, mutual fund schemes, chit-fund schemes, gold investment schemes, and debenture investment options are not equal to the average level.

Based on the mean score, opinions regarding the statements on bank deposits, post office schemes, chit-fund schemes, and gold investment schemes are above average. All these schemes are immensely popular among the rural people in Kerala, as they provide more security and a low-risk return. Opinions regarding the Statements on Insurance Schemes, mutual fund schemes, and debenture investment options are below the average level. Hence, they are least popular among the rural people because the risk associated with debentures and mutual funds is remarkably high. As far as the insurance schemes are concerned, the term plans, endowment plans, and other insurance plans indeed demand a regular flow of funds for a specified period. Rural people, who are already struggling to find sustainable livelihoods, may not be interested in such schemes.

HYPOTHESIS II

Null Hypothesis:-Opinion regarding statements on Micro-finance services are equal to the average level.

Table.7. t test for Specified value (Average = 3) of Statements on MF services.

Statements on investment avenues	Mean	SD	t value	P value
I am aware of various Micro-loan schemes and their uses.	4.43	.497	35.307	< 0.001**
I am aware of various Micro-insurance schemes provided by MFIs	3.03	1.217	.335	.738
I am aware of skill development programs conducted by MFIs	4.17	.553	26.007	< 0.001**
I am aware of Emergency loan scheme by MFIs	3.35	1.541	2.755	.007
I am aware of various Income Generation programs (IGP) by MFIs	4.39	.489	34.758	< 0.001**

"Note:**denotes significant at 1% level" (J & K, 2015)[3]

"Since P value is less than 0.01, the null hypothesis is rejected at the 1% level of significance" (J & K, 2015)[3] regarding the Statements on Micro-loan schemes, skill development schemes and IGPs. Hence, the opinion regarding the statements on microloan schemes, skill development schemes, and IGPs is not equal to the average level. Based on the mean score, opinions regarding the statements on microloan schemes, skill development schemes, and IGPs are above the average level. These are the schemes that make microfinance more popular among rural people. Hence, these schemes are immensely popular among rural people and are repeatedly used by them.

Since P value is greater than 0.05, the null hypothesis fails to get rejected at the 5% level of significance regarding the statements on microinsurance schemes and emergency loan schemes. Hence the opinion regarding the Statements on Microinsurance Schemes and Emergency Loan Schemes are equal to average levels.

HYPOTHESIS III

Null Hypothesis:-There is no significant difference between Male & Female with respect to Factors of the Investment pattern of micro-finance users.

Table.8.T test for significant difference between Male and Female with respect to Factors of Investment pattern of micro-finance users.

	Gender				t value	P value
	Male		Female			
	Mean	SD	Mean	SD		
Factors of Investment pattern	28.10	4.666	25.37	4.718	6.267	<0.001**

"**Note:**denotes significant at 1% level" (J & K, 2015)[3]

"Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance regard to the difference between Male and Female" (J & K, 2015)[3] with respect to factors of investment pattern of micro-finance usersHence, there is a significant difference between Male and Female with respect to factors of the investment pattern of micro-finance users. Based on the mean score, male microfinance users have a better investment pattern than female microfinance users.

HYPOTHESIS IV

Null Hypothesis:-There is no association between Microfinance services and investment pattern.

Table.9.Chi-square test for association between Microfinance services and investment pattern.

Microfinance services	investment pattern			Total	Chi-square	P value
	Low	Moderate	High			
Moderate	40 (44.4) [100]	50 (55.5) [70.4]	0 (0) [0]	90 (100.0) [60]	94.268	<0.001**
High	0 (0) [0]	21 (35) [29.5]	39 (65) [100]	60 (100.0) [40]		
Total	40 (26.66) [100.0]	71 (47.3) [100.0]	39 (26) [100.0]	150 (100.0) [100.0]		

"Note: 1. The value within ( ) refers to Row Percentage
        2. The value within [ ] refers to Column Percentage
        3. ** Denotes significant at 1% level" (J & K, 2015)[3]

"Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance" (J & K, 2015)[3] regard to the association between microfinance services and the investment patterns of rural people. Hence, all the microfinance services have a positive influence on the investment patterns of rural people. In India, where much of the rural population lives below the poverty line, it is crucial to develop an investment habit among the rural people to find a sustainable livelihood. In this situation, microfinance services play a crucial role in income generation and investment formation.

FINDINGS

- The most popular investment avenues among rural people are bank deposits, gold investments, and post office savings.
- The three most popular microfinance services among rural people are: microloans, income generation programs, and skill development programs.
- Opinions regarding the statements on bank deposits, post office schemes, chit-fund schemes, and gold investment schemes are above the average level. All these schemes are

immensely popular among the rural people in Kerala, as they provide more security and a low-risk return.

- Opinions regarding the statements on insurance schemes; mutual fund schemes, and debenture investment options are below average. Hence, they are least popular among the rural people because the risk associated with debentures and mutual funds is remarkably high.
- Opinions regarding the statements on microloan schemes, skill development schemes, and IGPs are above average. These are the schemes that make microfinance more popular among rural people.
- there is a significant difference between Male and Female with respect to factors of the investment pattern of micro-finance users. Based on the mean score, male microfinance users have a better investment pattern than female microfinance users.
- There is a significant association between microfinance services and the investment patterns of rural people. Hence, all the microfinance services have a positive influence on the investment patterns of rural people.

CONCLUSIONS

The research empirically studied the influence of micro-financial services on the investment pattern of rural people in the Alappuzha district and found that the micro-finance services have a highly significant influence on the investment pattern of rural people.

When it comes to the most popular investment avenues; bank deposits and gold investments play an important role. Here, the creation of bank deposits indirectly helps the economy of the country by creating additional lending capacity for the banks. By considering the fact that rural people form the majority of India's population; the financial institutions and government should take the necessary steps to promote a healthy investment pattern among rural people.

Microloans, income generation programs, and skill development programmes constitute the top three positions for popular micro-financial services. Awareness about microinsurance and emergency loan services offered by MFIs is only average among rural people. Here, the financial institutions should address the issues regarding the same.

Micro-finance, the annual income of rural people, their investment patterns, and the country's prosperity—everything is connected to one-another. Micro-finance services help rural people to generate additional income, and this additional income will generate investments. Only a well-directed investment can help the country move towards development. The government and financial institutions can use all the information availed through the current research to plan their route towards development. Hence, all they have to do is convert ordinary investments into productive ones by diverting them towards the areas where they can help the country achieve its goals.

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