

The impact of microfinance on household economics essay

[Economics](#)



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Documents are divided into primary and secondary sources. Primary sources are those which came into existence in the period under research. Secondary sources are interpretations of events of that period based on primary sources (Bell, 2005, p. 122- 131) or based on data supplied from other research publications. In this study a reasonable number of internal and external documents were gathered to find out the process of their micro lending or the micro loan system. This includes all the documents used such as loan application forms, accounting and ledger books, members pass books and so on. Other than that their constitutions, other written regulations and policies, other reports such as annual, quarterly and monthly reports also were taken into consideration. Most of the data which are presented here in form of tables or figures were taken from those documents. According of the Bryman (2001: p 370) the advantage of documents is that they enable the researcher to get closer to what happened and why. Written sources are more likely to be accurate about dates, for example than are oral sources (e. g. interviews, which are reliant on peoples memory). As such, documentation is used as reliable and valid data for the research.

4. 4. 1 Questionnaire

A semi structured questionnaire was designed to get the information from the management of the organization. This covered most of the areas of the information that was needed for the subject area of the research. Accurately worded questionnaires have the advantages of being a quick and cheap method to gather a large amount of data. Wider coverage can reach respondents more easily than other methods. They are a stable consistent

and uniform measure without variation, thus increasing reliability. In addition, they offer greater assurance of anonymity together with reducing bias or errors caused by the presence or attitudes of the interviewer (Adams and Schvaneveldt, 1985). However, questionnaires are not without limitations. According to Harley and Barling (1998, p. 159) questionnaires can be superficial and may not allow for probing, prompting and clarification of questions. They do not offer opportunities for encouraging survey participation. The identity of the respondent and the conditions under which the questionnaire was answered are not known. Has the right person answered the questions and interference/pressure? As the researcher is not overseeing the process, partial response is possible. Self-administered questionnaires could be a problem for those workers whose learning and writing are an effort (Harley and Barling, 1998). To overcome these limitations, it is important to ensure that the design of the questionnaire is both reliable and valid. According to Bell (2005, 138-147), questions need to be unambiguous and precise, lack presumptions, and not lead the respondents. In order to ensure validity, questions must be targeted directly at the research question and reliability can be maintained by consistency over all questionnaires. These can both be improved by small-scale pilot studies in order to test the effectiveness of the questionnaires so that necessary improvements can be made prior to administering the main questionnaire. Again, in order to improve the validity and reliability of questionnaires, responses need to be analyzed further interviews were then used to Analyze the results of questionnaire.

4. 4. 2 Interview Methods

Bell (1999) points out that one ' major advantage of interview is its adaptability'. A skilful interviewer can follow up ideas, probe responses and investigate motives and feelings, which the questionnaire never do' (p. 157). Bell (1999) points out that ' the flexibility of interviews enables the researcher to open up new dimensions of a problem or to discover clues that connect its different elements' (p. 159). She also quotes from Moser and Kalton (1971: 271) ' the survey interview as a conversation between interviewer and respondent with the purpose of eliciting certain information from the respondent'. (p. 157). In order to ensure the validity and reliability of the interviews, preparation was quite similar to the preparation of the questionnaires. According to Keats (2000 p. 35) there are three types of interview methods which have been identified; they are structured, semi-structured and unstructured. Structured interview works best with closed questions but open questions may be only partially answered. Keates (2005) notes the advantages of a structured interview are that the interviewers can control the content of the interview and consistency of questions can be maintained because same questions are asked without deviation increasing reliability. On the other hand in a semi-structured interview researchers use a schedule of questions or topics to guide a discussion with the subject. A semi-structured interview can be similar to a conversation and the researcher can ask the subject to clarify or to elaborate. If a structured or semi-structured format which enable to tick or circle responses was used, this would provide a set of responses which could be fairly easily recorded, summarized and analyzed. The research was focused on semi-structured

interviews because of the researcher's own experiences could be explored as well as the interview session could be controlled. Semi-structured interviews are often favoured by researchers as the interviewer can ask supplementary questions and pursue interesting issues raised by a particular answer. By maintaining an overall structure to the interview as the interview develops it should be more of a conversation, which in turn may relax the participant and produce better results (Bell 2005, p. 159). Interviews are not without their limitations. Selltitz et al. (1962, cited in Bell, 2005) argue that "the data collected by the interviews may be biased because interviewers are 'human beings and not machines' and their manner may influence the respondents to cause bias." (p. 166). An interviewer's manner will have an effect on respondents. In this case, Bell (1999) argues that "particular attention needs to be paid to the way questions are put. It is even easier to ask a leading question in an interview than it is in a questionnaire. Moreover, the same question put with different emphasis and in different tones can produce different responses." (p. 156-159). Thus, bias may decrease the level of reliability. Other potential problems include the length of time involved, keeping the subject on track (particularly with semi-structured interviews), and the time taken up with transcription (Bell 2005, p. 164).

4. 4. 3 Secondary Data

There is also a need to analyze documentary sources critically. Apart from the issue of document authenticity, the credibility of documents needs to be assessed. The key to this as Duffy (1998) suggests is not to treat these sources at face value, but question why the document was written, whose interests it may serve and to what extent a document (including those

presenting a statistical data) present verifiable facts or represent a biased presentation of information (1998: p29-p38 cited in Bell 2005). Another possible problem lies in the validity of documents as research tools for this particular project. It is important to ensure that the documents selected, while meeting the above criteria of freedom from bias and authenticity of source, are also relevant to the topic under consideration. The reliability and validity of using documentary evidence is improved by using them together with other sources of data, a key component in the case-study approach. One such method is a survey. A survey is a " systematic collection of information from large study groups usually by means of interviews or questionnaires administered to samples of units of population" e. g. employee attitude survey (Hartley and Barling, 1998, p. 157). According to Jill and Jones (1997 p 302) surveys must be piloted in order to ensure that the questions were worded accurately in order to ensure validity and ideally should be piloted before being administered to the main target group. Further they state surveys can be conducted through deduction, induction, and mixed (questionnaires and interviews).

4. 5 Contents and Design of Questionnaire

Personal information includes varies questions, they are presented as follows. Place of Informer is into two categories one is Resettlement area informer and other is relocation area informer. Education level is presented as in following basic, they in following category such as below (O/L),(O/L), up to (O/L)Age distribution is presented as following basis such as below-17, 17-30, 30-40, and above -40. Family income level is presented as follows, such as Below-1500, 1500-3000, and up to - 5000Nature of sex is presented as

following basics Male and Female. Current Employment Level is presented as following basics such as Labour, Private Employees, Government Employees and self employment. Affected level of past war is resented in the following way such as Destroy of fixed assets, loss of family members, lose of head, injured and no lose. Rehabilitation and Reconstruction beneficiary reposes are presented in the way of " Yes" or " No"

4. 6 Data Analysis

The samples were analyzed by central theorem analysis of mean, standard deviation&, percentage etc. The analyzed data are illustrated by pie and bar charts. More generally this research is based on the case study method, so that most of the data collected was qualitative. Qualitative data analysis techniques were used to analyze the collected data. Brian White (2005, p108) suggest four steps to undertake qualitative data analysis. The first step of his procedure is to read through all results formats such as interview transcript, questionnaires, observation sheets and so on and carefully note down the points and ideas if any. The second step is to go through each different type of format again, to identify in each one that the researcher considers to be the definitive list of ideas and topics mentioned and to give each discrete topic a code i. e. a number or letter. The third step is to find out extra categories while working through the materials if necessary and to come across useful quotes given by the interviewees. The final step is to re-read all the comments with respect to one idea after all the results have being assigned to a particular category. Linking of some of the ideas with those already identified in the literature and converting of some of the qualitative data into a quantitative format is also a feature of this final step

(Brian White, 2005). The quantitative data which was gathered or derived from qualitative data, like details about clients, figures about granted loans is presented in this dissertation as tables and graphs. The gathered data was entered in to a Microsoft Excel work sheet and arrange them using available sorting and ordering facilities which are available with that. Then these data was formed in to tables and converted in to graphs using Microsoft Excel in order to get a better idea about it. In this chapter has discussed three research methods and also the relative advantages and disadvantages of each research methods. This indicates that reliability and validity of research can be improved by triangulation using a mixture of methods. Further, researcher has found out that the case study design can include mixed mutually reinforcing research methods which are utilized to improve the research and validity and reliability of all information relevant to the subject area. Also I have mentioned about the relevant data analysis methods which are related to this research.

4. 7 Summary of the chapter

In above chapter we discussed validation of research, data and collection, review of primary and secondary data, contents and design of questionnaire, data Analysis. That is how and what data i collected and method to collect this data and how I designed the questionnaire, how the sample were selected and how the data were analysed for this study purpose.

CHAPTER FIVE: FINDINGS AND DISCUSSIONS

5. 1 Introduction

In chapter we will discuss what findings are of this study and discuss these findings with my intention. To describe the finding the some graph and diagrams are used. Then the discussion is about what i find earlier of this chapter.

5. 2 Findings

This chapter discusses the findings and analysis of this research. Considering how microfinance relates to the impact of livelihood activities in the particular area. This research has evaluated the research hypothesis that " The Microfinance component of North East Community Restoration Development Project impact on livelihood development in the Vavuniya town division". The hypothesis was tested by the research questions, which address the issues of Impact of Livelihood activities and NECORD microfinance approaches with regard to success. Furthermore, research hypothesis has been evaluated from the respondents' questionnaire from the selected community based organization and individuals who involved with microfinance activities in the particular village. The researcher has analyzed based on the opinion and answers of respondents. The researcher has used quantitative techniques to analyze data to find out the result mostly and the results have been interpreted by various diagrams. 100 individuals and seven Community based organizations from Vavuniya town division have been selected and questionnaires were distributed to the persons who are in charge of the organizations. 100 individual questionnaires all have been responded to the questionnaires. This means that 100% of respondents who

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have been responded those questionnaires. The individual questionnaire comprises of 6 sections and the section one inquires as general information of the individual households. Section two inquires with income before & after microfinance activities in the household at present while section three collects details about the job creation. Sections, four gathered creation of assets, section five clarified about food pattern , six & seven educational situation, eight & nine review about entertainment, Section ten evaluate impact NECORD & section eleven gathered about micro finance activities and final one was evaluate constrains. The CBOO questionnaire comprises of 6 sections and the section one inquires about the profile of the organization. Section two inquires about the organizational activities, section three gathered information on loan distribution such mean from phase one to five , how progress was have done, whilst section three collects details about recovery of loan, section four have been details about member of self help groups & their savings, and section five reflects empowerment and microfinance .

5. 2. 1 The impact of microfinance on household

I will start briefly by giving a picture and the general characteristics and livelihood development of the affected victims served by NECORD microfinance projects. The household was defined as all members living in the house at the time of the interview. The impact of the program has been manifested in education, health, nutrition, accommodation and in savings mobilization. One of the components of the program is a requirement to save on a regular basis. The clients were asked if they had personal savings excluding the forced loan guarantee. The figure below reflects that the

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majority of the clients (87%) responded to have personal savings while 13% said they had no savings. The loan guarantee of the loan amount partly contributes to savings.

Personal Saving

Figure 5: Personal Saving habits Again with regard to savings, the clients were asked whether their savings in the last 12 months had increased, decreased, remained the same and the response is demonstrated in the figure below which shows 62% having increased savings while 12% said it decreased and 26% said it remained constant. The loans acquired by clients are mainly short term loan and to avoid accumulated interest, the clients are encouraged to make regular savings and this partly explains the increment because they work hard.

Saving in last 12 month

Figure 6: Saving before/after The main reason given as to why people save is to enable women in case of severe crisis and to cope up with the shocks; savings can provide protection against risks, used to acquire another microfinance cycle and also to expand the existing economic activities. However some clients prefer to save in physical assets such as land, TV, radio, sofa set, houses and other valuables after the obligatory loan guarantee savings.

No of People involve with MF

Personal Saving

Figure 7: No Of People involve with MF

5. 2. 2 Income generation

The generation of income is another ingredient and the majority of the beneficiary's interviewed responded positively that they had registered 69% increment in incomes as shown in the figure below while 7% noted a decrease, 24% remained the same. The beneficiaries were asked if their incomes had increased, decreased, remain the same or any other; the majority responded that their incomes increased.

Income over the last 12 month

Figure 8: Income over the last 12 monthsK. Nimaladevi, Suntharapuram village, Vavuniya. My life has been one of immense struggle to feed my two children and myself. I also struggled to continue my business through informal loans from money lenders with high interest. But now a whole new world has opened to me through NECORD Micro finance projects in our village. Business profits are an important income source for all groups. Those who have involving with agriculture, animal Husbandry small businesses and others. The following figure illustrated purpose loan by the sector from the particular sample.

Purpose of Loan

Figure 9: Purpose of Loan5. 2. 3 EducationName &VillageThe major income of chooli (wage) was never sufficient to buy milk powder for my baby and for decent family meals. Now, thanks to Our Self Help Group as well as NECORD

Projects. I too have a regular income and have no major concerns about my child's future. There are different questions asked to the clients about their children's education. The first one sought to find out how many children are in the household and how many attended school both boys and girls. The reason I asked this question is because girls are usually discriminated against when it comes to education which is not usually the case with boys. The findings are that boys as well as girls attend school in almost in all the households attend school except a few. The reason given for children not attending school was simply that they refused probably because they lacked the motivation to go to school. Concerning how many children are going to school, a question was asked to the beneficiaries and the response was very positive partly because of their facilitation by NECORD projects and their mobilization encourage student to schools. The response is indicated in figure 5 illustrated how many children in those selected families in that case. Thirteen households have one child, twenty two households have two children, nineteen households have three children, sixteen households have four, another twenty have five, nine households have six, and lastly one has seven children.

Members of Family

Figure 10: Profile of Family & Households. A question was asked of how many children don't go to school and the number is three children that don't go to school and the reason that was given was not lack of school fees but the children simply refused to school probably they laced motivation. The chart shows that in the three households there is one child who do not go to school and in another household, there are two children which do not go to school.

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A question was asked whether the clients are able to educate their children, all the clients answered that they had the capability to do so send their children to school. Another question related to all the clients were asked to comment their views whether NECORD project has helped them. All of them were full of praises of the role of NECORD Project in their lives and their answer was only Yes.

5. 2. 4 Health

Health is an important ingredient for protecting the productivity of the household's effective use of the household resources. It is evident that most clients interviewed took household health as a critical issue for their continued well being. At least all the households had a sick person in the household in the last two weeks of the interview and the most prevalent illness in the household was malaria/fever. This could have been because of the rainy season. All the clients could afford to visit health clinics and hospitals and also could afford to pay the medical expenses every time a member of the household could fall sick. A question was asked to the beneficiaries if the household had a sick person in the previous two weeks of the interview and 53% of the households responded that they had a sick person in the household and the majority mentioned malaria as a common sickness. This could have been due to the rain season. A question was asked to the beneficiaries if they can afford to pay their medical expenses. All the respondents answered 100% that they had the capacity to meet their medical expenses. The beneficiaries reported improved diet after joining microfinance service as indicated in the consumption pattern was changed and improve them self . Many responded that they could afford to eat fish,

meat, vegetables, milk, bread and butter which was not possible before joining the programme. 89% of households have been responded as yes others said that no any change or improvement in their food consumptions.

Food Consumption pattern after involve the project

Figure 11: Food Consumption pattern after involved the ProjectsS.

Chandravathana, Poompugar, Vavuniya. I am able to successfully continue my business of making incense sticks due to the economic boost I received in recognition of my strengths and determination. I am now able to provide my children with three square meals, daily. Most of all, I feel as my life has been revitalized.

5. 2. 5 Microfinance promote empowerment of rural women

The women beneficiaries were asked whether participation in microfinance programmes has empowered them. The majority who answered to this question felt that their position in the family had been strengthened, had attained a real change in their lives and self-esteem when they compare themselves to that period before they joined microfinance. Many felt that they can look after their children and educate them, afford a nutritious diet to the household and are no longer dependents on their husbands. Some women said that with the income they get, have managed to buy a plot of land and build a house while others said that their voices are heard in the household, their contribution in terms of income, their involvement in the decision making process has increased. On a business level, several women have managed to set up their businesses and run them. As a consequence of this their leadership and business skills have been enhanced. Generally,

access to microfinance resources tends to improve women's bargaining position within and outside the household.

G. Oppilamani, Kalmadu, Vavuniya.

Although I possessed skills, courage and determination to start up on our own, we received no relief, nor necessary assistance, even from the banks. Now our villages are united and we are able to carry out our own businesses successfully due to introduction of NECORD micro credit project.

5. 3 Discussion

Today the solution to the poverty problem has been oversimplified in development studies despite being a broad and complex concept that requires a deep analysis. The proponents of microfinance argue that when you help the poor with microfinance, then the problem of poverty is gone forever. However one has to be very careful with this type of argument because it ignores the fact that capital as a resource is just one factor of production which must be combined with other factors like entrepreneurial skills, well functioning markets, good feeder roads to transport merchandise and good communication among others in order to add value to it. The social capital and other grassroots models namely participatory and livelihood focus on social networks, trust, interaction and organization to achieve a common objective which in this case is poverty alleviation. Since the study is about poverty and the poor rural women, these concepts provide the relevant framework to create change as the poor have to exploit their social characteristics and use it as their collateral. However the danger with social capital is that should one group member default the whole group is liable.

This concept is commonly used in microfinance group lending and therefore demands a lot of financial discipline. There is a general consensus today that the mainstream models had failed to address the problems of poverty a sign that acknowledges that something was wrong with the narrow definition of development.

5. 3. 1 The Poor in poverty trap

The high levels of poverty prevalent among the rural poor women in our country has pushed them in the poverty ambush where they are suffering from diseases , poverty, vulnerability, powerlessness, physical weakness, isolation and spiritual poverty. It is argued that the poor rural people must help themselves out of the poverty ambush. The problem they face according to some scholars is because of the shortcomings found in the poor themselves like laziness and lack of intelligence. Other scholars argue that poor people are poor not because they lack access to certain things like education but because the whole context for their lives and economic activities do not produce enough surplus to lift their standard of living. It is in this element that poverty is viewed as a symptom or an indicator that something is wrong in the economy and fighting poverty has to be done using a holistic approach. It is argued that microfinance is a critical component to solve the problem of material poverty. However as already mentioned it will require the support of other factors including well functioning markets, entrepreneurial skills, and a proper functioning infrastructure like good feeder roads. Some critics argue that the poor may not benefit from the microfinance sector because the rich are exploiting them by putting them into a debt- ambush of money lending system. They

base their argument on the fact that microfinance has become too commercialized. This criticism is subject to debate as one should not forget that MFs projects must also be self sustaining in their operations and one of the ways of doing it apart from donor funding are the various fees charged on beneficiaries. In the NECORD micro finance view could see a win-win situation between the borrowers and the lenders. What are interesting to analyze in this study basing on the field survey is the NECORD projects beneficiaries involving with loans in MF projects. The question one can ask is whether the people served by MF projects or NECORD in particular are the poor people in Vavuniya division context. How does one position woman beneficiaries who runs a retail shop and comes for a loan to expand her business? These are not the poorest of the poor. Instead they are those beneficiaries who are already empowered, having entrepreneurial skills just in waiting to pull the trigger to start economic activities or expand the existing ones. One can see a perception of a market driven system of the economy with beneficiaries who are ready to take risks by investing in micro enterprises.

5. 3. 2 Microfinance savings to reduce vulnerability and risks

It is true that microfinance savings can reduce vulnerability and risks as the majority of the beneficiaries have personal savings excluding the obligatory savings. This is the main reason given as to why people save is to enable them to cope with severe crises and vulnerability. Savings is critical as it can be used for the expansion of economic activities and another microfinance cycle. The problem is usually the general environment in which these women operate which has its demands. The savings can subjected to both family

and extended family pressures which can make it difficult to save for long term purposes. Moreover these savings are in most cases short term savings and its intended aim may not be achieved. The fluctuations in savings do not only obstruct the efforts to cope with risks and vulnerability in times of crises but also the efforts to break out of poverty. Another problem with savings is that it lacks comprehensive details because some beneficiaries mentioned that they had joint accounts with their husbands. For one to draw a line of demarcation between savings accruing from the enterprise and that of the husband becomes complicated to measure in a quantitative manner. Moreover these savings were not established before starting the micro enterprise to give me the necessary data before and after to enable me to come with conclusive answers that the beneficiaries had really saved. In addition the beneficiaries lack written accounts . However the forces the majority to resort to their savings or to borrow.

5. 3. 3 Income Increase

The women beneficiaries have reported an increase in their incomes. It is these incomes that can help beneficiaries to solve some problems of poverty, isolation, physical weaknesses as they can afford a good diet, powerlessness as now they acquire social connections, vulnerability as they can save and now able to deal with crises and as a consequence break the poverty ambush. Much as the beneficiaries argue that there was an increase in their incomes, the problem I was not told to what extent and what percentage these incomes of individual beneficiaries' rose. One cannot be sure whether income measured in this manner is credible. The beneficiaries are often exposed to fluctuating incomes which means that they rotate in

and out of poverty. The issue that can attract debate is the duration of this income as to how long it can last. Such pervasive fluctuations affect savings and investment. As already mentioned the beneficiaries lack proper written records and how they separate business incomes from their private resources is also a tricky issue which is difficult to measure. In the informal sector it is usually difficult to separate enterprise activities from household economics. It becomes complicated to measure incomes based on perception and not written records.

5. 3. 4 Impact of microfinance on household welfare

The most positive impact of micro finance is registered in the education sector and the medical sector among others. Education is a human right and an important ingredient for any progress in any society. It contributes to the accumulation of human capital. Education is one of the important components to fight poverty, disease and ignorance. Critical is also the health ingredient for the well being of the beneficiaries since a healthy beneficiary is more productive in society and resources that go to health if a beneficiary is not sick can be saved or invested in income generating activities, hence progress in society and out of the poverty ambush. The positive impact is viewed in improved diet and accommodation which became better because of the intervention. The findings reviewed that both boys and girls attend school without discrimination. The evidence on the impact of credit on household's children education is not well articulated. It becomes difficult to draw a line of demarcation between those beneficiaries who send their children to school using a government financed free education facility and their own resources.

5. 3. 5 Microfinance to effective direction of empowerment

There are remarkable changes in the situation of women accruing to microfinance intervention. Women have had their voices strengthened, they have managed to set up their businesses and run them, they are no longer dependents on their husbands and their leadership as their business skills has been enhanced. They have gained more confidence that can enable them to stand in public and speak. Some of them have managed to join politics and have been elected on local councils. Now they can attend and speak freely in village meetings. Most of them can no longer be confined in the kitchen as the trend used to be. However, there is much discussion as to what empowerment of women comprises and what relationship is there between microfinance and women empowerment. There are still arguments which are not conclusive as to whether microfinance can break the structural subordinate position of rural women given the existing socio economic, cultural settings and mindset of society. In view of this analysis, one can argue that empowerment cannot be assumed to be an automatic outcome of microfinance programmes, especially given socio-cultural settings and mind set of some societies in this region. The fact that women are no longer confined to kitchen as their area of operation can be put to question because much as they run businesses their role in the kitchen remain and wait for them. Therefore women empowerment has generated mixed results in the academic discussion. It is argued that it does not even change the decision making patterns within the household but instead aggravates it. In fact to call for empowerment of women in some societies is another way to challenge social structure. In order to talk conclusively about empowerment

one needs to consider the hidden pressures from family, culture and society that intervene to remind you that you are a woman. Although some evaluations are positive about the capacity of microfinance to empower women some critics indicate that microfinance reinforces existing gender imbalances.

5.3.6 Circumstances for microfinance help the poor

There has been severe criticism to Prof Yunu's argument that poverty can be eradicated using a simple model of credit. In order for microfinance to help the poor out of poverty, it does require the support of other factors as it has been already articulated. These include not only to promote women entrepreneurial skills in business management, and elementary book-keeping, but also to ensure efficient functioning of financial markets since they play an important role in the economy and rural development. There is need for access to markets for their local products and other infrastructure and institutions to promote sustainable development and a successful micro finance. The issue of helping the poor from poverty becomes very tricky because of the complexity of forces working against them.

Levels of Impact

Types of Impact

Impact Variable

Household

Community

Economic

Social

Economic Variables:

Income Household assets Housing Access to food

Human capital:

Education Health Confidence Skills Empowerment

Social Capital:

Social Network Social Mobility It has been argued that microfinance works in developed areas while in other areas it hits a dead end. The developed areas include those with good working infrastructure like good feeder roads, working markets where beneficiaries can access markets to sell their products, availability of schools, health centers and other business services. The countries or areas that have been successful in reducing poverty have utilized and shaped markets to provide the right conditions. Despite some failings the use of credit to make an impact encroaches on the critical role of the well functioning markets because it avails the opportunities for financial services, information which enables people to raise their incomes and hence

economic growth. Figure 12: Potential impact of microfinance at a household and community level

5. 3. 7 General discussion

Although the focus of this study is to explore the impact of microfinance on the poor, it becomes extremely difficult for me not to analyze both the endogenous and exogenous factors responsible for the creation of this deplorable situation in Vavuniya division that has necessitated microfinance intervention as one of the tools to reduce poverty. Corruption is so pervasive in Vavuniya and has been responsible for market failures. The effectiveness of the state to deliver the services to the masses like building the necessary infrastructure, good feeder roads for the poor to effectively transport their merchandise and link with markets, educational, health centre facilities and financial services are also undermined by corruption and other governance problems resulting again in the project failures. In the globalization the role of the state has been heavily marginalized as a development agent and a diminished state redistributive capacity aggravates to state problems of legitimacy and as a result the state is severely weakened. In order to build viable institutions and the necessary infrastructure for the microfinance development and to merge the centre and rural areas where the majority of the poor reside, it requires a strong state and not a weak one as it is the case today in many developing countries like Sri Lanka. Women should be fully set freed so that their participation in the social and economic development is recognized but the problem from a gender perspective is that they lack power over resources for participation and development. The inequalities between the male and female sexes must be rectified so that

women can access resources and decision making processes which is one of the reason why women's socio-economic position is low. Microfinance (as a tool) is just a drop in the ocean regarding poverty alleviation. It is treating the symptoms and not the real causes of poverty. This calls for more state intervention to strengthen itself and have the dynamism to create the necessary infrastructure, institutions (legal and financial) good governance and invest heavily in rural development infrastructure where the majority of the poor struggle with biting poverty. Microfinance is not a blueprint for poverty alleviation and development. These should reflect a number of components like national priorities, local realities, economic, political and cultural context of the country as well as individual communities. Poverty once again is a very tricky issue. It requires a deep understanding both at a micro and a macro level. The causes of poverty and in particular rural poverty are many, difficult, and complex and cannot simply be reduced to microfinance. Microfinance as mentioned earlier treats the symptoms but real causes of poverty remain. One needs to be very careful in over-emphasizing the role of microfinance for poverty reduction since it requires support of other factors most importantly entrepreneurial skills. There is need not only to create a development environment for microfinance with favorable conditions like access to knowledge and information, infrastructure like good roads, markets but also to build local institutional capacity in rural communities and public investment in rural infrastructure.

5. 4 Summary of chapter

Economic development is going to verse. According prevailing situation three major garments factories were closed. One thousand five hundred

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employees lost their jobs without any remedy. Investors of this district migrate to India. Transportation is more difficulties. Train services stopped from end of 2007. No direct bus services from Colombo or other areas. Public has to pay high cost for getting goods and services. Infra structure developments are going slow down. Vavuniya district developments depend on ethnic conflict. District coordinating Committee & District Planning Committee are functioning well and monitor and evaluate the projects and also give proper guidance to the Heads of Departments to implement their programmes successfully . The NGO'O, INGO'O, ready to support development. But the Government should create stability of the situation. The Vavuniya has fertilized land, Irrigation facilities, and Market and transport service. Lot of human resources is available. The problem is uncertainty of politics. Mainly it is affected to Education sector. The government should take response to improve this district service sector. It has benefited by this Project in the Northern Province. The NECORD project has done their activities in several ways such as Infrastructure development, Livelihood development, Capacity building and Community development. Community development projects will be implemented in a number of selected communities in the eight districts of the North and East. A parameter of the NECORD is that all project interventions will be on the basis of holistic and participatory approach, with the aim of initiating a community-led process of integrated rehabilitation in the selected villages. NECORD seeks through its operations to focus on the six following objectives while implementing community development projects.

CHAPTER SIX: NECORD PROJECT IMPACT ON THE LIVELIHOOD ACTIVITIES

6. 1 Introduction

This completion research provides microfinance activities of NECORD Project throughout the whole of community and grassroots. The microfinance services being implemented by the various sector and methods in this district. There are many local NGOs, Societies & Cooperative societies involving with microfinance activities in the particular area. According to the survey in many NECORD project in proofed that the microfinance plays a main role to improve poor and needy life style successfully. In that sense we found the positive impact on the livelihood development in this area.

Especially the Microfinance service is successfully going on this division because of the people's interest. People are effectively mobilized and leading by the NECORD & Partner NGOs staff, and requirement of financial services. According to the survey has been done with regarding Microfinance services by the researcher . The research begins with a general overview of the micro financial service situation in particular area, continues with the reasons for the splendid success of micro finance in the division into the Impact and problem/impediment. The research document concludes with a series of recommendations for future action and some of the projects are opened their heart for the success of the micro finance and improvement of their life. The prolonged civil strife has led to a disastrous impact on the social, physical, Human and economic capital of the division and it has resulted in a decline in the livelihood activities of the major sectors of the economy such as agriculture, livestock, fisheries and industries and trade.

These people were suffering without basic needs post war situation. So that Asian Development Bank & GTZ support through NECORD project & interest to livelihood development activities in the division . Also it through the various assistance. During the civil war situation these villages were severely affected by the worse economic, social and environmental. After civil war, the area was attracted by many development stakeholders for the relief, rehabilitation & reconstruction activities. Sri Lankan government and funding agencies are engaged to work for Sri Lankan people to uplift their life through the improvement of economic and social status. Such as people to restore their life from severe positions of conflict . NECORD project have multi sectoral projects, namely, health, education, agriculture, housing, irrigation, fishing, Livelihood development, community development and women development. Most of the part concern with livelihood development activities through the micro finance services. Those projects mainly involves in microfinance services in order to elevate considerable poor village peoples' life status. In this project, the microfinance service plays a key role to improve the economic status in village levels. The people are engaged vary self-employment activities according to their desert. Most of them are engaged fishing activities and some of them are engaged for poultry farming, sewing, vegetable, small business, small enterprises and cattle farming.

6. 2 Impact of Agricultural Sector

Most of them are engaged in Agricultural labour activities on which men are more involved, women who are the beneficiary and are the responsible for the repayment of loan. One of women said that " I have eight children, my

husband is a farmer and he could not earn much in cultivate without adequate money. Fortunately I got loan at cost of Rs. 15, 000/= in NECORD project, I debt to NECORD project for the opportunity given to us to improve our children's education. However, the amount of loan at the cost of Rs. 15, 000/= is not adequate to enlarge my husband's Agricultural activities. In my part, if the amount will be increased by 20, 000 to 25, 000 which are good chance to elevate our fishing activity effectively". Most of the women take part in fishing activities through the Agricultural equipments mending and making the Agricultural products in which women can get profit. Most of the women and men are engaged in these activities. Mainly they are engaged for paddy cultivation because they could get more profit from it which is useful them to increase their paddy cultivation activities afterwards.

According to the survey the most of the villagers are invested their credit for the paddy cultivation and others are invested for the gardening. Many of the villagers proposed that if the amount of the loan will be increased by the 25000 to 30000/=, it will be more benefited by the beneficiaries in future. In case of farming, there is a limit period to get profit from it, they can get more profit in farming activity in the period of six months and other period could not get any profit on it. So that women should be engaged another self-employments activities to endure the family of the basic needs in the rest of other period. There are some of women engaged self-employment activities but many of them are working with Revolving Loan Fund. The major responsible of the women Rural Development Society is to encourage women to do different self-employment activities remains period.

6. 3 Small Enterprises and Small Business:

Women are more engaged in small enterprises and small business activities.

Women who not only managed and made a financial success of their enterprises but also describe themselves as the main decision makers in their household. In case of small enterprises and small business, there is lack of money for first loan at the cost of Rs. 10, 000/= to do the activity. The amount will be increased by 25, 000/= which will be appropriated to get more profit from it.

6. 4 Livestock

Most of the women and men are engaged in this activity, in which can earn more profit. But in certain circumstance they face the seasonal disease problem, on which sometimes whole Livestock are destroyed. In case of poultry farm and cattle farming the beneficiaries should be taken instruction from the respective officials to protect poultry farm and cattle farming from the disease.

6. 5 Reasons for the splendid success of revolving loan fund system in Vavuniya

It is a prevalent opinion that the revolving loan fund system is a key role to improve the economic status of the people in the village level. According to the statement, in Vavuniya district, the revolving loan fund system plays a main role. The revolving loan fund system is going on successfully in this village in NECORD project. Following are the main factors of success of the Revolving loan fund system in Vavuniya district.

6. 6 Saving group

Once a group is formed, its members will elect a leader and a treasurer who deposit their savings in a joint account. Members can take loans from the group savings for emergency, personal, or business reasons. The group approves the loans, which are given at no interest and with no set payback schedule. Nevertheless the default rate is only one percent. The groups meet weekly to talk, work together, participate in training sessions, and make decisions about what they will do with savings or any money generated by their agricultural, craft, fishing, and small trade projects.

6. 7 NECORD Loan system and Impact Opinion of the Lone SHGCreditBankMembersSavingsCreditSavings

The testimonies women Beneficiary - I

I have got the first and the second round payment in the WRDS from NECORD project respectively 15, 000, 20, 000 to do poultry farming. My husband did not have clear clothes before, now he has many clothes, and he knows it is the effort of my work. My husband sincerely accepted this and he is very happy today, first I have to thank NECORD project to make good occasion to improve our life and our village status. I will never forget this help till my death. Again I thank NECORD project from the bottom of my heart for the opportunities given to us. The village people and I owe a lot to NECORD project.

The testimonies women Beneficiary – II

We were living with a scanty income before, now we have enough money to live and those who never acknowledged me, now invite me. Before they

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looked down on me, never came to my house, now they come and lend money from me.

The testimonies women Beneficiary – III

My husband does odds job, and he gave very little money, it was not at all enough to meet our needs, even to eat basic meals three times a day before, now we can eat meals three times a day with a nutrition food such as eggs, fruits and milk.

The testimonies women Beneficiary – IV

Before we had insufficiency of the income to our livelihood. Suppose we needed 1kg rice, and he brought 1/2kg, it would be short of food. The children's stomach would not be filled. Now we sit down to eat together and those tear are gone. We eat properly, systematically now and there is no worry about food. We no longer have to worry about whether we have eaten or not. When my husband could not give the money, there would be quarrels at home; I would say angry things to him; he would respond angrily; I don't have it now. Now we don't have those hard words. I can manage the family needs from my income without husband's income.

The testimonies women Beneficiary – V

When I had no money in my hand he gave no regards. Now he sees the woman has money in her hand. So now if anything happens to me, it is his head that hurts. That is how it seems. In addition, training is good for women, before I joined the NECORD project you could say I was stupid, I was like a child. But NECORD project taught me to think for myself and I also learn so many things now as how to do self-employment and tackle to

manage family problem and outside problem. So I am ever gratitude to NECORD project.

6. 8 Summary of Chapter

In above chapter we discussed how the microfinance activities of the NECORD impact on the different group of peoples in Vavunuya Town Divisional Secretariat area. the micro finance activities make the people easy to accesses the loan facilities of NECORD at the low level interest rate and provide relief from formal financial institutions. And encourage the saving habits leads to continues investment of people and increase the team responsibilities among the group. The NECORD provides not only the financial assistant but also the follow up. so those activities of the NECORD encourage the beneficiaries to improve the livelihood of them.

CHAPTER SEVEN: SUMMARY, CONCLUSIONS AND POLICY RECCOMENDATIONS

7. 1 Introduction

The chapter seven is consist the research summary, conclusion and Policy recommendation. The summary of the chapter is explained what was discussed in the whole research. Through this part the researcher has made a fact of the total research as conclusion. The very important part of this research is Policy recommendation. This is the result of the total research. The NECORD project has given a clear idea to improve the microfinance system. This project has some issues to be corrected. Specially the monitoring part and awareness those should be improved to develop this model for future expect. 7. 2 SummaryChapter I was discussed about the

outline of the research it means introduction, research problem, rationale, objective, study area, data and method and outline of the thesis. This is proposal of the research Chapter II Concluded the profile and major livelihood activities in the research area. This chapter says full idea of the research. Chapter III was discussed the theoretical aspect of the study. It covers the importance of livelihood development; and the important variables which contribute to this development. Further it is analysis about previous researches. It was guided to develop the research. Chapter IV was discussed about which methods can be applied, sample size selection, method of data Collection, data presentation and data analysis, methods of data evaluation. We used questionnaire to collect 100 samples for analysis and measure. Chapter V was findings & discussion the impact of the contribution of NECORD with a view to identify the present strengths and weaknesses. Chapter VI was included the conclusion and suggests ways and means to overcome the existing problem. Chapter VII finally expose own idea will be given as recommendations. The problems we faced when were done the research discussed.

7.3 Conclusion

The network of institutions functions in an economy which mobilizes and allocates resources, co ordinate savings and investment which are long term growth and transformation. Finally this research found out that impact of microfinance activities in the livelihood development of the selected villages in Vavuniya town division. The researcher has conducted this research as best of knowledge within a limited time . It is difficult to find all the expected facts. Anyhow cannot predict objective is reach or not But Researcher has

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confident that he has been reached his objectives. Although this thesis indicates that the clients who participated in microfinance programmes have registered improved standard of living as a result of improved incomes, the challenge remains how to obtain reliable data. The poor people and how they are benefiting from microfinance services have proved tricky to measure and requires a deeper analysis. This study paints another picture than what I expected when a division into different kinds of poor is made among others: the destitute, extreme poor, moderate poor and vulnerable non-poor. There is need for more future research that must focus on a deeper understanding of poverty alleviation since microfinance is only treating the symptoms than attacking the real causes. The issue of livelihood development as a result of microfinance programmes also requires more research. Critics of microfinance have emphasized the view that MF alone is like a drop in the sea bearing in mind the enveloping degree of poverty levels mainly in Sri Lanka. I must acknowledge that Sri Lanka is a rich country that requires vision and acumen to turn its resources into wealth in order to reduce poverty and the donor dependency syndrome. The NECORD microfinance projects came up and have succeeded in reaching the poorest of the poor, and have devised new ground-breaking strategies with time for the fulfilment of their vision. These included the provision of collateral free loans to poor people, especially in rural areas, at full-cost interest rates that are repayable in frequent instalments. Borrowers are organized into groups and peer pressure among them, which reduced the risk of default. Microfinance is now being considered as one of the most important and an effective mechanism for poverty alleviation. These are also effective mechanisms through which

to disseminate precious information on ways to improve the health, education, legal rights, sanitation and other living standards, which are of relevant concerns for the poor. By providing opportunities for self-employment, many studies have concluded that these programs have significantly improved women's security, autonomy, self-confidence and status within the household. Which is an important household resource, becomes unproductive due to different constraints including a liquidity constraint? As already discussed, many governments and donor communities believe that the liquidity constraint is the most important constraint impeding poor households and that if it is addressed it will be possible for households to escape poverty. Economists argue that to break the vicious cycle of poverty, there needs to be an outside force that will intervene at some point of the cycle to improve demand for goods and services. This could be done by injecting some liquidity that is believed to unleash the productivity of household labour. Microfinance promises not only to break the vicious chain of poverty by injecting liquidity in to the vicious chain, but also it promises to initiate a whole new cycle of virtuous spirals of self enforcing economic empowerment that lead to increased household well-being. Discussed is also very important in serving the poor especially those with no collateral with financial services. Another important aspect of joint liability lending is the principle of peer monitoring and peer pressure. The individuals within a group monitor and pressurize each other to ensure that all loans are repaid on time. In case the individual is not able to repay due to wrong investments decisions or some other reason, then all the members of the group have a moral obligation to help in the repayment.

Forced savings comes in very handy especially in reducing risks for the micro credit projects. Individual borrowers are forced by the NECORD mechanism to save a fixed amount of money every month. Neither the group nor the individual can access the forced savings at will, but it can be used as security for future loans and can only be paid back if the individual borrower is dropping out and has been cleared by all members of the group. The more the forced savings accumulate the easier it becomes for the borrower to access more loans in future as long as the group continues to support the borrower. It is also worth noting that the forced saving is not only a guarantee for loans borrowed by an individual but can also be ceased by the micro credit system if any other member (s) of the group defaults on their loan repayment. This study is about microfinance and to investigate the impact of microfinance on the poor people of the society with the main focus on Vavuniya town division. It mainly concise this thesis through beneficiary's (the poor people, who borrowed loan from microfinance projects) perspective and build up our research based on it. Therefore, the objective of this study is to show how microfinance works, by using group lending methodology for reducing poverty and how it affects the living standard (income, saving etc.) of the poor people in Vavuniya Town division. So on the light of research objective it has developed research question; what is the impact of Microfinance on living standards, Empowerment and poverty alleviation of the poor people in Vavuniya town division? It considers between the Positivist and Interpretive researcher. Because, my main goal is not only to find out the NECORD mechanism of microfinance in Vavuniya town division, but also to find out that how this mechanism helps poor people to improve

their living standards as: income, savings etc. By doing so, It believe that it will give us an upper hand, especially when it comes to finding answers to the questions raised in the problem statement. One of the most important aspects of microfinance is savings mobilization, which is discussed in the theory part. Besides these, microfinance methodology, solidarity, human development and liquidity are also discussed in the theoretical framework. It has been chosen sample based on the random sampling technique, from the research area and It was interviewed the people who are already involved in microfinance activities. Therefore, the accuracy of the analysis heavily relies on the data provided by the people, we interviewed. From the analysis of data, we found that microfinance has the positive impact on the standard of living of the poor people and on their life style. It has not only helped the poor people to come over the poverty line, but has also helped them to empower themselves. There is an argument that the interest rate of MFIs is high, but I traced that most of the respondents of our interview, did not agree on this issue and found it to be reasonable. In spite of the debate about higher interest rate, MFIs are contributing not only in alleviating the poverty and improving the living standards of the poor people, but also in offering extensive sustainable development activities in Vavuniya town division.

7. 4 Policy recommendations

The aim of this study is to explore the impact of microfinance intervention on livelihood development and the circumstances under which microfinance can help the poor out of their poverty situation. It should emphasize that it has been more interested in the impact of the intervention. The first question asked in this study was: what impact does microfinance programmes have on the household

livelihood? According to research findings, it is apparent that the majority of women beneficiaries had registered increased incomes. It is these incomes that can help them to solve some problems of poverty like isolation, physical weaknesses and they can afford a good diet, can deal with vulnerability as they can save and now able to deal with crises, has the capacity to send their children to school and to pay for their health which is critical for their continued wellbeing and as a consequence break the poverty ambush. The second question was: Can microfinance programme savings reduce vulnerability and risks of household? The findings reported that beneficiaries have increased incomes which enable them to save and to buy property. The savings enables beneficiaries to deal with severe crises and to cope up with the shocks and reduce vulnerability and bought property can be sold also to deal with the crises; savings can be used to acquire another microfinance cycle and also to start and expand the existing economic activities. This leads to third question: Can microfinance promote empowerment of rural women? The majority of women felt that their position in the family had been strengthened, set up businesses and run them, could occupy a political office at local levels and had attained a real change in their lives and self esteem when they compare themselves to that period before the program. Many of them felt that they can look after their children, educate them, afford a nutritious diet to the household and are no longer dependents on their husbands & community. Finally, that fourth question: under what conditions can microfinance help the poor out of poverty? Micro finance turning points on a number of other conditions if it is to play a meaningful role.

Microfinance is just only one factor and requires the support of other factors.

These include women entrepreneurial & leadership skills in business management, knowledge of institutional arrangements and elementary book-keeping, efficient functioning of markets since they play an important role in the economy and livelihood development. There is need for access to markets for their local products and other infrastructure like good feeder roads to transport the merchandise and institutions for example to deal with legal matters to promote sustainable livelihood development and a successful microfinance. The Study has brought out certain important issues and has made relevant recommendations for improving the functioning of the CBOO & Micro Financial Services in future towards Sustainable Livelihood development . Also the following approach will facilitate appropriate micro financial service in the Vavuniya. See the Annexure - 1. In addition the following recommendations will support in the micro financial sector. Weight age needs to be given to the poor and especially to women, while covering all ' financially excluded' categories of poor households. The diversify need for capacity building of groups for long term strengthening and sustainability of micro finance. Reimbursing the cost of training, micro finance services need to be supported by relevant government departments and donor agencies to defray the training costs. It is strongly recommended that micro financial services may be permitted to mobilize savings at least from their own clients/members on the condition that they will follow prudential accounting norms. Micro financial services should offer interest on savings and savings is made withdraw able. Facilitating environment may be created for micro finance services to work as agents of commercial banks may be, by making commission rate negotiable and permitting the CBOO to loan back

the savings mobilized by them on agreed terms. For the benefit of the poor, credit delivery at the door-step should continue at a reasonable cost to clients. Loan amounts should be need based in case of production loans and diverse requirements. MFS should follow a rational and transparent interest policy to avoid suspicions and encourage professionalism in the sector.

CBOO may take steps like rationalizing the cost of funds by accessing various sources of funds, increasing operational efficiency, involving CBOO. MFS should be transparent with respect to interest rate and other costs charged and effective cost of credit to the borrowers. Credit discipline is the cornerstone of micro finance programmes which operate at high risk without collateral security; therefore, borrowers have to follow repayment schedule carefully. However, certain flexibility can be introduced in case of production loans for micro enterprises with periodic income streams. CBOO need to take extra efforts to explain the need of life and asset insurance to beneficiaries and be transparent about their handling of insurance products. CBOO also have to Endeavour to popularize asset insurance for security of CBOO production loans. MFS should provide services such as guidance and counselling in identification of suitable income generation activities, training for skill and entrepreneurial development, etc. for which suitable grant assistance from Government or donors is necessary. To develop a strong and viable MF sector and a suitable environment for sustainable growth, there is need for a legal framework covering regulatory mechanism and provision for capital adequacy, prudential norms, risk fund, etc. The MFS sector in Vavuniya is growing fast during the past. The growth is, however, taking place mainly in the informal sector; where CBOO are set up under different

statutes, and there is hardly any monitoring there under. The major problems of this sector are the lack of equity and access to loan able funds, organizational weaknesses, shortage of trained staff, etc. and they strongly need developmental support in most of these areas.

7.5 Major Policy Issues

In the context of the urgent need to develop the MF Sector to service the neglected sections of the Society, the study has highlighted the following policy issues. There is need for the MFS to have transparency in the interest rate charged by them. This would not only absorb confidence of the clients, but also of the regulatory authorities towards micro financial services. There is a need for Central bank Legislation for strengthening the microfinance service sector through practical norms, transparency and capital flows. The legislation would clear the decks for the operations of the district micro finance support CBOO, in strengthening the sector, by toning up the working of the micro financing Services. There is need to have districted and national level " Regulatory Authority" which should be endowed with the responsibility of supervision, monitoring and guidance of the entire micro finance sector. This would not only ensure proper financial discipline amongst the CBOO, but also facilitate adequate transparency and loyalty to requisite practical norms, for balanced growth of the sector and as also to facilitate increased flow of funds into the micro finance sector. Promotional support from Government, Financial/Regulatory/MF Promotional Institutions, with Government and donors' assistance, should continue, on an increasing scale.

7. 6 Strategic Role Models

Problems of Business Decision Making at Local CBOO

The current strategies for credit delivery are not adequately diversified and inefficient, and therefore, unable to meet the varying demands of the market. Categorization of Institutions there is no framework for categorizing and upgrading some of the emerging microfinance institutions in the semi-formal and informal sub-sectors in accordance with their operational capacities and capabilities. Take longer time to micro loan approval Lack of professional management Lack of modern technology Quality of service below standard Low productivity Unstable and low performance Inadequate basic infrastructure Most of these CBOO failed in delivering microfinance services in an effective, efficient and sustainable manner due to various reasons. The failures of the agricultural, internal displacement, war zone in the past and NECORD project was mainly due to; Different interference: influenced the credit delivery by giving directives for loans to be issued to certain social system of the people irrespective of their creditworthiness or being actual farmers. Furthermore, some misleads certain borrowers not to pay the loans. Operational Inefficiencies: The loan appraisal, approval, disbursement, monitoring and supervision systems had many loopholes and inadequacies, which culminated in a lot of inefficiencies in service delivery. Low repayment rates: The above weaknesses gave rise to very low recovery rates that then led to the insolvency of the financial services that was later declared drop out from services. There was difficulty in re-launching any such enterprise to assist the beneficiary's microfinance service in the future. Lack of interest at the time: Bank & commercial banks were not at the time interested in the

area of microfinance, because they were more interested in providing formal financial services to mainly middle class people or entrepreneurs. But now little starting up enters the micro credit activities by Bank of Ceylon, people's bank, & HNB in Vavuniya. Products not designed for needs of the Poor: Formal banks did not design their financial products to suit the needs of the poor. The situation still remains the same; it may property and gold has to keep with the banks. The financial tools that need to be developed and/or used in the Vavuniya as part of the framework for short and medium term plans to address the needs of the population for microfinance service provision and development include: Savings mobilization, Credit delivery, Micro insurance, Money transfers.

7. 7 Management Problems

Lack of adequate legal provisions and regulations in the financial institution Act to take action against the defaulters has been a problem for some times . Furthermore past experience of writing off of different loans obtained by clients by various implementation of the micro credit programme. It takes some time to change the attitude of the clients to have sense of ownership of the loan. It may need to have good attitudinal change on these issues. Lack of skills, this will help to develop better project proposals/plans to invest their loans more effectively. Insufficient funds and technology to expansion of microfinance to fulfill the demand from villages adjacent to the area covered by CBOO. On a limited scale, new areas away from existing ones may also be chosen. Other clusters of villages have to be established so that the micro credit concepts can be disseminated to a larger community with limited resources.