
A Study On The Role Of Micro Finance Towards Socio-Economic Development Of Entrepreneurs In Kanniyakumari District

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ABSTRACT

Microfinance plays a significant role in promoting socio-economic development by providing financial assistance to small entrepreneurs. It enhances income generation, employment opportunities, savings habits, and overall living standards. The present study examines the role of microfinance towards socio-economic development of entrepreneurs in Kanniyakumari District. Entrepreneurs play a crucial role in generating employment opportunities, increasing income levels, and improving living standards. However, limited financial resources and lack of institutional support often restrict their growth potential. Microfinance institutions bridge this gap by providing accessible financial assistance, encouraging savings habits, and supporting productive investments. This financial support not only enhances business performance but also contributes to socio-economic development through asset creation, income stability, and improved standard of living. The study is based on primary data collected from 80 entrepreneurs using a structured interview schedule. Percentage analysis, Weighted Average Method, and Friedman Test were applied for analysis. The findings reveal that microfinance has positively influenced income growth and business expansion among entrepreneurs..

KEYWORDS

Microfinance, Socio-Economic Development and Entrepreneurs.

1. INTRODUCTION

Microfinance is a powerful instrument for promoting economic development and reducing poverty, particularly in developing countries. It provides financial services such as microcredit, savings, insurance, and other support facilities to small entrepreneurs who often lack access to formal banking institutions. By offering timely and affordable credit, microfinance enables entrepreneurs to initiate, sustain, and expand their business activities, thereby strengthening local economies.

Entrepreneurs play a crucial role in generating employment opportunities, increasing income levels, and improving living standards. However, limited financial resources and lack of institutional support often restrict their growth potential. Microfinance institutions bridge this gap by providing accessible financial assistance, encouraging savings habits, and supporting productive investments. This financial support not only enhances business performance but also contributes to socio-economic development through asset creation, income stability, and improved standard of living.

In Kanniyakumari District, microfinance services have significantly influenced the growth of small and medium enterprises. Evaluating the role of microfinance in improving the socio-economic status of entrepreneurs is essential

to understand its effectiveness and identify areas for further improvement. Hence, the present study attempts to analyze the role of microfinance towards socio-economic development of entrepreneurs in Kanniyakumari District.

OBJECTIVE

The important objective of the study is to analyze the role of microfinance towards the socio-economic development of entrepreneurs in Kanniyakumari District

METHODOLOGY

Sources of Data

The study is based on both primary and secondary data. The primary data were collected through a well-structured interview schedule from the selected entrepreneurs. The secondary data were collected from books, journals, magazines, reports, and relevant websites related to microfinance and entrepreneurial development.

Sampling Design

To analyze the role of microfinance towards socio-economic development of entrepreneurs in Kanniyakumari District, a sample of 80 entrepreneurs was selected for the study. The respondents were chosen using the convenient sampling method based on their willingness to participate.

TOOLS FOR ANALYSIS

The collected data were analyzed with the help of various statistical tools such as:

Percentage Analysis

Weighted Average Method

Friedman Test

These tools were applied to measure the level of socio-economic development and to rank the factors influencing entrepreneurial growth.

ANALYSIS AND INTERPRETATION

The data collected from the respondents were carefully classified, tabulated, and analyzed using appropriate statistical techniques. The results are presented in the following tables for interpretation and discussion.

Age of the Respondents

Age is an important factor that determines the ability to utilize microfinance services effectively. Hence, the age distribution of the respondents is presented in the following table.

Table: 1

Age of the Respondents

SI. No.	Age	No. of respondents	Percentage
1	Up to 30	11	13.75
2	30 – 55	42	52.5
3	Above 55	27	33.75
	Total	80	100

Source: Primary data

The above table shows that from the total 80 sample entrepreneurs 11(13.75 percent) of them belongs to the age group of up to 30 years, 42(52.5 percent) of the entrepreneurs belongs to the age group of 30 – 55 years and the remaining 27(33.75 percent) of them belongs to the age group of above 55 years.

Gender of the Respondents

The participation in microfinance programs may vary between male and female entrepreneurs. Therefore, the gender-wise classification of respondents is presented below.

Table: 2

Gender of the Respondents

SI. No.	Gender	No. of respondents	Percentage
1	Male	51	63.75

2	Female	29	36.25
	Total	80	100

Source: Primary data

It is clear from the above table that 51(63.75 percent) of the respondents are male and the remaining 29(36.25 percent) of them are female.

Marital Status of the respondents

The marital status of the sample entrepreneurs are also considered for the study and the results are given in the following table.

Table: 3

Marital Status of the Respondents

SI. No.	Marital Status	No. of respondents	Percentage
1	Married	77	96.25
2	Unmarried	03	03.75
	Total	80	100

Source: Primary data

The above table depicts that 77(96.25 percent) of the respondents are married and the remaining 03(3.75 percent) of them are unmarried.

Type of Family

Type of family influences financial responsibility, savings behavior, and decision-making patterns of entrepreneurs. Family structure may also affect the utilization of microfinance services and income distribution. Hence, the classification of respondents based on type of family is presented in the following table.

Table: 4

Type of family of the Respondents

SI. No.	Type of family	No. of respondents	Percentage
1	Nuclear	62	77.5
2	Joint	18	22.5
	Total	80	100

Source: Primary data

It is inferred from the above table that 62(77.5 percent) of the respondents belongs to nuclear family and 18(22.5 percent) of them belongs to Joint family.

Number of family Members

The size of the family determines the level of financial burden and economic commitments of entrepreneurs. It also reflects the dependency ratio which may influence borrowing and income utilization. Therefore, the distribution of respondents based on number of family members is presented in the following table.

Table: 5

Number of family members

SI. No.	Number of family members	No. of respondents	Percentage
1	Up to 3	19	23.75
2	4 – 6	37	46.25
3	Above 6	24	30.00
	Total	80	100

Source: Primary data

The above table shows that 37 (46.25 percent) of the sample entrepreneurs have 4–6 family members, 24

(30.00 percent) of them have above 6 family members and the remaining 19 (23.75 percent) of them have up to 3 family members.

Years engaged in business

The number of years engaged in business reflects the experience and stability of entrepreneurs. Business experience plays a crucial role in effective utilization of microfinance services and decision-making ability. Hence, the classification of respondents based on years engaged in business is presented in the following table.

Table: 6

Years engaged in business

SI. No.	Years	No. of respondents	Percentage
1	Up to 5	13	16.25
2	5 – 10	46	57.5
3	Above 10	21	26.25
	Total	80	100

Source: Primary data

The above table shows that 46 (57.5 percent) of the sample entrepreneurs have been engaged in business for 5–10 years, 21 (26.25 percent) of them have more than 10 years of business experience and the remaining 13 (16.25 percent) of them have up to 5 years of business experience.

Increase in Income after Availing Microfinance

One of the major objectives of microfinance is to improve income levels of entrepreneurs. Measuring income changes helps to assess its economic impact. Hence, the respondents’ opinion regarding income increase is presented in the following table.

Table: 7

Increase in Income after Availing Microfinance

SI. No.	Opinion	No. of respondents	Percentage
1	Highly Increased	28	35
2	Moderately Increased	38	47.5
3	No Change	14	17.5
	Total	80	100

Source: Primary data

It is revealed from the above table that 38 (47.5 percent) of the sample entrepreneurs reported that their income has moderately increased after availing microfinance, 28 (35 percent) of them stated that their income has highly increased and the remaining 14 (17.5 percent) of them reported that there is no change in their income.

Role of Microfinance in Socio-economic Development

Microfinance contributes to various aspects of socio-economic development such as income growth and asset creation. To identify the most influential factor, weighted average analysis is applied. The results are presented in the following table.

Table: 8

Role of Microfinance in Socio-economic Development

SI. No.	Factors	Weighted Score	Rank
1	Income Growth	4.05	I
2	Employment Generation	3.80	V
3	Asset Creation	3.81	III
4	Standard of Living	3.91	II

5	Savings Habit	3.76	IV
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Source: Computed data

The above table reveals that Income Growth secured the highest weighted score of 4.05 and ranked first, indicating that microfinance plays a major role in improving the income of entrepreneurs. Standard of Living with a weighted score of 3.91 ranked second, followed by Asset Creation (3.81) in third position. Savings Habit (3.76) ranked fourth, while Employment Generation with a weighted score of 3.80 secured the last rank among the selected factors.

Loan Utilization Pattern

The purpose for which the loan is utilized determines its developmental impact. Proper utilization leads to business growth and financial stability. Hence, the loan utilization pattern is shown in the following table.

Table: 9

Loan Utilization Pattern

SI. No.	Purpose	No. of respondents	Percentage
1	Business Expansion	23	28.75
2	Working Capital	45	56.25
3	Asset Purchase	12	15.00
	Total	80	100

Source: Primary data

The above table shows that 45 (56.25 percent) of the sample entrepreneurs utilized microfinance loans for working capital purposes, 23 (28.75 percent) of them used the loan for business expansion and the remaining 12 (15.00 percent) of them utilized the loan for asset purchase.

Overall Socio-Economic Development Level

Socio-economic development includes improvement in income, assets, savings, and living standards. Assessing the overall development level helps to evaluate the effectiveness of microfinance. Therefore, the overall development status of respondents is presented below.

Table: 10

Overall Socio-Economic Development Level

SI. No.	Level	No. of respondents	Percentage
1	High	21	26.25
2	Medium	51	63.75
3	Low	08	10
	Total	80	100

Source: Primary data

The above table illustrates that 51 (63.75 percent) of the sample entrepreneurs have a medium level of socio-economic development after availing microfinance, 21 (26.25 percent) of them have a high level of development and the remaining 8 (10 percent) of them fall under the low level category.

FINDINGS

Following are the major findings of the study:

It is found out that 42 (52.5 percent) of the entrepreneurs belong to the age group of 30–55 years.

From the total 80 respondents, 51 (63.75 percent) of them are male.

Majority 77 (96.25 percent) of the sample entrepreneurs are married and 62 (77.5 percent) of them belong to nuclear family.

Most 62(77.5 percent) of the respondents belongs to nuclear family.

It is found out that 37 (46.25 percent) of the sample entrepreneurs have 4–6 family members.

Regarding business experience, 46 (57.5 percent) of the sample entrepreneurs have been engaged in business

for 5–10 years.

The researcher found out that 38 (47.5 percent) of the sample entrepreneurs reported moderate increase in income after availing microfinance.

Based on weighted average analysis, Income Growth (4.05) ranked first among socio-economic development factors, followed by Standard of Living (3.91) and Asset Creation (3.81).

Majority 45 (56.25 percent) of the entrepreneurs utilized microfinance loans for working capital purposes.

The researcher found out that 51 (63.75 percent) of the sample entrepreneurs have a medium level of overall socio-economic development after availing microfinance.

CONCLUSION

The study concludes that microfinance plays a significant role in improving the socio-economic development of entrepreneurs in Kanniyakumari District. Majority of the respondents experienced moderate to high improvement in income, standard of living and asset creation after availing microfinance, and most of them utilized the loan effectively for working capital and business expansion. The weighted average analysis also confirms that income growth is the most important benefit derived from microfinance. However, as many entrepreneurs still remain at a medium level of development, microfinance institutions should provide adequate training, financial literacy programmes and proper guidance on fund utilization. Timely loan disbursement, reasonable interest rates and continuous monitoring will further enhance entrepreneurial performance and ensure sustainable socio-economic progress.

2. REFERENCES

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