Impacts of Micro-credit on Household Economics

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Abstract This research was conducted to investigate the impacts of micro-credit on local household economics in Prek Norin Commune by focusing on people who took a loan from microfinance institutions and continue to use it. This study mainly focuses on three objectives, socio-economic factors of households using credit, the status of using micro-credit and effects of micro-credit on household economics. Data were collected via survey, using face to face interviews with a hundred and forty two household heads. Simple random sampling method was used to select the samples from two villages (Prektachreng and Prek Krouch) in Prek Norin Commune, Ek Phnom district, Battambang province. Therefore, the accuracy of the analysis heavily relies on the data provided by interviewees. The result of this study revealed that those using micro-credit have better living standards than before because of income and asset growth. In addition, using micro-credit also creates more job opportunities and variety of economic activities, provides more jobs for women, and improves household education, women's status, and family welfare. It also reduces income inequality in the villages. However, micro-credit has negative impacts on people's feeling because most people are more concerned about paying back the loan.

Keywords impacts, micro-credit, economics

INTRODUCTION

Microfinance is a development program related to the provision of financial services to people with low incomes; these services are credit, saving and insurance (Khan and Rahaman, 2007; Wanchoo, 2007 and Bakhtiari, 2006). Microfinance is recognized as the most essential tool for poverty alleviation in many developing countries (Brandsma and Chaouli, 1998; ADB, 2000; Emilia, 2005; Posner, 2007 and Shastri, 2009), and microfinance is an effective instrument that can improve on most important things for poor people such as households' welfare, education, economics, people's living standards and empowerment of women (Felix, 2007 and Singh, 2004). Even though some of the studies showed that microfinance can reduce poverty, people who used credit did not know how microfinance could help to alleviate poverty (Khan and Rahaman, 2007).

Most of the research studies showed that microfinance could provide a lot of positive results on peoples household economy such as creating more job opportunities, increasing household incomes, building up women's abilities, improving household education and family welfare; however, microfinance could also be a heavy responsibility for people too. When people used financial service, they could increase household income more easily than before, buy more household's assets, and improve their living standards. Especially the group of poor households who have used microfinance to change their daily livelihood by preparing their future plans such,

as household investment and income, building and fixing their houses, improving family welfare and education (Bakhtiari, 2006 and Felix, 2007).

In Cambodia, the number of Microfinance institutions (MFIs) has increased significantly, especially in this last decade. A number of people borrowed funds from those MFIs to set up their economic activities, but up until now there has been no research study that shows how micro-credit affects people's lives. Therefore, this study was conducted to find out the impacts of micro-credit on people's living status. According to this research objective, a hypothesis was set that micro-credit provided positive results to the people's way of living.

METHODOLOGY

Quantitative research was applied, so that structured interviews were used to interview a hundred and forty two households heads by selecting them from two villages, Prek Tachreng and Prek Krouch, in Prek Norin Commune, Ek Phnom District, Battambang Province.

This study relied on two types of data; primary data and secondary data. Primary data which were collected from people through questionnaires was used as the most important data in this research. Therefore, the questionnaires were pre-tested in order to correct some difficult questions. A lot of documents such as the last research thesis, journal, and paper were used as secondary data to compare with the similar research all over the world.

The sample size was defined by using non-probability sampling method, selecting only the people who took a loan from institutions and continue to use it. Purposive sampling method was used to select the research location and the simple random sampling method was used to select household heads using credit from the list given by both village chiefs.

Data collected from interviewees was coded and entered into Ms Excel and SPSS for analysis. The data were analyzed in two ways, qualitative and quantitative data analysis. Descriptive and inferential statistics were used in data analysis, which were Time Series Regression, ANOVA, Chi-square Test, Gini Coefficient, Lorenz Curves, Graphic and Charts.

RESULTS AND DISCUSSION

Profiles of households using micro-credit

Interview status was focused on gender, age, marital status, education and time duration of living in this study area and the main annual income of every household using micro-credit. The results in Table 1 showed that 93 percent of families using credit were women, and only 7percent were men. The majority of credit borrowers were over thirty years old; besides this, they were in the age group of eighteen to thirty years old. Among all borrowers, most of them did not have high education, which 17 percent never having gone to school, 59 percent studied in primary school, 23 percent studied in secondary school, and only 1 percent studied in high school.

In addition, the result showed that 23.50 percent of seventy-one households were the families having a main job as doing business, 23.50 percent selling labor, 14.70 percent feeding animals, 10.30 percent rice farmers, and 11.80 percent having other jobs. The result of this study also illustrated that 41 percent of household using micro-credit could earn incomes between 15 to 10 million riels in a year, and only 7 percent could earn incomes over 20 million riels per year from households' main jobs.

Income distribution during 2008-2009

Fig. 1 indicated that household income distribution curve in 2008 moved away from the perfect equality; it means that income distribution of people in 2008 had inequality between group of people having high incomes and low incomes. Whereas, the Lorenz curve represented for income

distribution in 2009 had moved toward the perfect equality line than in 2008; it showed that income inequality of each household in 2009 was in low level. Moreover, Gini coefficient of incomes in 2009 (Gini=0.3484) fell down by comparing with 2008 (Gini=0.3847). This fall also illustrated that income inequality in 2009 was better than the last year, so micro-credit could help to reduce income inequality of people living in this study area.

Table 1 General status of interviews

Variables	Categories	Percentage
Gender (n=71)	Male	7.00
	Female	93.00
Age	18 to 30 years old	20.00
	31 to 40 years old	21.00
	Over 40 years old	59.00
Education	Illiteracy	17.00
	Primary school	59.00
	Secondary school	23.00
	High school	1.00
Main jobs in family	Doing Business	38.00
	Farmer	28.00
	Labor selling	11.00
	Animal feeding	10.00
	Other jobs	13.00
Annual Incomes (Main jobs)	1 to 5 million riels	38.00
	5,000,001 to 10,000,000 riels	41.00
	10,000,001 to 20,000,000 riels	14.00
	Over 20,000,000 riels	7.00

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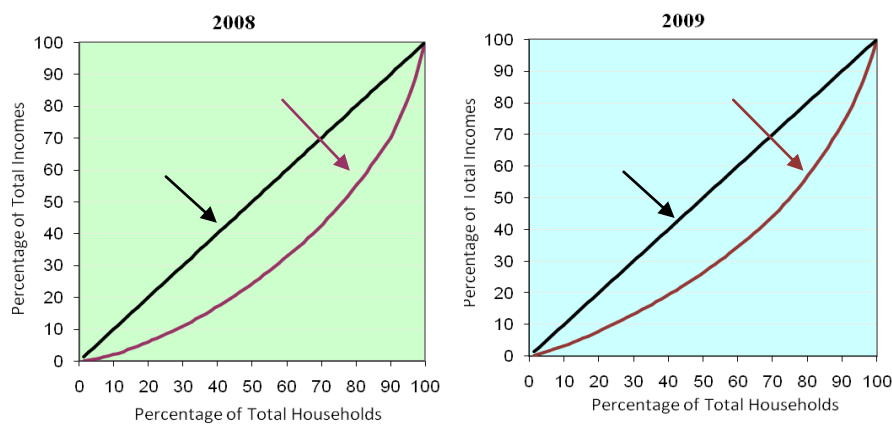

Fig. 1 Income inequality between 2008 and 2009