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A Study on Micro Credit in Poverty Allevation and Employment Generation in Tirunelveli City

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Abstract: *Microfinance has emerged as a powerful tool for poverty alleviation and economic development, providing financial services to underserved populations, particularly in developing economies. This study examines the role and impact of microfinance in enhancing financial inclusion, fostering entrepreneurship, and empowering marginalized communities. The study focuses on the role of microcredit in improving the socio-economic conditions of rural people. Microcredit refers to the provision of small loans to the poor to start or expand income-generating activities, promoting self-employment and financial independence. The main objective is to analyze how microcredit contributes to poverty reduction and employment creation and to assess the impact of microcredit on income levels, standard of living, decision-making power, and overall empowerment. The adopted includes both primary and secondary data collection; primary data were gathered from 140 respondents through structured questionnaires, while secondary data were obtained from journals, reports, and official records. Statistical tools like percentage analysis and ranking method were used for interpretation. The findings revealed that microcredit has significantly improved household income, and created new employment opportunities in rural areas. It also strengthened self-confidence, savings habits, and social participation among beneficiaries. However, some challenges such as repayment difficulties and limited training support were observed. This study suggests providing continuous training, better marketing facilities, and flexible repayment systems to ensure sustainable development.*

Keywords*:* Socio-Economic, Self - Employment, Significant, Facility, Poverty

I. INTRODUCTION

Microfinance refers to a range of financial services provided to individuals or small businesses who lack access to conventional banking and related services. Traditionally, these services include microcredit, savings, micro-insurance, and money transfers. The concept emerged as a response to the need for financial inclusivity among the world's poorest populations who are often excluded from formal financial systems due to a lack of collateral, steady employment, or verifiable credit history. The origins of microfinance can be traced back to the 1970s with the pioneering work of Professor Muhammad Yunus in Bangladesh. Yunus founded the Grameen Bank in 1983, formalizing the practice of offering small loans to the impoverished without requiring collateral. The Grameen model focused on trust-based lending, where groups of borrowers collectively guarantee each other's loans, reducing default risk through mutual accountability. This innovative approach challenged traditional banking norms and demonstrated that the poor are creditworthy and can effectively utilize financial services to improve their economic conditions. Microfinance has since evolved into a global movement, encompassing a variety of models and institutions. These range from non-governmental organizations (NGOs) and non-profit organizations to regulated microfinance banks and commercial financial institutions. The core principle remains the same: to provide financial services that are accessible and affordable to low-income individuals, thereby promoting financial inclusion and enabling poverty reduction.

II. REVIEW OF LITERATURE

Ramanujam, S. & Nigama, K. (2025). conducted a study titled "The Role and Impact of Microfinance in Poverty Alleviation and Economic Development" published in the International Journal of Research in Management. The main

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objective of the study was to examine how microfinance contributes to poverty reduction and employment generation. The researchers used secondary data collected from reports and previous studies, applying descriptive statistics and trend analysis as their statistical tools. The major findings revealed that microfinance significantly improves income levels, supports small businesses, and helps marginalized communities gain access to financial resources, though it also faces challenges such as high interest rates and over-indebtedness. In conclusion, the study emphasized that microfinance plays a crucial role in economic development, and suggested that government support and proper training are essential to enhance the effectiveness and sustainability of such programs.

Dr. R. Vanitha (2024) entitle research on the topic Poverty Alleviation through Women-led Enterprises: A District-Level Analysis. Journal of Tamil Nadu Economic Review Main Objective to measure the long-term economic impact of rural women's self-employment on poverty. using Methodology Longitudinal study (2017–2023) Statistical Tools are Time series analysis, ANOVA. Respondents 250 SHG and small enterprise women from Tirunelveli. Resources are State government economic survey, Field interviews. Major Findings Rural women owning micro-enterprises had higher education spending and health access for their families. The author conclude Sustainable self-employment can lift entire households out of poverty when supported by financial literacy and markets.

Dr. S. Ananthaselvam (2024) entitle research on the topic "Impact of Microfinance on Income Through SHGs in Madurai District" Journal of International Education and Research Journal, Vol. 10(8), August 2024. The main objective is Measure changes in income and economic inequality before and after SHG membership. The author adopted with using Methodology is Primary survey of 120 women SHG members in Madurai district. The author using Statistical Tools is Income comparisons using Gini-coefficient and concentration ratio analysis. Major Findings are SHG membership reduced household income inequality and led to significant income increases. Then the author suggestion is Microfinance via SHGs substantially improves income equality and raises living standards among rural women.

OBJECTIVES

- To assess the role of microcredit in poverty alleviation and employment generation in Tirunelveli city.
- To analyze the impact of microcredit on the income levels of beneficiaries in Tirunelveli.
- To know the socio-economic profile of the respondents.
- To offer a suitable suggestion based on the study.

STATEMENT OF THE PROBLEM

Poverty and unemployment continue to be major challenges affecting the economic and social development of many developing nations. Despite various government welfare schemes and employment programs, a large segment of the poor population remains deprived of adequate income and sustainable livelihood opportunities. Traditional financial institutions often fail to meet the credit needs of the poor due to their lack of collateral and formal credit history. Micro credit has emerged as an alternative financial mechanism that provides small loans to low-income individuals and groups to encourage self-employment and income-generating activities. However, the extent to which micro credit contributes to poverty alleviation and employment generation varies across regions and programs. Issues such as loan utilization, repayment burden, interest rates, and long-term sustainability raise questions about its overall effectiveness. This study seeks to examine the role of micro credit in improving the economic conditions of the poor, its impact on employment generation, and the challenges faced in its implementation.

III. RESEARCH METHODOLOGY

Questionnaire were prepared for collecting data. Most of the questions are based on five-point Likert scale technique depending on the level of satisfaction. The sample size for the study constituted 140 respondents in Tirunelveli city.

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IV. ANALYSIS OF DATA

TABLE 1: GENDER WISE CLASSIFICATION

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
1	Male	78	56
2	Female	62	44
	Total	**140**	**100**

Source: Primary data

From the above table 1, it reveals that, out of 140 respondents, 78 percentage of the respondents are male and 62 percentage of the respondents are female. Hence, we concluded that the majority of the respondents are male.

CHART 1: GENDER WISE CLASSIFICATION

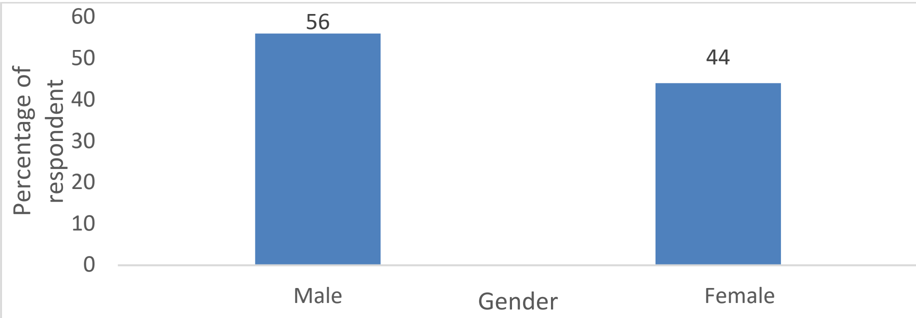

TABLE 2: AGE WISE CLASSIFICATION

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
1	Below 20 years	14	10
2	21 -30 years	74	53
3	31-40 years	24	17
4	Above 40 years	28	20
	Total	**140**	**100**

Source: Primary data

From the above table 2, it clears that out of 140 respondents, 10 percentage of the respondents are come under the age group of below 20 years, 53 percentage of the respondents are belonging to the age group of 21-30 years, 17percentage of the respondents are between the age group of 31-40 years and 20 percentage of the respondents are lies under the age group of above 40 years. Hence, we concluded that most of the respondents are belonging to the age group of 21- 30 years.

CHART 2: AGE WISE CLASSIFICATION

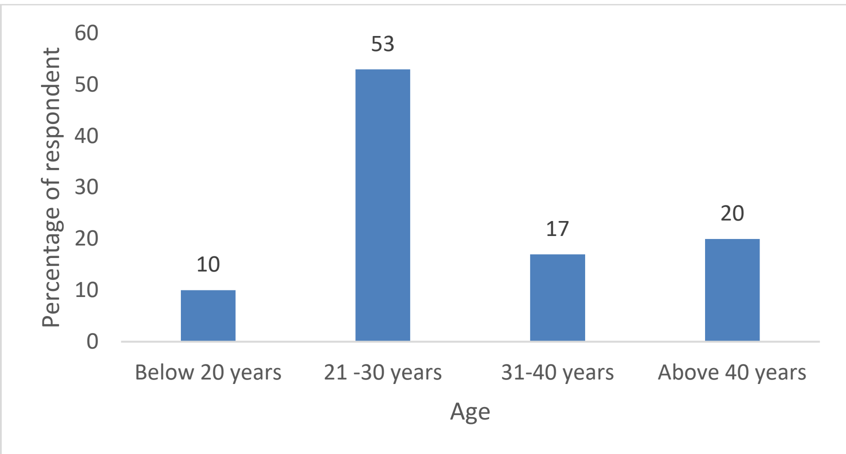

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TABLE 3: PRIMARY SOURCE OF INCOME

S.NO	PARTICULARS	NO OF RESPONDENTS	PERSENTAGE
1	Agriculture	64	46
2	Small business	43	31
3	Service activity	16	11
4	Others	17	12
	Total	**140**	**100**

Source: Primary data

From the above table 3, it reveals that, out of 140 respondents, 46 percentage of the respondents are engaged in agriculture, 31percentage of the respondents are involved in small business, 11 percentage of the respondents are service-related activities like tailoring and shop and12 percentage of the respondents are others. Hence, we concluded that the majority of the respondents are engaged in agriculture.

CHART 3: PRIMARY SOURCE OF INCOME

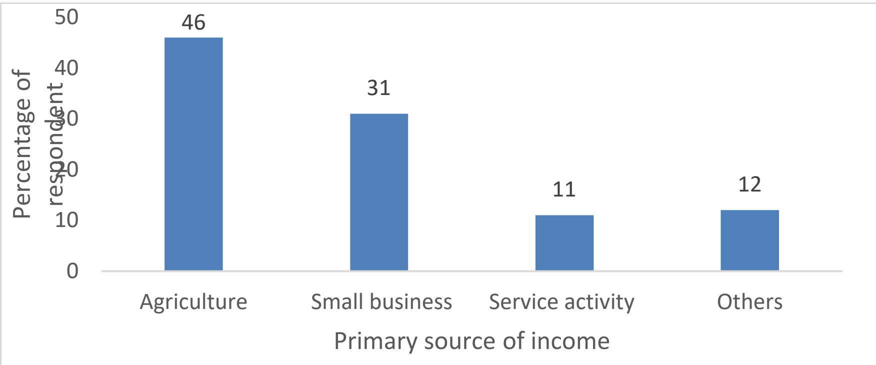

TABLE -4: IMPROVEMENT OF SOCIO-ECONOMIC CONDITION

S.NO	PARTICULARS	SA	A	N	DA	SDA	MEAN SCORE	RANK
1	HOUSE HOLD SAVING INCOME	48	32	23	18	19	3.514	I
2	PROMOTE COMMUNITY AWARENESS	23	17	24	37	39	2.629	V
3	CHILDREN EDUCATION	42	31	13	23	31	3.214	II
4	FLEXIBLE REPAYMENT	11	38	34	28	29	2.814	IV
5	EMPLOYMENT GENERATION	16	22	46	34	22	2.829	III

Source: Primary Data

From the above table 4, it is evident that out of the 140 respondents, the issue of ranked first household save income with the highest mean score of 3.514. The second- problem is promote community awareness from authorities, with a mean scope of 3.214. children education came in third place with the mean score of 2.829. Flexible repayment came in fourth place with the mean score of 2.814. Finally, employment generation ranked fifth with a mean score of 2.629. Overall, the classification reveals that microcredit has contributed to the improvement of various socio-economic aspects of the respondents.

V. FINDINGS

- According to gender wise classification, majority of the respondents are male.
- According to age wise classification, majority of the respondents are belonging to the age group of 21- 30 years
- According to primary source of income, majority of the respondents are engaged in agriculture.
- According to improving socio- economic condition, the ranked first household save income with the highest mean score of 3.514.

SUGGESTIONS

- To provide regular training and workshops to improve borrowers' financial planning and entrepreneurial skills.
- To introduce insurance or safety nets to protect borrowers from unforeseen risks and defaults.
- To encourage group lending models to strengthen peer support and accountability among members.
- To conduct periodic impact assessments to identify gaps and improve program effectiveness.
- To promote savings habits alongside loans to enhance financial stability and security.
- To offer mentoring and guidance to new borrowers for successful income-generating activities.
- To strengthen grievance redressal mechanisms to resolve borrower issues promptly.

VI. CONCLUSION

Microcredit has improved access to savings, credit, and insurance, helping start small businesses and increase household income. Micro-credit has played a meaningful role in poverty alleviation by reducing dependence on moneylenders and improving financial access for the urban poor. It has also contributed to employment generation, primarily through self-employment and small informal enterprises. microcredit not only supports financial inclusion but also contributes significantly to improving the living standards of marginalized communities. By providing small loans to low-income households, it enables them to engage in income-generating activities and improve their standard of living. Overall, microcredit plays a crucial role in poverty alleviation and employment generation, but its success depends on efficient implementation, policy support, and community participation.

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