
An Analysis of the Impacts of Micro-Credits on Sustainability of Rural Economy(Case Study of Omid Entrepreneurship Fund in Neyshabour)**Mohammad Reza Rezvani¹⁰***Professor of Geography and Rural Planning and the
Member of Center of Excellence in Rural Planning, University of Tehran,
Tehran, Iran***Alireza Darban Astaneh***Assistant Professor of Geography and Rural Planning and the
Member of Center of Excellence in Rural Planning, University of Tehran,
Tehran, Iran***Hassan Ahmadabadi***Master Student of Geography and Rural Planning, University of Tehran,
Tehran, Iran**Received 14 January 2015**Accepted 10 September 2015***1. Introduction**

Nowadays, sustainable economic development is the most significant economic objective in the developing countries. Accordingly, micro-credits as an efficient strategy could play a vital role in achieving sustainable livelihood in the rural areas. This research aims to study the impacts of micro-credits provided by Omid Entrepreneurship Fund on the economic sustainability in the rural regions of Neyshabour. It attempts to find out how the performance of Omid Entrepreneurship Fund in giving micro-credits could affect the sustainability of the rural economy in the villages under study.

2. Theoretical Framework

The Irish Loan Fund System in the 17th century was one of the oldest rural microfinance service providers. The system was soon extended to other countries and to the developing countries with the leadership of Bangladesh. In Iran, the history of micro-credits goes to the establishment of Melli Bank, Flahati Branch in 1901. Numerous theories exist regarding the sustainability and its impacts. By considering this topic, the current research draws on the economic sustainability which is one of the aspects of sustainable development and its relevant components. Economic sustainability is one of the basics of economy, and it means attaining economic security in terms of reaching sustainable livelihood in continuous and stable affairs and gaining reliable financial resources by utilizing

1- Corresponding Author: Email : rrezvani@ut.ac.ir

human resources. Economic sustainability includes three components, namely economic justice, economic stability, and economic prosperity.

3. Method

This is an empirical quantitative study which resorts to the descriptive-analytic method. 1883 households living in the villages of Neyshabour, who were also receiving self-employment loans from Omid Entrepreneurship Fund participated in the study. 276 households were chosen randomly as the research sample using Cochran formula. In total, 39 villages were chosen to fill in the questionnaire. To measure the impact of credits, 24 factors were chosen in the form of three major components by analyzing and reading the relevant documents and evidences. A questionnaire was used to gather the field data. The scale validity was measured using the content validity and the face validity evaluation method. The scale reliability was found to be 939. The collected data were then analyzed using the descriptive and inferential statistics (Mono-dimensional χ^2 and univariate t).

4. Results and Discussion

The findings showed that the economic justice ($M=3.65$) and economic stability ($M=3.64$) had a significant impact on the improvement of economic sustainability while economic prosperity had a less significant impact ($M=2.274$). To compare the observed frequencies with the expected frequencies, univariate χ^2 test was used. Based on the mean and distribution of the data, it can be concluded that, except for the items of improving non-food expenditure in economic prosperity, micro-credits had a significant impact on the items of sustainable economy. To evaluate the impact of micro-credits on the sustainability of rural economy of Neyshabour villages, one-sample t -test was used. The results of one-sample t -test (13.482) showed that there was a significant difference (significance level=99%, error rate<0.01) between the true and the assumed mean. Given that the true mean (84.91) was more than the assumed mean (73), it can be stated that according to the respondents, micro-credits had an impact on the improvement of economic sustainability. One could say that the households under study achieved a stable livelihood and useful employment after receiving the self-employment loan.

5. Conclusion and Suggestions

The major focus of this research was on micro-credits and their impacts on the components of the rural sustainable economy, life, and activities. The findings of the study showed that the credits given by Omid Entrepreneurship Fund had an impact on improving the economic justice, the increasing economic stability, and the improving rural economy. Finally, it can be stated that providing micro-credits in the rural areas had a significant impact on the sustainability of the rural economy. Regarding the participants under study, the provision of 231 loans led to

the employment of 382 individuals, 107 of whom have full-time jobs and 275 have part-time jobs. The high rate of establishing new jobs is a main factor for the economic development and the employment growth. These findings showed that providing credits can be beneficial in improving the rural economy especially for small projects. Accordingly, the approach that takes preventive measures such as giving micro-credits to avoid the increase of poverty and unemployment, etc. is appropriate for ensuring the economic sustainability of the villages. Such an approach assumes the low-income communities as the agents and monitors of the program. These positive changes in the context of the rural employment and economic activity can set the grounds for the prosperity and the attraction of the villages. Finally, since such programs increase the rural economic power, their role in improving production, more efficiently, creating jobs, the provision of cost of living, etc. becomes vital and affect other aspects of the rural development (socio-cultural, ecological, and physical aspects).

Key words: Economic sustainability, Rural economy, Micro-credits, Neyshabour, Omid entrepreneurship fund

References

1. Ahlin, C., & Jiang, N. (2008). *Can micro-credit bring development?* *Journal of Development Economics*, 86, 123-145.
2. Arabmazar, A., & Farzin Motamed, A. (2003). The role of Agricultural bank in empowering villagers with the use of micro-credit approach. *Journal of Bank and Agriculture*, 2, 73-113. [in Persian]
3. Avijit, G. (1998). *Ecology and development in the third world*. London: Routledge.
4. Bakhtiari, S., & Pasban, F. (2004). The role of credit in the development of employment opportunities. *Journal of Agricultural Economics and Development*, 12(46), 73-105. [in Persian]
5. Behzadnasab, J. (2007). *Introduction of the rural development comprehensive culture*. Tehran: Ghalamestan Honar Publication. [in Persian]
6. Bond, R. (2010). Integrated Impact Assessment for Sustainable Development. *World Development*, 29(6), 101-122.
7. Carter, M. R. (1989). The impact of credit on peasant productivity and differentiation in Nicaragua. *Journal of Development Economics*, 31(1), 13-36.
8. Daley-Harris, S. (2006). *State of the microcredit summit campaign report*. Retrieved from www.mocrocreditsummit.org
9. Davan, M. L. (2009). *Rural development priorities* (M. Taleb, Trans.). Tehran: Tehran Publication. [in Persian]

10. Faaliat, V., & Kharghani, N. (2009). The consideration of the impact of microcredit on employment. *Journal of Business and Society*, 117, 28-47. [in Persian]
11. Farahani, H. (2006). Stability evaluation in rural areas with emphasis on sociol-economic stability. Case study: Tafresh city (Unpublished doctoral dissertation). Tehran University, Tehran. [in Persian]
12. Ghadiri Masoom, M., Zianooshin, M. M., & Khorasani, M. A. (2010). Economic stability and its relation to spatial characteristics. *Journal of Rural and Development*, 13(2), 1-29. [in Persian]
13. Ghasemi, A., Sattarifar, M., & Murtazavifar, Z. (2011). Analytical and empirical evaluation of the impact of microfinance on household income and consumption. *Journal of Economic Research*, 46(96), 181-205. [in Persian]
14. Hassanzadeh, A., Azooji, A., & Ghavidel, S. (2006). Consideration of the impact of microcredit in reducing poverty and inequality. *Journal of Islamic Economic*, 6(21), 45-69. [in Persian]
15. Hossein, M. (1998). *Credit for alleviation of rural poverty: The Grameen bank in Bangladesh* (Report No. 5). Washington: International Food Policy Research Institute:
16. Hume, D., & Mosley, P. (1996). *Finance against poverty*. London: Routledge.
17. International Labour Organization (ILO). (2004). *An employment agenda for china Geneva*.
18. Janson, S., & Rogali, B. (2004). *Micro-finance and poverty reduction* (P. Izadi, Trans.). Tehran: Rural and Development Publication. [in Persian]
19. Kahnert, F. (1985). *The small- scale enterprise credit program (SSEP) under the second and third Calcutta urban development*. D.C.: Water Supply and Urban Development Department.
20. Khandker, S., Samad, R. A. H., & Khan, Z. H. (1998). Income and employment effects of micro-credit pprograms: Village-level evidence from Bangladesh. *The Journal of Development Studies*, 5(2), 96-124.
21. Li, X., Gan, C., & Hu, B. (2011). The welfare impact of microcredit on rural households in China. *The Journal of Socio-Economics*, 40, 404-411.
22. Lindfeldf, S., & Kndsem, A. (2000). *The allocation of micro-credits. Evidence from ZECLOF'S micro credits project in Harare Zimbabwe* (Unpublished bachelor's thesis). Stockholm University, Sweden.
23. Mathison, S . (2003). *Microfinance and disaster management*. Retrieved from www.developmentgateway.com.au/jahia/webdav/site/.../mf_disasters.pdf.
24. Ministry of Agriculture. (2006). *The plan of rural sustainable development indicators at the national, regional and local levels*. [in Persian]
25. Muazami, M., & Rahimi, A. (2005) *Consideration of sustainability of micro-credit programs*. Tehran: Center of Rural Research and the Rural Women Office of Agriculture Ministry. [in Persian]

26. Nooripoor, M., & Shahvali, M. (2011). Evaluation of rural sustainability criteria in Dena county on the communication process. *Journal of Rural Research*, 2(1), 63-92. [in Persian]
27. Omid Entrepreneurship fund. (2013). *Neyshabour*. [in Persian]
28. Omid Entrepreneurship Fund. (2013). *Tehran*. [in Persian]
29. Rabinson, M. (2004). *The microfinance revolution: Sustainability for the poor*. Washington D.C.: World Bank.
30. Rahmani Fazli, A., & Kaviani, Y. (2009). Performance evaluation of agricultural bank of rural micro-credit assignment. *Journal of Geographical Sciences Applied Research*, 14(11), 125-143. [in Persian]
31. Reed, L. R., & David, B. (1994). Transformation lending: Helping microenterprise become small business. In M. Otero & E. Rhyne (Eds.), *The new world of microenterprise finance West Hartford* (pp. 25-43). CT: Kumarian Press.
32. Rezvani, M. R. (2002). Rural development planning (concepts, strategies, and processes). *Journal of Literature and Human Sciences of Tehran University*, 2(6), 221-240. [in Persian]
33. Rezvani, M. R., Nazari, V., & Khorasani, M. A. (2010). *The culture of concepts and terminology of rural development*. Tehran: Jahad Daneshgahi Publication. [in Persian]
34. Rika, M., Drost Maseri, A., & Rahman, R. (2003). *Credit for women* (F. Khani, Trans.). Tehran: Alzahra University Publication. [in Persian]
35. Ruknudin Eftekhari, A., & Eynali, J. (2005). Evaluation of Agricultural bank micro-credit in rural economic development. *Journal of Business Research*, 34, 179-201. [in Persian]
36. Ruknudin Eftekhari, A., Eynali, J., & Sojasi Ghidari, H. (2006). Evaluation of the effects of micro-credit in agricultural development. *Journal of Agricultural Economics and Development*, 14(56), 45-76. [in Persian]
37. Sachs, L. S. (1990). *Strategies for sustainable development: Food and energy*. USA: UNU.
38. Sadeghzadeh, M. A. (2011). *The impact of central bank independence on economic stability* (Unpublished bachelor's thesis). Tehran University, Tehran. [in Persian]
39. Saeidi, S. (1998). Sustainable development and non-stability of rural development. *Journal of the Islamic Revolution Housing Foundation*, 2(34), 17-22. [in Persian]
40. Statistical Center of Iran. (2011). *General population and housing census*. [in Persian]
41. Taleb, M. (1991). *Rural credit in Iran.*, Tehran: Jahad Sazandegi Publication. [in Persian]

42. Tandler, J. (1998, June). *What happened to poverty alleviation?* Paper presented at the World Conference on Micro-Enterprises. Washington, D.C., USA.
43. UNCSD. (1998). *Indicator of sustainable development: Framework and methodologies*. USA: UNCSD-DPCSD.
44. Yahyaabadi, A., & Dadfar, I. (2008). *An analysis of employment based on the concept of decent works in Iran*. *Journal of Business and Society*, 98, 77-87. [in Persian]
45. Yasoori, M. (2007). *Introduction to the rural economy (With emphasis on the agricultural sector)*. Mashhad: Astan-e Ghods Razavi Publication. [in Persian]

How to cite this article:

Rezvani, M. R., Darban Astaneh, A., & Ahmadabadi, H. (2015). An analysis of the impacts of micro-credits on sustainability of rural economy (Case study of Omid Entrepreneurship Fund in Neyshabour). *Journal of Geography and Regional Development*, 12(23), 209-233.

URL <http://jgrd.um.ac.ir/index.php/geography/article/view/37283>