Women empowerment and micro finance : Case study from Kerala

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Abstract

The subject of micro-finance is considered as significant and emerging trend in the present scenario for the empowerment of women. Micro finance programmes are promoted as an important strategy for women's empowerment. Micro finance builds mutual trust and confidence between bankers and rural poor to encourage banking in a segment of population where formal financial institutions usually find difficult to reach. The present paper examines the economic impact of micro finance beneficiaries and whether the economic empowerment has resulted in the generation of a set of self reliant women. The Thiruvananthapuram district of Kerala State was selected for the case study. The survey shows about the positive impact of the development programme of Kudumbashree, a micro financial institution in Kerala, India.

1. Background

Ever since 1976, when Prof.Mohammed Yunus of Bangladesh began experimenting with micro-credit and women Self Help Groups(SHGs), to discuss, share their problems, to start organized investment and hence an attempt to come out from chronic poverty made a quiet revolution not only in Bangladesh but similarly placed other countries 'by empowering the poor women'. The group-based approach not only enables the poor to accumulate capital by way of small savings but also helps them to get access to formal credit facilities (Shylendra, 1998). For the SHG members, the system has been found beneficial because of minimal procedural formalities, access to institutional credit without collateral offering, full autonomy in the selection of activity, and the availability of thrift for meeting urgent needs. Group lending minimizes transaction cost and at the same time the members of a group can avail small loans through that group. In short, if we define, SHGs are small informal associations created for the purpose of enabling members to reap economic benefit out of joint help, unity, and joint responsibility. The benefits include mobilization of savings and credit facilities and pursuit of group enterprise activities.

Recently, Women empowerment has acquired a very important place in government development programmes. Seemingly most of the targeted group programmes of the central and state government are using Self Help Group as an instrument for effectively implementing and to make the benefit of trickling down to it's destitute. In Kerala, right from the mid eighties of the past century, micro finance has become a key strategy for poverty alleviation and empowerment. In a sense this is blindly accepted as an effective instrument for the government schemes and solution for women empowerment. In Kerala, the catalyst behind this venture is the government machinery under the state poverty eradication mission called *Kudumbasree*. A large number of studies have analyzed the many facets and issues of micro credit groups under varying levels and themes of focus. Women empowerment in pre and post joining of the group attracted much scholarly analysis. Most of them use simple quantitative exercises to find out whether the empowerment indicators have succeeded in achieving the target with a push from enhanced capabilities, while this analysis have its own limitations, which will be revealed in further exploration.

Generally the literature basically focused on some of the aspects like empowerment, success of the programmes in productive efficiency, saving habits, poverty eradication etc. the funding ability, income improvement has been widely discussed (Rakowski, 1994). There are many empirical models incorporate various indicators of empowerment, which came under discussion and debate (Anand 2002). The role of NGOs in promoting the welfare through SHGs got attention in some of the empirical studies and the argument is that private sector business leaders, foundations, and corporations has created new local-level NGOs for promoting micro-enterprise development

through "massification" applying the NGO method and philosophy on a broader scale to help increasing number of entrepreneurs and poor families. Some studies also examined the advantages of organizing women groups thereby creating a new sense of dignity and confidence to tackle their problems with a sense of solidarity and to work together for the cause of economic independence (Choudhary 1996). Some other had described the factors affecting group dynamics and group functioning such as feeling of solidarity and pervasive benefits from group formation, increased awareness of group members, self reliance, and transparency. They feel that dependence on outside source either in material or human terms exist and so the group autonomy is not attained in many cases.

2. Kudumbashree- A micro finance programme

Kudumbashree is a women based participatory poverty eradication programme launched on 1st April 1998 by the Kerala state government with the financial support of NABARD (National Bank for Agriculture and Rural Development) and the central Government. Thus it is a partnership of four major agents –Central government, state government, local bodies and NABARD. Briefly, Kudumbashree functions at the weekly neighborhood group meetings, women deposit savings, and the collective savings which in turn provide the basis for small loans. In order to qualify as a member of the Neighborhood Group (NHG), the women's household must be "poor". For identifying risk families i.e., a household is considered poor if it demonstrate four or more of the following nine risk factors.

1. No land or less than 5 cent of land

2. No house or dilapidated house

3. No sanitary latrine

4. No access to safe drinking water within 15 meters radius.

5. Women headed household, presence of a widow, divorce, abandoned women unwed mother.

6. No regularly employed person in the family.

7. Socially disadvantaged groups such as SC /ST

8. Presence of mentally or physically challenged person or chronically ill member in the family, and

9. Families with out colour television.

Women who have exceptional capacity and seek further opportunity may be invited to join Self Help or Enterprise Group [SHG] comprising similarly entrepreneurial women from other NHGs. After accumulating reasonable amount of resources as thrift from each member regularly,

many of these respondents would no longer be considered poor by the above criteria. If the bank is satisfied with the group in terms of 1) genuine of demand for credit 2) Credit handling capacity of the members 3) repayment behavior within the group and 4) the accounting system and maintenance of the records, the bank extends a term loan of smaller amount to the group.

The promotion of income generation activities for the poor rural women is perceived as a powerful medium to resolve several socio economic problems such as reduction in poverty, provision of goods and services which are appropriate to local needs, redistribution of income and opportunities in the community etc. Thus financing through SHG's accrued benefits like

1. Savings mobilized by the poor

2. Access to the required amount of appropriate credit by the poor

3. Meeting the demand and supply of the credit structure and opening of new market for financing institutions

4. Reduction in transaction cost for both lenders and borrowers

5. Tremendous improvement in recovery

6. Heralding a new realization of subsidy less and corruption less credit and

7. Remarkable empowerment of poor women.

Above all, it builds mutual trust and confidence between bankers and rural poor to encourage banking in a segment of population that formal financial institutions usually find difficult to reach.

3. Research Question

From the preliminary analysis attempted so far seek to verify whether there has been any significant economic impact and whether the economic empowerment has resulted in the generation of a set of self reliant women.

4. Methodology and Data Source

Information was collected through both primary and secondary data. Three Kudumbashree units were covered using questionnaires and direct enquiry method. Secondary data were collected from published books, reports, periodicals etc. Comparative analysis of their economic conditions were undertaken-pre Kudumbashree and post Kudumbashree period. To find out whether there has been a significant increase in the incomes of Kudumbashree households over the entire period t test is used to test the hypothesis.

5. Hypothesis

Null hypothesis (Ho): There has not been a significant improvement in the income of the poor women due to credit support of the scheme.

Alternative hypothesis (Hi): There has been a significant improvement in the income of the poor women due to credit support of the scheme.

6. Case Study

Three Kudumbashree units in Thiruvananthapuram district of Kerala were selected as the sample area. The units, which are working with comparative efficiency, were selected for the study. The names of the units are as follows.

a) Techno world Digital technologies

b) Yathrashree-Canteen

c) Varsha water meter repairing unit

Techno world digital technologies unit was established in 1999, September 15th with ten members. Yathrashree canteen unit was in 2001 May 15th with 10 members and Varsha water meter repairing unit was started in 2001 August 20th with eleven member each. Before analyzing the economic impact of the programme on the beneficiaries it is pertained to understand the social structure like age, cast, education and marital status of the members.

TABLE 1

Social Structure

Age composition	%	Cast structure	%	Education	%	Marital status	%
20-30	64.5	SC/ST	16.1	Illiterate	-	Single	35.5
30-40	29	0BC	45.2	Primary	3.2	Married	51.6
50 & above	-			SSLC	42.2	Divorced	6.4
				PDC	19.4		
				others	26		

Source: Primary survey

The age composition of the three units in the table 1 points that majority of the members belongs to the age group of 20-30. There are nine persons in the age group of 30-40 constituting 29% in the total. It reflects the mental setup of young people to undertake self employment and such activities. Cast status of the beneficiaries in table indicates that 61.3 % of the beneficiaries include the SC and OBC. The fact that 61.3% of the beneficiaries of the programme were focused on the backward communities was indeed a satisfactory aspect. The education profile shows that only

about 54.6% of the women had education up to SSLC. From the Marital status of beneficiaries 4 women of the sample population are either widowed or divorced. In this case Kudumbashree income is the main supportive income. Unmarried women are also having significant place in these activities, their eagerness to earn money for their own needs are also significant.

In order to analyze the level of income of beneficiaries house holds, two time periods are selected:

1. Pre Kudumbashree level of the income of beneficiaries house hold

2. Post Kudumbashree level of the income of beneficiaries house hold

TABLE 2

Mean income level of families before and after the generation of Kudumbashree income.

Name of the unit		Pre Kudumbashree level	Post Kudumbashree Level
Techno world, Yathrashree, Varsha	Mean N Standard Deviation	4638.7097 31 1736.9854	5766.1290 31 1859.0045

Source: Primary survey

The table shows the mean income level of families before and after the generation of Kudumbashree income. As many of their work were seasonal they could get work only for about 15 to 20 days in month. Hence fluctuating income created uncertainity about varying purchasing capacity among members. In order to find out whether the difference in family income before and after the introduction of the scheme is significant, certain statistical hypothesis is formulated and the analysis is further through the t test.

Null hypothesis-There is no significant difference [improvement] between pre Kudumbashree levels of family income and post Kudumbashree level of family income

Alternative hypothesis- There is significant difference [improvement] between pre Kudumbashree levels of family income and post Kudumbashree level of family income

In symbols,

Ho $\quad \mu 1 = \mu 2$

H1 $\quad \mu 1 > \mu 2$

[$\mu 1$ =Mean income of the family after the introduction of the scheme

$\mu 2$ = Mean income of the family before the introduction of the scheme

Ho=Null Hypothesis, H1=alternative Hypothesis]

As per the formula for t test

t = X-Y/SE

Where X=mean income of the family in the post Kudumbashree period

Y=mean income of the family in the pre Kudumbashree period

SE= $\sqrt{S^2\,[1/n_1+1/n_2]}$

$S^2 = n_1\,S_1^2 + n_2\,S_2^2/n_1 + n_2 - 2$

$S_1^2 = (\sum y^2/n) - (Y)^2$

$S_2^2 = (\sum x^2/n) - (X)^2$

The result of the t test conducted as to whether a significant increase in income has occurred over the period is given in the following table 3

TABLE 3

Income level over the entire period of test

Units	Calculated value	Table value	Level of significance	Degree of freedom	Decision regarding null hypothesis
Techno world digital technologies, Yathrashree, Varsha.	10.09	1.697	5%	30	Rejected

Source: Primary survey

t =X-Y/SE = 5766.1290-4638.7097/112.0157

=1127.4193/112.0157

=10.06

DF=n-1 =31-1=30

Results of the t test conducted have shown that there has been significant increase in the income levels of Kudumbashree house holds over the entire period. It needs to be ascertained as to whether the increase in income levels of house holds was mainly due to Kudumbashree income or not. Hence the change in family income in each of the unit was computed and percentage of Kudumbashree income was also calculated. The following table gives the idea of the contribution of Kudumbashree income to the entire change in the family income.

TABLE 4

Impacts of the Kudumbashree income on the total change in family incomes

Units	Change in Family incomes	Kudumbashree incomes	Percentage of Kudumbashree incomes
Techno world digital technologies	6000	2000	33.3
Yathrashree	57500	10000	17.35
Varsha	61250	11750	19.18

Source: Primary survey

7. Conclusion

Kudumbashree incomes contributed a significant portion of the entire income. Economic impact is there but a major cause for the increase in family incomes may be due to a rise in income of other family members or other sources. But as the above table reveals some portion is from the Kudumbashree incomes. Of course there is economic betterment. These being the economic indicator which points to positive impact of the development programme of Kudumbashree, certain other facts need to be recounted. This includes the dimension of motivation aspiration, overcoming the fear of authority, confidence in once on abilities, autonomy in the use of resources in house holds and participation in decision making in the house holds.

One interesting feature of the primary survey was that in the Yathrashree canteen units, when members of the group were individually interviewed, many were not even aware of the capital in the beginning of the enterprise. Only the group organizers could answer this question. This indicates lack of information among the beneficiaries. Regarding the query of expansion of units, majority lacked motivation. They were apprehending of the future of their own existing business. An enterprising drive was found lacking among all the beneficiaries. But the economic change which imposed in them provides a new confidence on their own abilities. However identification and selection of members for this scheme has to be made carefully. The unemployed women folk with in the age group of 18-60 whose opportunity cost should be near zero and who belongs to the weaker sections should be the target groups. Weekly meeting of SHG's is not regular in some cases, so steps should be taken to conduct it regularly. The proper selection of activist for the group is crucial for its survival and expansion. Efforts should be, made to identify the suitable activity based on resources, skills and markets. The resources for the activity must be either available locally or procurable easily and economically. Above all, market condition should be ascertained before setting up of units. The unhealthy political influence should be avoided. To empower is to develop and progress especially in the context of freedom she achieves to enhance her self respect and self dignity through economic independence. Hence there is need to measure the freedom she achieves

for empowerment.

Selected Reference

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