



A STUDY ON THE MICROFINANCE THROUGH KUDUMBASHREE UNITS

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Abstract

This study aims to analyze the impact of Microfinance through KDS, and purpose of obtaining Microfinance. The researcher applied Paired t test, Z test, ANOVA, Weighted Average, Rank, Karl Pearson's Correlation coefficient, and Percentage analysis. Based on the data analysis findings are arrived. The purpose of this study is to gain a better knowledge on the effectiveness of Microfinance and forecast future plan for the development of KDS and its members.

Key words: Microfinance, Kudumbashree, self Help Group, Empowerment.

INTRODUCTION

Professor Mohammed Yunus, the originator of the concept of Microfinance, won the Nobel Prize for introducing Microfinance in Bangladesh. Microfinance is a financial service of small quantity provided by Financial Institutions to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, etc, that is any type of financial services, provided to customers to meet their normal financial needs: life cycle, economic opportunity and emergency with the only qualification that transaction value is small and customers are poor.

As point out by the former UN Secretary General Kofi Annan during the launch of the International Year of Micro Credit (2005), "sustainable access to Microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs."

The Microfinance was promoted in India to overcome poverty, increase income and enhance well being of the poor. But most of the Indian Microfinance Institutions only focus on microcredit and their high lending rate and loan shark type behavior created problems.

An alternative to the commercial model of Microfinance is the Kudumbashree program initiated in 1998 by the Government of Kerala. It focuses for over all development of the family.

RATIONALITY OF THE STUDY

Microfinance can facilitate the achievement of the national policies that target poverty reduction, empowerment of women, assisting vulnerable groups and improving standards of livings. Studies have been shown that Microfinance plays critical role in development. It enables the very poor households to meet their most basic needs and protect against risks. It is associated with improvements in households' economic participation, it helps to empower women and promote gender equity. It is available from past studies that, Kudumbashree is an effective MFI to support economic development. So the poor people can become more empowered especially women by joining Kudumbashree program. It points out that the need of the Kudumbashree units in the area where the poor people are reported lot. But the Rural-Monthly Report July' 12 of Kudumbashree, Malappuram District shows the insufficiency of the Kudumbashree units. As per the record, 9000 BPL families are reported in Wandoor Panchayath. Likewise 8514 families are reported as BPL families in Manjeri1. It is the highest number of BPL families reported in Malappuram District. But the NHGs and Microenterprises are formed in these Panchayath are very low by considering other Panchayath where BPL families are low.

In Wandoor Panchayath 263 NHGs and 51Microenterprises are formed out of 9000BPL families. And 284 NHGs only set up in Manjeri 1 out of 8514 BPL families. But in Perithalmana 3747 BPL families are reported, here 283 NHGs and 322 Microenterprises are formed. Likewise in Pothukal Panchayath 4130 BPL families are reported, but 233NHGs and 181 Microenterprises are set up. Malappuram 1 is one of the places where the lowest number of BPL families is reported, that is 1695 families, but there are 147 NHGs and 162 Microenterprises are formed.

This figure shows the insufficiency of Kudumbashree Units in Wandoor Panchayath and also pointing a figure to inadequate number of Microenterprises under which the member of Kudumbashree engaged in their productive activities for their better empowerment. So far no systematic studies are available in the area of Microfinance generated through Kudumbashree units in Malappuram District. Hence the present study address these issues like to know the impact of Microfinance through Kudumbashree in Wandoor Panchayath.



OBJECTIVES OF THE STUDY

1. To understand the impact of microfinance through members in Kudumbashree units.
2. To study the purpose of obtaining microfinance by members in Kudumbashree Units.

REVIEW OF LITERATURE

In a study conducted by **Sengupta and Authucon** observed that microfinance is a viable solution to economic development and poverty alleviation. Another study conducted by **Paramita Raut** in India observed that microfinance system in India opened up numerous opportunities for the rural population to gain access to formal finance. Micro financing in rural India is mainly organized by SHG formed by the rural people through collective savings and investment in income generating activities. **Debadutta Kumar Panda** reported the positive impact of SHG based microfinance in India and group initiated microenterprises reduce migration among rural women based on the study conducted in Orissa, Jharkhand and Chhattisgarh. The used variables in this study are household income, asset position, family size, savings, employment days, literacy, etc.

Dr. Muralidhar A. Lokhande conducted a case study of Mahila Arthik Vikas Mahamandal in Maharashtra, founded micro financing through SHG helps the development of unprivileged people and the economic empowerment of women is depending up on the easy availability of credit and promotion of women entrepreneurship. He studied the socio-economic impact of women in SHG through expansion of business activities, gainful employment, increased income, regular savings, awareness regarding financial matters, increased social relations, feeling of social security, participation in social activities, increased political awareness, participation in local politics, increased self confidence, communication skill, leadership qualities, etc.

According to **K.B Nidheesh** best strategy for poverty eradication is women empowerment through Kudumbashree. The process of empowerment becomes the signal light to their children, their families and the society at large. The study conducted by **S. Sarumathi and Dr. K. Mohan** in Pondicherry had observed the micro finance brought psychological and social empowerment than economic empowerment, for improving economic empowerment SHG members wanted to join in income generating activities. In this study used variables are income savings, literacy level, skills, etc.

According to **Tracy L Moyle and Maureen F Dollard** the economic empowerment of rural women is reflected positive sign while they are engaging in group enterprises.

V.Kavitha and R.S Jiji observed that economic, informational and technological empowerment is lower than psychological and social empowerment, and there is need for training to enter more productive activities. This study conducted in SHG Goat farming Kudumbashree Units in Thrissur District.

The study conducted by **Dr.K.Kanniammal, Dr.U.Jerinabi and A. Arthi** in Coimbatore District of Tamil Nadu observed that microfinance through SHG-Bank Linkage Programme have successful interventions in rural credit market and have positive impact on the economic and social status of the members in terms of increase in income, savings, employment generation, asset creation, decrease in the dependency on moneylenders, improvement in decision making skills, participation in community affairs, etc. microfinance activities can give them a means to climb out of poverty and it could serve as a solution to help them to extend their horizon and offer them social recognition and empowerment.

Dr.S.Santhosh Kumar conducted a study in Kerala founded that the financial literacy among members of the women group is uncompromising as women groups are considered as a strong channel of financial inclusion. **M.L.Sukhdave** conducted a study in Maharashtra, based on this study he founded that rural women are motivated for their children education through SHG Programme and repayment of microfinance through SHG was effective. A study conducted by **Dr.P. Vasanthakumari** in Kerala stated the participation of members in SHG based microenterprises made a significant impact on their empowerment, this also improve the quality of the life of the members.

RESEARCH METHODOLOGY

The study is designed on a descriptive study conducted in Wandoor Panchayath based on both secondary and primary data. Secondary data collected from published books, magazines, journals, websites, reports and periodicals of Kudumbashree units, etc. Primary data collected from members of the Kudumbashree units in Wandoor Panchayath.

Altogether 263 NHGs are working in Wandoor Panchayath. Out of 263 NHGs, 82 units were selected at random and one respondent from each 82 units were selected to know the impact of microfinance. The method of sampling used is random sampling. The units and respondent in each unit has been selected by drawing lot. The required data for the study has been

collected through questionnaire. Paired t test, Z test, ANOVA, Weighted Average, Rank, Karl Pearson's Correlation coefficient, and Percentage analysis have been used to analyze and interpret the data.

DATA ANALYSIS AND INTERPRETATION OF MICROFINANCE

Impact of Microfinance

The impact of microfinance is studied through the members of Kudumbashree units on the basis of followings: Change in the level of indebtedness from outside loans, Changes in annual income and annual savings of members, Empowerment of members.

Change in the Level of Indebtedness of Members

The contribution of microfinance programme in the reduction of outside loan among the KDS members was tested by applying 'Z test' to test the proportions of increase during pre-KDS and post-KDS period.

Changes of Indebtedness from Moneylenders

H_0 : There is no significant improvement in the indebtedness of members from money lenders through the intervention of microfinance programme.

Table:1 Changes of Indebtedness from Moneylenders

Total number of respondents	Pre KDS		Post KDS	
	Number of respondents taken loan	Proportion(P_1)	Number of respondents taken loan	Proportion (P_2)
82	68	0.83	6	0.073

$$Z = \frac{P_1 - P_2}{S.E} = \frac{0.83 - 0.073}{0.0777} = 9.74$$

The calculated value (9.74) is greater than the table value (2.326) at level of significance = 1% and degree of freedom = infinity. Therefore the null hypothesis is rejected and there is significant improvement in the indebtedness of members from moneylenders through the intervention of microfinance programme.

Changes of Indebtedness from Friends and Relatives

H_0 : There is no significant improvement in the indebtedness of members from friend and relatives through the intervention of microfinance programme.

Table:2 Changes of Indebtedness from Friends and Relatives

Total number of respondents	Pre KDS		Post KDS	
	Number of respondents taken loan	Proportion(P_1)	Number of respondents taken loan	Proportion (P_2)
82	53	0.65	17	0.21

$$Z = \frac{P_1 - P_2}{S.E} = \frac{0.65 - 0.21}{0.0773} = 5.69$$

The calculated value (5.69) is greater than the table value (2.326) at level of significance = 1% and degree of freedom = infinity. Therefore the H_0 is rejected. We can interpret that there is significant improvement in the indebtedness of members from friends and relatives through the intervention of microfinance programme.

Changes in Annual Income and Annual Savings

Changes in Annual Income

Annual income of each respondent before and after joining the unit is collected individually. Paired t test is used to test the changes.

H_0 : There is no significant improvement in annual income of members due to the support of kudumbashree programme.

Table: 4.1 Annual Income of Members

Total number of samples	Income before join the unit	Income after joining the unit	Difference (d)	Square of difference (d ²)
82	1324000	15879000	263900	1445210000

$$\text{Paired } t = \frac{\bar{d}}{S.E}$$

Table: 4.2 Result of t- Test

$\bar{d} = \frac{\sum d}{n}$	Standard deviation $s = \sqrt{\frac{\sum d^2}{n} - \left(\frac{\sum d}{n}\right)^2}$	S.E = $\frac{s}{\sqrt{n-1}}$	Paired t value	Table value (1% of level of significance and degree of freedom= infinity)
3218.293	2695.757	299.529	10.745	2.326

Paired t value is 10.745 which is greater than the Table value 2.326 at level of significance = 1% and degree of freedom = infinity. Therefore the H₀ is rejected. So we can interpret that there is significant improvement in the annual income of members due to the support of kudumbashree programme.

Changes in Annual Savings

H₀: There is no significant improvement in annual savings of members due to the support of kudumbashree programme.

Table: 5.1 Annual Savings of Members

Total number of samples	Savings before join the unit	Savings after joining the unit	Difference (d)	Square of difference (d ²)
82	141000	325450	184450	582672500

$$\text{Paired } t = \frac{\bar{d}}{S.E}$$

Table: 5.2 Result of t- Test

$\bar{d} = \frac{\sum d}{n}$	Standard deviation $s = \sqrt{\frac{\sum d^2}{n} - \left(\frac{\sum d}{n}\right)^2}$	S.E = $\frac{s}{\sqrt{n-1}}$	Paired t value	Table value (1% of level of significance and degree of freedom= infinity)
2249.39	1430.387	158.932	14.15	2.326

Paired t value is 14.15 which is greater than the Table value 2.326 at level of significance = 1% and degree of freedom = infinity. Therefore the H₀ is rejected. So we can interpret that there is significant improvement in the annual savings of members due to the support of kudumbashree programme.

Empowerment of Members

From 82 input data 48 from members of NHG, 24 from members in individual microenterprise, and 10 from members in group microenterprise.

Economic Empowerment of Members

Table: 6.1 Economic Empowerment of Members

SI. NO	Variables	Weighted average in different groups		
		NHG	Individual micro enterprise	Group micro enterprise
1.	Impact of family income / living status	3.21	4.88	5
2.	Mode of savings	3.25	4.96	4.9
3.	Awareness in financial matters	3.21	4.72	5
4.	Chance of getting bank loan	3.42	4.72	5
5.	Accessibility / acquisition of asset	3.25	4.88	4.9
	Corresponding average	3.268	4.832	4.96

The average of all 5 variables related to economic empowerment of group microenterprise is high (4.96). So we can interpret that economic empowerment is high in group microenterprise.

Social Empowerment of Members

Table:6.2 Social Empowerment of Members

SI. NO	Variables	Weighted average in different groups		
		NHG	Individual micro enterprise	Group micro enterprise
1.	Social relation	4.25	5	5
2.	Participation in social activities	4.15	5	5
3.	Position or status in family / society	3.83	4.96	4.96
4.	Feeling of social security	4.17	5	5
5.	Awareness in environmental protection, women empowerment& right, children& adult education	4.20	4.96	5
	Corresponding average	4.12	4.984	4.992

The above table shows that the high average (4.992) of all variables related to social empowerment is in group microenterprise. So we can interpret the social empowerment is high in group microenterprise.

Psychological Empowerment of Members

Table: 6.3 Psychological Empowerment of Members

SI. NO	Variables	Weighted average in different groups		
		NHG	Individual micro enterprise	Group micro enterprise
1.	Self confidence	4.88	5	5
2.	Communication skill	4.85	5	5
3.	Leadership quality	4.75	5	5
4.	Improvement in management skill	4.69	5	5
5.	Become knowledgeable and informative	3.48	5	5
6.	Self identity and self respect	4.75	5	5
	Corresponding average	4.57	5	5

From the above table the high average in psychological empowerment is 5. So we can interpret the psychological empowerment is high in individual and group enterprise.

Analysis of Empowerment in Different Groups

In the comparative analysis of different empowerment under different groups, the corresponding averages are taken. Two way ANOVA is conducted to check the significant difference between the columns and rows.

Table: 6.4 Empowerment of Members in Different Groups

Empowerments \ Groups	Groups			
	NHG	Individual Micro Enterprise	Group Micro Enterprise	Total
Economic empowerment	3.268	4.832	4.96	13.06
Social empowerment	4.12	4.984	4.992	14.096
Psychological empowerment	4.57	5	5	14.57
Total	11.958	14.816	14.952	41.726

Hypothesis:

- H_0 : There is no significant difference in the empowerment of members in NHGs, Individual Microenterprises, and Group Microenterprise.
- H_0 : There is no significant difference between the economic, social and psychological empowerments of members.

The results of ANOVA with 5% level of significance are shown in the ANOVA table given below.

Table: 6.5 ANOVA Table

Sources of variation	Sum of squares	Degree of freedom	Mean squares	F ratio
Between the columns	1.906	2	0.953	$F_c = \frac{0.953}{0.1235} = 7.72$
Between rows	0.398	2	0.199	$F_r = \frac{0.199}{0.1235} = 1.61$
Residual	0.494	4	0.1235	
Total	2.798	8		

- **Between the columns:**
Degree of freedom (2, 4). Table value of F = 6.94. Calculated value of F = 7.72, which is higher than the table value. Therefore we reject the hypothesis that is the empowerment in different groups is different.
- **Between the rows:**
Degree of freedom (2, 4). Table value of F=6.94. Calculated value of F = 1.61, which is less than table value. Therefore we accept H_0 i.e. there is no differences in the different empowerments.

Purpose of Obtaining Microfinance by Respondents

The following table shows preferences of members for obtaining loan in various purposes. The weighted average is used to rank the purpose.

Table: 7 Purpose of Obtaining Microfinance by Members

SI. NO	Purposes	Always (5)	Frequently (4)	Occasionally (3)	Rarely (2)	Never (1)	Score	Weighted average	Rank
1.	Day to day expenditure	-	1	4	12	65	105	1.28	VII
2.	Children's education & welfare	4	36	20	12	10	258	3.15	II
3.	Medical expenditure	2	16	41	14	9	234	2.85	III
4.	Children's marriage	-	-	-	16	66	98	1.195	VIII

5.	Housing	-	11	35	34	2	219	2.67	IV
6.	Promote / start business	-	8	19	5	50	149	1.82	VI
7.	Providing electricity , drinking water, sanitation facility, etc.	-	4	26	48	4	194	2.37	V
8.	Repayment of loan	-	-	-	15	67	97	1.18	IX
9.	Purchase of household items	1	30	43	7	1	269	3.28	I
10.	others	-	-	1	14	67	98	1.195	VIII

From the above table we can interpret that majority of the members are taking loan for purchase of house hold items (Rank I, weighted average 3.28). The next purpose of obtaining loan is children's education and welfares (Rank II, weighted average 3). The least preference for obtaining loan is repayment of loan.

Respondent's Education Qualification and Obtaining Microfinance for Children's Education & Welfare

To know the association between respondent's education qualification and obtaining microfinance for children's education and welfare, Karl Pearson's Coefficient of Correlation is used.

Table: 7.2 Correlations between Education Qualification and Obtaining Microfinance for Children's Education & Welfare

Education qualification	No. of respondents on the basis of education qualification (x)	No. of respondents obtaining microfinance for children's education & welfare					Weighted average(y)
		Always (5)	Frequently (4)	Occasionally (3)	Rarely (2)	Never (1)	
Illiterate	3	-	-	1	-	2	0.33
Read & write	15	-	-	-	11	4	1.73
SSLC & +2	55	1	30	19	1	4	12.53
Degree & above	9	3	6	-	-	-	2.6
Total	82						17.19

$$\text{Coefficient of Correlation } \Gamma = \frac{n \sum xy - (\sum x \sum y)}{\sqrt{n \sum x^2 - (\sum x)^2} \sqrt{n \sum y^2 - (\sum y)^2}}$$

$$= \frac{4 * 739.49 - (82 * 17.19)}{\sqrt{4 * 3340 - (82)^2} \sqrt{4 * 166.8627 - (17.19)^2}} = 0.986$$

The correlation coefficient is 0.986 i.e. there is good positive correlation between education qualification and obtaining microfinance for children's education and welfare.

FINDINGS

The following are the findings that appeared while analyzing the study

- The study founded that the intervention of microfinance programme reduces the indebtedness of members from moneylenders, and friends and relatives.
- Due to the support of Kudumbashree programme the annual income and annual savings of the members has significantly improved.
- On the basis of weighted average the economic empowerment in NHG is very low by comparing other empowerments in NHG and empowerments in Individual and Group microenterprise.
- The economic, social, and psychological empowerments are low in NHG and high in group enterprises.



- As per the result of ANOVA the empowerment in NHG, Individual enterprise, and group enterprise are different. And there is no significant difference in the different empowerment.
- Mainstream of the members are obtaining microfinance for the purpose of purchasing household item.
- Educated members are mostly taken microfinance for the purpose of children's education and welfare.

CONCLUSION

Microfinance acts as a catalyst in the lives of the poor and Kudumbashree became the lifeline to many of the poor women. In the present study, an attempt has been made to analyze the impact of microfinance, and purpose of obtaining microfinance. The microfinance helps the members to come out of the indebtedness from outside loan, increase the living status through increased income and increased savings, and empowered by engaged in income generating activities. Microenterprise under Kudumbashree helps in developing an entrepreneurial culture in society and increasing better living capacity of the poor. In the study area the members are mainly adopt microfinance for the purpose of purchasing household item. Thus, there is an urgent need to widen the scope and financial services to cover the unreached population.

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