

## **A Study on the Performance and Problems of Micro Finance through Kudumbashree Units with Special Reference to Moothedam Panchayath**

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### **Abstract**

The financial empowerment of women in Kerala through the focused initiative of Kudumbashree has gone long way. Micro Finance has been the basic trust of Kudumbashree to address poverty. It is available from past studies that, Kudumbashree is an effective micro finance institution to support economic development. So the poor people can be empowered especially women by joining Kudumbashree program. So the study is related to performance of Kudumbashree Units in Moothedam Panchayath and level of problems in their units, helps to find out the key factors which enhance this field and give recommendations for betterment.

**KEYWORDS:** micro-finance, Kudumbashree, women empowerment, micro-enterprises, poverty eradication

### **INTRODUCTION**

Kudumbashree is a poverty eradication project officially launched by the Government of Kerala with the active support of the Central Government and NABARD for wiping out absolute poverty from the state. The project was inaugurated by the Prime Minister Shri Atal Behari Vajpayee on May 17 1998 at Kottakunnu in Malappuram. The project is implemented by the State Poverty Eradication Mission of the State Poverty Eradication Mission of the State Government through local self governing bodies.

Professor Mohammed Yunus, the originator of the concept of Microfinance, won the Nobel Prize for introducing Micro finance in Bangladesh to create economic and social development. The committee has recognized Microfinance as “an important liberating force” and an “ever more important instrument in the struggle against poverty”. Microfinance is a financial service which includes savings, credit, insurance, leasing, money transfer etc, which is provided to customers to meet their normal financial 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. Therefore it is necessary to study the performance level and problems of Microfinance through Kudumbashree units.

### **Statement of The Problem**

Microfinance is the effective tool for development and contributed to the women and economic development of the society to a great extent. 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 improvement in household's 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 empowered especially women by joining Kudumbashree program.

The Rural monthly Report of July 2016 of Kudumbashree, Malappuram District shows the insufficiency of the Kudumbashree units. As per record, 2587 BPL families are reported in Moothedam Panchayath. Likewise 1543 families are reported as BPL families in Manjeri. The NHGs and Microenterprises are formed in Moothedam Panchayath are very low by considering other Panchayath where BPL families are low.

In Moothedam Panchayath 339 NHGs and 30 Microenterprises are formed out of 2587 BPL families. And 234 NHGs only set up in Manjeri out of 1543 families. This figures shows the insufficiency of Kudumbashree Units in Moothedam 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 there are only limited studies available in the area of Microfinance generated through Kudumbashree units in Malappuram District. Hence the present study addresses these issues to know the performance level of microfinance and its problems through kudumbashree units in Moothedam Panchayath.

#### **Objectives of the Study**

- To study the overall performance of Kudumbashree Units in Moothedam Panchayath.
- To study the problems faced by Kudumbashree Units in Moothedam Panchayath.

#### **Hypothesis**

**H<sub>0</sub>:** There is no significant difference in the role undertaken by government agencies to empower different castes.

#### **Research Methodology**

The study is descriptive in nature which is based on survey method conducted in Malappuram district which carried out with the help of secondary and primary data. Secondary data collected from published books, websites and journals. The primary data is collected through questionnaire. Total 339 NHGs are working in Moothedam Panchayath. Out of 339 NHGs, 60 units were selected at random and one respondent from each 60 units were selected to know the performance level and problems of Micro finance through each kudumbashree units. The method of sampling used is random sampling. The unit and respondent in each unit have been selected by using lottery method of sampling. The collected data were analyzed with the help of statistical tools like weighted average method and ANOVA.

### **DATA ANALYSIS AND INTERPRETATION**

**Table 1 : Accumulated savings in Kudumbashree Units**

| Accumulated savings | Numbers of KDS units | percentage |
|---------------------|----------------------|------------|
| More than 100000    | 15                   | 25         |
| 80000-100000        | 33                   | 55         |
| Less than 80000     | 12                   | 20         |
| Total               | 60                   | 100        |

Source: Primary data

The table 1 shows that majority (55%) of Kudumbashree units(KDS) have more than Rs. 80000-100000 accumulated savings, that means they are in satisfactory region. 25% of Kudumbashree units(KDS) are having more than 100000 of savings.

**Table 2: Internal loans allowed by KDS units**

| Internal loan allowed                | Number of KDS units | Percentage |
|--------------------------------------|---------------------|------------|
| More than 50% of accumulated savings | 23                  | 38.33      |
| 25%-50% of accumulated savings       | 31                  | 51.67      |
| Less than 25% of accumulated savings | 6                   | 10         |
| Total                                | 60                  | 100        |

Source: Primary data

The table 2 shows that most of the KDS Units allowed 25%-50% of their accumulated savings as internal loans towards its members and 38.33 % of KDS Units provides more than 50% as their internal savings.

**Table 3: Numbers of active members in the units**

| Numbers of active members in the units | Numbers of KDS units | Percentage |
|--|----------------------|------------|
| 15-20 members                          | 35                   | 58.33      |
| 10-15 members                          | 19                   | 31.67      |
| Below 10 members                       | 6                    | 10         |
| Total                                  | 60                   | 100        |

Source: Primary data

The table 3 shows that in 35 KDS units (58.33%) 15-20 members are found active, in 19 units (31.67%) 10-15 members are active and in rest of the units only less than 10 members are active in their participation..

**Table 4: Distribution of sample units on the basis of Subsidy received**

| Subsidy received  | Numbers of KDS units | Percentage |
|-------------------|----------------------|------------|
| More than 2 times | 21                   | 35         |
| 1 or 2 times      | 27                   | 45         |
| Not received      | 12                   | 20         |
| Total             | 60                   | 100        |

Source: Primary data

The table 4 depicts that most of the ( 45%) units received the subsidy once or twice. 35 percent units received the subsidy for more than twice. The remaining units not received the subsidy.

**Table 5: Number of meeting per month in KDS units**

| Number of meeting per month in KDS units | Numbers of KDS units | Percentage |
|--|----------------------|------------|
| 4 meetings                               | 42                   | 70         |
| 2-3 meetings                             | 15                   | 25         |
| Below 2 meetings                         | 3                    | 5          |
| Total                                    | 60                   | 100        |

Source: Primary data

The table 5 depicts that 70% of units conducted 4 meetings in a month at the same time 25% of the units conducts two or three meetings per month. Rest of the 5% of units conducted below 2 meetings.

**Table 6: Collection of savings within the unit per month**

| Collection of savings | Numbers of KDS units | Percentage |
|-----------------------|----------------------|------------|
| 4 times               | 43                   | 71.67      |
| 3 times               | 12                   | 20         |
| Less than 3 times     | 5                    | 8.33       |
| Total                 | 60                   | 100        |

Source: Primary data

The table 6 depicts that majority (71.67%) of units collect the savings four times in a month and 20% of units collect their savings three times in a month.

**Table 7: Status of loan recovery**

| Status of loan recovery | Numbers of KDS units | Percentage |
|-------------------------|----------------------|------------|
| More than 90%           | 37                   | 61.67      |
| 70%-90%                 | 16                   | 26.66      |
| Less than 70%           | 7                    | 11.67      |
| Total                   | 60                   | 100        |

Source: Primary data

The table 7 depicts that, majority (61.67%) of the KDS units is very efficient in their loan recovery measures and at the same time 11% of KDS units faces difficulties while realizing their internal loans.

**Table 8: Problems in Kudumbashree units**

| Sl.no | Problems  | No of KDS Units | Weighted average | Rank |
|-------|---|-----------------|------------------|------|
| 1     | Lack of capital                                 | 60              | 1.27             | 4    |
| 2     | Insufficient government support                 | 60              | 1.67             | 1    |
| 3     | Non availability of loan                        | 60              | 1.23             | 5    |
| 4     | Caste barrier                                   | 60              | 1.16             | 7    |
| 5     | Conflict between members in the unit            | 60              | 1.48             | 2    |
| 6     | High competition                                | 60              | 1.28             | 3    |
| 7     | Lack of basic book keeping and accounting skill | 60              | 1.23             | 5    |

Source: Primary data

The table 8 reveals that insufficient government support is the major problem faced by majority of the Kudumbashree units in Moothedam Panchayath. Hence its give rank 1. The next important problem faced by the KDS units is conflict between the members in the units, which gives rank 2. The table also shows that high competition between KDS units is another important problem, hence its positioned at rank 3.

**Table 9: Role undertaken by the government agencies to empower different caste**

**H<sub>0</sub>:** There is no significant difference in the role undertaken by government agencies to empower different castes.

| Differen t caste | Number s | mean  | Std deviation | Std error | 95% confidence interval for mean |             | minimu m | maximu m |
|------------------|----------|-------|---------------|-----------|----------------------------------|-------------|----------|----------|
|                  |          |       |               |           | Lower bound                      | Upper bound |          |          |
| General          | 22       | 4.027 | 1.05883       | .2257     | 3.557                            | 4.496       | 2.00     | 5.00     |

|        |    |            |        |            |            |            |      |      |
|--------|----|------------|--------|------------|------------|------------|------|------|
|        |    | 3          |        | 4          | 8          | 7          |      |      |
| OBC    | 29 | 3.275<br>9 | .84077 | .1561<br>3 | 2.956<br>0 | 3.595<br>7 | 1.00 | 4.20 |
| SC/ST  | 3  | 2.800<br>0 | .00000 | .0000<br>0 | 2.800<br>0 | 2.800<br>0 | 2.80 | 2.80 |
| Others | 6  | 2.633<br>3 | .08165 | .0333<br>3 | 2.547<br>6 | 2.719<br>0 | 2.60 | 2.80 |
| Total  | 60 | 3.463<br>3 | .98152 | .1267<br>1 | 3.209<br>8 | 3.716<br>9 | 1.00 | 5.00 |

Source: Primary data

#### ANOVA TABLE

| Source of variations | Sum of squares | Degree of freedom | Mean square | F value | P value |
|----------------------|----------------|-------------------|-------------|---------|---------|
| Between groups       | 13.469         | 3                 | 4.490       | 5.797   | .002    |
| Within groups        | 43.370         | 26                | .774        |         |         |
| Total                | 56.839         | 59                |             |         |         |

Source: Primary data

The test statistic shows that the p value is .002 which is less than significant value .05, hence we reject our null hypothesis, which means that the role played by the government for the empowerment is differently affected among different castes in Moothedam Panchayath.

#### Findings

The following are the major findings of the study:

- As per the result of ANOVA, the role played by the government for the empowerment is differently affected among the different castes in Moothedam Panchayath.
- The study found that insufficient government support is the main problem in most of the units of Moothedam panchayath.
- The majority (55%) of KDS units have more than Rs 80000-100000 accumulated savings.
- Most of the KDS Units allowed 25%-50% of their accumulated savings as internal loans towards its members and 38.33 % of KDS Units provides more than 50% as their internal savings as a part of internal loan.
- Out of total KDS units in Moothedam Panchayath, there are 15-20 members are active in 58.33% of units.
- As per the analysis 45% of KDS units received the subsidy once or twice in a year and also 35 % units received the subsidy for more than twice in a year.
- As per the study 71.67% of KDS units collect the savings four times in a month.
- As per the analysis 61.67% of KDS units are very efficient in their loan recovery measures.

#### Suggestions

- More constructive subsidy scheme can be introduced by the regulatory authorities will attract more active participation of members in the KDS units.

- As it is found that 50% of the accumulated savings are utilized for grant micro credit towards its members. Periodic and frequent monitoring can be exercised for effective utilization of finance to the needy.
- There is a need for promotion of modern enterprises like medical laboratory, computer center, etc.
- More awareness campaigns can be conducted for micro credit, micro-thrift, micro insurance and other product on a wide base.
- The kudumbashree mission must consider micro enterprise as the most important instrument for creating employment to the poor women.

## **CONCLUSION**

Micro-finance act as a catalyst in the lives of the poor and kudumbashree became the life line to many of the poor women. In the present study, an attempt as been made to analyse the overall performance and problems of KDS units in Moothedam Panchayath. The government must play eventual role for the promotion of Kudumbashree units. Insufficient government support is the main problem in the KDS unit. In the study the performance in KDS units in Moothedam Panchayath is satisfactory but there is necessity to take some measure to reach the unreached poor and efficient performance of kudumbashree units.

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