Women Empowerment in Rural Areas: An Empirical Analysis of Financial Sustainability of Women Self Help Groups in Kerala

Dr. Ebrahim Kunju Sulaiman, Associate Professor, School of Management & Business Studies, Mahatma Gandhi University, Priyadarshini Hills (P.O), Kottayam, Kerala, India

I) Introduction

The Self Help Groups (SHGs) are small informal associations created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility. 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. These groups by way of joint liability enable the poor to overcome the problem of collateral security and thus free them from the clutches of moneylenders. The SHGs as a system has infused certain synergy among its members to move up in the socio-economic ladders from passive onlooker into an active partner/stakeholder in the development process. Self-help groups (SHGs) are fast emerging as powerful tool of socio-economic empowerment of the poor in our rural areas. SHGs are initially formed on the foundation of the accumulated endowment of bonding social capital already existing in the community. The social capital produced by the SHG as it matures through creation of new ties and linkages, strengthens the community’s cooperative capacity to the achievement of group government.

The SHG scheme has been extensively used by voluntary agencies for a long time but has been incorporated in the conventional development programmes only recently. The SHGs have proved to be successful in addressing the interests of women in a sustained manner. They are extremely useful in generating savings, ensuring successful delivery of credit to individual women and effecting recovery. In addition, they serve as an ideal mechanism for bringing women out of their homes, making them more articulate and honing their leadership qualities and their skills as motivators. Entrepreneurship through Self-Help Groups (SHG) enables the rural poor to earn their own livelihood besides participating in the process of development. A typical rural women’s self-help group is a good example of capacity building for prospective entrepreneurs. Its aims to include enabling members with no educational or industrial or entrepreneurial background to become self-dependent and self-reliant by developing and enhancing the decision-making capacity of members and instilling in them the strength and confidence for solving their problems. They provide poor people a forum where they can learn about collectively mobilising and managing money and matters.

II) Statement of the Problem

Right from the mid-eighties of the past century micro-finance has become a key strategy for poverty alleviation and empowerment of women in Kerala. About 98 percent of the self-help groups in Kerala are women groups. The early nineties marked a new era for micro-finance programmes in the State with the evolution of the Community Development Society (CDS) model, and the setting up of Kudumbasree – the poverty eradication programme of the State Government – has given a boost to the SHG strategy. There is a general tendency to consider SHGs as a panacea for all the ills of the rural community. This is evident from the mushroom growth of self-help groups in the State. In many cases it has been a blind replication of success models without considering the intricacies involved in group formation and sustainability. There has been a long-standing debate over the sharpness of the trade-off between 'outreach' (the ability of SHG’s microfinance activities to reach poorer and more remote people) and its 'sustainability' (its ability to cover its operating costs - and possibly also its costs of serving new clients - from its operating revenues). There are also many possible concerns, both
economic and social. Some people may be excluded from membership, some members may drop out, the benefits of membership may not be equitably shared within SHGs and defaulters may end up worse off than before, both socially and financially. Hence, the present study is undertaken to enquire into the financial sustainability of Self-Help Groups; and so that the strategy may be replicated effectively for empowering rural women. The present study has interdisciplinary relevance and relationships with the disciplines of Economics, Sociology, Rural development, Finance, Management, Politics, and Administration etc.

III) SHG-Kudumbashree: An Overview

Kudumbashree (KDMS), a unique programme of poverty alleviation with full participation of women, especially poor women, was launched formally by Government of Kerala on 17th May 1998. Its Mission Statement is "to eradicate absolute poverty in ten years through concerted community action under the leadership of Local Self Governments, by facilitating organisation of the poor, combining self-help with demand led convergence of available services and resources to tackle the multiple dimensions and manifestations of poverty, holistically." KDMS is women-oriented participatory approach for community development and poverty reduction. It aims at the prosperity of the economically backward families in the state of Kerala with various programmes. These programmes are mainly related to creation of opportunity for their social security and empowerment: physical, social, economical and political. Information dissemination, awareness creation, capacity and confidence building are also included in these programmes.

KDMS aims at eradicating absolute poverty within a definite time frame of 10 years under the leadership of Local Self Governments formed and empowered by the 73rd and 74th Amendments of the Constitution of India. The KDMS Mission was launched by the State Government with the active support of Government of India. Kerala is seeking to achieve a break in participatory poverty reduction through kudumbashree, which is implemented by the State Poverty Eradication Mission through the local self government institutions. All urban local governments and village panchayats have been included under Kudumbashree. For effective convergence of the programme, a three tier Community Based Organisation (CBO) is in action (Figure 2).

- Neighbourhood Group (NHG)/Ayalkoottam

The lowest tier constitutes the Neighbourhood Group (Ayalkoottam in Malayalam) consisting of 20-40 women members selected from the poor families. Meetings are convened on a weekly basis in the houses of NHG members. In the meeting, the various problems faced by the group members are discussed along with suggestions for improving the situation. Sometimes Government officials are invited to the meeting for explaining the schemes implemented by them.

Activities and Responsibilities: - In the weekly meeting all members bring their thrift, which will be collected and recycled, to the system by way of sanctioning loans. Micro plans are also prepared after taking stock of the situation. Each Neighbourhood Group from among the poor women five volunteers are selected for undertaking various functional activities.

(i) Community Health Volunteer looks after various health-related aspects of the group members including children, women and the aged. Convergence of various programmes undertaken by Health and Social Welfare Departments are also carried out under the leadership of the Community Health Volunteer.

(ii) Income generation activities volunteer carry out the collection, consolidation and maintenance of books of accounts and registers in connection with thrift mobilisation is looked after by this volunteer. Necessary training is imparted by NABARD for increasing their capability.
(iii) Infrastructure Volunteer takes the lead in tackling the Infrastructural backwardness of the group with the help of various ongoing governmental programmes. She will liaison with the local bodies and acts as a catalyst for local development.

(iv) Secretary records the proceedings of the meeting and make necessary follow up including team building

(v) President chair the weekly meetings and impart necessary leadership and guidelines to the group members.

- **Area Development Society (ADS)**

  Area Development Society, the second tier, is formed at ward level of Panchayat/ municipality by federating 10-15 NHGs. As general body consists of the President, Secretary and three sectoral volunteers such as Health, Income Generation and infrastructure volunteers of federated NHGs, governing body constitutes President, Secretary and five members elected from among the general body. An important feature of ADS is its linkage with local government (Panchayat or municipality/corporation) to ensure their activities in tune with the policy framework of the former. In the case of gram panchayat, the member of the respective ward is the patron of the ADS.

  *Activities of ADS and responsibilities:* - ADS coordinates and monitors the operations of NHGs in the respective wards of local government. It evaluates the thrift and credit operations of each NHG and provides proper guidance. It identifies individual and group ventures that can be set up by NHGs and provide training. It also facilitate in getting banking linkages after grading them based on the strength of each NHG. In some cases, the certificate of ADS is required to avail loan facility under government / bank scheme. ADS consolidates micro plan at ward level by incorporating the project ideas of each NHG. In fact micro plans are integrated as mini plans at the ADS level. Other activities of ADS include the formation and activation of Balasabha and Teenage clubs. The executive committee of ADS meets every month to evaluate the activities and integrate the records of members, activities and accounts of all the NHGs in the respective ward. It has to report various activities of each NHG and submit their relevant documents related to finance and administration to Community Development Society (CDS).

- **Community Development Society (CDS)**

  Community Development Society (CDS), a registered body under the Charitable Societies Act is formed by federating various ADSs at the Panchayat/Municipal/ Corporation level. The CDS has also a general body and a governing body. General Body consists of all the Chairpersons and Governing Body members of ADS along with Resource Persons and Officers of the Local Body who are involved in implementing various Poverty Alleviation and Women Empowerment Programmes. The Governing Body consists of President, Member Secretary and five selected Committee Members. The President will be elected whereas the Member Secretary is the Project Officer of Urban Poverty Alleviation Programmes. Other government officials and representatives of Resources Persons are nominated to the Governing Body. The President of the gram panchayat is the patron of the CDS. The standing committee Chairperson (welfare), all women members of the panchayats and the Secretary of the gram panchayat are ex-officio members of the CDS. The Block Panchayat member/Members of the respective Block division/divisions are also ex-officio members of the CDS. A monitoring & advisory committee at municipality/corporation level is constituted with Mayor/Municipal Chairperson as Chairperson and the Municipal Secretary as the convener.

**IV) Review of Literature**

It has been found that 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 (Gain Raji, T.S and Satish, 1995). The studies argued the need for sharpening women’s empowering strategies to make them effective and result-oriented. The study pointed out that money earned by poor women is more likely to be spent on the basic needs of life than that by men and that this realisation would bring women as the focus of development efforts (Choudhary, 1996). The study revealed that the SHGs failed to enable members to realize their potential benefits. The reasons identified for the failure were the wrong approach followed in the SHG formation by the team, misconceptions about SHG goals both among the team and the members, and lack of clarity about the concept. It indicates that certain elements become crucial or critical for the successful formation and functioning of the groups (Shylendra, 1998).

The study found that the rate of repayment of loans is high; more than 56 percent of Neighbour Hood Groups households have improved their economic status; and 65 percent of the members expected the programme to bring more economic opportunities (Ommen, M.A, 1999). The studies reveals that Microfinance programmes are important institutional devices for providing small credit to the rural poor in order to alleviate poverty. The strength of micro credit lies in its ability to organize idle women into a productive workforce with their proven creditworthiness. Thus it can be concluded that income, savings, unity and freedom are the major benefits derived from being a member of the Kudumbasree unit (Saraswathy Amma, K.P et al., 2002). The study has shown that a positive change has taken place in the attitude of the beneficiaries. A tendency has emerged among members to leave one group and join other groups, when the latter are found more attractive. The performance of the tribal group was very poor and its repayment record was dismal (Jaya S Anand, 2002).

The study states that the assignment of reducing poverty is complex and difficult which make it all the more important to use various tools of poverty reduction effectively. The study articulates evidence of the significant contribution of micro credit to the eradication of Poverty, particularly through eliminating voiceless ness and powerlessness of poor people to choose when and how to access other development services such as health and education, and reduction in vulnerability (Faheem Jehangir Khan, 2003). The study directly address the question of sustainability, and analyzed superstructures (SHG federations) designed to provide support services to SHGs, including capacity building, performance monitoring, and helping to access bank credit (Nair Ajay, 2005). It has been stated that based on the notion that when you educate a woman you are educating a nation, and educate a man you are educating an individual, development institutions, organization and societies have embarked on development strategies that will empower women in the developing countries. One such development programme is the introduction of a micro credit scheme (Nwanesi Peter Karubi, 2005). The study were made an attempt to find out whether women contribute to household welfare from their micro-credit enterprise activities, and also leads to giving them a voice in decision- making. Women in their efforts to go into income generating activities faced certain obstacles such as finance. NGOs and government line agencies have therefore taken upon themselves as a challenge in advancing credit to these women to enable them meet their practical and strategic gender needs(Gilbert Ansoglenan , 2006).

The preceding review shows that the strategy of micro-financing through SHGs can help in a big way in eradicating poverty and empowering women. Micro finance and women empowerment is a subject that has received growing research attention in recent years. Several organizations have promoted SHGs taking up the philosophy and approach of successful experiments of extending credit to poor women. Since the early 1980s, a large number of studies have examined the various dimensions of micro finance programmes and women empowerment. It has been noticed that none of the studies have been conducted to analyze the financial sustainability of SHGs in Kerala. In this context, the present study will fill up this lacuna; and becomes more relevant and useful.
V) Results and Discussion

a) Depth of membership and Outreach Indicators
The study shows that an average number of members in the sample SHG was 16.16, and 40.03 per cent represented by Below Poverty Level (BPL). The representation members of under-privileged class such SC/ST/OBC was 13.2 per cent. So, it indicates that SHGs has better indicator of social inclusiveness/outreach of membership. It has been observed that majority of members of the SHGs (73.2 per cent) belongs to the age group of 35-55. The marital status of members of the SHGs reveals that majority of the members were married (94.2 per cent). The study indicates that the percentage of members having matriculation was 51.52 per cent, and only 3.25 per cent having Graduation (Table 1).

b) Economic Status of Members
It has been observed that most of the members (42.45 per cent) depend on wage earnings as a primary source of income for their livelihood. But, 44.69 per cent of members of SHGs did not have any primary source of income. So, it can be inferred that half of the members of the SHGs who joined the groups to regular income for their livelihood; and others were joined in the groups for getting additional source of income. The analysis of land holding size of the members of the SHGs reveals that majority of the members (83.18 per cent) having land holding size of below 10 cents only. It has been found that the average monthly savings per member of the SHGs was Rs 134.40, and the percentage of growth in savings per member during the five years was 28.41. The study shows that majority (97.85 per cent) of members of the SHGs has saving bank account; and the percentage of members having life insurance policy was 43.83 per cent (Table 2).

c) Type of Group Activities
The study found that out of the total 400 SHGs, most of the groups (41 per cent) were engaged in micro-finance activities. While, the percentage of the SHGs running micro-enterprise units was only 33. It was also observed that about 11 per cent of SHGs were engaged in agricultural and allied activities(Table 3).

d) Financial and Non-Financial Sustainability Indicators
The study on the experience/age of the SHGs reported that the SHGs in Kerala have an average six years of experience in this field. An average of 80 per cent of attendances was reported in the meeting of SHGs. But, the percentage of trained members in the group was only nominal (14.12 per cent). Dropout in membership was reported in nine per cent of the SHGs. The analysis on the loan portfolio of the sample SHGs reveals that majority (97.3 per cent) of members who have availed domestic loans from the SHGs. But, in the case of business loans, the percentage of member availed the loan was 17.83 per cent. The study on assets quality in terms of default in the repayments of loans shows that assets quality of sample SHGs was very good such as only 4.26 per cent of members having default (30-90 days) in the repayments of loans to SHGs. It has been observed that 48.64 per cent of members of SHGs have active participation in group activities. The average amount of investment in group activities was Rs.2, 29,216. In the case of return on investment (ROI), 98.96 per cent return per annum was reported amount the sample SHGs(Table 4).

e) Factors Influencing Profitability of SHGs
The partial correlation analysis reveals that the profitability of SHGs depends on different factors such as average amount of investment; revenue generation; operating expenditure; and borrowings/loans. Statistically significant high degree of positive correlation has been observed among the variables of average investment, and revenue of the SHGs. The revenue/income generation of the SHGs has statistically significant influence on average investment, operating expenditure, and loans of the SHGs. It indicates that revenues of SHGs have high degree of positive correlation to the average investment done by the groups. Further, the average investment of the group has significant positive influence on loans received by the group; and it indicates that the fund mobilized in the form of
loans/borrowings has been invested in SHGs activities. The operating expenditure of the group depends on amount of investment, revenues, profit/loss, and loans of the SHGs; and it shows statistically significant positive relationship between these variables. It also indicates that financial leverage of the SHGs influences the operating expenditure of the group. Moreover, low degree of positive correlation has been observed in the relationship between age of the SHGs and monthly savings of the group; and training status of members and ROI of the SHGs. The relationship between these variables was statistically significant at five per cent level. So, the study concluded there is significant relationship between profitability of SHGs and financial indicators such as average investment, operating expenditure, and amount of loan taken (Table 5).

VI) Conclusion
The study provides an overall picture of socio-economic background of the members of the SHGs and role of these groups in the income generation of the members. It indicates that most of the members engaged in the SHGs activities are more matured in the decision making process and important bread winner in the family. The study reveals that half of the members of the SHGs who joined the groups to regular income for their livelihood; and others were joined in the groups for getting additional source of income. It shows that the SHGs has better indicator of social inclusiveness/outreach of membership and it depicts significant difference in the socio-economic status of members of the SHGs. The analysis on the loan portfolio of SHGs reveals that majority of members who have availed loans from the SHGs for personal/domestic purpose. The percentage of member availed the loan for business/ productive purpose was very low. The profitability analysis indicates that the profitability of SHGs depends on different factors such as average amount of investment; revenue generation; operating expenditure; and borrowings/loans of SHGs. Further, it indicates that financial leverage of the SHGs influences the operating expenditure of the group; and the ROI of the SHGs depends on the age of the SHGs, and training status of members. Therefore, it can be concluded that the SHGs in Kerala is more sustainable and it act as a means for economic empowerment by providing gainful employment to the rural women below poverty line and thereby improving their income and living standards.

References:
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