Chapter 3

METHODOLOGY

3.1 Title of the Study
Sustainability of micro enterprises run by Self Help Groups in Kerala.

3.2 Significance of the Study
With the objective of poverty eradication and women empowerment, for the last ten years both the government and NGOs have been taking lots of efforts in promoting and nurturing SHGs in Kerala. Even before the intervention of the government, NGOs in Kerala have been pioneers in promoting the concept of SHGs. The launching of the state government run Kudumbashree project focusing on women enterprises through Neighbourhood Groups (NHGs), almost resembling that of the SHG, in 1997 saw the mushrooming of SHGs all over the state especially in rural villages.

Different studies have been made regarding the impact of SHGs, micro finance and micro credit and problems of micro enterprises. However, there is no specific study regarding the sustainability of micro enterprises run by SHGs and the factors contributing to sustainability process. Also several questions remain to be answered; To what extent have these micro-finance programs been successful in helping small enterprises to develop and offer employment opportunities? To what extent are they able to reach the micro and small, self-employed or employers in the community? This study is mainly concerned with understanding different factors that contribute to the sustainability of micro enterprises promoted by the Self Help Groups in Idukki district.
3.3 Objectives of the Study

The general objective of this study is to analyse the performance of SHG-based micro enterprises and to find out various factors that promote or hinder their sustainability. Today all the developmental agencies have accepted micro enterprise development through SHGs as a promising developmental strategy for women empowerment and poverty eradication. Hence this study will throw light on the present condition of these enterprises and to what extent it can materialize the above objectives. The specific objectives are:

1. To assess the progress of SHGs in Kerala.
2. To compare the performance of individual enterprises with group enterprises.
3. To identify various factors that influence the sustainability of micro enterprises.
4. To analyse the impact of micro enterprises on women empowerment.
5. To recommend a replicable model for micro enterprise development

3.4 Hypothesis

The following hypotheses are formed based on the theoretical understanding and field level experience of the researcher. The hypotheses include:

01. Individual enterprises perform better than group enterprises.
02. Profit level of the micro enterprises is directly related to the duration of training undergone by the entrepreneurs.
03. Entry profile of the entrepreneurs is directly related to the profit level of the enterprises.
04. Marketing is the biggest problem faced by the micro enterprises
05. SHG run micro enterprises are not able to mobilize adequate finance for their various investment needs.
3.5 Operational Definition of Major Terminologies Used in the Study

Micro Finance

Micro finance is the provision of a package of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their micro enterprises. They are programmes that provide credit for self-employment and other financial and business services (including savings and technical assistance) to very poor persons. It is also stated that the finance is provided to the people who work in agriculture, fishing, herding, who operate small or micro enterprises, who provide services, who work for wages or commission, and other individuals and groups at the local levels of developing countries both rural and urban.

Micro Credit

It refers to small amounts of credit both for production and consumption to those poor households who remain or choose to remain outside the reach of the formal credit system and have demonstrated their credit worthiness.

Micro Enterprises

Micro enterprises - those enterprises which employ less than 10 workers, including family labourers, use predominantly locally available resources and skills and cater to the local and sub-regional markets. In this study enterprises with a total investment in between Rs. 5000 and 4 lakhs are considered as micro enterprises.
Self Help Group

SHGs are voluntary associations of people formed to attain some common goals. These are groups which have a similar social identity, heritage, caste of traditional occupations, and come together for a common cause and manage resources for the benefit of all the group members.

**SHG-Bank Linkage Program.**

SHG-bank linkage program is a major micro finance program in India, wherein the banks lend to the SHGs in proportion to their common fund, after the development of funds management capacity and stabilization of their operations by SHGs. SHG bank linkage program delivers capacity building services also to its members through the NGOs.

**Neighbourhood Group**

Neighbourhood groups (NHG) are grass root level informal affinity groups of women promoted under Kudumbashree project implemented in Kerala. The functions of the group are similar to that of SHGs with the exception of membership. The membership in NHGs ranges from 15 to 40.

Empowerment

Empowerment is a process of change by which individuals or groups gain power and ability to take control over their lives. It involves increased well being, access to resources, increased self-confidence, self-esteem and respect, Increased participation in decision-making and bargaining power, and Increased control over benefits, resources and their own life.
**Income Generation Activities**

Income generation activities are considered those initiatives that affect the economic aspects of people’s lives through the use of economic tools such as credit. Other types of support affecting women’s production are considered complementary to income-generating activities.

**Individual Enterprise**

Individual enterprises are those which are owned by a single member of the SHG and operated by one or more than one persons.

**Group Enterprise**

Group enterprises are those which are owned and operated by more than one member of the SHG.

**Sustainability of Micro Enterprises**

Sustainability of micro enterprises means the continuance of the enterprise operations profitably for a longer period of time. Here the entrepreneur may continue the same activity or change the activity, but he continues the enterprise operations.

**Local Bodies**

Local bodies are panchayati raj institutions elected by the people. It is a three tier system which includes Grama Panchayat comprising of different wards, Block Panchayat comprising of different Grama Panchayats and at district level Zilla Panchayat comprising of different Block Panchayats.
Per Capita Income

Per capita income is the income earned by the owner of micro enterprise over a period of time say a month or year.

3.6 Area of the Study

3.6.1 Location

Idukki District is located in the middle part of Kerala, is bound on the East by Madurai District of Tamil Nadu State, on the West by Ernakulam and Kottayam Districts of Kerala. In the South it is the Pathanamthitta District, while on the North it is bound by Trichur and Coimbatore Districts of Kerala and Tamil Nadu States respectively. It lies between 9 degree 15' and 10 degree 21' of north latitude and 76 degree 37' and 77 degree 25' of east longitudes. Idukki district was formed on January 26, 1972 carving out 3 Taluks - Peermade, Udumbanchola and Devikulam from Kottayam district and all villages except two of Thodupuzha Taluk from Ernakulam district. Idukki District is located in the middle part of Kerala, is bound on the East by Madurai District of Tamil Nadu State, on the West by Ernakulam and Kottayam Districts of Kerala. In the South it is the Pathanamthitta District, while on the North it is bound by Trichur and Coimbatore Districts of Kerala and Tamil Nadu States respectively. It lies between 9 degree 15' and 10 degree 21' of north latitude and 76 degree 37' and 77 degree 25' of east longitudes.

The word Idukki derived from the word “Idukku” which means a gorge. The perennial river Periyar flowed through a narrow gorge between two granite hills, the legendary ‘Kuravan’ and ‘Kurathi’ where the Idukki Arch Dam is constructed. The district has for administrative convenience two Revenue divisions at Idukki and Devikulam. There are
four Taluks - Peermade, Udumbanchola, Devikulam ad Thodupuzha; 8 blocks, 65 Revenue Villages; 51 Panchayats and one Municipality.

3.6.2 Demography

The district is characterized by large migration of people from Kerala’s main land as also labourers from the neighbouring state of Tamil Nadu. There are 245 tribal settlements in the district of which 74 are in Thodupuzha; 11 in Peermade; 126 in Devikulam and 34 in Udumbanchola taluks. The total population, according to the 2001 Census, is 1128605 of which 566405 are male and 562200 are female. The SC/ST population in the district is 2.07 lakhs constituting 19% of the total population.

Table 3.1
The Occupational Distribution of Population in Idukki District
(2001 Census)

<table>
<thead>
<tr>
<th>Total Workers</th>
<th>389,136</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivators</td>
<td>75,392</td>
</tr>
<tr>
<td>Agricultural laborers</td>
<td>86,030</td>
</tr>
<tr>
<td>Cottage &amp; Household Ind.</td>
<td>4,437</td>
</tr>
<tr>
<td>Other workers</td>
<td>220,783</td>
</tr>
<tr>
<td>Marginal workers</td>
<td>39,470</td>
</tr>
<tr>
<td>Non-workers</td>
<td>684,390</td>
</tr>
</tbody>
</table>

3.6.3 Geography

Idukki has many unique topographical and geographical characteristics. Idukki is the largest District of Kerala with an area of 5105.22 sq.km. About 97 percent of the total area
of the District is covered by rugged mountains and forests. There is only a strip of Middle
land (3%) in the western part of the district. Low land area is totally absent in the district.
More than 50% of the area of the district is covered by forest.

3.6.4 Agro-Ecology

This area has the agro-climatic conditions suitable for the cultivation of plantation crops
like tea, coffee, rubber, coconut, cardamom, pepper, etc. The Idukki District acquired 2nd
place in the state in agriculture produces. Small and marginal farmers are predominant in
the district. However, in High land areas there are large holdings of plantations of tea,
cardamom etc owned by corporate bodies and private agencies.

This District, a creation of God's natural beauty, has Tea Gardens in the north while major
hilly areas have Cardamom plantation. Hilly terrain, lack of proper irrigation facilities and
accessibility, forest cover and topography in general make a major portion of the available
land unsuitable for cultivation. Even then agriculture and animal husbandry are the main
occupation of the people. This area is famous for production of spices like pepper and
cardamom. Rubber, Coffee and Coconut are the other important crops in the district. More
than 80 per cent of the cropped area is under perennial crops. The district is declared as a
'Spices District' and a 'Technology Mission' has been set up for the development of spices.
Table 3.2

3.6.5 Land Holding Pattern

<table>
<thead>
<tr>
<th>Area</th>
<th>No. of Holders</th>
<th>The Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1 Ha</td>
<td>1,69,822</td>
<td>80.42</td>
</tr>
<tr>
<td>Between 1 and 2 Ha</td>
<td>30,283</td>
<td>14.34</td>
</tr>
<tr>
<td>Above 2 Ha</td>
<td>11,069</td>
<td>5.24</td>
</tr>
</tbody>
</table>

Source: Website of Idukki District visited on 20.7.2007

As the district lies mostly in the highland, it is covered with dense forest, steep hills, and deep valleys. Because of the undulating topography large area of the district is not suitable for scientific cultivation without extensive management practices.

3.6.6 Natural Resources

The important rivers of the district are Periyar, Thodupuzhayar and Thalayar. Periyar which is 277km. long is the second longest river of Kerala. It originates from Sivagiri in the southeast part of the district and touches all the taluks of the Idukki district. As the region lies mostly in the highland, it is covered with dense forest, steep hills, and deep valleys. Though the area receives an annual rainfall of 3000 mm, due to steep topography major streams are ephemeral and dry up during summer. Two types of the soil are found in the area. The highland area is covered by forest soil (Alluvial soil) and the other parts by laterite soil. Wild Life Sanctuary extends over the Thodupuzha and Udumpanchola taluks of Idukki district spreading over 105 Sq. Km. at 450 - 748m above sea level. The Idukki reservoir formed by three dams-Cheruthoni, Idukki and Kulamavu-extends to 33 sq km. The district is rich in terms of bio diversity and a variety of species of scrubs and medicinal
plants are found. Wild animals seen here include elephants, bison, sambar, monkeys and wild bear.

3.6.7 Productive Resources

The literacy rate of the district is 88.69%. Agriculture is the most important segment of the economy and is still the largest source of employment in the district. Cardamom, Tea, Rubber and Coffee account for more than 50% of the total cropped area and Pepper occupy about 25%. Paddy cultivation is comparatively less. Majority are marginal farmers having land holding of less than 1 ha. As such they are marketing the raw products. Aspect of value addition is not taken care of in the region due to lack of technical know how and unwillingness of the community to start enterprise related to value added agro products. Animal husbandry activities are the major subsidiary occupations of the farming community. Extensive pasture, grazing lands and the favorable climate make the district suitable for rearing. Livestock wealth has great significance in the agricultural economy of the district. Animal health cover is provided by the Animal Husbandry Department through its veterinary institutions located at panchayat levels. Artificial insemination facilities are available throughout the district.

3.6.8 Industry

Idukki is an industrially backward District. As per 1998 statistics there are 303 registered Industrial units employing 6368 workers, while 5085 SSI units function employing 17,708 persons. Lack of infrastructure like electricity, transportation, communication etc., hinder industrial development. The district with its natural beauty, evergreen hills, valleys, forests, waterfalls, game sanctuaries, wild flora and fauna, congenial and hospitable cool weather, etc. offers vast potential for forest and agro based industries and tourism development.
3.6.9 Financial Institutions

The District has 99 branches of 11 Commercial Banks. The Idukki District Cooperative Bank has 29 branches. There are 71 Primary Agricultural Credit Societies (PACS) and one Farmers Service Society (FSS) in the District. A large number of PACS are heavily dependent on the District Cooperative Bank due to their poor resource base. Integrated Cooperative Development Project (ICDP) is being implemented in the District to bring improvement in the functioning of cooperatives and development of infrastructure for farther credit flow. There are four Primary Cooperative Agriculture & Rural Development Banks (PCARDB) in the District. The overall recovery position of the PCARDBs in the District as at end of March 2000 is 86%. The District has also has large number of registered private money lenders including that of the leading private Bankers like Muthoot Bankers, etc.

3.6.10 NGOs, Community Based Organisations

The presence of a large number of community-based organizations is another characteristic of the district. According to NABARD sources, Idukki has the largest number of SHGs credit linked to banks (2004-05). The concentration of a large number of NGOs like Peermade Development Society, Malanadu Development Society, World Vision, Kottayam Social Service Society, Vijayapuram Social Service Society, Thiruvalla Social Service Society, VOSARD, Vikas, Nedumkandom Cultural Society and Vandanmedu Development Society has played an important role in the promotion of SHGs in the district.
Map No. 3.2

Area of Study

Idukki District & Taluks

Devikulam Taluk

Todupuzha Taluk

Udumbanchola Taluk

Peermade Taluk
3.7 Research Design

3.7.1 Source of Data

Primary data on entrepreneurs’ profile, nature of activity, marketing strategy, profit level, problems faced and different aspects of enterprise management were collected directly from the respondents. Secondary data was collected from sources like registers and records of NGOs, banks and local bodies regarding services rendered, amount of loan and subsidy given, number of units promoted and criterion followed in selection of beneficiary SHGs.

3.7.2 Sample Selection

This study was conducted in Idukki district of Kerala state. Idukki district was selected on the following grounds:

- Idukki is one of the most underdeveloped districts in Kerala
- The district has the highest number of SHGs credit linked to the bank in Kerala. (8296 out of 27081 in Kerala during 2004-05, Nabard)
- No other impact study to assess the micro finance and micro enterprise programmes in the district exists.

Multi-stage random sampling is followed in sample selection. Idukki district consists of four taluks namely Thodupuzha, Devikulam, Udumbanchola and Peermade. Two taluks namely Udumbanchola and Peermade were selected through purposive random sampling. These taluks were selected due to the highest concentration of SHGs. From each taluk 50% of the panchayats were randomly selected for further analysis. The selected panchayats are Peermade, Kumily, Vandiperiyar, Kattapana, Upputhara, Nedumkandom, Karunapuram and Elapara. Among various NGOs in these panchayats four NGOs namely Peermade
Development Society, Vikas, Vosard and Nedumkandom Cultural Society which are actively engaged in promoting SHGs are purposively selected.

Table 3.3
Sample Selection Process

<table>
<thead>
<tr>
<th>Sample selection</th>
<th>NGOs</th>
<th>Local Bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of SHGs promoted in the selected Panchayats</td>
<td>2425</td>
<td>635</td>
</tr>
<tr>
<td>No of SHGs undertaken micro enterprises</td>
<td>870</td>
<td>407</td>
</tr>
<tr>
<td>More than one year old micro enterprises at SHG level</td>
<td>'504</td>
<td>191</td>
</tr>
<tr>
<td>Sample selected</td>
<td>252</td>
<td>95</td>
</tr>
<tr>
<td>Not Functioning or could not be located</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Total samples surveyed</td>
<td>250</td>
<td>*75</td>
</tr>
</tbody>
</table>

In the study area a dichotomy was found in promotion of SHGs and micro enterprises. NGOs played an active role compared to the local bodies. From the field experience it was found that group enterprises were mainly promoted through government sponsored schemes while NGOs in the district concentrated mainly in promoting individual enterprises. Hence sample selection was based on micro enterprises promoted by both local bodies and NGOs. As shown in the above table about 870 NGO promoted SHGs and 407 local body promoted SHGs were running micro enterprises. Out of which, enterprises which were more than one year old constituted 504 and 191 respectively. Under each category 50% of the enterprises were randomly selected for the study. During the field study it was found that two NGO promoted and twenty local body promoted enterprises either could not be located or were not 'functioning. Hence the actual sample was restricted
to 250 in the case of NGO promoted and 75 in the case of local body promoted enterprises. Hence the final sample size was 325 enterprises.

3.7.3 Pre-Test

A pre-test was conducted to find out the validity of the questionnaire and after analyzing the results, some significant questions were added and some unnecessary ones were deleted.

3.7.4 Tools for Data Collection

Bearing on the objectives of the study, three pre tested interview schedules were used to collect data from SHGs, NGOs and local bodies. The duration of the study covered 2003-2005. Case studies of both successful as well as failed SHG-based enterprises were also included. Also focused group discussions with SHG members were conducted to check and verify the accuracy of primary data collected.

3.7.5 Tools for Data Analysis

Following statistical tools have been used in the analysis of data.

Percentage: percentage has been used to compare sub groups.

Mean and Standard Deviation: Mean and standard deviation were used to classify the respondents into three groups namely those below the mean - standard deviation as ‘low’, those above Mean + standard deviation as ‘high’ and those in between these two categories as ‘medium’.

‘t’ test: t test was used to test the significance of difference between the sustainability scores of group and individual enterprises.
Multi Regression Analysis: Multi regression analysis was used to find out the relative importance of various factors which influence the sustainability of enterprises.

Chi Square Test: chi square test was used to find out the association between selected variables and the growth of the micro enterprises.

Case Study: Case study have been used to explore in depth the types of changes occurred; why and how of these changes occurred.

For the above computations a standard package SPSS version 10.0 was used.

3.7.6 Limitations of the Study

Due to time constraint the survey was carried out only in two taluks namely Peermade and Udumbanchola. Most of the respondents did not have proper records regarding sales and profit. Hence to avoid memory bias the researcher adopted measures like cross checks, verification with available records and discussion with other members in the household and NGO field staff.

3.7.7 Chapterisation

First chapter introduces the concepts of micro finance and micro enterprise and the progress at national and state level. Second chapter focuses on earlier studies conducted on micro enterprise development and micro finance. The Third chapter presents the methodology followed in this study. Fourth chapter analyses the progress of SHGs in Kerala. Fifth chapter analyses the functional aspects of micro enterprises. The Sixth chapter analyses the sustainability of micro enterprises. Seventh chapter presents the findings and replicable model for micro enterprise development.