Chapter 1
Introduction

“\m If you want to awaken a country first awake women. If a woman is awakened a 
family is awakened and a family is awakened, a village is awakened 
thereby entire country is awakened”

Jawaharlal Nehru

Poverty is the main hindrance to human progress and prosperity. Right 
from the time of Independence, rural development and poverty alleviation have 
been considered as major challenges to our country. Though the Central 
Government and the State Governments have implemented well-conceived anti- 
poverty programmes, most of them did not succeed to bring about the desired 
results. The centrally planned, rigid, individual oriented poverty eradication 
programmes of the past failed to give opportunity for the involvement of and 
commitment to the poor. Under these programmes the poor are viewed only as 
resourceless ‘receivers of benefits’. Later on it was realized by the Government 
and Development Agencies that a ‘Top Down’ approach does not have significant 
impact in defeating poverty. As a result a new approach ie. ‘Bottom Up’ is 
planned. It is one in which the poor themselves design and implement development 
initiatives required for them. In the context of designing such programmes for the 
poor, micro finance is recognized and accepted as one of the new development 
paradigms for alleviating poverty through social and economic empowerment, with 
special emphasis on empowering the women. Micro finance self help groups are 
identified as powerful institutions for alleviating rural poverty and empowering the 
rural women. The empowerment of women through self-help groups would benefit 
themselves and also their families and community as a whole through collective 
action for development. Kerala has skillfully aimed at a holistic approach to 
poverty eradication through its Kudumbashree programme, which aims at reaching 
out to needy families through women and reaching out to the community through 
families. Kudumbashree project is in the forefront in Kerala in building and 
nurturing the largest number of womens’ self help groups across its length and 
breadth.
Kudumbashree that was launched in Kerala during 1998-99 as an innovative poverty eradication experiment has accomplished its mission to extend the activities throughout the state by the year 2002-03. The programme has been scaled up to the entire rural areas of the State in three phases between 2000-2001 and 2002-2003. Kudumbashree, the participatory poverty reduction approach, has its focus on building organizations of the poor under the leadership of the Local Self Governments (LSGs). The three tier community based organizations of the Kudumbashree project is an effective platform for converging various anti-poverty programmes of the State of Kerala.

**Statement of the research problem**

Women constitute more than half of the population in the State of Kerala and majority of them are living in poverty. To improve the living conditions of the women, it is mandatory to have their active involvement in the formation and implementation of the projects both as contributors and beneficiaries. Kudumbashree project aims to achieve poverty alleviation and women empowerment through self-help groups that facilitates women participation in both the above arenas. The project initiates different activities to achieve the objective. Micro finance operations and micro enterprises are the most significant among them. The Government takes initiative in monitoring the functioning of the NHGs by setting District Mission Offices under the State Poverty Eradication Mission. As a result of this, the number of NHGs continued to mushroom in the state over the last decade. However the project that promotes the upliftment of the poor women can be sustained only if the NHGs function in conformity with the guidelines of the Kudumbashree Mission. Therefore a study on the performance of the NHGs as also an evaluation of its quality and sustainability is imperative. In short, the study centres on the performance evaluation of the Kudumbashree project and its impact on members.

**Significance of the study**

Kerala is having the highest female-male ratio among the various states in India. Kudumbashree project is a poverty alleviation programme initiated by the Government for the welfare of women. This self-help initiative, with strong
backing of local governments, aims at the empowerment of poor women in different dimensions viz. social, political and economical. The project considers the poor women as agents of development rather than objects of development. There have been constant efforts from the Government over a period of one decade to promote self-help groups as a vehicle for women empowerment and poverty alleviation. In spite of the rapid growth of self help groups of the women under the banner of Kudumbashree, the full potential of these groups remains untapped. The study will throw light to examine the role of Kudumbashree self-help groups in promoting the overall advancement of its members. It enables the Government and policy makers to frame suitable strategies for the effective implementation of the programme. Accordingly the study is expected to identify the gaps in the performance of the NHGs as visualized by the Mission.

**Scope of the study**

The Kudumbashree Mission started its formal activities from 1st April 1999 and is operating in the entire urban and rural areas of Kerala. The principal object of the Mission was to eradicate absolute poverty from the State within a decade. This poverty eradication programme expanded to a network of 1,35,320 NHGs statewide with 28,25,194 families having a savings of Rs.340,36,92,209 as on 31st March, 2007. Though it was originated in the urban areas, its importance is greater in rural areas. It is evident from the number of rural NHGs formed and also the number of rural families covered. As the volume of NHGs and membership covered are manifold in rural areas in comparison to the urban sector, the study is limited exclusively to rural Kerala. The Kudumbashree project is undertaking a series of activities like thrift-credit operations, linkage banking, micro enterprises, balasabha, bhavanashree, harithashree, ashraya project etc. with the aim of eradicating poverty and empowering the womenfolk. However all these aspects do not come under the purview of the study. The focus of the study is on thrift-credit operations, linkage banking and micro enterprises. The quality of assessment of the NHGs is also coming under the scope of the study. Moreover, it makes an attempt to evaluate the impact of empowerment on account of the Kudumbashree membership.
**Objectives of the study**

The broad objectives of the study are to analyse the operating system of Kudumbashree Project in Kerala and also to examine the benefits derived to its members. The following are the specific objectives.

1. To examine the structure and administrative aspects of Kudumbashree project.
2. To study the problems associated with the maintenance of records and accounts of the NHGs.
3. To identify the factors which determine the general health of the NHGs.
4. To examine the thrift-credit and linkage banking operations of the Kudumbashree project.
5. To examine the working of the micro enterprises undertaken by the Kudumbashree project.
6. To measure the extent of empowerment achieved by the members of the project.
7. To offer suggestions on the basis of the findings of the study.

**Hypotheses**

1. H₀ : There is no significant difference in the poverty status of members of the NHGs based on membership size and region.
   H₁ : There is significant difference in the poverty status of members of the NHGs with different membership size and also in different region.
2. H₀ : There is no difference in the drop out of members with reference to the age of NHGs.
   H₁ : There is difference in the drop out of members with reference to the age of NHGs.
3. H₀ : There is no significant regional difference in the reconstitution of the managing committee of the NHGs.
   H₁ : There is significant regional difference in the reconstitution of the managing committee of the NHGs.
4. $H_0$ : There is no significant difference in the regularity of conducting weekly meetings among the different categories of NHGs, based on age.

$H_1$ : There is significant difference in the regularity of conducting weekly meetings among the different categories of NHGs, based on age.

5. $H_0$ : There is no significant difference in the attendance level in the weekly meetings across the different categories of NHGs based on size of membership.

$H_1$ : There is significant difference in the attendance level in the weekly meetings across the different categories of NHGs based on size of membership.

6. $H_0$ : There is no significant difference across the NHGs with reference to age, membership size and region of the NHGs in taking decisions in the weekly meetings.

$H_1$ : There is significant difference across the NHGs with reference to age, membership size and region of the NHGs in taking decisions in the weekly meetings.

7. $H_0$ : The age of NHGs and region exerts no influence on the maintenance of individual pass book.

$H_1$ : The age of NHGs and region exerts influence on the maintenance of individual pass book.

8. $H_0$ : There is no significant regional difference in regard to the audit status of NHGs.

$H_1$ : There is significant regional difference in regard to the audit status of NHGs.

9. $H_0$ : The tendency of withdrawal of thrift savings is uniform across the different age categories of NHGs.

$H_1$ : The tendency of withdrawal of thrift savings goes on increasing in consonance with the age of NHGs.

10. $H_0$ : The default in repayment of internal loan is higher among the aged NHGs.

$H_1$ : The default in repayment of internal loan is uniform among the different age categories of NHGs.
11. **H₀**: There is no significant difference between mean arrear amounts of internal loans and the age, size and districts of the NHGs.

   **H₁**: There is significant difference between mean arrear amounts of internal loans and the age, size and districts of the NHGs

12. **H₀**: There is no significant difference between linkage banking of the NHGs and the membership size and districts of NHGs.

   **H₁**: There is significant difference between linkage banking of the NHGs and the membership size and districts of NHGs.

13. **H₀**: There is no significant difference between the VIL and the age of the NHGs.

   **H₁**: There is significant difference between the VIL and the age of the NHGs.

14. **H₀**: There is no significant difference in investment and profit of the micro enterprises with respect business activities.

   **H₁**: There is significant difference in investment and profit of the micro enterprises with respect to business activities.

15. **H₀**: Region of the NHGs is the most important predictor in the empowerment of the members.

   **H₁**: Region is not an important predictor of empowerment of members.

To accomplish the objective of assessing the general functioning and management of the NHGs, the parameters selected are membership in NHGs, meetings, leadership and record maintenance and audit practices. To study the effectiveness of each parameter, sub variables are also used.

In order to fulfill the objective of analyzing the thrift-credit and linkage banking operations of the NHGs, four major activities are identified viz. thrift operations, internal lending, linkage banking and utilization of corpus funds. The variables identified for examining thrift operations are:- volume of thrift savings, weekly thrift rates, default in contribution of thrift, withdrawal of thrift and practice of depositing weekly savings in the bank. The cumulative amount of internal loans, rate of interest of internal loans, internal loan repayments performance and options provided to the internal loan defaulters are the variables identified for studying internal lending operations. The two variables selected for
assessing the linkage banking operations of the NHGs are the status of linkage of the NHGs and the mean cumulative linkage loan. To test the effectiveness of utilization of corpus fund, the variables identified are internal loan outstanding, cash at bank, cash in hand and velocity of lending.

To study the performance of micro enterprises, the variables selected are guidance for formation of micro enterprises, investments, annual sales, profit generated, employment generated and problems and constraints.

To examine the impact of empowerment of members, both ordinary and leaders, 15 variables are selected viz. mobility, recognition in family, recognition in community, interaction with outsiders, knowledge about women’s right, access to sanitation facility, spousal and family relationship, skill development, nutrition awareness, access to Government schemes, community participation, health awareness and access to health services, decision making power, confidence and political awareness.

**Data base and methodology**

The present study is an empirical one based on survey method. The study mainly makes use of primary data. Besides this, secondary data were also being used.

**Collection of secondary data**

The secondary data required for the study were collected from various publications of the State Planning Board, State Poverty Eradication Mission, and Districts Kudumbashree Mission. Books, articles, working papers, study reports, websites etc. were also used.

**Collection of primary data**

Two different interview schedules were developed for collecting data. One for the members of NHGs and the other for the NHGs. Before finalizing the interview schedule, a pilot survey was conducted by selecting 25 ordinary members and 10 office bearers of the NHGs and 10 NHGs were also selected from
the southern region for the purpose. Necessary changes and modifications were
effected in the interview schedules on the light of the pilot survey. The primary
data collection was made from July 2010 to May 2011.

**Sampling design**

This is a sample study. A multi stage random sample technique was
adopted. For the purpose of the present study the entire State of Kerala is divided
into three regions. They are the Southern region, Central region and Northern
region. The Southern region consists of four districts of Thiruvananthapuram,
Kollam, Pathanamthitta and Alappuzha. The Central region consists of the five
districts of Kottayam, Idukki, Ernakulam, Thrissur and Palakkad. The Northern
region consists of the five districts of Malappuram, Kozhikkode, Wayanad,
Kannur and Kasargode. From these three regions one district each, with the highest
number of NHGs in the region concerned, was selected for the study. The sample
districts are Thiruvananthapuram of Southern region, Palakkad of Central region
and Kozhikkode of Northern region. In the next stage, a sample of 100 NHGs was
selected from each district on random base, which made the total sample NHGs
300. In the final stage, a complete list of members in the selected NHGs was
obtained from its officials. Three members, consisting of two ordinary members
and one office bearer, per sample NHG were selected at random. In case of non-
availability of the selected NHG members, other members were called from the list
and the required information were collected

**Sample frame**

The sample frame of the study is given below.

<table>
<thead>
<tr>
<th>Sample frame</th>
<th>Thiruvananthapuram</th>
<th>Palakkad</th>
<th>Kozhikkode</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>District</td>
<td>District</td>
<td>District</td>
<td></td>
</tr>
<tr>
<td>No. of NHGs</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>300</td>
</tr>
<tr>
<td>No. of Members:</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>600</td>
</tr>
<tr>
<td>Ordinary Members</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>300</td>
</tr>
<tr>
<td>Leaders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Tools of analysis

The primary data collected were edited, classified, tabulated and analysed with the help of statistical package for social sciences (SPSS). Mathematical and statistical tools are applied for arriving meaningful conclusions. The mathematical tools applied are averages, ratios and percentages. The statistical tools include Chi square test, Z test, F test, t test, Fisher’s exact test, spearman’s rank correlation and logistic regression analysis.

Limitations of the study

1. The absence of proper accounting and written records relating to micro enterprises activities restricted the genuineness of the financial data and there is the chance of marginal error.
2. During the survey some households were absent in their homes and therefore the shortage had to be substituted to keep the sample size to the scheduled limit.
3. The non-availability of updated registers in several cases delayed the data collection process and also the genuineness of the data relating to thrift and credit to some extent.
4. The suspicious approach of the respondents, especially office bearers of NHGs, in providing the required information in several cases call for the intervention of ADS and CDS who would like to project the functioning of NHGs positively.

However a systematic and sincere effort is made to collect and present data in a scientific and logical manner, keeping in view the objectives of the study.

Scheme of reporting

The study is presented in eight chapters.

Chapter one highlights the importance of Kudumbashree project and it also outlines the objectives, hypotheses, methodology, collection and analysis of data and limitations of the study.
The second chapter provides a review of the available literature.

The historical background and evolution of Kudumbashree project are discussed in Chapter Three. Key features of the project, objectives of the project, community based organizational structure of the project, coverage of the Kudumbashree project, important programmes of the project, role of Kudumbashree as a decentralizing agency and management and control of Kudumbashree mission are also given in this chapter.

Chapter four deals with general functioning and management of Kudumbashree NHGs on the basis of selected indicators.

Chapter five analyses the micro finance operations of NHGs -thrift credit operations and linkage banking.

Chapter six deals with the performance evaluation of micro enterprises.

Chapter seven focuses its attention on the impact of Kudumbashree on its members.

The eighth and final chapter summarizes the main findings of the study and makes certain recommendations for the improved working of the NHGs/project. A skeleton of the study is as follows:

Chapter 1 Introduction
Chapter 2 Review of Literature
Chapter 3 Kudumbashree Project - An Overview
Chapter 4 Assessment of NHGs
Chapter 5 Thrift-Credit Operations
Chapter 6 Micro Enterprises
Chapter 7 Analysis of Empowerment
Chapter 8 Conclusion Summary of Findings and Recommendations