

SHG LINKED MICRO-ENTERPRISES - THE KERALA EXPERIENCE

Santhosh Kumar S.*

ABSTRACT

Setting up of micro-enterprises or micro-businesses by women seeking microfinance has become a popular employment generation and poverty eradication model in India. The exponential growth of women groups, microfinance institutions and micro-businesses are solid evidences for the myriads of opportunities and advantages the model presents. Different States in India with varied geographical, cultural and political environment are adopting their own modes of promotional efforts in this regard. The Kudumbashree Mission – the poverty eradication mission of the State of Kerala - has been instrumental in facilitating the formation of women groups, micro-enterprises, provision of administrative and financial aid, and monitoring the microfinance activities in the State. The present micro study about the Kudumbashree linked micro-enterprises in three panchayats of the Ernakulam district of Kerala reveals the general and economic prospects of the enterprises along with different problems confronted by micro-entrepreneurs. It also advocates the strategies to be adopted by the enterprises, and promotional agencies to overcome the problems, and survive in the competitive environment.

Entrepreneurship serves as a boon for poor women in India** who find it difficult to make both ends meet. They have been encouraged to start micro-enterprises to become self-employed and self-sufficient. Microfinance is a strategic supportive tool for micro-enterprises development in the country for poverty reduction and employment generation. Being fractions of a federal mechanism, the different States in India with varied geographical, cultural and political environment have been adopting their own

modes for promotion of micro-enterprises in their respective States in ally with the Union Government. Despite the importance of this sector in India, it continues to struggle with difficult business environment, viz., lack of adequate credit, lack of management training, problems of marketing, poor technology etc. (Bhatnagar, 2008). Hence an in-depth analysis of the sector can reveal the current status of micro-enterprises, the constraints under which they are functioning and identify conditions or interventions necessary for the growth and

* Lecturer (Selection Grade), Post Graduate Department of Commerce, St. Peter's College, Kolenchery, Ernakulam, Kerala - 682 311. E mail – drsanstpeters@gmail.com

** 302 million poor people in India - 27 per cent of the total population (India Development Report, 2008).

development of this sector. Macro and micro studies about the micro-enterprises sector are, therefore, of great relevance to further strengthen the sector.

The Background

Kerala is a narrow stretch of land located along the southwest coast of the Indian subcontinent comprising a total land area of 38,863 sq. km. and a total population of 38.84 million (Govt. of Kerala, 2005). The rural households, as percentage of total households, in the State is 76.65 against the national average of 73.92 per cent (*The Hindu Business Line*, 2008). Poverty in the State is estimated to be 13.2 per cent against the national rural average of 28.7 per cent (Govt. of Kerala, 2007). However, these figures are reported to be gross underestimates. Women constituting 51.4 per cent of the total population of Kerala (2001) have a favourable sex ratio (1058 compared to 933 for the country as a whole). The life expectancy at birth (76 years for women in Kerala while it is 61.8 years at the all India level), and infant mortality rate (14 per thousand for Kerala while it is 58 at the all India level) are also favourable to women. Despite these achievements, the system of patriarchy has conditioned the majority women of Kerala to play a secondary role to men in social, economic and political activities. As a result, they lag behind in empowerment despite their achievements in education and health (Govt. of Kerala, 2007).

Beginning from the mid-eighties of the past century, micro-credit has become a key strategy for poverty alleviation and empowerment of women in Kerala (Anand, 2002). Now, the women especially in rural Kerala are engaged in a freedom struggle. They are organising themselves into Self-Help Groups (SHGs) to free themselves from the clutches of usurious moneylenders and perennial poverty. About 98 per cent of the self-help groups in Kerala are women groups.

On the growth parameter, it is evident that there is an exponential increase of micro-credit programmes in the State. As indicated in NABARD's (2009) publication, *Status of Micro Finance in India 2008-09*, progress of SHG-Bank linkage programme in Kerala by March 2009 is as follows: number of SHGs formed (cumulative) 3.59 lakhs, savings account ₹ 232.42 crore; bank loan disbursed during 2008-09 in respect of 60,376 SHGs ₹ 516.74 crore; bank loan outstanding in respect of 176,153 SHGs by end March 2009 is ₹ 951 crore. However, this rapid growth of women groups in the State also opens great debates as to whether provision of credit for women could change the economic and social equations in which this subset of the population live. Most of the studies in Kerala have focused on the performance of SHGs, neglecting the assessment of real impact of micro-credit on empowerment of the beneficiaries by generating livelihood from income generating activities. Setting-up of micro-enterprises availing of micro-credit by women is also becoming a popular mode of generating income and employment in many parts of the State.

"*Kudumbashree*", the State Poverty Eradication Mission (SPEM), was launched by the Government of Kerala in 1998 with the active support of Government of India and NABARD for wiping out absolute poverty within a period of 10 years. The project is implemented through Local Self-Governments empowered by the 73rd and 74th Constitutional amendments. Within a short span of ten years, *Kudumbashree* could bring about considerable change in the lives of women of Kerala by converging resources, ideas and programmes. About 36 lakh women of the State have been organised into 182,969 grassroots level Self-Help Groups (Neighbourhood Groups). Apart from thrift mobilisation and informal banking, the mission has given birth to 29,436 vibrant micro-

enterprises making around 54,949 women owners of these units. *Kudumbashree* views micro-enterprise development as an opportunity for providing gainful employment to the people below poverty line, and thereby improving their income and living standard. The present study is a pragmatic effort to elucidate the form, structure and functional details of *Kudumbashree* linked micro-enterprises in Kerala.

Methodology

The study is descriptive and analytical in nature. It is limited to one of the 14 districts of Kerala, viz., Ernakulam. Ernakulam district comprises 88 gram panchayats, out of which three panchayats were selected at random to constitute the sample. The three selected panchayats are Ikkarnad, Maneed, and Amballoor. Altogether, there are 106 *Kudumbashree* linked micro-enterprises operating in the above three panchayats. Out of these, 45 micro-enterprises were selected at random to constitute the sample units (Table 1). Micro-enterprises having at least two years of continuous operation were included in the sample. The data relating to the financial year 2008-'09 were collected for the study from micro-enterprises. The primary data were collected using an interview schedule. The opinion of the respondents on qualitative variables is collected on a three-point scale, and weighted mean score was worked out for each variable. The secondary data were collected from the *Kudumbashree* District Mission Office - Ernakulam, Panchayat offices, and published reports of *Kudumbashree*, Kerala State Poverty Eradication Mission, Government reports and journals. Tools like percentages, weighted averages, and ranking techniques were used for data analysis.

Table 1 : Selection of Sample Enterprises

Panchayats	Micro-enterprises	
	Population	Sample
Ikkarnad	38	15
Maneed	36	15
Amballoor	32	15
Total	106	45

Objectives of the Study

1. To trace the form and structure of *Kudumbashree* linked micro-enterprises;
2. To obtain the average sales generation and profit generation of *Kudumbashree* linked micro-enterprises; and
3. To identify the major problems faced by micro-enterprises in general.

RESULTS AND DISCUSSION

General Profile of Micro-enterprises

Form of Organisation : Group enterprises with combined ownership by women members constitute 89 per cent of the selected micro-enterprises, and the rest 11 per cent are individual enterprises (Table 2).

Table 2 : Form of Organisation

Type of enterprise	No. of respondents	Percentage
Individual enterprises	5	11
Group enterprises	40	89
Total	45	100

Source : Primary data.

Age of the Enterprises : Majority of the enterprises (51 per cent) have age less than three years; thirty-eight per cent have three to five years; nine per cent have five to seven years; and the rest two per cent have age above seven years (Table 3).

Table 3 : Age of Enterprises

Year	Number	Percentage
< 3 years	23	51
3 - 5 years	17	38
5 - 7 years	4	9
> 7 years	1	2
Total	45	100

Source : Primary data.

Nature of Activities of the Unit : While manufacturing and processing enterprises constitute 47 per cent, trading, agricultural, and dairy farm enterprises figure 11 per cent each

(Table 4). Service enterprises account for 20 per cent.

Table 4 : Nature of Activities

Nature	Number	Percentage
Manufacturing/ Processing	21	47
Trading	5	11
Service	9	20
Agriculture	5	11
Dairy Farm	5	11
Total	45	100

Source : Primary data.

Initial Investment : The average initial investment in the case of individual enterprises is ₹ 95,000, and for group enterprises ₹140,125 (Table 5). Majority of the enterprises (58 per cent) have investment ranging between ₹ one to two lakh each.

Table 5 : Initial Investment

Project cost (₹)	Individual Enterprise	Group Enterprise	Total	Percentage
Up to 50,000	2	2	4	9
50,001- 100,000	-	8	8	18
100,001-150,000	3	10	13	29
150,001-200,000	-	13	13	29
Above 200,000	-	7	7	16
Total	5	40	45	100
Average (₹)	95,000	140,125	-	-

Source : Primary data.

Sources of Finance: The sources of finance of micro-enterprises comprises own fund, loan from banks, subsidy from *Kudumbashree*, and other borrowings. Loan from banks (average

₹126,667), and subsidy from *Kudumbashree* (average ₹ 41,667) constitute the major sources (Table 6).

Table 6 : Sources of Finance

Amount (₹)	Own Fund		Loan from Bank		Subsidy from <i>Kudumbashree</i>		Other Borrowings	
	No.	%	No.	%	No.	%	No.	%
Up to 50,000	43	96	7	15	22	49	13	28
50,000-100,000	2	4	8	18	15	33	-	-
100,001-150,000			10	22	8	18	-	-
150,001-200,000			13	29	—	-	-	-
Above 200,000			7	16	-	-	-	-
Total	45	100	45	100	45	100	13	28
Average	27,212	126,667	41,667	17,600				

Source : Primary data.

Asset Structure: The average fixed assets in the enterprises is ₹ 96,006, and average current assets amounts to ₹117,140 (Table 7). Fixed assets position in majority of the

enterprises (51 per cent) ranges between ₹ 50,000 to ₹ 90,000. Current assets position in significant majority of the enterprises (89 per cent) ranges between ₹ 80,000 to ₹ 120,000.

Table 7 : Asset Structure

Assets Range(₹)	Fixed assets		Current assets	
	Number	Percentage	Number	Percentage
Up to 50,000	8	18	20	44
50,001-100,000	15	33	8	18
100,001-150,000	10	22	12	27
150,001-200,000	10	22	5	11
Above 200,000	2	5	-	-
Total	45	100	45	100
Average (₹)	96,006	117,140		

Source : Primary data.

Economic Prospects

Sales/Revenue Generation : The average annual sales generation of micro-enterprises amounts to ₹176,667. Majority of the enterprises (55 per cent) could generate sales between ₹100,000 and ₹150,000 (Table 8). Annual sales generation above ₹ 200,000 was possible only for nine per cent of the enterprises.

Table 8 : Annual Sales/Revenue Generation

Sales (Rs.)	Number	Percentage
Up to 50,000	5	11
50,001-100,000	8	18
100,001-150,000	25	55
150,001-200,000	3	7
Above 200,000	4	9
Total	45	100
Average Sales	176,667	

Source : Primary data.

Profit Generation : Average annual profit generation before meeting interest on borrowed capital amounts to ₹ 33,417 (operating profit), and after meeting all expenses amounts to ₹ 24,733 (profit after interest payment). Majority of the enterprises (60 per cent) earned up to ₹ 20,000 a year from the enterprise.

Table 9 : Annual Profit Generation

Annual Profit (₹)	Number	Percentage
Up to 10,000	17	38
10,000-20,000	10	22
20,000-30,000	6	14
30,000-40,000	2	4
40,000-50,000	1	2
Above 50,000	9	20
Total	45	100
Average Operating Profit/Enterprise (₹)	33,417	
Average Profit/Enterprise (₹)	24,733	
Average Profit / Member (₹)	7,463	

Source : Primary data.

Employment Generation : Employment generation by enterprises reveals that while 58 per cent generated full-time employment up to 15 days in a month, 36 per cent generated 16 to 25 days a month, and 7 per cent generated 26 to 50 days. Part-time employment generation was also possible by the enterprises (Table 10).

Table 10 : Employment Generation per Month

Days	Full-time		Part-time	
	No.	%	No.	%
1-15	26	58	16	36
16-25	16	35	24	53
26-50	3	7	5	11
Total	45	100	45	100

Source : Primary data.

Profitability : The profitability of micro-enterprises relating their average return to average investment and average sales are depicted in Table 11. Return on sales/revenue generated figures 18.91 per cent, and return on investment 15.67 per cent.

Table 11 : Profitability

S.No.	Particulars	Amount/ %
1	Average Annual Operating Profit per Micro-enterprise (₹)	33,417
2	Average Annual Profit per Micro-enterprise (₹)	24,733
3	Average Annual Investment per Micro-enterprise	213,146
4	Average annual Sales per Micro-enterprise	176,667
5	Average Profitability on Total Investment (%)	15.67
6	Average Profitability on Sales (%)	18.91

Source : Primary data.

Problems Observed

General Problems Faced : Problems faced by micro-enterprises ranked based on actual mean score (Table 12) clearly reveal that competition (score 2.33, rank 1), improper management (score 2.27, rank 2), scarcity of capital (score 2.04, rank 3), poor technology (score 2.02, rank 4), and inter-personal problems (score 2.02, rank 4) are the major problems faced by the micro-enterprises. The mean scores of these variables are higher than the expected mean score (score 2). The actual mean scores of other variables such as seasonal nature of business, untrained workforce, high cost of raw materials, lack of accounting skill,

and lack of education are lower than the central value of the expected score.

Table 12 : Problems Faced by Enterprises

S.No.	Problems	Weighted Score	Mean Score	Rank
1	High Market Competition	105	2.33	1
2	Improper Management	102	2.27	2
3	Scarcity of Capital	92	2.04	3
4	Poor Technology	91	2.02	4
5	Inter-personal Problems	91	2.02	4
6	Seasonal Nature of Business	88	1.95	5
7	Untrained Workforce	84	1.86	6
8	High Cost of Raw Materials	80	1.77	7
9	Lack of Accounting Skill	79	1.75	8
10	Lack of Education	64	1.42	9

Source : Primary data.

In A Nutshell

Setting up of micro-enterprises or micro-businesses, by women seeking microfinance has become a popular employment generation and poverty eradication model in India. The exponential growth of women groups, microfinance institutions, and micro-businesses are solid evidences for the myriads of opportunities and advantages the model presents. Different States in India with varied geographical, cultural and political

environment are adopting their own modes of promotional efforts in this regard. The *Kudumbashree* Mission – the poverty eradication mission of the State of Kerala - has been instrumental in facilitating the formation of women groups, micro-enterprises, provision of administrative and financial aid, and monitoring the microfinance activities in the State. The present micro-study about the *Kudumbashree* linked micro-enterprises in three panchayats of Ernakulam district of Kerala reveal the general and economic prospects of the enterprises along with

different problems confronted by micro-entrepreneurs. Average Return on Investment (ROI) of around 16 per cent per annum in addition to full-time and part-time employment generation is found to be quite rewarding. High market competition, improper management, scarcity of capital, poor technology, and inter-personal problems are reported to be the major hindrances in the conduct of enterprises. Equipping the entrepreneurs to face competition by synchronising technology and cost reduction efforts may further improve the situation.

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