

## The Role of Micro-Credit in the Economic Empowerment of Women with Special Reference to Kudumbashree Units in Thiruvananthapuram Corporation

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### ABSTRACT

Microcredit, also known as microfinance, is a financial service that provides small loans, typically to entrepreneurs or individuals in low-income communities who lack access to traditional banking services. One of the key features of microcredit is its focus on providing loans to borrowers who may not have collateral or a credit history, making it easier for them to access funds compared to traditional lending institutions. Microcredit institutions often work closely with borrowers, providing financial literacy training and ongoing support to help ensure the success of their businesses. Kudumbashree, a women-oriented, community-based poverty reduction program, was launched in Kerala, India, in 1998. Its primary goal is to empower women by enhancing their income and ensuring their active participation in local governance. The program operates through Neighbourhood Groups (NHGs), which are small, self-help groups comprising women from economically backward families. These groups engage in various activities such as micro-enterprises, skill development programs, and community development initiatives. Kudumbashree has been instrumental in promoting women's entrepreneurship and economic self-reliance. The present study is an attempt to assess the role of micro credit in economic empowerment of women in Kudumbashree units in Thiruvananthapuram corporation.

**Keywords:** Microcredit, Kudumbashree, empowerment

### INTRODUCTION

Microcredit is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment, or a verifiable credit history. It is designed to support entrepreneurship and alleviate poverty. As of 2012, microcredit is widely used in developing countries

and is presented as having "enormous potential as a tool for poverty alleviation." Microcredit is a tool that can be helpful to possibly reduce feminization of poverty in developing countries some argue that microcredit has not had a positive impact on gender relationships, does not alleviate poverty, has led many borrowers into a debt trap and constitutes a "privatization of welfare" Poverty alleviation schemes based on micro- credit system have been implemented in many of the developing countries in recent years. The Government of Kerala State in India has introduced novel scheme of poverty alleviation based on micro-credit and self-help grouping. Paraphrased as Kudumbashree ('Prosperity of the Family'), the scheme aims at improving the living levels of the poor women in rural and urban areas. The project aims at removing poverty among rural women households through setting up of micro-credit and productive enterprises. The activities such as micro-credit and micro-enterprises under the scheme were undertaken by the locally formed Community Development Societies comprising poor women. The State Poverty Eradication Mission-Kudumbashree- launched by the Government of Kerala in India is a massive poverty eradication programme in contemporary history. It has proved without doubt that women empowerment is the best strategy for poverty eradication. Women, who were regarded as voiceless and powerless started identifying their inner strength, opportunities for growth, and their role in reshaping their own destiny. Kudumbashree presents a unique model of participatory development, which can very well, be emulated by other developing countries. The duties of Kudumbashree micro-credit include mobilizing women into SHGs, providing them with training and capacity-building programs to enhance their financial literacy and entrepreneurial skills. Additionally, Kudumbashree facilitates the formation and registration of SHGs, ensuring they operate in accordance with established guidelines and principles. Furthermore Kudumbashree oversees the disbursement and repayment of loans, maintaining transparent and accountable processes to uphold the integrity of the micro-credit system. They also monitor the utilization of funds by SHG members, offering guidance and support to ensure they use the loans effectively for income generation and socioeconomic development. Kudumbashree micro-credit fosters a culture of thrift and financial discipline among SHG members, encouraging regular savings and prudent financial management practices. They promote self-reliance and empowerment by enabling women to access credit without the need for collateral, thereby breaking traditional barriers to financial inclusion Moreover, Kudumbashree facilitates linkages between SHGs and formal financial institutions, advocating for the recognition of SHGs as credible borrowers. This collaboration expands the financial resources available to SHG members and strengthens their access to credit and other financial services.

### **OBJECTIVES OF THE STUDY**

1. To examine the role of micro-credit in the economic empowerment of women in Thiruvananthapuram Corporation.
2. To know the problems behind the utilisation of micro-credit in Kudumbashree.

## RESEARCH METHODOLOGY

The data is based on both primary and secondary data but it is mainly based on primary data. Primary data have been collected from the members of Kudumbashree units. The secondary data have been collected from various Books, Research Journals, Articles, Studies Kudumbashree Websites and Government Reports.

## REVIEW OF LITERATURE

Swain and Floro (2012) made an investigation whether microfinance programmes lead to a reduction in vulnerability or not on the basis of the empirical analysis, which is based on a 2003 household survey data. They argue that microfinance self-help group participation can help members' households in the face of liquidity constraints and a multitude of risks, thereby reducing their vulnerability. The production and consumption loans provided by the groups help ease the member's productivity and earnings thereby helping their households in coping with contingencies and idiosyncratic shocks.

Imai and Azam (2012) probed in to the role of microfinance in poverty reduction. For this purpose they used household fixed effects models with and without control for initial household characteristics to the panel data in order to estimate the effects of amount of aggregate, productive and non-productive loans. A positive and significant effect of the aggregate component of MFI loans is found for both household income and food consumption, but this is due to the positive effect of the productive component for income and the non-productive component for food consumption. They concluded that micro finance institutions had significant poverty reducing effects on income and consumption in Bangladesh.

Baruah (2012) points out that Micro credit is an alternative source of credit, although SHGs were able to fulfil the credit needs of the members to some extent; it was unable to fully satisfy their credit requirements. The loans taken by the member from the SHGs are mainly for consumption purposes, and for expenditure on consumer durables. Although some capital investments took place, these are not of that kind that can help the members to cross the poverty line. It is clear from the above discussion that to be able to enable the members to fight against poverty, self-help groups should provide larger amount of loans to the members.

## STATEMENT OF THE PROBLEM

Kudumbashree is a poverty alleviation programme initiated in Kerala in 1998. Poverty alleviation through women empowerment is the goal of Kudumbashree. Thrift and credit operations is the major activity of Kudumbashree. Hence an evaluation study on micro credit is relevant.

## MICRO FINANCE / CREDIT

Kudumbashree with its core mission to wipeout absolute poverty through women

empowerment has indeed touched many lives through its integrated, comprehensive approach. Thousands of the poor and the marginalized population are building their lives, their families and their society through these neighborhood groups. The financial empowerment of women in Kerala through the focused initiative of Kudumbashree has gone long way drawing even International recognition. Since inception Microfinance has been the basic thrust of Kudumbashree to address poverty. It has been proved without doubt that microfinance is the effective tool for development and contributed to the women and economic development of the society to a great extent. The various activities taken up by Kudumbashree under MF are as follows. Kudumbashree plays a vital role in enhancing the financial status of the less privileged women in the State through its thrift and credit program. The small regular savings of neighbourhood groups are pooled together and given out as internal loan to the most deserving member of the group. These loans acted as a level to address the immediate financial shocks of the group members. The function of thrift and credit is the core activity of the Kudumbashree neighbourhood group (NHG), and forms the basis of the weekly meetings of the NHG. The amount of loan and the priority of disbursement are decided by the NHG. The repayment is collected weekly during routine NHG meetings. The total thrift collected by NHGs in the state comes to Rs. 8480.35 Crore and the internal loans generated are to the tune of Rs. 26,599.79 Crore. Details are reported in the monthly meetings by the CDS.

### **Guidance regarding the utilization of micro credit funds**

Views on Guidance regarding the utilization of micro credit funds: the majority that is 86 percent members feel that proper guidance is not given by Kudumbashree to its members regarding the utilization of micro-credit funds.

### **Social changes within your community due to micro credit programme**

Views on social changes within your community due to micro credit programme: a study on social changes within your community due to micro-credit programme showed that nearly 90 percent members are of the opinion that Kudumbashree could make positive social changes because of micro-credit programme.

### **Whether micro credit programme effectively addresses the financial needs of its participants**

Views on micro credit programme effectively addresses the financial needs of its participants: The study showed that 88 percent members feel that micro-credit programme was able to effectively.

### **Terms and condition of micro credit agreement with Kudumbashree clearly communicated with member**

Views of terms and condition of micro credit agreement with Kudumbashree clearly communicated with member: Here 92 percentage of respondents in Kudumbashree, The terms and

conditions of micro credit agreement are clearly communicated . The 8 percentage of respondents of micro credit agreement are not clearly communicated.

### **Micro credit from Kudumbashree impacted your overall standard of living**

Views on micro credit from Kudumbashree impacted your overall standard of Living.

### **FINDINGS**

1. Guidance on Micro-Credit Funds: 86% of members feel that Kudumbashree doesn't provide proper guidance on utilizing micro-credit funds.
2. Social Changes: 90% of members believe Kudumbashree's micro-credit program has brought about positive social changes in their community.
3. Financial Needs: 88% of members feel that the micro-credit program effectively addresses their financial needs.
4. Terms and Conditions: 92% of respondents say the terms and conditions of the micro-credit agreement are clearly communicated, while 8% disagree.
5. Standard of Living: The study doesn't provide a specific percentage for this aspect, but it's likely that the micro-credit program has had a positive impact given the other findings.

### **CONCLUSION**

The study reveals that Kudumbashree's micro-credit program has been instrumental in driving positive social changes and addressing financial needs, with 90% and 88% of members reporting favorable outcomes, respectively. However, a significant gap exists in the guidance provided to members on utilizing micro-credit funds, with 86% feeling inadequately informed. The terms and conditions of the micro-credit agreement are generally well-communicated, with 92% of respondents acknowledging clarity. To maximize the program's impact, Kudumbashree should prioritize enhancing guidance and support for members. By addressing this gap, the program can further empower its members, fostering greater financial inclusion and social progress. Overall, the micro-credit program is a valuable initiative with considerable potential for positive change. With refinements, it can more effectively transform lives and communities.

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