

# AN UNDERSTANDING ABOUT THE IMPACT OF ESAF MICRO FINANCE FOR THE EMPOWERMENT OF RURAL PEOPLE IN KERALA

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## ABSTRACT:

*Poverty is a condition in which people lacks financial resources or monetary resources to fulfill their basic needs for living. The consequences of poverty is reflected every rural people lives. Micro finance has been considered as one the most effective and efficient tool for poverty alleviation among rural people. Micro finance delivers a wide range of financial services such as credit, savings, and insurance to poor who are lacking to access financial resources. Now government initiates micro finance schemes as a technique for reducing poverty. ESAF micro finance in India, particularly Kerala, is one of the prominent institution dealing with micro finance among rural people during the last years. Thus the study aims to analyses the impact of ESAF micro finance among rural people empowerment.*

**KEY WORDS:** *Micro finance, Empowerment, ESAF Loans, Growth and Usage of micro finance.*

## INTRODUCTION:

Micro finance is the category of financial services targeted at individuals and small business who lack access to conventional banking and related services. Micro finance includes micro credit, the provision of small loans to poor clients, savings and checking accounts, micro insurance and payment system. Micro finance services are designed to be more affordable to poor and socially marginalized customers to help them become self-sufficient. Over times, micro finance has emerged as a larger movement whose object is “a world in which as everyone, especially the poor and socially marginalized people and households have access to a wide range of affordable, high quality financial products and services, including not just credit but also saving insurance, payment services and fund transfers.” In developing economies and particularly in rural areas, many activities of micro finance institutions plays crucial role on empowerment. Micro finance emphasis on female oriented lending is the subject of controversy, as it is claimed that micro finance improves the status of women through an alleviation of poverty. It is argued that by providing women with initial capital, they will able to support themselves independent of men, in a manner would encourage sustainable growth of enterprises and eventual self-sufficiency. This claim yet to be proven in any substantial form. Moreover, the attraction women as a potential investment base precisely because they are constrained by socio-culture norms regarding such concepts of obedience, family duty, household maintenance and passivity. The results of these norms is that while micro lending may enable women to improve their daily subsistence to a steadier pace. Micro financing produces many benefits for poverty stricken and low income households. One of the benefit is that it is easy accessible. By providing financial services to the poor, microfinance can facilitate them to build up assets and to take up their own economic activities, which would yield incremental income and employment to move out of poverty. Access to microfinance is also expected to give stability to the poor in times of external stocks and fluctuations. Thus, microfinance is expected to play both promotional and protection roles in poverty alleviation. The contribution of microfinance to poverty-reduction takes place mainly through improvement in the assets base, employment and income levels, reduced dependence on money-lenders and diversification of occupation. As a consequence, the clients would experience an improvement in their living standards, which is reflected in improvement in consumption levels, housing, clothing, and education. The provision of financial services and skill-training to the poor helps more especially to the extent that women could become a means of providing opportunities to be self-reliant and play active roles in their households, communities, and the economy as a whole.

**OBJECTIVES OF THE STUDY:**

1. To know the use and purpose of ESAF micro finance among rural people
2. To study the ESAF micro finance, loans and interest rates.
3. To analyze the growth of ESAF micro finance.

**RESEARCH METHODOLOGY:**

The study is designed on a descriptive and analytical in nature, conducted in Kerala based on both secondary and primary data. Primary data collected from the peoples in selected area. Secondary data, which is already published, collected from published books, magazines, journals, websites, and reports. A well-structured questionnaire were used for collecting primary data. Various tools used for analyze the data such as percentage analysis.

**THEORETICAL ASPECTS FOR THE STUDY:**➤ **Empowerment**

Is the process of obtaining basic opportunities for marginalized people, either directly by those people, or through the help of non-marginalized others who share their own access to these opportunities. Empowerment also includes encouraging, and developing the skills for, self-sufficiency, with a focus on eliminating the future need for charity or welfare in the individuals of the group. This process can be difficult to start and to implement effectively

➤ **ESAF Micro finance, Loans and interest rates:**

ESAF Microfinance is one of the leading NBFC-MFIs in India (RBI Reg. No.: B-07-00652).ESAF had a humble beginning in 1992 with a small office in Thrissur, Kerala, launched by a group of like-minded social entrepreneurs. The inception of ESAF was propelled by the growing unemployment by educated youth. Inspired by the success of Grameen Bank, the founders of ESAF ventured into micro financing and creation of self-sustainable groups to address the issues of poverty alleviation and unemployment generations. On 11 march 1992, k Paul Thomas along with Mareena Paul and few friends , started ESAF in a small house in Mannuthy named as' Little. Jacob Samuel one of the co-founder, coined the name ESAF, which is acronym for Evangelical Social Action Forum. ESAF started lending in 1995 as the first micro finance company in kerala.it become ESAF Small Finance Bank after receiving the first banking license in Kerala since independence. ESAF small finance bank received RBI approval to operate as a scheduled bank in December 2018. Thrissur based ESAF small finance bank, the fifth scheduled bank from Kerala. This will reduce the banks cost of funds, while increasing the banks' ability and obligation to provide services. ESAF micro finance helps poor communities to establish small business in the society. The beneficiaries include fishermen, artisans, farmers, small entrepreneurs, deprived communities etc. ESAF micro finance provides the following products and services to rural people;

- Income generation loan  
Loan size: 2 lakhs  
Rate of interest: 24.92%  
Mode of repayment: fortnight/monthly/weekly.
- General loan for general consumption  
Loan size: 2 lakhs  
Rate of interest: 24.92%  
Mode of repayment: fortnight/monthly/weekly
- Nirmal loan for building latrine cum toilets  
Loan size: 4000-12000  
Rate of interest: 24.92%  
Mode of repayment: fortnight/monthly/weekly
- Jeevandhara loan for water connection  
Loan size: 2000-12000  
Rate of interest: 24.92%  
Mode of repayment: fortnight/monthly/weekly
- Agriculture loan assist farmers in crop cultivation  
Loan size: 45000

- Rate of interest: 24.92%  
 Mode of repayment: fortnight/monthly/weekly
- Vidyajyothy loan for educational purpose  
 Loan size: above 50000  
 Rate of interest: 24.92%  
 Mode of repayment: fortnight/monthly/weekly
  - Surya jyothi loan for promoting solar lamps  
 Loan size  
 : 1000-10000  
 Rate of interest: 24.92%  
 Mode of repayment: fortnight/monthly/weekly
  - Grihajyothi loan for cooking stoves  
 Loan size: 10000  
 Rate of interest: 24.92%  
 Mode of repayment: fortnight/monthly/weekly
  - Mobile loan  
 Loan size: 2000-15000  
 Rate of interest: 24.92%  
 Mode of repayment: fortnight/monthly/weekly
  - Housing loan  
 Loan size: 50000-200000  
 Rate of interest: 23%  
 Mode of repayment: monthly

#### **GROWTH OF ESAF MICRO FINANCE:**

SAF Microfinance & Investments (P) Ltd (EMFIL) is a Microfinance Institution promoted by the promoters of ESAF (Evangelical Social Action Forum), which is a leading NGO engaged in SHG Promotion, microfinance and other community Development Initiatives. Evangelical Social Action Forum (ESAF) was established in 1992 by Mr. K Paul Thomas, along with his friends who shared the objective of working for the poor and the marginalized sections of the society. The NGO-MFI is registered as a society under the 12th Travancore Cochin Literal and Scientific Charitable Societies Act of 1955. ESAF has built its knowledge and expertise in the Indian microfinance sector since its inception. ESAF's objective is to create opportunities for identifying and developing the people's ability by undertaking various developmental activities. These include micro enterprises development, human resource development, community development, rehabilitation, natural resource management and advocacy. ESAF started its Micro Enterprise Development programmers in 1995 in three villages of Thrissur district with the funding support of EFICOR, a Delhi based NGO. The programmer expanded to the coastal areas of Thrissur in 1998 after receiving a seed capital project from Grameen Trust - Dhaka. Within short span of time, the Society became a major microfinance institution in the country. Presently Company is having 100 Branches spread across 26 districts in 5 states in India serving more than 250000 below income families. Company has disbursed more than 5000 Million Indian Rupees as life changing loans to below income women. On 17 March 2017, Pinarayi Vijayan, the Chief Minister of Kerala officially inaugurated ESAF Small Finance Bank at Thrissur, Kerala. By August 2017, the bank had 3,750 employees, 284 branches, and a presence in 11 states..In March 2018, a year after its launch, the bank had expanded to 4,000 employees and 400 branches, with ₹2,200 crore (US\$338 million) in deposits and ₹4,200 crore (US\$645 million) in loans.

#### **ADVANTAGES AND FEATURES OF ESAF MICROFINANCE:**

- Aimed at empowering poor women and their livelihood
- To improve the living conditions of the marginalized people
- Aimed at empowering poor women and their livelihood
- Loan for low-cost house building
- Easy accessible
- Rural development

**EMPIRICAL ANALYSIS:**➤ **USAGE OF LOANS**

LOAN	NO.OF RESPONES	PERCENTAGE
INCOME GENERATION	28	56
SURYAJYOTHY	44	88
MOBILE LOAN	50	100
NIRMAL LOAN	38	76
GENERAL CONSUMPTION LOAN	46	92
JEEVANDHARA	23	46
AGRICULTURE	18	36
VIDYAJYOTHY	40	80
GRIHAJYOTHY	34	68
HOUSING LOAN	19	38

Source: Primary Data

The table reveals that 100% of the respondents are use mobile loans and 92% of the respondents are use general consumption loans.88% of the respondents are use suryajyothy loans and 80% of the respondents use vidhyajyothy loans. On the other hand, 76% of the respondents are use nirmal loans and 68% of the respondents are use grihajyothy loans.38% of the respondents use housing loan.

➤ **PURPOSE OF USAGE**

PURPOSE	NO. OF RESPONSE	PERCENTAGE
General consumption	43	86
Asset purchasing	40	80
Marriage	21	42
Children education	46	92
Agriculture	32	64
Purchase solar panel	47	94
Gas stoves/ connection	24	48
Water connection	36	72
Small scale business	2	4
Construct/repair house	48	96
Purchase mobile phone	50	100

Source: Primary Data

The above table indicates that 100% of the respondents use loans to purchase mobile phone and96% of the respondents are take loan for construct or repair house. But 94% of the respondents use loans to purchase solar panel and 92% of the respondents take loan for meeting children's education expenses.

➤ **INTEREST RATE**

ATTRIBUTES	NO.OF RESPONSES	PERCENTAGE
Highly satisfied	4	8
Satisfied	18	36
Neutral	1	2
Dissatisfied	22	44
Highly dissatisfied	5	10

Source: Primary Data

The above table, it is clear that 44% of the respondents are dissatisfied with interest rates and 36% of the respondents are satisfied with interest rate of ESAF micro finance.

➤ **ESAF MICRO FINANCE INSURANCE**

ATTRIBUTES	NO.OF RESPONSE	PERCENTAGE
Yes	48	96
No	2	4

Source: Primary Data

The above table reveals that 96% of the respondents have ESAF Micro finance insurance and 4% of the respondents are not take ESAF Micro finance insurance.

**CONCLUSION:**

Microfinance has become one of the most effective poverty reduction strategies over the last few decades. It is regarded as a mechanism to enhance the poor's access to affordable and reliable credit. The foregoing analysis reveals that microfinance programme has been very effective in delivering financial services to the poor and the vulnerable sections of the society who had no access to the formal banking services. As a consequence, the practice of availing loan by the participant households from money-lenders with exorbitant rate of interest is significantly reduced. The age and caste of the client, BPL/APL family and duration of participation in the ESAF microfinance programme are the major determinants which influenced their level of participation in the microfinance programme. Microfinance has become one of the most effective poverty reduction strategies over the last few decades. It is regarded as a mechanism to enhance the poor's access to affordable and reliable credit. The foregoing analysis reveals that microfinance programme has been very effective in delivering financial services to the poor and the vulnerable sections of the society who had no access to the formal banking services. As a consequence, the practice of availing loan by the participant households from money-lenders with exorbitant rate of interest is significantly reduced. The age and caste of the client, BPL/APL family and duration of participation in the ESAF microfinance programme are the major determinants which influenced their level of participation in the microfinance programme. The microfinance programme has also brought many changes in the attitudes life styles and the standard of living of the clients and their families. Further, the participants of microfinance programme are well ahead of the non- participants with respect to their socio-economic conditions. Thus, microfinance is found to be a key tool for the socio-economic upliftment of the poor and a viable route to eradicate poverty. However, result OF ESAF Micro finance depends on the ability of the poor to utilize effectively what microfinance offers them.

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