

# A STUDY ON 'KUDUMBASHREE': THE MICROFINANCE AND LIVELIHOOD DEVELOPMENT MODEL OF THE GOVERNMENT OF KERALA

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**Abstract:** Micro-finance and its capacity to provide livelihood to the poor, has been accepted all over the world. Kudumbashree, the poverty eradication mission of the government of Kerala, has been widely accepted as a programme for women empowerment. Through the various programmes such as promotion of community based organisations, thrift and credit activities, linkage banking, microenterprise development, housing programmes, health awareness programmes, programs for rehabilitation of destitute, innovative programmes for capacity building of micro enterprises, Kudumbashree act as an ideal programme for economic, political and social empowerment of women, especially rural women. But much remains to be done as large portion of the women still continues out of the purview of the programme. However, Experimentations, studies and advocacies made the Mission to improve continuously. This paper is an attempt to study the various livelihood development and innovative programmes of Kudumbashree.

**Key words:** Kudumbashree, Community based Organisation, Linkage banking, Microenterprise development, Capacity building,

## 1. Introduction

Kudumbashree, the poverty eradication mission of the state of Kerala, is a community-based self-help initiative involving poor women. The name "Kudumbashree" in Malayalam language means 'prosperity of the family'. Kudumbashree was launched formally by Government of Kerala on 17th May 1998. Kudumbashree is sponsored by local self-government institutions in Kerala. Though local government institutions are not organically linked to Kudumbashree, they are active partners in the kudumbashree programmes. The Kudumbashree system, a network of Community Based Organizations working with women, works in close association with the local governments, play a major in poverty eradication and women empowerment.

## 2. Structure of Community Based Organizations (CBOs) under Kudumbashree

Kudumbashree was conceived as a joint programme of the Government of Kerala implemented through Community Development Societies (CDSs) of Poor Women, serving as the community wing of Local Governments. The poor were organised under a well networked, three tiered Community Based Organisations (CBOs). The three-tier structure of Kudumbashree, which has a democratically elected governance system, includes Neighborhood Groups (NHGs) at the primary level, Area Development Societies (ADSs) at the ward level and Community Development Society (CDS) at the Panchayath/Municipality/Corporation level. Table No. 1 shows the total number of membership in kudumbashree network, as on 31<sup>st</sup> March 2018.

Table No.1: Details of Kudumbashree CBOs as on 31<sup>st</sup> March 2018

Total women membership in Neighbourhood Groups (NHGs)	43,06,976
Total number of Neighbourhood Groups (NHGs)	2,77,175
Total number of Area Development Society (ADSs)	19,854
Total number of Community Development Society (CDSs)	1073

Source: Kudumbashree Mission

**2.1. Neighborhood Groups (NHGs):** NHG, which is the primary unit of the Kudumbashree community, is formed by 10 to 20 women. According to the Kudumbashree byelaw, Membership to the NHG is open to all adult women and limited to single membership per household. Even though membership is open to women of all families, the financial assistance and other benefits under various government programmes are limited to the conditions mentioned in the program. Weekly meetings are convened in the houses of NHG members. In the weekly meetings, various problems faced by the group members are discussed along with suggestions for improving the situation.

**2.2. Area Development Society (ADS):** Area Development Society, which is the second tier of kudumbashree, is formed at the ward level of Panchayath/Municipality/Corporation by federating all the NHGs in the ward. ADS coordinates the activities of all the NHGs in the respective ward of the local self government. It evaluates the thrift and credit operation and provide proper guidance. It identifies the Income Generation Activity (IGA) that can be set up by the NHG and provide necessary training to set up the venture. It also facilitate in getting banklinkage.

**2.3. Community Development Society (CDS):** CDS is the apex body of the three tier Kudumbashree community network which functions at the local self-government level both in rural and urban area. There may be around 30 wards in a local self-government and hence there can be corresponding number of ADSs. Generally there is one CDS functioning in one local self-

government area. However, more than one CDS can be formed if there are more than 30 ADSs in the area of a local self-government. The CDS emerged with unique byelaws which empower them to approach and receive funds from government, NABARD, banks and other agencies. It looks after the expansion of the NHG network and monitor the activities of NHGs and ADSs within the area of local self- government. It works towards women empowerment, local economic development, and poverty eradication through the three-tier community organisation of kudumbashree

### 3.Functioning of Kudumbashree

**3.1. Thrift and Credit activities:** Kudumbashree plays a vital role in enhancing the financial status of the less privileged women in the State, through its thrift and credit program. NHG members will have a weekly meeting at the residence of any of the NHG member. In the weekly meeting, members deposit the pre-fixed thrift amount with the secretary of the NHG and get the corresponding figure entered in the passbook. NHG issue small loans to members from its saving, as per requirements. Decisions are taken through consensus or through majority. All loans are subject to the decisions of the NHG. NHG charges interest on loans at rates decided by the group. Members are expected to keep high level of discipline in repaying their loan in instalments as fixed by the NHG. In case of default in repayment, CDS member may visit the group to discuss the matter. NHG can resort to charging penal interest and even initiate legal steps. Table No. 2 shows the total thrift and internal lending, as on 31<sup>st</sup> May 2018.

Table 2: Thrift and internal lending as on 31<sup>st</sup> May 2018

Thrift collected	Rs. 4008 Crore
Internal lending	Rs. 16,252.42 Crore

Source: Kudumbashree Mission

**3.2. Linkage Banking:** Bank Linkage Program aims to deliver financial products & services to Neighborhood Groups that consists of the section of population that lacks access to formal banking. Once, the NHGs have accumulated a base of their own capital and have established a track record of regular repayments, can link with the banks. Under bank linkage scheme, NHGs can receive finance in the ratio ranging from 1:1 to 1:9. NHGs can utilise these funds for internal lending and setting up of micro enterprises. Table No. 3 shows the details of live linkage as on 31<sup>st</sup> May 2018. The total amount which has been mobilized under linkage banking is Rs. 9,334 Crore (current live linkage) and 1, 86,682NHGs have availed of the loans. The linkage loans may be raised directly by the NHG or as bulk loan through the CDS.

Table No.3: Details of live linkage as on 31<sup>st</sup> May 2018

Number of Live linkage NHGs	1,86,682
Live linkage loans amount	Rs. 9,334 Crore

Source: Kudumbashree Mission

**3.3. Microenterprises promotion and development:** Kudumbashree promotes livelihood activities by encouraging formation of individual and group enterprises. Microenterprise promotion and development is one of the significant strategies of Kudumbashree Mission to facilitate economic empowerment of the poor. Micro enterprises development initiated under Kudumbashree, is for providing gainful employment to the people below poverty line. It will lead to improved income and living standard and thus facilitates economic empowerment.

KDMS defines micro enterprises based on the following criteria:

- Investment ranging from Rs 5,000 to Rs 2.5 lakh
- Enterprise should have a potential to generate at least Rs 1,500 per member per month either by way of wage or profit or both together.
- Enterprise fully owned, managed and operated by members themselves, preferably, women below poverty line families as entrepreneurs.
- Minimums turnover of Rs 1 lakh to Rs 5 lakh. (ie 2-10 times of the capital investment)

There are several enterprises related to ethnic delicacies, tender coconuts and products, agriculture nurseries, soap manufacturing units, remedial education centers, paper bag making, integrated coconut processing (kerashree), tissue culture, yathashree (chain hotels), courier service and direct marketing. Micro Enterprises Development is an important strategy of Kudumbashree towards economic empowerment of women. All members of Kudumbashree are encouraged to start 'Micro Enterprises' using local recourses, and financial aid, skill training, handholding and marketing support provided by the Mission. Kudumbashree develops specific strategies by analysing the requirement of the enterprises. This constitute training, financial support and marketing support for both existing enterprises and new ones. The priority is for the concept of local economic development (LED), by fostering local production, local consumption and increased economic activity in the local area. Microenterprises will start with low capital, low risk and low profit in the beginning. It is expected that these enterprises will switch from low to medium capital and from low to medium risk.

### 4. Microenterprises survey2006:

In October 2006, Kudumbashree Mission made an effort to analyze the situation of micro-enterprises started under various government schemes by conducting a microenterprise survey. The survey found several issues which are highlighted by the microenterprises units in selling their produce. They are the following.

- i. **Reasons for closure of units:** Lack of markets, difficulty in the procurement of raw materials, bad planning, quality constraints, working capital management, obsolete technology, insufficient funding, and HR issues were the top most reasons associated with the reason of closure of units.
- ii. **Raw Material procurement:** Local markets constitute their area of purchase of raw materials. Therefore, the cost is high. Moreover, the quality should be compromised as they rely on their neighborhood alone. Selection is restricted in such a case. Moreover, the transportation costs would be too high for smaller purchases.

iii. **Pricing:** Entrepreneurs price their products mainly on the basis of their level of procurement of raw materials. This is the innate reason for the high price of products and inability to compete and sell. Even in seasons as the working capital is low the entrepreneurs could not reap the benefits.

iv. **Marketing:** Local markets & NHGs are the areas of marketing. Attempts to market the products even outside the Panchayats have not been made. This reveals the inability of the entrepreneurs in finding new avenues for marketing their products.

In order to address the issues identified through the microenterprise survey, Kudumbashree Mission adopted several strategies which are classified into the following broad groups.

- Conceptualization of Local Economic Development Strategy as the basis for livelihood development and self-employment promotion through micro-enterprises
- Developing capabilities of the Kudumbashree community network to engage effectively with local economic development activities
- Development of a proper process of new entrepreneur identification, selection and orientation
- Development of support system for existing enterprises
- Development of a support mechanisms for enterprises
- Building marketing capabilities of stakeholders and innovative market interventions
- Recognizing the importance of comprehensive, value-chain based enterprise development interventions

### 5. Innovative Programmes of Kudumbashree

For the economic empowerment of Kudumbashree women, Kudumbashree introduced several innovative strategies and programmes as part of strengthening livelihood development of poor women.

**5.1. Amrutham Nutrimix:** Amrutham Nutrimix is an innovative Kudumbashree programme that was launched in 2006. Amrutham Nutrimix is a cereal-based powder mix developed by Central Plantation Crops Research Institute (CPCRI), Kasaragod, which is suitable for six months to three year old children. The Integrated Child Development Services (ICDS) provides Supplementary Nutrition for children in the age group of six months to three years in the form of Take-Home-Ration (THR). The Social Welfare Department, Government of Kerala, has adopted the decentralized model of production and distribution of the THR in collaboration of Kudumbashree-State Poverty Eradication Mission from the year 2006 onwards.. It has been pioneer initiative in the field of rural development, financial inclusion and most importantly in the battle against malnutrition. It is prevailing in all districts of Kerala.

**5.2. IT Consortium:** Transformation of Government departments to IT savvy and the lack of agencies that can undertake the work of the departments made the Kudumbashree Mission to think of forming IT units among Kudumbashree network. The rationale behind the ideas was that the data entry work taken up by Government departments can be outsourced to Kudumbashree IT units. The Mission took this opportunity and set up its first IT unit in 1999, in Thiruvananthapuram Corporation with 10 women having a basic qualification of +2 levels under the DWCUA component of SJSRY.

Initially the Mission initiated and negotiated with Government agencies to get data entry works and monitored its completion on time. Today, the units are self sustainable and are capable of getting orders on its own. 420 women are engaged in these units and they are providing employment to 2000 women based on the works they receive. The unit members are getting offers for data entry of departments on part time basis with a daily wage of Rs.625/- per day. Each member is earning an amount of Rs. 8000-9000/- and will vary according to the orders. As on 31st May 2018, there are 64 data entry units and 3 hardware units under the Kudumbashree across the state.

**5.3. Santhwanam:** Santhwanam has been another major Kudumbashree intervention in the State. Kerala has made significant advancements in the health sector and is visible in the life expectancy rate, sex ratio, infant mortality rate, maternal mortality rate etc. But on the other hand the state is witnessing the growing number of lifestyle diseases and deadly diseases like cancer, cardiac problems, kidney failures etc. When the rich has good access to health systems, desired knowledge on facilities available and have affordability, the poor find it difficult to access the health facilities available. The Mission thus joined hands with Health Action by People (HAP), a NGO run by doctors of Trivandrum Medical College, to develop the Santhwanam project. HAP provides training to the selected women volunteers to check lifestyle diseases among poor people, provide necessary guidance to the field level volunteers thereby ensuring that the poor avail medical support at the right time. The main benefit of this scheme is that the periodic checkups give individuals a warning about their state of health so that they can go to a hospital in time for further treatment if necessary.

**5.4: Cafe Kudumbashree:** The Mission explored the potential of cooking as a means of livelihood and encouraged Kudumbashree women to start canteen and catering groups across the state. Intensive training on health, food habits, customer management, the concept of service etc were provided to the potential beneficiaries of the programme. The programme started in the year 2005, as a group enterprise and at present it is spread across the state. As on 31<sup>st</sup>May 2018, 1064 café kudumbashree units are operating across the state.

**5.5. Kudumbashree Travels:** Safe journey to women and children especially at odd timings made the Mission to think of an innovative enterprise- the Kudumbashree Travels. The women taxi service piloted in Thiruvananthapuram, the State capital was expanded to almost all the districts. Call Centre, GPS monitoring system, web enabled services the key features which a professional taxi service has, are all associated with Kudumbashree travels also. Specific design & colour combination having Kudumbashree logo makes the vehicle easily tracked and known. The project is implemented in the urban areas. However, women from rural areas too can become part of the service.

**5.6. Kudumbashree wellness centers:** Kudumbashree wellness centers came as an aftermath of Santwanam programme. Women who are reluctant and are not having facility to exercise or to find time for their health care are encouraged to visit

wellness centers run by Kudumbashree women. Modern equipments, classes on health habits and cookery classes are conducted as part of these centers. The project is implemented in urban areas and at present three centers are functioning in the state.

**5.7. Kudumbashree Women Construction Teams:** The concept is developed and designed with the support of Housing and Urban Development Corporation of (HUDCO). Women having civil engineering background are trained as consultants, diploma/ITI holders in civil engineering are provided site supervision training & unskilled/ semi-skilled women labourers are given skill up gradation training in construction techniques. The training module is developed by Laurie Baker Center for Habitat Studies and training is provided to the selected. The objective is to upgrade, diversify and certify the skills of labourer in new technologies

Table No. 4: Number of Women construction team as on 31<sup>st</sup> May 2018

Total number of women construction units	59
Total number of trained member	448

Source: Kudumbashree Mission

## 6. Kudumbashree Training Groups:

When the functional area of Kudumbashree began to widen with the increase in the quantum as well as depth of micro enterprises, capacitating those within the system became essential. Capacity building is, therefore, an ongoing process where the Mission capacitates all its stakeholders for its sustainability in the long run. The Mission fulfills this objective by providing necessary handholding support in the form of trainings and providing required resources to its various stake holders. The capacity building programmes of Kudumbashree comprises of four elements viz, Organizational Development, Strengthening of Community Based Organizations, Strengthening of Community Supporting Groups and Livelihood Management.

**6.1. KAASS:** The Kudumbashree Accounts and Audit Service Society is an audit team drawn from unemployed commerce graduates among NHG families. As the name suggests, the team was formed with the aim of auditing CDS, ADS and NHG accounts. The accounts of enterprises are also verified by the team. Training on book keeping is provided by KAASS units. As on 31<sup>st</sup> May 2018, a strong account support team, consisting of 328 members, is with the mission. The KAASS has played a significant role in Kudumbashree's auditing campaign.

**6.2. Micro Enterprise Consultants (MECs):** Absence of a local expert support mechanism that provides support to entrepreneurs was among the key lacunae identified through the ME Survey conducted by Kudumbashree in 2006. The CDS leadership could not be expected to carry-out such specialized roles, given their governance responsibilities. Hence, there was the need for an institutionalized support process. Thus the mission identified and placed Micro Enterprise Consultants (MEC) in each Gram Panchayat. These were men and women identified by the CDS from among Kudumbashree families who were provided training by the Mission. The training support was provided by the Entrepreneurship Development Institute of India (EDII). Over the years, MECs have been provided a wide range of capacity building inputs by the Mission.

## 7. Additional Support Provided by Kudumbashree Mission:

Originally, assistance from Kudumbashree Mission was provided only for starting new enterprises. Based on the findings of the Micro Enterprise Survey 2006 and based on the assessment that there is need for continuing assistance for micro-enterprises to function properly, Kudumbashree Mission has developed several schemes for providing assistance to existing enterprises. Several training programmes were also designed to cater to the needs of existing enterprises. Financial support, training, marketing and convergence assistance are the programmes designed to cater the needs of the existing enterprises.

**7.1. Financial support:** Kudumbashree provides financial support as subsidies to entrepreneurs, interest subsidy schemes for joint liability groups\* (JLGs), and second dose assistance (SDA) for working capital. It has an innovation fund (IF) for innovative ideas, a technology fund (TF) for technological enhancement and a revolving fund (RF) and crisis management fund (CMF) for entrepreneurs who need working capital to meet urgent needs. (\* Group of women farmers doing sustainable and ecofriendly agriculture in leased land with assistance from of Kudumbashree and NABARD)

**7.2. Training:** Persons identified by NHG/ADS and CDS are required to go through a process of orientation and training before they become eligible for assistance to start microenterprises. The two-stage orientation process consists of General Orientation Training (GOT) and the Entrepreneurship Development Programme (EDP). GOT provides a general orientation about enterprises, entrepreneurship, the support provided by various agencies and departments for setting up enterprises and on Kudumbashree schemes. EDP, done over three to five days by trained resource persons or specialized training agencies, covers topics required to develop basic entrepreneurial skills of the participants. Kudumbashree has established a network of Micro Enterprise Consultants (MEC) to support and promote the enterprises. Micro Enterprise Consultants were identified and placed in each Gram Panchayat. These were men and women having graduation, identified by the CDS from among Kudumbashree families who were provided adequate training by the Mission to support enterprises sector. Micro Enterprise Consultants provide training, handholding and marketing support to enterprises in their assigned location.

**7.3. Marketing:** Kudumbashree realized marketing as a serious issue faced by functioning microenterprise units and one of the main reasons for units closing down. How to find a market was a big question in the minds of the Kudumbashree team when some products did not have the required quality, proper packing, branding, pricing, publicity, and so on. It was impossible to solve each of these issues in one go or in a short span of time. Rectifying all the problems associated with products and positioning them effectively in the market was also not practical. Positioning and rectifying problems overall remains an ideal objective. Therefore, the strategy adopted was that products would be placed in local fairs on a pilot basis to analyse their movement and degree of public acceptance.

**7.3.1. Home shop:** Home shop is a community-based marketing network system in which products of entrepreneurs are collected by a district level Management Unit and then sell it to doorsteps through individual door to door sales personnel who are

Kudumbashree marketing entrepreneurs (Home shoppers). Customers can also buy products from the houses of Home shoppers, where a small shop of Kudumbashree products will also be functioning. As on 31<sup>st</sup> March 2018, Kudumbashree has a strong network of 595 Home hops, 46 facilitators, integrating 208 micro enterprises in 113 LSGs. Kudumbashree conducted customer satisfaction survey and collected feedback. Kudumbashree took pains to analyze the customer feedback it received and made many of the necessary corrections and improvements. Improvements in packing, labeling, arranging stalls, selecting venues, and product positioning have been made. Significant changes are now seen in product quality, packing and labeling and product positioning.

**8. Convergence:** As part of strengthening micro enterprises, it is necessary that special care and support be provided to existing enterprises as well as new ones. The findings of the 2006 micro enterprise survey revealed that all the enterprises under it were not really need or demand based but based on previous entrepreneurial experience. A series of actions is planned for the revival as well as survival of enterprises. An analysis of the demand of a local community and the human and natural resources available within it are to be made for effective planning to provide the support required. The Mission gives priority on the concept of Local Economic Development (LED) – local production, catering to local consumption to increase the economic activity within the local areas for micro enterprise development. In order to facilitate this concept Kudumbashree ensure the involvement of the community and LSGs to analyze the market demand and the development of products and services accordingly.

The convergence effort of Kudumbashree is known by the name “Samagra”. It is the result of the series of discussions carried out in LSGs after analysing the available human and natural resources of different communities. It is the convergence assistance Kudumbashree provides to micro enterprises. It is one of the most successful business models in the State, attempting 100% convergence, forward and backward linkages, clustering, and networking, and promoting quality packing, labeling, and branding.

**9. Collective Farming:** Poor women who have no land of their own can procure land within the jurisdiction of their LSGs for agriculture. As with any other micro enterprise, Kudumbashree gives area incentives and production incentives to promote agriculture among its beneficiaries. One of the remarkable aspects of Kudumbashree collective farming is that the mission is able to integrate the NABARD’s concept of Joint Liability Groups (JLGs) into farming practices. The mission with the support of NABARD encourages JLG setting for agricultural practices so that benefits of interest subsidy programme could be made available to the farmers. A 5% subsidy on interest on short term loans which would result in the cut down cost of loan to 2% interest. In addition, the incentive for prompt repayment of loan would be another 2% which would help the group to avail an interest free loan. The major impact of collective farming practices is that the women who were mere labourers once have become expert farmers, and benefit of the programme is that fallow land and land that was not properly utilized have become cultivatable with the intervention of Kudumbashree members.

**10. Conclusion:** Kudumbashree, the poverty eradication mission has evolved as a strategic tool for poverty eradication and women empowerment. It has contributed to the socio economic development of the women both in rural and urban areas through the programmes of livelihood development. Even with remarkable achievements, there are deficiencies. The over politicalisation, the loss making micro enterprises, the misutilisation of funds etc darkens the shining image of the project. The high interest rates especially in housing programmes is a trap against the beneficiaries and making such programmes interest free will make it really empowering. The study conducted by the Mission in 2014 with the support of Gulati Institute of Finance and Taxation on the performance of Micro enterprises helped the Mission to make a comparison with the 2006 survey. The outcome of the study for the betterment of micro enterprises will continue to come in the years to come.

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