



## The Impact of Microfinance on Women's Empowerment: An Analytical Study of 'Kudumbashree' Units

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### Abstract

Kudumbashree is the best programme in Kerala to eradicate poverty, empower women, and provide financial literacy, skill development, and microfinance; thus, changing thousands of women. Kudumbashree is a three-tiered community network, which was founded in 1997, and offers organised financial support and business opportunities to enable women to become economically self-sufficient and independent. The study examines the impact of financial empowerment of women under the microfinance programmes of Kudumbashree by considering how better livelihood and authority in decision making are empowered through loan facilities and financial education. To come up with the effectiveness of the programme, the research conducted in the Kalady locality is the synthesis of primary data of 100 Kudumbashree members and secondary sources. The findings indicate that microfinance has led to a boost in financial confidence and stability, even though there are some problems regarding market access and the development of entrepreneurial skills. Despite the advantages of credit facilities to women, most of them require additional assistance in the area of managing their money and mentoring on business. By looking at these problems by offering better financial planning, changes in policies and training initiatives, Kudumbashree can further bolster its efforts in empowering ladies and achieving sustainable economic development.

**Keywords:** Empowerment, Microfinance, Kudumbashree, Financial literacy, Entrepreneurship, Poverty

### Introduction

Kerala Kudumbashree (which means prosperity of the family in Malayalam) is an attempt by the Kerala government, launched by the State Poverty Eradication Mission (SPEM) in 1997, to eliminate poverty and empower women (Government of Kerala, 2020). It is one of the largest women's organisations in the world and was facilitated in the context of the decentralised

government and the People Plan Campaign. It is a three-level community network consisting of the Neighbourhood Groups (NHGs), Area Development Societies (ADS), and Community Development Societies (CDS) (Mukherjee & Ghosh, 2019). Microfinance is one of the key elements of Kudumbashree as it provides economically disadvantaged women with the opportunity to access financial services to be able to start small businesses and become financially independent (Nair, 2018). Microfinance firms can assist in bridging the difference between underserved communities and the conventional banking systems by enabling access to financial education, savings, and lending (Sharma, 2021). This study looks at the impact of microfinance initiatives in Kudumbashree on the economic development of rural areas and the empowerment of women, considering how such financial initiatives enable social progress and alleviation of poverty in India.

Microfinance is one of the indispensable tools towards providing financial services to poor women in the low-income groups. The fact that their portfolios of tiny loans and the high cost of operations due to the expensive credit risk management system still pose doubts concerning their financial sustainability. Excessive debt is another problem that is experienced by most women in low-income populations. The reason is that the constant need for money among borrowers makes them constantly borrow money depending on different sources. This shall be analysed in this research project. The objectives of this study are to analyse the impact of microfinance on women's empowerment through Kudumbashree, and to determine the level of effectiveness of Kudumbashree in promoting women's financial empowerment. The study will reveal the importance of understanding how Kudumbashree impacts women's financial empowerment is crucial for shaping effective policies and programs. By identifying key factors contributing to women's financial empowerment, policymakers can tailor interventions to better support women's economic independence. Assessing Kudumbashree's effectiveness provides insights into its strengths and weaknesses, guiding future program improvements. Recognising and addressing challenges faced by women entrepreneurs sheds light on areas needing intervention, ensuring that Kudumbashree's efforts align with the real needs of women in business.

## **Materials and Methods**

This study explores the experiences and perceptions of the Kudumbashree members in the Kalady region through a descriptive research design. The study combines primary data and secondary data in order to ensure that it captures a complete analysis. Primary data is collected through the use of a standardised questionnaire, which collects data directly through 100 Kudumbashree members, giving first-hand information. Moreover, secondary data is obtained through credible sources such as websites, online publications, and journals in an attempt to give background knowledge and up-to-date research to the study. The population size of the study is restricted to Kudumbashree members in Kalady, and the respondents would be selected through a simple selection method and which ensures that good data is collected. Finance (creation, management and allocation of financial resources) is the basis of economic development and personal achievement as well. It contains essential elements such as the credit, investment, and debt, all of which influence economic activity by way of risk evaluation, rate of interest, as well as the time value of money. Microfinance is a specialised division of finance that offers financial services to individuals who lack access to conventional banking institutions. Microfinance institutions

promote self-sufficiency and financial inclusion in poor communities through providing microloans, savings programmes, insurance and financial literacy.

To analyse the collected data, the study utilises graphs, tables, and percentage methods, which help in organising and interpreting the findings in a structured manner. These tools provide a clear representation of patterns and trends, making it easier to draw meaningful conclusions. By employing a combination of direct responses from participants and supporting secondary data, the study aims to provide valuable insights into the functioning and impact of Kudumbashree in the Kalady locality. The chosen methodology ensures a systematic approach to data collection and interpretation, ultimately contributing to a deeper understanding of the subject matter.

Such financial services play a fundamental role in empowering women because they provide them with the social mobility to be economically self-reliant and develop in the social front, particularly in the less privileged communities. The complexity of the women's empowerment process enhances their ability to make informed choices in life, provide support to their families, and participate actively in social and economic decision-making. When women become financially independent, it gives them more power to make decisions, a better life and better healthcare and education opportunities for themselves and their families.

One of the best efforts to integrate microfinance with women's empowerment is the community-based Kudumbashree programme by the Kerala government that seeks to eliminate poverty and empower women. Kudumbashree is organised in a three-tier system of the Neighbourhood Groups (NHGs), Area Development Societies (ADS) and Community Development Societies (CDS), which establishes a strong network of the grassroots system to promote social and economic progress among women. With its origins in Kerala's decentralised planning model, Kudumbashree emerged as an aspect of the people planning movement through the assistance of the traditional community organisations, and the Self-Help Group (SHG) Bank Linkage Programme spearheaded by the NABARD.

The project has proven to be a revolution as it provides women with access to microfinance, skill-development initiatives, and income-generating opportunities. Kudumbashree made it easy through access to financing, business education and financial literacy and has helped thousands of women to start their own businesses and has contributed significantly to the local economy. Besides offering financial benefits, Kudumbashree has increased women's self-esteem, social status, as well as decision-making abilities, which has enhanced its role as an exemplar to sustainable community development.

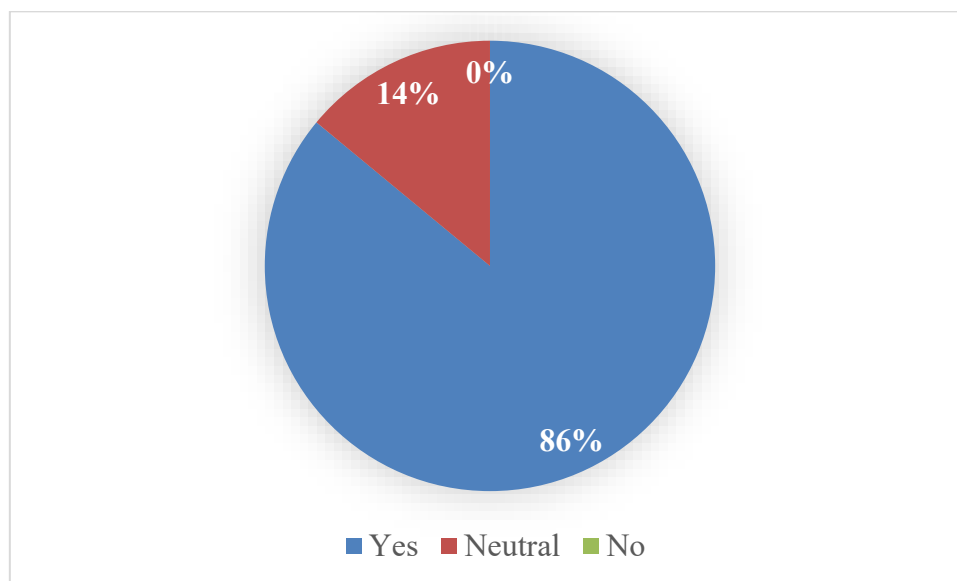
## **Results and Discussions**

The findings of this study paint a clear picture of the impact of Kudumbashree's microfinance programs on the lives of its beneficiaries. Most of the respondents belong to the 41-50 age group, showing that middle-aged individuals are the primary participants in these initiatives. Younger and older individuals form a smaller segment, which may indicate that awareness or accessibility of these programs is lower among them. Education levels among the respondents are relatively low, with most having completed only up to the 10th standard or lower, and very few having pursued higher education. This suggests that Kudumbashree primarily caters to individuals

with basic educational qualifications, making its financial literacy and training programs all the more valuable in empowering them to make informed economic decisions.

Family size is another important factor in understanding the socio-economic conditions of the respondents. Many of them come from large families with 5-6 members, followed closely by medium-sized families. This means that financial stability is crucial for these individuals, as they are responsible for multiple dependents. Employment data indicates that the majority are private employees or engaged in informal occupations, while a smaller portion are self-employed or government employees. This aligns with income levels, as a vast majority earn less than ₹20,000 per month, highlighting the urgent need for financial support and self-employment opportunities.

One of the most encouraging findings of this study is the overwhelmingly positive impact of Kudumbashree's microfinance services. The following chart 1 shows the details:



**Chart 1- Microfinance Initiatives have Empowered Women Economically**

Most of the respondents believe that such efforts have provided them with increased economic energy, and they are now able to manage their finances more effectively and improve their overall well-being. The other advantage of such services is that they are easily accessible; most individuals consider the process to be easy and simple to use. Nevertheless, the majority of the respondents think that their entrepreneurial skills have not changed significantly despite the availability of financial support. This means that even with the contribution of microfinance in the provision of the resources, there might be no mentorship and training that are required to use these monies to become long-term economic activities.

Most of the respondents are sure that the idea is viable and will be the one to keep them afloat when asked about the sustainability of microfinance projects by Kudumbashree in the long term. Many expressed their satisfaction with the budgetary funds provided, stating that they had impacted their financial independence positively. The statistic of 96 percent of the respondents responding that they feel more secure in their approach to money after attending the sessions of Kudumbashree is a very interesting statistic. This demonstrates that microfinance has more to do with imparting skills and confidence in people to appropriately manage their money, and it has little

to do with loaning people money. There are still individuals left with a lack of confidence, however, which implies that with additional financial training and support, this divide could be bridged.

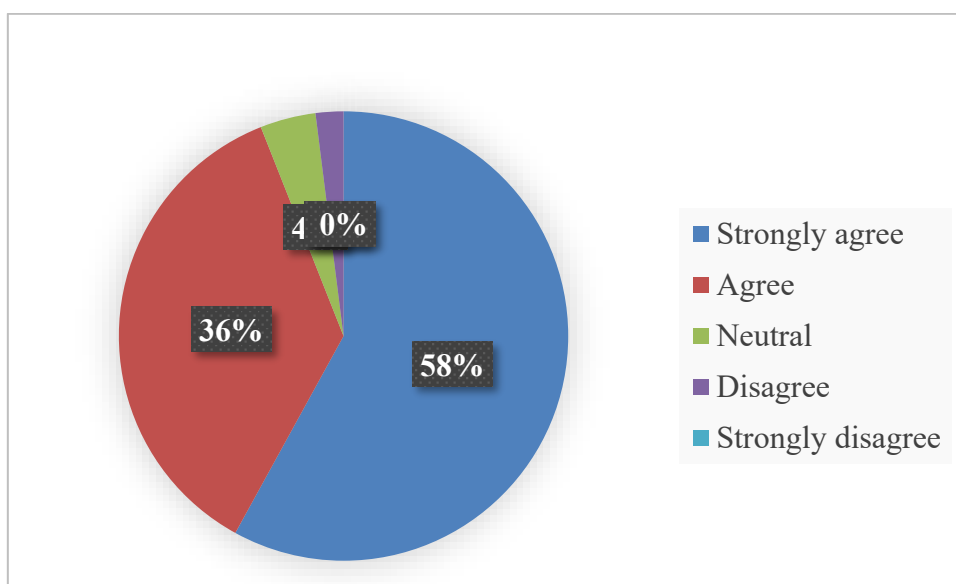
When it comes to women’s entrepreneurship, the results are mixed. While most respondents rate the microfinance services as moderately effective, only a small fraction finds them highly effective. The following table shows the results:

**Table 1 - Effectiveness of Microfinance Schemes**

Particulars	No. of respondents	% of respondents
Highly effective	2	4
Medium effective	45	90
Low effective	3	6
<b>Total</b>	<b>50</b>	<b>100</b>

This indicates that while financial assistance is available, other factors—such as market access, business mentoring, and industry-specific training—may be missing. On the other hand, Kudumbashree’s financial literacy programs have been highly successful, with a majority of respondents stating that they have gained valuable knowledge about managing money, savings, and credit. These programs are crucial in ensuring that beneficiaries make the most of their financial resources and develop long-term financial stability.

The study also examined the interest rates on loans, and it was found that all respondents received loans at a standardised rate between 5-10%, with most paying 9% interest. This uniformity ensures transparency and fairness in financial transactions. Additionally, Kudumbashree’s training programs were widely appreciated, with most respondents agreeing that these programs help bridge technological gaps. The following Chart 2 shows the data:



**Chart 2 - Effectiveness of Training Programs to Bridge the Technology Gaps**

This shows that the organisation is not only providing financial assistance but also equipping women with the digital and business skills necessary to succeed. Moreover, all respondents confirmed that their training and technical support came through local government agencies, reinforcing the role of decentralised governance in the success of Kudumbashree's initiatives.

One of the most interesting aspects of the study is the analysis of how the institution of microfinance of Kudumbashree impacted small-scale businesses. The statistics indicate that a large number of the respondents have started their own businesses. The most successful company is tailoring, with the manufacture of food, soap and other small-scale businesses coming second. This goes to show that microfinance plays a crucial part in facilitating self-employment. However, the fact that the companies have been concentrated in the traditionally female-dominated sectors makes it possible that most women are pursuing the established career paths due to cultural pressures or due to being unaware of other professions. Female entrepreneurs can be given opportunities to be more effective by promoting diversification to faster-developing industries and specialised training courses.

Overall, this study highlights that Kudumbashree's microfinance initiatives have significantly improved financial stability, economic independence, and confidence in financial management among its beneficiaries. However, there is still room for improvement in entrepreneurial skill development and business sustainability. Strengthening training programs, providing mentorship, and improving market access could ensure that financial assistance leads to sustainable and scalable businesses. By addressing these areas, Kudumbashree can further strengthen its impact and continue empowering women towards greater financial self-sufficiency and long-term success.

## Conclusion

The report highlights the significant impact of the microfinance schemes of Kudumbashree on female empowerment and the overall development of the economic conditions of underserved areas. Kudumbashree has provided women with the tools to gain control over their financial choices and gain financial autonomy with the help of readily accessible finance, financial literacy programmes, and entrepreneurial support. These findings reveal that, even though the financial stability and confidence in money management have tremendously improved in microfinance, some aspects, particularly the growth of entrepreneurial abilities and business sustainability, need to be addressed. There is a need to bridge the disparity between financial aid and practical business knowledge to make Kudumbashree a success, in case it should be a business transformation to a significant degree. Increasing market access, expanding mentorship opportunities, and strengthening training programmes will ensure that financial aid leads to long-term economic growth. By addressing these problems, Kudumbashree will be able to continue empowering women, reducing poverty, and enhancing a more sustainable and inclusive economy, which will help to establish a world where everyone will be able to become financially self-reliant.

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