Micro Finance and Poverty Alleviation: The Case of Kerala's Kudumbashree

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Abstract

Micro finance is an emerging reality in contemporary development discourse and has come to occupy a significant place in financial intermediation in India. *Kudumbashree* of Kerala, a community-based self-help organisation of poor women, although started as a micro-finance agency soon became an active subsystem of local governments and embarked upon several activities that address the question of poverty reduction. This paper attempts to narrate the story of Kerala's *Kudumbashree* as a women empowerment and anti-poverty programme, not only for its members but also for the wider community.

Micro finance is a new reality in the world of development discourse and financial intermediation. Broadly speaking, micro finance means providing financial services to the poor, long excluded by mainstream banking and finance market.

Neoliberals support it as it does not disturb the *status quo*. Commercial banks see in it a new profitable area of credit with a high repayment rate in a world of mounting non-performing assets and sub-prime hazards. Many governments welcome it as a less burdensome manner of fighting poverty.

The most important economic rationale in bringing financial services to the door steps of the poor households is the economy in the transaction costs. For formal banks, it will be costly to mobilize the small savings of the poor families lying widely scattered. Equally prohibitive is the cost to the conventional banks in financing a large number of these families who require credit frequently and in small volume and that too not backed by collateral securities.

Micro finance as a major financial service emerged in the 1970s, notably after Muhammad Yunus now of Nobel Prize fame started the Grameen Bank in Bangladesh. The Bank

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began to offer financial services to the poor once excluded from formal banking primarily because they lacked collateral. Today micro finance has emerged as an industry in which even big multi-national and national banks are interested because they are sure of repayment and fetches profit. For such institutions fighting poverty is a facade.

Three different approaches could be identified in the evolution of micro finance in the world: the Latin American model, the Grameen Bank model and the SHG – based model. Latin American model is a commercial model. Emphasis on social and community development of poor women is totally missing in such a model. The Grameen model, on the other hand, is basically centred on women and poverty. The self –help group (SHG) – based model is the Indian variant of micro finance popularised and institutionalised by NABARD, largely through the commercial banking system. The *Kudumbashree* of Kerala launched in May 1998 but effectively implemented from early 2000 does not seem to follow any of these models though its economic base is patterned on the SHG-based micro finance system. Its organisational set up could be traced to the three-tier community development system (CDS) that evolved in the Alappuzha municipality in the early 1990s.

In order to highlight how the KDS of Kerala differs from the general run of micro finance and has evolved into a unique community-based organisation (CBO), designed to "eradicate poverty" through a process of women empowerment, let me spell out critically some of its emerging features. But before that I may digress briefly on the concept of poverty and the official poverty line followed in India and the nine point poverty index followed by KDS to identify the poor from the non-poor. As far as the KDS is concerned, poor are those who match with four or more of the nine criteria given below:

(a) Kutcha House

(b) No access to safe drinking water

(c) No access to sanitary latrine

(d) Illiterate adult in the family

(e) Family having not more than one earning member

(f) Family getting barely two meals a day or less

(g) Presence of children below 5 years in the family

(h) Alcoholic or drug addict in the family

(i) Scheduled caste or scheduled tribe family.

I think that a meaningful poverty assessment should be based on sound conceptual foundations and must serve at least four purposes:

(1) Identify the poor from the non-poor,

(2) Find out how deep is poverty through an appropriate scale that facilitates comparison over time and space,

(3) Make a meaningful aggregation about the magnitude of poverty in a jurisdiction, be it a country, a state or even a panchayat or whatever be the level of aggregation required and

(4) Throw policy insights for reducing poverty. The official poverty line (PL) as well as the

9 point index of KDS cannot be said to be based on sound conceptual foundations and do not satisfy all the purposes mentioned. While the official income poverty line anchored on a minimum calorie norm of 2400 Kcal per capita per day in rural areas and 2100 Kcal per capita per day in urban areas has been subjected to considerable scholarly debate (and it still continues), the KDS 9- point criteria have not attracted any such debate or review.

Although we do not want to go into the details of the official PL and the interminable debates related to that, we may briefly mention some of its important shortcomings to put the discussion on KDS in perspective. One, the underlying conceptual foundation is weak. As Amartya Sen (1985, 1992, and 1999) has elaborated, there is a great need to consider the quality of human resources, their capabilities and functionings in any poverty conceptualisation. For him, poverty is capability deprivation. Capability refers to the freedom one has to choose from a range of functionings, which means achieving what one wants to do or be. Poverty in this perspective would mean absence of elementary capabilities. The basic question in poverty reduction is one of expansion of elementary capabilities, namely, education, health care, employment, gender equity and women empowerment and provisioning of social and economic security. Of course, we affirm that the elementary capability of being adequately nourished in the official PL implicitly recognised an important aspect of the conceptual foundations of poverty. Second, the PL takes no notice of the fact that when the income of one individual or group of individuals close to a PL falls down, she becomes poorer. It thus violates the axiom that a reduction of income of any one below the PL given everything else, must increase the poverty measures [See Sen (1981): Appendix C for details]. Three, the most glaring mistake is that the updated official poverty lines based on the adjusted prices of the 1973-74 consumption expenditure class, do not correspond to the calorie norms of 2400 Kcal and 2100 Kcal for rural and urban areas. [For good empirical proof of this see Mehta-Venkataraman (2000), Utsa Patnaik (2004), Utsa Patnaik (2007), and Munna (2007) among others]. Utsa Patnaik in her recent paper gives an elaborate Table based on the 55th NSS round data for 1999-2000 which shows that 2400 calorie based headcount ratio (HCR) will come to 74.5 per cent and not the official HCR of 27.4 per cent based on the adjusted prices of the 1973-74 expenditure class [See U.Patnaik (2007)]. In brief, even as a nutritional norm-based measure, the official HCR is weak. Four, it is useful at best as an aggregated measure of poverty in a state or economy and has no use in identifying a poor family. (It was precisely because of this that the Ministry of Rural Development conducted BPL surveys). Five, in the official PL approach, the nutritional norm leaves non-food requirements as an empirical component. How much the non-food preferences have been at the expense of food items is not known. This is particularly so, when it comes to catastrophic payments to meet health care requirements.

In India, although there is a large number of economists who reverentially appreciate the calorie norm-based approach, all discerning scholars have found it weak and wanting. Long before Planning Commission endorsed the HCR approach, Amartya Sen, after examining the theoretical and practical problems of conceptualising and measuring poverty, held that the head count measure is "quite unacceptable as an indicator of poverty" [Sen 1981:11].

It is in this setting that we have to evaluate the 4/9-point index of KDS. It is primarily to be seen as a tool of identification of the poor. It is not used or meant to be used as an aggregate measure for evaluative judgments about the level of poverty in a society or jurisdiction. Although it had no *a priori* and theoretical and conceptual foundations, the Community Based Organisation (CBO) which provides the support base today formulated the index on the basis of a field survey in Alappuzha municipal town. I may, however, spell out some important criticisms of the Index. We may first give some general criticisms and some comments on the nine criteria of KDS, used initially.

The KDS Index: Some General Criticisms

- Any four criteria out of nine in the KDS index means that all criteria are treated as independent and equally important. They however are not independent and equally important. Weighting is needed to reflect the priorities of the community. It can be done using statistical weighting methods.
- Income, land or other income yielding assets and in fact all exchange entitlements are left out. Income is important because it indicates a universal purchasing power which can remove many of the deprivations like lack of food, illiteracy, poor (Kutcha) house, lack of latrines etc.
- Kutcha house is admittedly a sign of poverty. Every human being is entitled to a shelter.
- Non-availability of and non-accessibility to safe drinking water is a serious problem, generally in the lowland regions of Kerala. In the highlands and the midlands, well water is generally good or at least of satisfactory quality. It is possible to have a modified index specific to such regions.
- Lack of sanitary latrines could be considered an indicator. Needless to say provision of sanitary latrine should be part of public health care.
- Family getting less than two meals a day is probably the most important criterion of poverty.
- The next is the presence of illiterate adult(s) in the family. The presence of an illiterate person is not necessarily a cause of poverty although he/she is a deprived person reckoned in terms of capabilities in regard to literacy and knowledge. Illiteracy becomes a critical variable in cases where children are not sent to school because of income poverty situations.
- The criterion relating to employment is vague. Open unemployment of adults in a family seeking employment is a great deprivation. Even if there is only one earning member, the family need not be poor because a single earner may command a large salary income or inherited wealth etc. What is critical is the type of employment or occupation that fetches income for the family.

- The presence of children less than five years is neither a cause of poverty nor an attribute of deprivation. This can even lead to absurd results. For example, a family identified as poor on 4/9 criteria which includes this, suddenly becomes non-poor (above poverty line) when a child grows into the age of six. This criterion is now abandoned by KDS.
- A family with alcoholic/drug addicts and an SC/ST family need not necessarily be poor. While the former may accentuate poverty, the latter attempts to identify groups that are subject to very high traditional deprivations. They need special entitlements. Thus, basically only three factors – Kutcha house, family having no earning member and family getting less than two meals a day are basic attributes of poverty.

We may now spell out certain unique features of the KDS which distinguishes it from other categories of micro finance institutions as an instrument of poverty reduction.

One, KDS is not a commercial type micro finance organisation. It is a community-based organisation of poor women identified on the basis of a 9-point index. Contrary to the extant income poverty approach of the Government of India (GOI), KDS has developed a more comprehensive approach to poverty identification.

Two, the community based organisation has a three tier structure with the Neighbourhood groups (NHGs) comprising 15- 40 families of the poor at the bottom level. For all practical purposes the NHGs, are converted into what are called Thrift and Credit Societies (TCSs) which function as intermediaries for mobilising the small savings of the poor. The savings mobilised at the weekly meetings at the NHGs are deposited in a commercial/cooperative bank and are used for lending among members. The poor women act as savers, borrowers, account keepers and finance managers.

Though NHGs/TCSs can borrow from banks (and they encourage it), the most interesting feature of KDS micro finance is the ominance of credit from their own pooled saving deposits. This is a unique feature of Kerala's *Kudumbashree*. By the end of November 2006 there were about 1.767 lakh NHGs (which include nearly 12,000 urban and 2232 tribal NHGs) and their total savings were over Rs.700 crore and total credit around Rs. 1900 crore. Today, it is much higher. This order of thrift-based micro finance works out to 3.3 per cent of total bank advances made by banks (including cooperative banks) in Kerala. This magnitude of savings and credit based on that, managed by KDS as micro finance is probably the biggest in the world. Two authors writing in the Economic and Political Weekly (March 2007) claimed that the Kalanjiam Community Banking comprising 3.47 lakhs members with Rs. 74.44 crore of saving and Rs.134.4 crore bank credit is the "largest" micro finance programme in the world. Clearly they are pygmies compared with Kerala's KDS with 1.77 lakh NHGs with 37.4 lakh family membership, over Rs.700 crore savings and Rs.1900 crores of thrift loans besides banklinked credit to the tune of over Rs.406 crores. Interestingly 56 per cent of NHGs do not take bank-linked credit in Kerala. The bank-linked credit forms only 21 per cent of thrift credit.

Three, although KDS is not organically linked to local government, virtually it functions as a sub-system of the local governments through the CDS system. The strength and viability of the CDS system is largely derived from the fact that it is in many ways functionally linked to the local bodies. The KDS is part of the participatory planning process and serves as a vital link of the delivery system as well. As a subsystem of local government, KDS is expected to promote and practice convergence of activities of several departments at the local level. Fragmented approach has been a serious draw back to India's development over the years. That over 170 NHGs per panchayat are alive and are active is a great institutional reality in Kerala's contemporary development process.

Four, KDS through its micro finance structure and through its many-faceted activities seeks to empower women and through this process bring prosperity to the family. The term 'empowerment' is used here as a process whereby the powerless women gain a greater share of control over resources and decision-making, be it in their family or in any other social institutions to which they get associated. In short, women are the ends as well as the means of the KDS project.

In brief, KDS is a micro finance institution with several unique features. The spectrum of activities taken up are much wider than that of the Grameen Bank of Bangladesh of Nobel prize fame. In approach and functions, they stand poles apart. While both work on the principle of mutual trust and faith which help both in ensuring a very high rate of repayment (90-95%) the Grameen Bank has considerable control and supervision in regard to repayment compared to KDS where the spirit of voluntarism is dominant. One Taka per member per week is compulsory under the Grameen Bank. Moreover, every member has to contribute 5 per cent of the loan amount as Group Tax, besides 25 per cent of interest payments to group Contingency Fund. The Grameen Bank worker is a ubiquitous presence and attends weekly meetings of members. Grameen Bank's charter on social development approved in 1984 contains 16 principles (such as solidarity, courage, hard work, discipline etc) to which each group member (only 5 members in a Grameen Group as against an average of 30 members for KDS) has to take an oath of allegiance. Probably the most important institutional reform introduced in the Grameen Bank since 2000 is the introduction of a pension deposit scheme which provides an amount almost double that paid by the borrower over a period of 10 years.

The chief defect of KDS and probably that of such micro credit institutions like Grameen Bank is that they do not envisage any systemic or structural change in favour of the poor. The poor have to rise by their own bootstraps. The odds against such an approach are very high and could not be expected to bring about radical changes. We may also note that KDS is a state created CBO and not part of the tribe of adversarial CBOs or NGOs keeping a critical distance from the state and struggle for alternate paradigms of development.

KDS as an Instrument of Poverty Alleviation

How successful has been the *Kudumbashree* in reducing poverty? We examine this question under two heads:

(a) Changing Poverty profile and

(b) Women's Empowerment

(a) Changing Poverty profile:

KDS has registered a spectacular growth in the number of NHGs and families covered. The number of NHGs increased from over 37000 in April 2000 to 1.77 lakhs in November 2006. The number of families covered increased from 8.67 lakhs to 37.35 lakhs during the same period. Overall , during the period from 2000 April to November 2006, the number of NHGs in rural areas registered a growth of 464 per cent with a simple average growth rate of 77 per cent per annum. The corresponding increase in number of families was 386 per cent with a simple average annual growth of 64 per cent. Although the overall growth of NHGs in urban areas was only 59 per cent and that of number of families 163 per cent, it is also striking because all the municipalities were covered even before the KDS project was launched.

The number of NHGs per Gram Panchayat increased from 29 in March 2001 to 165 in November 2006. With the growth of NHGs especially in the rural areas, the number of poor families enrolled also has increased. The number of poor families (technically identified as poor based on the 4/9 criteria) as per official records is heading towards 3.8 million in a state with only around 7.5 million households. Thus the poor households work out easily to more than 50 per cent of the total households. The percentage of NHG households covered to the total households in the Gram Panchayats which was 13 per cent in March 2001 rose to 63.54 per cent in November 2006. It ranged from 45 per cent in Kollam district to 90 per cent in Kannur district. These percentages of poor seem to be an untenable number. As per the NSS 61st round, the percentage of population below the official poverty line in 2004-05 works out to 13.2 per cent for rural areas and 20.16 per cent for urban areas of Kerala [Himanshu (2007)]. Mahendra Dev and Ravi (2007) estimate the number of poor to be around 4.79 million (or about 10.5 lakh families). Although the head count ratio estimates of poverty cannot be compared with that of KDS, the emerging picture as reflected in the current statistic is a clearly exaggerated one. Only a scientific head count of the poor based on criteria acceptable to the community can reveal the true picture.

In our field investigation each woman member of a family was asked whether in her own evaluation, she belonged to APL or BPL group. Around 32 per cent of rural and 23.4 per cent of urban households consider themselves as belonging to APL. Again 794 NHG secretaries, who were asked to give their opinion about the APL/BPL categorisation of their NHGs, reported that 29.28 per cent belong to the APL category. Even by their own admission and assessment, a significant number are non-poor.

In brief from the evidence we have outlined three inferences can be easily made. One, the nine-point criteria were not strictly followed. Several secretaries reported that panchayat ward members recommended members to NHGs and even have taken initiatives to form NHGs without reference to the nine-point criteria. Two, the traditional 9-point criteria have been modified and no longer serve as a bench mark for any measure of poverty. The wide and somewhat open ended modification of the 9-point criteria in recent years to include women-headed households, presence of widow, divorcee, abandoned and challenged person, chronically ill member in the family and so on are also imprecise ascriptions which open wide the gate to non-poor categories. Three, the poor who graduate as non-poor are not properly escorted out. If all these inferences are not valid, the poverty reduction seems to be unbelievably rapid. That such a dynamic transformation is not happening in Kerala needs no documentation.

We may now briefly examine the progress made by sample households after joining the KDS project in regard to the individual items in the nine point criteria barring SC/ST and children below 5 criteria. There are those who joined eight years ago and those with only a year of stay in the project. Only 16 per cent reported improvement in housing. The full impact of the Bhavanashree and other housing schemes may take more time to get reported. Even so, more than 50 percent of the new houses constructed were concrete structures. In regard to sanitary facilities the progress made has been remarkable. There is a reduction of over 29 per cent in the proportion of families taking to open defecation. That nearly 10 per cent of the household still take to open defecation, however, is not something to write home about.

There is a remarkable progress in employment, notably self employment. There is also significant improvement in the proportion of families taking the traditional three meals a day. The proportion of families taking only one meal a day has declined by 16 per cent and currently constitute only 3.5 per cent of the total NHG families. The reported reduction in alcoholism among the KDS family needs special mention in this state known for its extravagant liquor consumption in recent times.

With all these, the greatest drawback seems to be the yawning mismatch between their saving assets and the mounting debt liabilities. The average debt ranges from Rs.14566 in highlands to Rs.28927 in the coastal regions with an overall average of Rs.19236. This compares well with the figure of Rs.19666 reported for rural Kerala in the NSS 59th round survey of household indebtedness.

(b) Progress in Women's Empowerment:

Empowerment is an oft-used concept in development literature particularly with reference to women. The term 'Women's empowerment' has come to be associated with women's struggle for social justice and equality. Generally, it is used to describe a process wherein the powerless or disempowered gain a greater control over resources, decision-making and acquire greater social mobility, social space and dignity. Avowedly a 'Women-oriented poverty alleviation programme', empowerment of women is one of the major objectives of the *Kudumbashree*. Although the concept of empowerment is nowhere defined officially to use as a reference point, I have tried to measure empowerment from five major angles:

- Organisational Empowerment
- Economic Empowerment
- Knowledge Empowerment
- Leadership Empowerment and
- Social Capital

The perceptions of the members about themselves are indeed important. Our study shows that economic empowerment was the least impressive impact of KDS (See Table 1). It is distressing to note that as high as 75.6 per cent reported no improvement in assets and 59.4 per cent no improvement in income. Only less than 2 per cent said that their conditions have 'greatly improved'. Even so we take note of the fact that 39 per cent reported 'fair improvement' in income and 23 per cent in assets. Moreover, the reported progress in other areas of empowerment is impressive. It is important that a large majority have affirmed that there has been 'fairly' good improvement in regard to the ability to collectively bargain (68.25%), ability to plan projects (62.5%), ability to address a group (62.2%), besides improvement in overall capabilities, (62.4%). This is to be seen along with a high proportion of 'greatly improved' in regard to their ability to organise group activity. It goes as high as 32.4 per cent. Considerable progress is reported in regard to the awareness of women's rights, and gender discrimination. That more than 90 per cent women have reported 'feeling of self confidence' is no mean achievement. It is abundantly clear from Table 1 that after joining the CBO the social position of members among their family members and relatives, neighbourhood and the wider community has registered impressive improvement.

That about one fifth did not report any visible improvement affirms equally the fact that there is no room for complacency.

Table 1

Distribution of Members According to Type of Empowerment after Joining the NHG

Empowerment	Not Improved (No)	Not Improved % (No)	Fairly Improved (No)	Fairly Improved % (No)	Greatly Improved (No)	Greatly Improved % (No)	Total (No)	Total %
Organisational Empowerment								
Ability to collectively bargain for a common cause	892	*12.90*	4720	*68.25*	1304	*18.85*	6916	*100.00*
Social position among family members and relatives	1492	*21.57*	3920	*56.68*	1504	*21.75*	6916	*100.00*
Social position among neighbours and other people in the community	1196	*17.29*	4054	*58.62*	1666	*24.09*	6916	*100.00*
Skill/ability to plan projects	644	*9.31*	4327	*62.57*	1945	*28.12*	6916	*100.00*
Ability to organise group activity	796	*11.51*	3879	*56.09*	2241	*32.40*	6916	*100.00*
Economic Empowerment								
Income	4111	*59.44*	2698	*39.01*	107	*1.55*	6916	*100.00*
Asset holdings	5231	*75.64*	1609	*23.26*	76	*1.10*	6916	*100.00*
Savings	992	*14.34*	5639	*81.54*	285	*4.12*	6916	*100.00*
Chance of getting bank loan	2836	*41.01*	3495	*50.53*	585	*8.46*	6916	*100.00*
Leadership Empowerment								
Address a group	1151	*16.64*	4299	*62.16*	1466	*21.20*	6916	*100.00*
Feeling of self confidence	714	*10.32*	3824	*55.29*	2378	*34.38*	6916	*100.00*
Overall capabilities	493	*7.13*	4318	*62.43*	2105	*30.44*	6916	*100.00*
Knowledge Empowerment								
Awareness of Women's Empowerment	1289	*18.64*	3662	*52.95*	1965	*28.41*	6916	*100.00*
Awareness of Women's rights	1288	*18.62*	3193	*46.17*	2435	*35.21*	6916	*100.00*
Awareness on gender discrimination	1458	*21.08*	3414	*49.36*	2044	*29.55*	6916	*100.00*

Table 2:

Distribution of Members According to Organisational Empowerment after Joining the NHG

Empowerment	Not improved (No)	Not improved % (No)	Fairly improved (No)	Fairly improved % (No)	Greatly improved (No)	Greatly improved % (No)	Total (No)	Total %
Ability to collectively bargain for a common cause								
SC	129	*15.38*	575	*68.53*	135	*16.09*	839	*100.00*
ST	43	*21.08*	147	*72.06*	14	*6.86*	204	*100.00*
BC&OBC	387	*11.70*	2328	*70.40*	592	*17.90*	3307	*100.00*
General	333	*12.98*	1670	*65.08*	563	*21.94*	2566	*100.00*
Total	**892**	***12.90***	**4720**	***68.25***	**1304**	***18.85***	**6916**	***100.00***
Social position among family members and relatives								
SC	205	*24.43*	446	*53.16*	188	*22.41*	839	*100.00*
ST	74	*36.27*	112	*54.90*	18	*8.82*	204	*100.00*
BC&OBC	797	*24.10*	1867	*56.46*	643	*19.44*	3307	*100.00*
General	416	*16.21*	1495	*58.26*	655	*25.53*	2566	*100.00*
Total	**1492**	***21.57***	**3920**	***56.68***	**1504**	***21.75***	**6916**	***100.00***
Social position among neighbours and other people in the community								
SC	134	*15.97*	516	*61.50*	189	*22.53*	839	*100.00*
ST	50	*24.51*	138	*67.65*	16	*7.84*	204	*100.00*
BC&OBC	695	*21.02*	1845	*55.79*	767	*23.19*	3307	*100.00*
General	317	*12.35*	1555	*60.60*	694	*27.05*	2566	*100.00*
Total	**1196**	***17.29***	**4054**	***58.62***	**1666**	***24.09***	**6916**	***100.00***
Skill/ability to plan projects								
SC	95	*11.32*	516	*61.50*	228	*27.18*	839	100.00
ST	53	*25.98*	140	*68.63*	11	*5.39*	204	100.00
BC&OBC	262	*7.92*	2138	*64.65*	907	*27.43*	3307	100.00
General	234	*9.12*	1533	*59.74*	799	*31.14*	2566	100.00
Total	**644**	***9.31***	**4327**	***62.57***	**1945**	***28.12***	**6916**	**100.00**
Ability to organise group activity								
SC	135	*16.09*	450	*53.64*	254	*30.27*	839	100.00
ST	76	*37.25*	109	*53.43*	19	*9.31*	204	100.00
BC&OBC	328	*9.92*	1929	*58.33*	1050	*31.75*	3307	100.00
General	257	*10.02*	1391	*54.21*	918	*35.78*	2566	100.00
Total	**796**	***11.51***	**3879**	***56.09***	**2241**	***32.40***	**6916**	**100.00**

Organisational Empowerment

Undoubtedly, it is the socially disadvantaged groups or castes that need greater empowerment. Table 2 shows the distribution of members according to select indicators of organisational empowerment by different social groups. One important inference that conspicuously stands out is that tribal groups, although reported the lowest percentage in regard to ‘greatly improved’, they too have made improvement and more so the SCs or the Dalits. It is significant that SC/ST groups have reported ‘fairly improved’ status, higher than the total average, in regard to the ability to collectively bargain for a common cause, and in regard to social position. Their position rose among neighbours and among the larger community. It is relevant to note here that Amartya Sen considers 'bargaining skill' as an important non-material capability in determining outcomes. [See Sen's paper in Bina Agarwal etal (2006)]. On the whole, the situation is remarkable especially because the counter factual situation would have been much different.

Not surprisingly, those who report the highest percentage of 'Not improved' with reference to all the variables used are the 'Illiterates'. They are also invariably in the group that report the relatively lowest percentage in the 'Greatly improved' group, be they be ability to collectively bargain, plan project or organise group activity. They are even worse when it comes to improving their social position within their neighbourhood or in the larger community. Generally speaking, my study shows that those with better schooling and education have achieved greater 'empowerment' compared to their peers. Even so, the most hopeful signal again is that in the 'fairly improved' category, illiterates and those below primary school have reported a respectable record in their own evaluation of progress or empowerment.

Social capital[1] is a term very much in currency in development discourse in recent times. Robert Putnam (1993, 1995) who pioneered and popularised the concept defines it as a resource that characterises societies and refers to such features of social organisations like trust, norms and net works that can help to improve the efficiency of society by facilitating coordinated actions. Putnam (1995) distinguishes between two types of social capital: bonding social capital which refers to the norms that bind a group together and bridging social capital which refers to the relationship with heterogeneous group outside the group. Apart from these, there are the positive vertical relations the poor people have with higher officials and others. This is referred to as linking capital. We used certain questions in our field investigations to gauge these relationships. Our study shows that there is remarkable evidence of solidarity by way of willingness to cooperate with others and prevalence of mutual trust. The field evidence shows that the trust of the community in the members has increased. Cooperation with representatives of the local government, trust of members in the local government, and mutual trust of members and officials have also significantly improved.

Impressionistic or anecdotal accounts have not much place in reports based on hard facts. Several successful cases shared with the author include those of a young woman who lost her earning husband leaving the burden of educating and marrying children on her, a woman whose husband is a drunkard and who also lost the only male child and a woman who now lives a positive life having escaped a suicide attempt[2]. They are recorded here to show how *Kudumbashree* does supply significant bonding 'social capital' along with credit support.

1 This term is employed more because of its frequent use in the development literature. We do not approve of World Bank's claim that it is a 'missing link' in development. Not only that, we endorse the basic arguments of John Harriss (2001).

2 The CDS Chairperson of Thrikkadavu Panchayat, said:....."Now I am creative and enjoy the meaning of fellowship through KDS".

In short, the CDS of *Kudumbashree* is indeed a unique CBO with important social capital characteristics. Viewed from different angles and measured by multiple variables, we note remarkable progress in empowerment except in regard to sustained economic empowerment. That 3200 *Kudumbashree* CBO members contested the Local Body elections in 2005 and 1408 of them won election is a great achievement.

To sum up, there is a direct association between *Kudumbashree* and women's empowerment. The outcome is the result of several collective strategies. Economic empowerment however is the Achilles heel of the empowerment spectrum. It is significant that the SC/STs notably the latter have 'fairly improved' their ability to collectively bargain, to plan projects and to organise group activities besides improving their social position within their own groups and within the wider community. A somewhat unexpected finding is the poor economic empowerment measured in terms of improvement in assets and income. The reported increase in saving could be out of postponement of several essential consumptions and important asset requirements. Nearly 91 per cent ST households and 82 per cent of SC households have not reported any increase in income or assets. There is general improvement in the borrowing capability for majority of the poor. Even so, reckoned in terms of leadership empowerment increase in self confidence and general gender rights awareness building KDS have an impressive record especially among SC/ST groups.

Raising Some Important Issues

we may, before we conclude, raise some issues that need to be addressed for strategically improving *Kudumbashree* as poverty reducing and empowering instrument in Kerala society.

- The criteria for the identification of the poor and the non-poor must be revisited.
- There is need to evolve a strategy to escort the non-poor to sustainable occupations and trade. There is definitely scope for group enterprises in which the APL and BPL can work together.
- There is need to evolve a group insurance programme.
- Overloading the KDS functionaries could turn out to be counter productive. The KDS is involved in planning, implementation, managing health clubs and preventive programmes, *Bala Sabha* (children's club), destitute identification and rehabilitation, *Bhavanashree,* mobilising people for gram sabha and the list continues.
- A major threat which KDS faces today is the dual or even multiple membership. There is a mushrooming of selfhelp groups organised by communal outfits, NGOs, and individuals which provide micro credit, mobilise savings and provide linkage banking. Such fragmentations of the poor and parallel organisations can pose serious threat to the healthy progress of KDS. With all its shortcomings, KDS has a respectable track record not only as a micro finance institution, but also as a social institution.
- The indebtedness of KDS families is of a very high order (Rs.19235) and is equal

to the average indebtedness of a rural household (Rs.19666) as reported in the NSS 59th round.

- Several members perceive KDS as a source of public benefits and bounties. This can wok towards weakening of *Kudumbashree* as a tool of sustainable empowerment.
- The KDS Mission considers micro enterprises (supported by bank loans or Thrift Credit loans) as the most important instrument for creating employment and income to the poor women. At the end of December, 2006 there were

1051 individual enterprises and 2789 group enterprises in the rural areas. But these are concentrated in a few districts. Given the crying need to enhance sustainable income for the large number of poor families, their number has to be increased with a fairly even geographical spread. An analysis of the costs and returns of 393 micro units spread over the districts of Thiruvananthapuram, Kollam, Malappuram, Palakkad and Wayanad shows that 35 per cent do not break even. With poor value added per worker and wages paid below subsistence level, the continued functioning of some of the agriculture related enterprises is somewhat surprising. Dairy units and lease land farming are better perfomers in the agricultural sector. In Kerala with a dominant group of part time farmers, lease land farming in which over three lakh NHG members are engaged is a welcome trend although it is important only as a supplementary income source for the poor. Modern micro enterprises (e.g. rubber products, clinical laboratory, computer centres) perform far better than traditional enterprises. There is need for technological upgradation and promotion of modern micro enterprises.

To conclude, KDS is a micro finance institution with a radical difference from its counterparts in the rest of the world.

Even while acknowledging the various shortcomings, CDS as a community based organisation holds out tremendous potential for enlarging freedoms, and enhancing and widening the capabilities and choices of poor women in the state.

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