

# Income-Generating Activities of SHGs Promoted by Government and NGOs in Kerala: A Comparative Analysis

Dr. Biju K C

Assistant professor, Department of Economics,  
St. Thomas College, Pala

## Abstract

The Self-help group programmes have been accepted as an effective tool for poverty alleviation in India. The Self-help groups facilitate the poor people without any collateral to access formal credits easily for undertaking economically productive activities that lift them from the poverty trap through sustained income generation. It recognizes income-generating activities (IGAs) as the main instrument for socio-economic upliftment of the poor. In Kerala, both the State Government and the NGOs have been actively involved in the promotion of IGAs among their SHG clients. The present paper is an endeavour to make a comparative study of the performance of income-generating activities of SHGs promoted by Government and NGOs in Kerala and also examines the problems encountered by the SHG clients in running their IGAs. Kudumbashree-IGAs perform better than NGO-IGAs in terms of level of income generation and number of economically viable activities taken up due to greater support from the State Government. The major problems identified by the study are high interest rate on loan taken for the IGAs, bigger bank loan and high monthly repayment burden, lack of demand for the product produced, low income generation from IGA and shortage of working capital. The issues like shortage of working capital, high interest rate on loan taken, and low income generation from IGA are more acute among the NGO clients. The problems of bigger bank loan and high monthly repayment burden, lack of awareness of products among people, high cost of production, lack of demand for the product, severe competition from branded products, poor monitoring and follow up action by the promoting agencies, conflict among the clients, lack of support from family, and financial mismanagement are more pronounced among the Kudumbashree clients in all the districts.

## Keywords

SHGs, IGAs, Kudumbashree, Government, NGOs

## Introduction

The Self-help group programmes have been accepted as an effective tool for poverty alleviation in India. The Self-help groups facilitate the poor people without any collateral to access formal credits easily for undertaking economically productive activities that lift them from the poverty trap through sustained income generation. It recognizes income-generating activities (IGAs) as the main instrument for socio-economic upliftment of the poor. In Kerala, both the State Government and the NGOs have been actively involved in the promotion of IGAs among their SHG clients. They empower the poor and the marginalized to initiate viable income-generating activities by enabling them to access formal credit and imparting various training and capacity-building programmes for them. The present paper is an endeavour to make a comparative study of the performance of income-generating activities of SHGs promoted by Government and NGOs in Kerala. The study also examines the problems encountered by the SHG clients in running their IGAs.

## Review of Literature

The impact of group-lending on physical asset, saving, production, and employment was meager due to insufficient loan for investing in income-generating activities and the use of such loan for consumption purposes (Coleman, 1999). The access of credit, coupled with financial discipline in microfinance ensured loans for a variety of purposes at shorter time intervals. This intervention of SHGs makes the process of rural development participatory and democratic. Two major challenges of microcredit programmes in the future would be finding a profitable economic activity and marketing of products (Vatta, 2003). The majority of the SHG clients utilized the loan only for consumption purpose which created problem in the repayment of loan. In the absence of remunerative IGAs, peer pressure compelled the members to borrow money from other sources at the time of repayment and results in indebtedness (Mathew, 2005).

The women-initiated micro enterprises were concerned largely with their survival rather than with making profit and business expansion. The major problems of micro enterprises were the financial problems which arose from inadequate working capital, high rates of interest and cumbersome procedures of banks and Governments (Ramanunni, 2005). The active participation of women in the microfinance programmes of Government and NGOs in Kerala made much improvement in their life-style, decision-making capacities, communication skills, role in their families and social status. The family size, annual family income and duration of membership were the factors determining rural women empowerment. The microfinance programmes initiated by NGOs were performing better in terms of rural women empowerment as compared to the Government-initiated microfinance programmes (George, 2008). Microfinance programme in Kerala has achieved remarkable success in making the poor economically active by way of enhancing their level of employment and income as well as the asset base. The econometric results indicated that a 10 percent increase in average borrowing by the beneficiary households from microfinance programme raises household monthly income by 7.9%, per capita monthly income by 2% and household per capita monthly expenditure by 1.3% (Biju, 2016).

## Objectives of the Study

1. To make a comparative study of the performance of the income-generating activities of SHGs promoted by Government and NGOs in Kerala.
2. To assess the problems of income-generating activities of SHG clients and to suggest the measures to solve them.

## Methodology

The study is both empirical and analytical in nature. Kottayam, Idukki and Wayanad districts of Kerala fall within the purview of this study, where the SHG intervention of both Government and NGOs are very strong. Kudumbashree is the microfinance programme of Government of Kerala introduced uniformly throughout the State. Among the various NGOs, the

leading NGO has been selected from each district based on its commitment and involvement in SHG programmes. Accordingly, Changanassery Social Service Society (CHASS) from Kottayam, Peermedu Development Society (PDS) from Idukki and Shreyas from Wayanad, were chosen for the study. Primary data is collected from 300 randomly selected SHG clients engaged in various IGAs (180 Kudumbashree clients and 120 NGO clients) using a pre-tested and structured interview schedule. Secondary data have been gathered from books, journals, Government reports, internet, and annual reports of Kudumbashree projects, NGOs, etc.

### Income-Generating Activities of SHGs of Government and NGOs: A Comparative Analysis

Easy access of credit offers opportunities for the SHG clients to undertake various types of economic activities with the objective of improving their level of income and standard of living. The activities taken up by the clients are classified into four namely, agriculture, animal husbandry, manufacturing enterprises and service enterprises. The activities under agriculture include lease-land farming, collective farming, and mushrooms cultivation. Under manufacturing enterprises, the activities undertaken are production of paper products (paper plates and cups), ready-made clothes, bag, bakery items, curry powder, sanitary napkin, umbrella, handicrafts, and health mix (nutrimix). Tailoring, laundry, catering, restaurants, data entry, direct marketing and provision store, are the activities which come under the service sector. Animal husbandry includes dairy, goat and pig rearing and poultry farming.

#### Income Generating Activity Undertaken

The majority of the clients are engaged in animal husbandry with 46.7% followed by manufacturing enterprises with 23.7%. The proportion of clients working in the agriculture is the lowest with 11%. In manufacturing enterprises, the clients of Kudumbashree (KDS) have dominance (31.1%) in comparison with the NGO clients. The percentage of clients working in agriculture, animal husbandry and service enterprises is found to be more from the NGO groups.

The district-wise analysis reveals that the number of clients engaged in animal husbandry is significantly high (75%) in Idukki district, while Wayanad district has the lowest number (22%) of such clients. The proportion of clients working in agriculture (21%) and manufacturing sectors (36%) is relatively high in Wayanad district. Further, majority of the clients of both Kudumbashree and NGOs in Kottayam and Idukki districts are engaged in animal husbandry, whereas, in Wayanad district, more than half of the clients of Kudumbashree (51.7%) worked in the manufacturing enterprises (Table: 1).

The association between the types of IGAs undertaken and SHG type is statistically examined by using chi-square test. Since the test result is significant, it can be concluded that there is an association between the types of income-generating activities taken up and the SHG type. Chi-square test is also employed to test the association between the type of IGA undertaken and the districts. The value of chi-square statistic is 71.902, which is significant at 1% level of significance. The conclusion, therefore, is that the type of IGA taken up and the districts are associated.

**Table: 1 Type of IGAs Undertaken**

District	SHGs	Type of Economic Activity Undertaken				
		Agriculture	Animal husbandry	Manufacturing	Service	Total
Kottayam	NGO	4 (10%)	19 (47.5%)	5 (12.5%)	12 (30%)	40 (100%)
	KDS	4 (6.7%)	24 (40%)	14 (23.3%)	18 (30%)	60 (100%)
	<b>Total</b>	8 (8%)	43 (43%)	19 (19%)	30 (30%)	100 (100%)
Idukki	NGO	2 (5%)	29 (72.5%)	5 (12.5%)	4 (10%)	40 (100%)
	KDS	2 (3.3%)	46 (76.7%)	11 (18.3%)	1 (1.7%)	60 (100%)
	<b>Total</b>	4 (4%)	75 (75%)	16 (16%)	5 (5%)	100 (100%)
Wayanad	NGO	13 (32.5%)	13 (32.5%)	5 (12.5%)	9 (22.5%)	40 (100%)
	KDS	8 (13.3%)	9 (15%)	31 (51.7%)	12 (20%)	60 (100%)
	<b>Total</b>	21 (21%)	22 (22%)	36 (36%)	21 (21%)	100 (100%)
Combined	NGO	19 (15.8%)	61 (50.8%)	15 (12.5%)	25 (20.8%)	120 (100%)
	KDS	14 (7.8%)	79 (43.9%)	56 (31.1%)	31 (17.2%)	180 (100%)
	<b>Total</b>	33 (11%)	140 (46.7%)	71 (23.6%)	56 (18.7%)	300 (100%)

Source: Primary data

#### Sources of Capital for IGAs

The initial capital and working capital required for IGAs were met from bank loan, thrift loan, subsidy and a small beneficiary contribution. All the clients made use of IGA loan from banks and subsidy to initiate the economic activity. The linkage loan from banks is utilised by nearly half of the clients (49%). Thrift loan from SHGs constituted the own or beneficiary contribution for the project of all the clients. An overwhelming majority of NGO clients (74.16%) utilized linkage loan for IGAs. But the use linkage loan for IGAs is significantly low (32.2%) for Kudumbashree clients (Table: 2).

Table: 2 Sources of Capital for IGAs

District	SHGs	Sources of Capital for IGAs		
		Thrift Loan	Linkage Loan	IGA-Bank Loan
Kottayam	NGO	40 (100%)	25 (62.5%)	40 (100%)
	KDS	60 (100%)	11 (18.33%)	60 (100%)
	Total	100 (100%)	36 (36%)	100 (100%)
Idukki	NGO	40 (100%)	30 (75%)	40 (100%)
	KDS	60 (100%)	27 (45%)	60 (100%)
	Total	100 (100%)	57 (57%)	100 (100%)
Wayanad	NGO	40 (100%)	34 (85%)	40 (100%)
	KDS	60 (100%)	20 (33.33%)	60 (100%)
	Total	100 (100%)	54 (54%)	100 (100%)
Combined	NGO	120 (100%)	89 (74.16%)	120 (100%)
	KDS	180 (100%)	58 (32.2%)	180 (100%)
	Total	300 (100%)	147 (49%)	300 (100%)

Source: Primary data

### Supports from Promoters: Government and NGOs

In addition to easy access of credits, the SHG clients received various types of support for starting and running their income-generating activities from their promoters (Government and NGOs) in the form of financial assistance, imparting training and capacity-building programmes to provide entrepreneurial skills, technical skills and financial management, marketing of product and monitoring and follow-up action. The provision of such services ensures the clients to engage in economically sound and technically feasible enterprises. It is evident from Table 3, that SHG- promoters namely, Government and NGOs are very supportive to the clients in running their economic activities. Among the various supports, financial assistance accounted for the highest number of clients with 71.3 percent followed by training and capacity building with 68 percent. The provision of financial assistance to the clients by the Kudumbashree is significantly high (92%). It could do so because it is promoted and managed by the Government of Kerala and hence, it gets financial aid from several channels and implements many schemes through it. In imparting training to the clients and in marketing products, the Kudumbashree is well ahead of the NGOs in all the three districts. Whereas, NGOs are far better in monitoring and follow-up action than the Kudumbashree (Table: 3).

Table: 3 Supports from Government and NGOs

District	SHGs	Type of Support from Government and NGOs			
		Financial assistance	Imparting training	Marketing of product	Monitoring and follow-up action
Kottayam	NGO	9 (22.5%)	23 (57.5%)	10 (25%)	25 (62.5%)
	KDS	48 (80%)	26 (43.33%)	18 (30%)	26 (43.33%)
	Total	57 (57%)	49 (49%)	28 (28%)	51 (51%)
Idukki	NGO	16 (40%)	12 (30%)	9 (22.5%)	36 (90%)
	KDS	53 (83.33%)	57 (95%)	22 (36.67%)	37 (61.67%)
	Total	69 (69%)	69 (69%)	31 (31%)	73 (73%)
Wayanad	NGO	23 (57.5%)	33 (82.5%)	15 (37.5%)	37 (92.5%)
	KDS	55 (91.67%)	53 (88.3%)	38 (63.33%)	39 (65%)

	<b>Total</b>	78 (7%)	86 (86%)	53 (53%)	76 (76%)
<b>Combined</b>	<b>NGO</b>	48 (40%)	68 (56.7%)	34 (28.3%)	98 (81.67%)
	<b>KDS</b>	166 (92%)	136 (75.6%)	78 (43%)	102 (56.67%)
	<b>Total</b>	214 (71.3%)	204 (68%)	112 (37.3%)	200 (66.67%)

Source: Primary data

### Level of Income Generation from IGAs

Kudumbashree and NGO based SHGs are equally efficient in providing employment to the unemployed women through their IGAs by which they can earn more income. More than half of the clients of both Kudumbashree and NGOs (52.9%) have a monthly income generation of below Rs. 3000 from their economic activity taken up. The proportion of clients with income generation of more than Rs.5000 per month is higher in the Kudumbashree groups compared to the NGO groups.

At the district level, majority of the clients in Kottayam (41%) and Idukki (34%) districts received an income increase less than Rs. 2000 per month. This can be attributed to the low level of income-generation in animal husbandry especially goat rearing, as most of the clients in these districts are engaged in it. Income generation is relatively higher in Wayanad district. The monthly income generation from the economic activity undertaken is reported to be greater among the Kudumbashree clients compared to the NGO clients in all the three districts (Table: 4).

It is possible to test whether the mean monthly increase in income of the Kudumbashree clients is greater than that of the NGO clients in each district by using two sample 't' test. The conclusion emerged from the test is that the mean monthly increase in income of the Kudumbashree clients is significantly higher than the NGO clients in all the three districts. Further, the chi-square test is employed to find out the association between the level of income generation and the districts. Since the value of chi-square statistic (36.326) is significant at 1% level significance, the level of income generation and the districts are associated.

**Table: 4 Level of Monthly Income Generation**

District	SHGs	Level of Income Generation (in Rs.)						Total
		Upto 2000	2001-3000	3001-4000	4001-5000	5001-6000	Above 6000	
<b>Kottayam</b>	<b>NGO</b>	19 (47.5%)	11 (27.5%)	5 (12.5%)	2 (5%)	2 (5%)	1 (2.5%)	40 (100%)
	<b>KDS</b>	22 (36.7%)	13 (21.7%)	16 (26.7%)	6 (10%)	1 (1.7%)	2 (3.3%)	60 (100%)
	<b>Total</b>	41 (41%)	24 (24%)	21 (21%)	8 (8%)	3 (3%)	3 (3%)	100 (100%)
<b>Idukki</b>	<b>NGO</b>	10 (25%)	14 (35%)	9 (22.5%)	4 (10%)	2 (5%)	1 (2.5%)	40 (100%)
	<b>KDS</b>	24 (40%)	14 (23.3%)	7 (11.7%)	4 (6.7%)	Nil	11 (18.3%)	60 (100%)
	<b>Total</b>	34 (34%)	28 (28%)	16 (16%)	8 (8%)	2 (2%)	12 (12%)	100 (100%)
<b>Wayanad</b>	<b>NGO</b>	6 (15%)	6 (15%)	19 (47.5%)	4 (10%)	1 (2.5%)	4 (10%)	40 (100%)
	<b>KDS</b>	11 (18.3%)	8 (13.3%)	19 (31.7%)	5 (8.3%)	5 (8.3%)	12 (20%)	60 (100%)
	<b>Total</b>	17 (17%)	14 (14%)	38 (38%)	9 (9%)	6 (6%)	16 (16%)	100 (100%)
<b>Combined</b>	<b>NGO</b>	35 (29.2%)	31 (25.8%)	33 (27.5%)	10 (8.3%)	5 (4.2%)	6 (5%)	120 (100%)
	<b>KDS</b>	57 (31.7%)	35 (19.4%)	42 (23.3%)	15 (8.3%)	6 (3.3%)	25 (13.9%)	180 (100%)
	<b>Total</b>	92 (30.7%)	66 (22%)	75 (25%)	25 (8.3%)	11 (3.7%)	31 (10.3%)	300 (100%)

Source: Primary data

### Problems of Income-generating Activities of SHGs

The clients involved in IGAs confronted a series of problems in running their IGAs. These issues are common for the clients of Kudumbashree and NGO groups in all the three districts. The major problems identified by the study are high interest rate on loan taken for the IGAs (78%), bigger bank loan and high monthly repayment burden (64%), lack of demand for the product produced (50.33%), low income generation from IGA (65.33%), and shortage of working capital (63.33%). The first three problems, namely, high interest rate on loan taken for the IGAs, bigger bank loan and high monthly repayment burden, and lack of demand for the product produced reduced significantly the monthly earnings of the clients. The other problems cited by the clients are high cost of production due to high input cost (39%), severe competition from branded products (33.66%), poor monitoring and follow up action by the promoting agencies (33%), lack of awareness of products among people (30%), lack of

support from family (18.33%), poor market information (18%), conflict among the clients (16%), inadequate training (15.67%), and financial mismanagement (9.33%).

The issues like shortage of working capital, high interest rate on loan taken, and low income generation from IGA are more acute among the NGO clients. Compared to the NGO clients, the problems of bigger bank loan and high monthly repayment burden, lack of awareness of products among people, high cost of production, lack of demand for the product, severe competition from branded products, poor monitoring and follow up action by the promoting agencies, conflict among the clients, lack of support from family, and financial mismanagement are more pronounced among the Kudumbashree clients in all the three districts (Table: 5).

**Table: 5 Problems of Income-generating Activities of SHGs**

Type of Problem	No. of Clients		
	NGO	KDS	Total
Shortage of working capital	90 (75%)	100 (55.55%)	190 (63.33%)
High interest rate on loan taken	83 (69.17%)	151 (50.33%)	234 (78%)
Bigger bank loan and high repayment	70 (58.33%)	122 (67.77%)	192 (64%)
Lack of awareness of products among people	30 (25%)	60 (33.33%)	90 (30%)
Low income generation from IGA	87 (72.5%)	109 (60.55%)	196 (65.33%)
High cost of production	41 (34.17%)	76 (42.22%)	117 (39%)
Lack of demand for the product	53 (44.16%)	98 (54.44%)	151 (50.33%)
Severe competition	35 (29.16%)	66 (36.66%)	101 (33.66%)
Financial mismanagement	9 (7.5%)	19 (10.55%)	28 (9.33%)
Inadequate training	19 (15.83%)	28 (15.56%)	47 (15.67%)
Lack of market information	19 (15.83%)	35 (19.44%)	54 (18%)
Poor monitoring	26 (21.67%)	73 (40.56%)	99 (33%)
Conflict among the clients	13 (10.83%)	35 (19.44%)	48 (16%)
Lack of support from family	15 (12.5%)	40 (22.22%)	55 (18.33%)

Source: Primary data

### Recommendations

The following recommendations are placed to make these IGAs more remunerative and to realize its envisaged objectives.

- ❖ The serious issue faced by the clients is related to the marketing of their products, therefore, the State Kudumbashree Mission, Local Self-Governments and NGOs should provide effective marketing support to the clients. They should help the clients to organize weekly and monthly markets and trade fairs at various levels such as district, taluk, block, municipal, and panchayat. Further, the sales can also be raised by entering into tie-ups with Government agencies, private agencies, supermarkets etc. The State Governments, Local Self-Governments and NGOs should also assist them in this regard.
- ❖ The State Kudumbashree Mission and NGOs should support the clients for improving the quality, packaging, labelling, branding and diversification of products, which would enable them to meet the competition from the branded products.
- ❖ The intervention of Government and NGOs is inevitable for providing low interest-bearing or interest free loans for IGAs and for raising the amount of subsidy, which would reduce their monthly repayment burden.
- ❖ The continuous support of State Kudumbashree Mission and NGOs should be needed to ensure ample working capital for the IGAs by raising the revolving fund, innovation fund, technology up-gradation fund etc. and also enabling them to access more loan from banks
- ❖ The State Kudumbashree Mission and NGOs must organize effective training programmes for their clients at regular intervals for improving the functioning of their enterprises. Such training programmes should focus on modern marketing techniques and marketing opportunities, standardisation of products, new technical know-how, financial management, and sharpening the entrepreneurial skills and competencies of the clients.
- ❖ Customer feedback should be collected regularly to know the changing taste and preferences of the customers and their buying behaviour. Such responses can be utilized to modify the products in the future which would ensure continuous rise in sales.
- ❖ There is a need for a strict monitoring by the Kudumbashree Mission and NGOs for reaping better results. Such continuous monitoring and follow up actions would enable the clients to tide over the difficulties, better management of IGAs, and promote unity and co-operation among clients by settling their conflicts and misunderstanding.
- ❖ Lease land farming and collective farming have immense potential for income generation and to make every Panchayat self-reliant in many agricultural products as there is large area of uncultivated land in the State. Hence, State Government

in collaboration with the Agricultural Department should evolve a scheme for the clients and implement it through the help of 'Krishi Bhavan'. Further, Government also must encourage the clients to undertake farming by granting them subsidies, interest-free loans and free seeds, fertilizers, etc.

### Conclusion

This study exposes the ability of SHG-led IGAs to address the deep-seated challenges of poverty and unemployment among the poor. It is proved to be a vital channel for the socio-economic upliftment of the poor and the marginalised. It promotes poor people's participation in economic activities for enhancing their level of income and standard of living. Further, the study highlights that Kudumbashree-IGAs perform better than NGO-IGAs in terms of level of income generation and number of economically viable activities taken up due to greater support from the State Government. The intervention of Government and NGOs can make these IGAs more successful and remunerative by raising the competencies and skill-base of the clients by imparting effective trainings to them, providing regular marketing support, enabling to access low interest-bearing loans and through regular monitoring and follow-up actions. Thus, the Government and NGOs should encourage all the poor clients of SHGs to undertake IGAs which can raise their rays of hope as it holds a great promise to generate employment and income to the poor to alleviate poverty.

### References:

1. Biju, K C, "Microfinance in Kerala: Impact and Emerging Issues", The Microfinance Review, Vol. VIII, January-June 2016.
2. Biju, K C, "Microfinance Initiatives of the Government and NGOs in Kerala: An Impact Assessment", Southern Economist, Vol. 55, October 15, 2016.
3. George, Beena., "Empowering Rural Women Through Microfinancing: A Comparative study of the Contribution of Governmental and Non-Governmental Organisation in Central Kerala", Unpublished Ph.D. Thesis, School of Gandhian Thought and Development Studies, Mahatma Gandhi University Kottayam, 2008.
4. Mathew, Emil., "Significance of Income Generating Activities under Microfinance: A study of Microfinance Groups in Wayanad District, Kerala". Working Paper No. 167, the Institute for Social and Economic Change (ISEC), Bangalore, 2005.
5. Ramanunni, M., (ed.), "Poverty Reduction Through Micro Enterprise Development in Kerala, India". In Vineetha Menon et al. 'Alleviating Poverty Case Studies of Local level Linkages and Processes in the Developing World', Rainbow Publishers Ltd., Noida, Up, 2005.
6. Ruby, J.A., "Microfinance and Women Empowerment: A Study of Kudumbashree Project in Kerala", Unpublished Ph.D. Thesis, Mahatma Gandhi University, Kottayam, 2008.
7. Vatta, Kamal., "Microfinance and Poverty Alleviation". Economic and Political Weekly. Vol. 38, No.5, Feb. 2003.