



Understanding the Poverty and Vulnerability of New and Existing Clients of ESAF Microfinance with Special Reference to Thrissur and Palakkad District, Kerala, India

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ABSTRACT

Micro finance is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance. ESAF is one of the premier microfinance institutions in India, particularly in Kerala. ESAF started its Micro Enterprises Development program in 1995, which was an important intervention area. MED provided a broad package of financial and business development services to the society and economically challenged men and women. The vision of organization is guided by the principle of sustainable holistic transformation of the poor and marginalized. The study is about Understanding the poverty and vulnerability of new and existing clients of ESAF Microfinance and also attempt to find out how the finance provided by the ESAF helps in the dismantling of poverty among its clients. The data used is primary and the source is SHGs of ESAF itself. The result shows that there is a significant positive impact on the old clients of ESAF than that of new clients due to the financial assistance provided by ESAF Microfin.

Keywords: *ESAF, Microfinance, Poverty, Vulnerability*

1. INTRODUCTION

The study is about Understanding the poverty and vulnerability of new and existing clients of ESAF Microfinance.

Micro finance is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

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The study is an attempt to find out how the finance provided by the ESAF helps in the dismantling of poverty among its clients.

2. STATEMENT OF THE PROBLEM

The reason for selecting this study is that According to this revised methodology, the world had 872.3 million people below the new poverty line, of which 179.6 million people lived in India. In other words, India with 17.5% of total world's population, had 20.6% share of world's poorest in 2011. Micro finance groups like ESAF helps the poor financially to develop their standard of living. We study the existing and new clients of ESAF microfinance to know whether the

finance provided by the ESAF helps in dismantling poverty of its clients or not.

3. OBJECTIVES OF THE STUDY

- To find out whether fund provided by the ESAF is effectively utilized or not
- To compare the new and existing clients to understand the difference which can be attributed to their association with ESAF
- To study whether the association with ESAF has made any significant change in the socio-economic life of the clients

4. SCOPE OF THE STUDY

- The project covers the clients of ESAF Microfinance located in Thrissur and Palakkad district of Kerala State, India

5. METHODOLOGY

(A). Data collection:

Source of data:

- Primary data- questionnaire, Direct personal interview

(B). Data analysis:

Method used for analyzing the data is:

Percentage method and Average method

6. REVIEW OF LITERATURE

- 1) Sane, R. and Thomas, S. (2013)¹ focus on the appropriate regulatory stance towards microfinance and analyses the puzzles of financial regulation in this field from first principles and argues that mainstream mechanisms of consumer protection and micro-prudential regulation need to be modified. The research findings suggest regulatory strategies that need to be adopted for dealing with micro credit and financial distribution should focus on the poor.
- 2) Nasir, S (2013)² tries to outline the prevailing condition of the microfinance in India in the light of its emergence till now and its aim is to provide a cost effective mechanism for providing financial services to the poor. The research finding discovers the prevailing gap in functioning of MFIs such as practices in credit delivery, lack of product diversification, customer overlapping and with

practicable suggestions to overcome the issues and challenges associated with microfinance in India.

- 3) Kamath, R., Dattasharma, A and Ramanathan, S (2013)³ analyze how the daily household cash flows get impacted with or without MFI loans by using the financial diary methodology with 90 poor household in Ramanagaram, Karnataka, India. The finding shows that the microfinance movement in India still has a long way to go in being truly “bottom-up”.
- 4) Sarmah, G. N and Das, D. K. (2012)¹⁰ attempt to analyze the role of microfinance and Self-Help Groups (SHG) for the socio economic development of the poor people in Lakhimpur District of Assam. For collecting the primary data a total of 50 SHGs and five (5) members from each SHG (50*5=250 respondents) were randomly selected covering the entire Lakhimpur District. From the study it has been found that after joining the SHGs the poor rural people can increase their income and improve their standard of living by performing economic activities independently.
- 5) Arora, S. and Meenu (2012)¹⁶ studied the role of the micro financing intervention to analyze how far it has been successful to meet the financial needs of the rural poor in terms of their preference for formal and informal sources of finance, their financial awareness and the level of satisfaction with regard to micro financing services. The study has been carried out in the rural areas of Punjab, For this purpose three Districts have been selected namely Amritsar, Jalandhar and Ludhiana. Further the respondents were selected block wise (Four blocks from each District). A convenient randomizes sample of 120 respondents from the aforesaid blocks has been selected. Percentages, weighted average score and chi-square have been used to draw the meaningful inferences from the study. The study found that good saving habits among the rural poor, maximum of them save regularly and that too in formal financial avenues, similar in the case of credit utilization, majority of the respondents (55.56%) were using bank micro credit that breaks that the old myth about rural people to approach their personal contact for credit. The study also observed that no doubt, the formal sector of finance specially the banking sector has marked a significant progress in achieving the financial inclusion target but still a lot of efforts are required to pave the way for the micro financing movement among the banking sector.

7. RESULTS AND DISCUSSIONS

TABLE 1
MONTHLY INCOME OF THE FAMILY

OLD			NEW		
Income Of your family	NO.OF CLIENTS	PERCENTAGE	Income Of your family	NO.OF CLIENTS	PERCENTAGE
Less than 3000	8	32	Less than 3000	11	44
3000-5000	0	0	3000-5000	3	12
5000-7000	4	16	5000-7000	1	4
Above 7000	13	52	Above 7000	10	40
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 2
MONTHLY SAVINGS OF THE CLIENTS

OLD			NEW		
Monthly saving	NO.OF CLIENTS	PERCENTAGE	Monthly saving	NO.OF CLIENTS	PERCENTAGE
Less than 3000	25	100	Less than 3000	25	100
3000-5000	0	0	3000-5000	0	0
5000-7000	0	0	5000-7000	0	0
Above 7000	0	0	Above 7000	0	0
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 3
TYPE OF SCHOOL THE CHILDREN GO TO?

OLD			NEW		
SCHOOL	NO.OF CLIENTS	PERCENTAGE	SCHOOL	NO.OF CLIENTS	PERCENTAGE
GOVT. SCHOOL	10	40	GOVT. SCHOOL	13	52
GOVT. AIDED SCHOOL	0	0	GOVT. AIDED SCHOOL	0	0
PRIVATE SCHOOL	3	12	PRIVATE SCHOOL	2	8
None	12	48	None	10	40
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 4
TYPE OF HOSPITAL THE HOUSEHOLD MEMBERS GO TO

OLD			NEW		
Hospital	NO.OF CLIENTS	PERCENTAGE	Hospital	NO.OF CLIENTS	PERCENTAGE
primary health center	1	4	primary health center	0	0
private clinic	0	0	private clinic	0	0
govt. hospital	15	60	govt. hospital	18	72
private hospital	4	16	private hospital	2	8
super specialty hospital	0	0	super specialty hospital	0	0
govt. hospital & private hospital	4	16	govt. hospital & private hospital	5	20
Private clinic & Govt. hospital	1	4	Private clinic & Govt. hospital	0	0
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 5
STARVATION IN THE LAST 12 MONTHS

OLD			NEW		
	NO.OF CLIENTS	PERCENTAGE		NO.OF CLIENTS	PERCENTAGE
never	25	100	never	25	100
once or twice	0	0	once or twice	0	0
once a month	0	0	once a month	0	0
about once a week	0	0	about once a week	0	0
Everyday	0	0	everyday	0	0
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 6
MAIN SOURCE OF WATER

OLD			NEW		
source	NO.OF CLIENTS	PERCENT AGE	Source	NO.OF CLIENTS	PERCENT AGE
owned well	5	20	owned well	15	60
owned bore well	0	0	owned bore well	0	0
pond, river and stream	0	0	pond, river and stream	0	0
piped from water treatment plant	5	20	piped from water treatment plant	1	4
communal bore well or well	1	4	communal bore well or well	4	16
owned well & pipe from water treatment plant	5	20	owned well & pipe from water treatment plant	1	4
Pipe & communal bore well	9	36	Pipe & communal bore well	4	16
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 7
PROPER TOILET FACILITY IN THE HOUSE

OLD			NEW		
	NO.OF CLIENTS	PERCENTAGE		NO.OF CLIENTS	PERCENTAGE
YES	25	100	YES	23	92
NO	0	0	NO	2	8
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 8
ACCESS TO LAND FOR AGRICULTURE, LIVESTOCK OR AQUACULTURE

OLD			NEW		
	NO.OF CLIENTS	PERCENTAGE		NO.OF CLIENTS	PERCENTAGE
YES	3	12	YES	4	16
NO	22	88	NO	21	84
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 9
HOUSEHOLD MANAGED/RUNNING THEIR OWN NON-AGRICULTURAL BUSINESS (OUT OF THE LAST 12 MONTHS)

OLD			NEW		
	NO.OF	PERCENTAGE		NO.OF	PERCENTAG
NO	21	84	NO	23	92
yes(1-2 months)	0	0	yes(1-2 months)	0	0
yes(3-4 months)	0	0	yes(3-4 months)	0	0
yes(5-6months)	0	0	yes(5-6 months)	0	0
yes (more than 7 months)	4	16	yes (more than 7 months)	2	8
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 10
OWNERSHIP OF THE HOUSE

OLD			NEW		
	NO.OF	PERCENTAGE		NO.OF	PERCENTAGE
YES	22	88	YES	22	88
NO	3	12	NO	3	12
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 11
PRIMARY CONSTRUCTION MATERIAL OF THE HOUSING UNIT'S MAIN ROOF

OLD			NEW		
	NO.OF	PERCENTAGE		NO.OF	PERCENTAGE
metal	2	8	metal	2	8
straw or	0	0	straw or	2	8
earth	13	52	earth	14	56
reinforce	10	40	reinforced	7	28
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 12
GOLD OR VEHICLE BOUGHT IN THE LAST 12 MONTHS

OLD			NEW		
	NO.OF	PERCENTAGE		NO.OF	PERCENTAGE
YES	10	40	YES	7	28
NO	15	60	NO	18	72
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

TABLE 13
HOUSEHOLDS SAVING OF INCOME IN THE LAST 12 MONTHS

OLD			NEW		
	NO.OF	PERCENTAGE		NO.OF	PERCENTAGE
YES	7	28	YES	4	16
NO	18	72	NO	21	84
TOTAL	25	100%	TOTAL	25	100%

(Source: Questionnaire)

8. FINDINGS

- 1) Monthly income of majority of the old clients in above Rupees 7000 and in case of new clients, majority of them have an income less than Rupees 3000.
- 2) In case of both old and new clients their monthly savings is less than Rupees 3000.
- 3) In case of both old clients and new clients, most of their children in their household to go government schools.
- 4) Most of the clients seek treatment from government hospitals.
- 5) None of the clients have ever had to go to sleep hungry.
- 6) Most of the clients think that they are getting good quality water.
- 7) All of the old clients have proper toilet facility but in the case of new clients only 92% have proper toilet facility.
- 8) Most of the clients don't have access to land for agriculture, livestock or aquaculture.
- 9) Most of the clients don't have any non-agricultural business.
- 10) Most of the clients are living in their own house.

- 11) Most of the client's primary construction material of housing units main root is earth bricks and their exterior wall is made of bricks.
- 12) 40% of the clients could buy any kind of vehicle or gold during the last 12 months but only 28% of new clients could buy those.
- 13) Most of the clients don't have any saving of the income and they don't have type of investment

9. DISCUSSION

- 1) The monthly savings of the clients are very low, the microfinance institutions should help them make savings by giving and suggesting ideas on how they can make savings and cutting down the unwanted expenses and all, by giving them awareness programs.
- 2) Majority of the old clients and new clients don't have access to agricultural land, livestock or aquaculture. Microfinance organizations should support and encourage the clients to invest in land and buy their own land cultivate so that they can make a living out of it. It could be a source of income for the clients, as the main objective of microfinance is to reduce the level of poverty and all, this could help to achieve that goal.

- 3) They should be motivated to start small scale business, because with the help of this they can learn to be independent and work for themselves and earn and make savings.
- 4) Only a few percentage of the clients have savings, there are clients who don't even have a little bit of savings. The micro finance institutions could help them by giving them awareness programs about the importance of having savings, they could help them by motivating them, since savings is very important.
- 5) Clients should be motivated to send their children to schools where quality education is available.

10. CONCLUSION

I have analyzed the poverty and vulnerability of new and existing clients of ESAF microfinance. From the findings that we made we can understand that there is changes in poverty, lifestyle and status in the clients who took financial assistance from ESAF. Their monthly income increased and their savings also increased. Their children's educational facilities also increased. They have started to provide their children with education and schooling in private schools also, and in the case of health facilities they have started to go to private hospitals too. The toilet and sanitation facilities also increased, they have also started to run non-agricultural businesses. After becoming the ESAF member their quality of house has increased. They have bought new vehicles and gold, televisions and fridge also. Their investment has also increased, they have started to make savings and deposit money in savings account. I whole heartedly appreciate ESAF Microfinance for all their efforts and support for the development of rural people. Let them spread across each and every corner of this nation and build a better society.

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