

# Role of ESAF in Developing Microfinance Sector

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**Abstract---** *The paper describes the concept how microfinance and women empowerment are related. It tries to evaluate the role of developing the microfinance zone with special reference to ESAF microfinance, which is one of the leading microfinance institutions in Kerala. It helps to examine the awareness level of ESAF in different parts of Kerala. The analysis of this paper was conducted on a sample population consisting of 100 women from rural parts of Kerala. From the research conducted, we were able to identify the efficiency of ESAF microfinance on the marginalized population and how effective they were in increasing the living standards of such people. The main foreground of ESAF is the spotlight they give to middle aged women who aspire to be small time entrepreneurs. Hence microfinance is becoming one of the fastest growing industry which provides a unique platform for the rural people to lead a sustainable livelihood.*

**Keywords---** *Microfinance, Women Empowerment, ESAF.*

## I. INTRODUCTION TO THE STUDY

The Indian Financial System is becoming more and more complex and dynamic as the changes are taking place in the business environment. Microfinance is a form of money lending or banking service that is offered to low earning individuals or rural poor. The vital strategy is to bring up people who are in debt and poverty and help them with financial support by providing the impoverished families a helping hand during the times of economic difficulty. Microfinancing is additionally an effort supported by the Govt, Government agencies, NABARD and various other microfinance establishments within the gift financial set up meaning to alleviate economic condition, offer higher facilities to poor and improvement of ordinary of living of the poor and comprehensive development of rural poor. This paper studies the development of microfinance zone with special reference to ESAF Microfinance, which is the first microfinance institution in Kerala which started its micro-credit lending in 1995. ESAF also provided a combination of micro-financial and non-financial products. The main objectives emphasized in the research is to study the impact of microfinance bank with special reference to ESAF and also understand the awareness level and perception of the rural people about this bank. This study is about understanding the poverty and vulnerability of new and existing clients of ESAF Microfinance. The bank is keen in imparting the different type of loans in Kerala such as income generation loans and general loans to provincial

people to abide their livelihood. The loan amount ranges from Rs 30,000 to Rs 60,000 and the rate of interest is 24.92% on a diminishing basis. The loan can be repaid at a weekly, monthly, or fortnightly frequency. This helps the rural people to improve their security and help them to build up a business which can create and grow.

## II. REVIEW OF LITERATURE

Researches are incomplete or inefficient without study of the related studies. The review has been conducted to know the efficiency of microfinance and awareness of people about the banks. Raj Aggarwal has stated in his article (2015) that the role of social trust that microfinance institutions generally prefer women borrowers is because of the reason that women borrowers are more trust worthy and have greater social impact. Dr Joseph Thekkedam Coimbatore published in his article (2017) that the role of microfinance institutions is to empower women and to encourage them to start up their own business. The result also shows that a positive impact or changes have been taken place in the standard of living of women in our country. It plays crucial role in the alleviation of poverty and also all progress of the country. There is an increase in the Microfinance Institutions prevailing in different regions of the world, Daniel Agbeko stated in his article (2017). The impact of training and monitoring on low repayment microfinance debtors in Ghana emphasize on the microbusiness entrepreneurs training and monitoring dealing with evaluation of microfinance institution was clients in developing countries. The result of this study showed that training interventions fail to improve loan repayment rates. The conclusion mainly derived is to focus cost-benefit analysis of intensive monitoring programmes from the perspective of Microfinance institutions. This sector has widely spread not only in lending money to the poor, but also in providing financial support to the micro enterprises to develop their infrastructure, business growth and profit. Another widely used term is the small finance bank which is similar to the microfinance bank. It is particularly niche bank. In a published article in journal of IIBM Management Review (2015), the author says that in the coming years the small finance banks are likely to reconceptualize the banking sector, especially in India, with a lot of range players competitive within the rural money services landscape. The foremost objective of microfinance banks and institution is to reach the maximum poor and provide them with financial assistance.

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Jonas Helth has published in his article (2013) discussing how the microfinance can help in the development of a country and also in how precise way we should bring up the successful methods in reaching the poorest of the society. Microfinance is not alone lending money to the people in need, but a combination of money and skills turning out to small entrepreneurs. Lending is always a two-way advancement, that is given money has to be repaid. The rural poor make it consistent to pay the loan amount usually monthly or weekly. The expanding body of research in microfinance, both empirical and theoretical has focused on how the structure of contracts influences repayment behavior. The microfinance has a major role in the social development of rural population. The social development initiatives with reference to microfinance are capacity building, building education, financial literacy, livelihood promotion, preventive health care and training. SrirangJha has stated in his article (2016) that the modest effort to understand the unique role of microfinance institutions in social development especially in Indian context. Jayshree S has stated in her article (2018) that Kudumbashree is a poverty eradication mission of Government of Kerala to empower women and to strengthen the economic backward people in village areas. Like ESAF Microfinance, Kudumbashree also take up initiatives for basic necessities and welfare provisions such as food security and health benefits. Vikas Singh stated in his article (2011) that microfinance is one of the most proven tools not only for growth but also for poverty reduction. Microfinance of India, led by NGOs is an effective way of allowing the poor to lift themselves out of poverty by their own efforts. Sougata Ray has studied in her article that the Indian Microfinance Industry watched one of the fastest growths in the recent times which is concentrated in some specific regions of the country.

According to Dr.Ambily A.S, Kudumbashree, a program initiated by the Govt. of Kerala and Nabard in 1998 is based on the CDS’s platform (community development societies). Micro credit, entrepreneurship and empowerment were kept as the 3 main components of Kudumbashree in her article (2016).

**III. RESEARCH METHODOLOGY**

The research survey was conducted in the rural parts of Kollam district in Kerala. Both primary data and secondary data was used for the study.

It helped in understanding the involvement of microfinance, as there was direct interaction with the clients of ESAF Microfinance.

Personal interview with the branch officials of the bank was also conducted to know their criteria of providing loans and how the procedures are executed.

Secondary data were collected from various books, articles, and websites of various dailies and official sites such as ESAF, SFB (Small Finance Banks). Random Sampling was used to select the required number of respondents especially focusing on women in the rural areas. The sample size is 100.

The statistical analysis conducted in the study is the chi-square test to compare the occupation of the respondent with respect to the empowerment of women after joining the

ESAF Microfinance and a correlation test for comparing the relationship between the living conditions of the respondents and measures taken for alleviation of poverty as a tool. The percentage analysis is also done to understand effectiveness of ESAF as an antipoverty tool and the contribution of the loans made by the rural people towards the basic amenities.

*Testing of Hypothesis*

H<sub>0</sub>. There is no significant relationship between occupation and women empowerment.

H<sub>a</sub>. There is a significant relationship between the occupation and women empowerment.

**IV. DATA ANALYSIS AND RESULTS**

This data has been analyzed using chi-square test (Table 1) and correlation (Table 2) in SPSS (Statistical package of Social Sciences) and also the values can be derived out of percentage analysis in case of certain variable (Chart 1 and 2).

**Table -1**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.225 <sup>a</sup>	8	.001
Likelihood Ratio	18.797	8	.016
Linear-by-Linear Association	.064	1	.800
N of Valid Cases	100		

a. 12 cells (80.0%) have expected count less than 5. The minimum expected count is .04.

To prove our hypothesis, we have taken dependent variable women empowerment and independent variable as occupation pattern of the respondent.

While reading the results from the chi-square test (Table 1), it rejects the null hypothesis (p<0.05) and accepts the alternate hypothesis prevailing in the study.

From this we can conclude that, due to the contribution of loans to ESAF clients, there is a tremendous change in the occupation pattern which in turn result in a high degree of women empowerment.

**Table- 2**

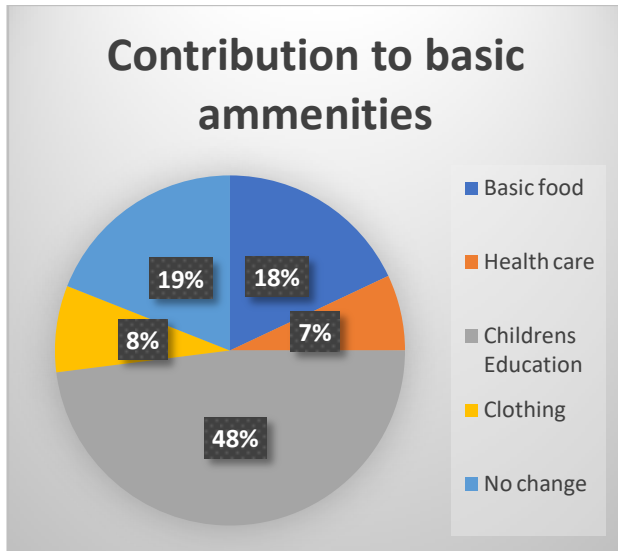
	Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Pearson's R	.026	.071	.255	.799 <sup>c</sup>
Ordinal by Spearman Correlation	.070	.109	.690	.492 <sup>c</sup>
N of Valid Cases	100			

This table shows that there is a significant relationship between impact of living conditions of the respondents and the effectiveness of the ESAF Microfinance as an anti-poverty tool.

The results show that they are highly correlated where value is 0.799.

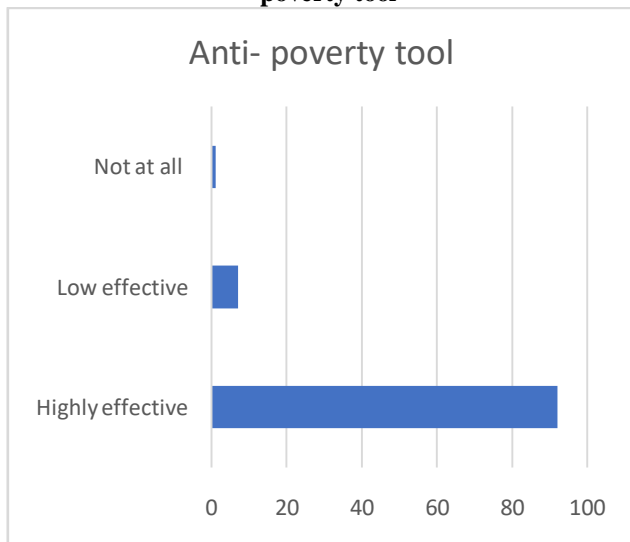


**Chart -1: Diagram representing the contribution of loans to the basic amenities**



From Chart1 it can be clearly understood the percentage contribution of loans to their basic amenities of the families living in the rural areas. The highest contribution 48% is towards the children’s education purposes which can provide them a good growth in their career. And after that in some of the rural areas people make use of this loan for their day to day expenses like food (19% of the respondents) and also some of the amount constitutes for clothing (8% of the respondents). Some of the families don’t have much change in their contribution. While 7% of the respondents use this for the health care of their family members because in case of major health problems ESAF is really a helping hand for taking the medical expenses at the most important time. The respondents also agreed with the easy loan sanctioning and also repayment options of ESAF loan products.

**Chart- 2: Diagram representing the effectiveness of anti-poverty tool**



It is important to note that microfinance acts highly effective when used as an anti-poverty tool. Hence, micro finance may be a novel approach to banking with the poor and this method makes an attempt to mix lower dealing of prices and high degree of repayments. In conclusion, the theme of microfinance has been found as an effective and efficient for lifting the poor higher than the amount of

financial condition by providing them augmented self-employment opportunities and creating them credit-worthy.

## V. CONCLUSION

From this study, we attempted to study how the services of ESAF microfinance is contributing to the development of microfinance sector. This is because of the various effective measures taken by ESAF. It is basically encouraging the rural women for creating self-employment so that they can contribute to the family expenditure. This study reveals that there is high awareness and a positive attitude among the respondents towards ESAF. There are tremendous opportunities for a NBFC-MFIs transforming into microfinance. Microfinance will approach their technological necessities with totally different lens compared to the normal banks. Hence there is a requirement for efficient mobile based technology deployments especially the are units which is higher suited to achieve underserved areas. The performance of microfinance within the next 5 years can in a way verify the trail that the microfinance sector can take.

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