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Over-optimism in Handling Microcredit: a Case Study of over- Indebtedness and Mental Stress Among Empowered Women in Kerala

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Abstract

Microfinance institutions (MFIs) and self-help groups (SHGs) have played a major role in increasing women's financial autonomy and their income globally. In Kerala, India, the Kudumbashree initiative has been hailed as a successful model of SHG-based microfinance. The overwhelming positive impact of such empowerment among women has led to over-indebtedness and psychological distress due to the loss of value. This shift remains an unexplored area of research. This case study explores the financial and psychological dimensions of over-indebtedness, focusing on the financial distress of a Kudumbashree SHG member in Kerala who committed suicide. A Kudumbashree NHG member, a former mission coordinator, a social development expert, and a local development expert from Kollam district participated in the study. In addition, a behavioural analysis was conducted with the support of a mental health expert to assess underlying emotional and psychological factors. The case study was conducted using primary data collected through telephone interviews and was linked to a mapping review of the literature on microcredit, financial behaviour, and mental health risks from Scopus, Google Scholar, and Wiley Online Library. The findings highlight the urgent need to integrate financial literacy and psychological support systems to mitigate the negative consequences of overoptimism and debt. The study underscores the importance of credit reporting and scoring systems in preventing financial difficulties and supports the inclusion of financial education in school curricula to promote responsible financial behaviour from a young age.

Keywords: Behavioural Economics; Financial Mismanagement; Microfinance; Psychological Problems; Suicide