International Journal of Advanced Research and Review

www.ijarr.in

PROBLEMS OF SELF HELP GROUPS: A MICRO STUDY

Dr. KAILASH CHANDRA MISHRA

Lecturer in Economics, M.P.C. Autonomous College (Government), Baripada-757003, Odisha,
E Mail Id: kailash_mishra2000@rediffmail.com

Abstract

Self Help Groups are instrumental for rural development but are facing numerous problems. These problems include marketing, finance, quality product, infrastructure and facilitator's support. Hence certain suggestions like provision of adequate and timely finance, sufficient infrastructure, capacity building and skill up-gradation, creation of adequate marketing facilities, effective supervision and monitoring of investment activities, strong political will and inspection of the end use of the loan are prescribed to sort out the above mentioned problems such that SHG beneficiaries will flourish which will lead to rural development in the study area.

Key Words: Self Help Group, Rural Development, Puri District,

INTRODUCTION

Micro finance is promoted as an entry point into the processes leading to successful economic and social empowerment of beneficiaries. The agencies, both government and NGOs who are engaged in implementing micro-finance programmes in rural areas are based on the principle of self-help to build sustainable livelihood in rural areas by ensuring social mobilization of poor. The micro-finance policy has been based on the prime principle of quality and group formation for community development through regular saving and loaning activities. Since micro-finance has been regarded as the strategy for poverty alleviation and socio-economic empowerment of the poor, it is important to examine the performance of this innovative credit delivery system.

The Indian micro-finance sector has grown substantially in the past decade. NABARD has estimated that as on March, 31. 2010, there were around 72 lakh SHGs linked to banks under various micro-finance programmes and credit has been disbursed to them. Around 90 per cent of the total groups linked to banks were exclusively women groups. Out of the total SHGs linked to banks or formal financial institutions, 75 per cent groups are exclusively constituted as per SHG-Bank linkage model. Under this model, SHGs are formed and nurtured by facilitating agencies like the Government and NGOs and are linked directly with banks for the purpose of receiving credit.

In the current scenario the micro-finance programmes and Institutions encouraged by the overall performance of the SHG units are poised to grow and expand further. Thus, the time has come to review the role of SHGs in rural development and some crucial aspects like social mobilization and economic activation of SHGs under Micro-Finance programme. It is also important to know and identify the constraints faced by SHGs at the grass-root level; so as to take measures for a quick resolution of the same. Y.V.Reddy, the Ex-Governor of RBI viewed that micro finance institutions are very much exploitative and they are as usurious as the moneylenders. So in his opinion the activities of micro–financial institutions should be rationalized and regulated. In this regard a policy is formulated to regulate the activities of micro-finance institutions which are placed in Parliament for discussion.

OBJECTIVES

The major objectives of the present study are as follows:

- To investigate the problems faced by the SHGs in Puri District.
- To provide suitable policy options for successful working of the SHGs in the study area.

METHODOLOGY

The field study has been restricted to Puri district of Odisha. The study is based on both primary and secondary data. The primary data have been collected by using well structured and pre-tested interview schedule. A multi-stage sampling method is used to elicit primary data from the respondents. All the Eleven community Development Blocks of the district are chosen. From each CDB, four Gram Panchayats are selected randomly. From each selected Gram Panchayat, six SHGs are selected which are formed and financed in 2004-05. Response from one leader and one member of each selected SHG is collected through the requisite schedules. Thus a total of 528 beneficiary respondents from 264 SHGs are covered in this study. Moreover information from four non-SHG members in each sample panchayat is elicited for comparative study.

The secondary data have been obtained from various published and unpublished reports of the departments such as Directorate of Economics and Statistics, Department of Panchayat Raj, Department of planning and coordination and Mission Shakti of Government of Odisha.

PROFILE OF THE STUDY AREA

Puri is located in the eastern part of Odisha. Though in area it is one of the smallest districts of the state, it possesses a varied physiography. The historical background of the district along with geographical diversities contains the seeds of underdevelopment. The district is found to be an economically poor district with very low income and low per capita income compared to other districts of the state. The average density of population in the district is more than that of the state average. Eighty six per cent of the people in Puri district are living in rural areas and it indicates their poor economic condition. The District has eleven blocks such as Astarang, Brahmagiri, Delanga, Gop , Kakatpur, Kanas, , Krushnaprasad, Nimapara, Pipili, Puri sadar and Satyabadi.

Puri is agriculturally dominated but the land holding pattern is very much un-even. It is found that the average size of holding in Puri district is less than that of the state average. Lack of irrigation acts as stumbling block on the path of agricultural development.

On the other hand, there is dearth of industries. Though there is the existence of some small scale and cottage industries in the district. These industries are traditional in nature. They are not equipped with advanced technology. Due to lack of mines and mineral ores, no heavy or large scale industries can be established till date.

All the macroeconomic characteristics epitomize the economic backwardness of the district. From the poverty profile of the district it is understood that the percentage of the people below poverty line is much higher than that at the state level. The poverty is mostly concentrated in the rural areas and that too among the households belonging SEBC, SC and ST.

An enquiry has been made in the present study to assess the marine resource of the district. From the study it is found that the district has vast marine resources and a long coast line. But the rate of exploitation of the resources is found to be low due to non-adoption of advanced technology.

Human resource development and infrastructure penetration in the district are not satisfactory. A major percentage of villages lack all weather connectivity. The railway route length is only 42.08 K.M. Number of motor vehicles per thousand population is 24. The airport facility is found to be absent. The banking facility is very much urban centered. Thus the infrastructural facility available is seen to be poor and a large number of people are unable to access the available opportunity. So Self Help Groups are the need of the hour for widening the livelihood options among the rural people, particularly women.

From the analysis of socio-economic profile of the sample respondents, it is observed that more than half of the respondents belong to socially disadvantaged groups like SEBC, SC and ST. Most of the respondents are landless labourers, marginal farmers and small farmers with an income below poverty line. The respondents are less educated and lack scientific temper. Among the literate respondents, most of them have only primary education which is not sufficient to aware about the SHGs functioning and record keeping. Thus, it may be pointed out that the district needs special attention for improvement of education, employment and income so as to foster rural development.

Our objective is not to analyse the whole problem but to focus on the issues and constraints faced by the respondents in the Puri district.

DIFFICULTIES ENCOUNTERED WHILE OPERATING SELF-EMPLOYMENT VENTURE

The difficulties faced by SHG beneficiaries while operating self-employment venture are shown in Table-1

Table-1

Distribution of Sample respondents by Difficulties Encountered while operating self-employment ventures.

Difficulty Categories	**No. of Sample Respondents**	**% to Total**
Marketing	139	26.14
Finance	281	53.22
Product and Quality	65	12.31
Infrastructure	33	6.25
Facilitators’ support	11	2.08
Total	528	100

Source- Primary data

The respondents were asked about the difficulties they have been facing in the execution of self–employment activities under the micro-finance programme. The broad classification of the problems is marketing, finance, product and its quality, infrastructure and facilitators' support. It is seen from Table 1 that 26.14 per cent of the total sample respondents perceived marketing as the main problem whereas 53.22 per cent experienced problems pertaining to timely and adequate availability of finance. While 12.31 per cent of respondents perceive product and quality as the twin main problems in the successful implementation of their self – employment ventures, only 2.08 ascribed facilitators' support as the problem area.

1.1 *Problems of Marketing*

Marketing is an important area of functioning of the SHGs. However they face different problems in the marketing of products produced by them. Following are the major problems reported by the SHGs in the study area.

- Lack of sufficient orders.
- Lack of Linkage with the marketing agencies.
- Lack of adequate sales promotion measures.
- Lack of permanent market for the products of SHGs.
- Absence of proper brand name.
- Poor/Unattractive packing system.
- Poor quality of products due to the application of traditional technology resulting in poor market.
- Stiff competition from other major suppliers.
- Lack of a well defined and well knit channel of distribution for marketing.

Almost all SHGs in the study area are facing the marketing problem in some form or the other. Particularly the activities like food processing, household industry and commercial farming are facing the above stated problems. The activities like buddy, papad and mixture making, chips & muduki making, mudhi making, Agarbati, bag, balita, basket and candle making are lacking with attractive packing system and absence of proper brand name. Further there is lack of adequate sales promotion measures resulting in low demand of the product produced by the sample beneficiaries. As a result, the sample beneficiaries are not getting sufficient orders. This is mostly found in satyabadi block, kakatpur block, Delanga block and Bramhagiri block. Besides the activities like agarbati, phenyl and coir rope are getting poor market due to application of traditional technology and poor quality product. This is a grave situation which should be handled seriously.

1.2 *Problems of finance*

Finance is the backbone of any economic venture. It involves both demand and supply related problems. It is observed that financial institutions are not providing adequate finance to the SHGs which relates to supply side and SHG beneficiaries are interested to get more finance which is a demand related problem. The stake holders argue that they are facing financial problems due to inadequate financial assistance and non co-operative attitude of the bankers. It is found that in most of the SHGs, the financial assistance provided to them by the agencies concerned is not adequate to meet their requirements. The financial authorities also do not disburse subsidy in due time to the SHGs. Thereby the SHGs are not able to be self-sufficient. Further, most of the bank managers in the rural branches are outsiders who don't understand the local dialect. Thus, there is a communication gap between the stakeholders and bankers. On the other hand, financial institutions are very much concerned about their profit motive. They are of the view that due to weak financial management, low return and lack of proper documentation they are restricting the provision of credit. In this regard information has been sought from respondents on the timing of the bank officers' visit to the SHG economic units for monitoring the activity and suggesting any follow up action, if needed. Table 2 indicates the timing of the bank officers' follow up visit to SHG ventures.

Table- 2

Opinion of Sample Respondents about the Timing of Banking Officers follow-up visit to SHG ventures

Category	**No. of Sample Respondents**	**% to Total**
Before Sanction of Loan	146	27.65
After Sanction of Loan	64	12.12
Before & After Sanction of Loan	76	14.39
No visits	242	45.83
Total	528	100

Source- Compiled from the data collected

As is observed from Table-2, 45.83 per cent of total respondents stated that no bank official has ever made any visit to their economic unit whereas 14.39 per cent of beneficiary respondents explained that bank officials have made visits to the SHG before and after the bank's disbursal of loan. While 27.65 per cent of respondents indicated that bank officials have come to visit their unit before the sanction of the loan amount, 12.12 per cent of respondents have indicated that bank officials have visited their unit only after the disbursal of loan amount to them. So it can be construed that financial institutions are not considering SHGs seriously while providing finance and other helps. In most of the activities shortage of finance creates problems for growth of SHGs.

1.3 *Problems relating to Product and Quality*

This is another major problem among SHGs. Due to inadequate training, the SHG beneficiaries are not able to produce quality products. The training facilities given to the members of SHGs in the study area on product selection, quality of product, production techniques, managerial ability, packing and other technical knowledge are not adequate to compete with that of strong units. It is found that in Nimapara, Pipili, Satyabadi, Kanas,Gop and Puri sadar Blocks, most of the SHGs are engaged in coir rope making, balita and broom making in a traditional way. It is also found that in agriculture the traditional way of cultivation is undertaken and in food processing the traditional method is also adopted for which quality of the product is affected. There by these groups are not getting substantial return which tells upon the sustainability of these SHGs.

1.4 *Problem of infrastructure*

This is a common problem found in rural area. But members are not very much aware of it. Due to lack of infrastructures like roads and railways, cold storage, vending zones, SEZ, regulated markets and krusak Bazar etc., whatever output is produced is not brought to the market. The activities like, agriculture, commercial farming, pisciculture, and livestock are facing severe infrastructure problem for which they have to go for distress sale. Due to lack of communication, transport and internet facilities, the activities like trade & commerce, food processing and household industry are facing severe problems. These problems are found in most of the blocks. But this problem is more prominent in certain areas like Krushnaprasad, Brahmagiri, Astaranga Kanas, Delanga and Gop Block.

1.5 *Problem of Facilitators' Support*

This is very much important for the rural backward and illiterate people as they don't know how to get bank loan, maintain records, cash book and ledger. For obtaining assistance and support the group members have to approach the line officers or department officers. However, the officers are not very co-operative with the SHGs. Sometimes the officers are not able to understand the local language which creates a communication gap between the SHG members and high level officials resulting in intervention of middleman/touts. As a result, SHGs are not able to grow suitably. This problem is found in Krushnaprasad, Kanas, Astarang, Delanga, Satyabadi, pipili and Brahmagiri Block.

1.6 *Problems related with raw materials*

Normally each SHG procures raw materials individually from the suppliers. They purchase raw materials in smaller quantities and hence they are not able to enjoy the benefits of large scale purchase like discount and credit facilities. Moreover, there is no systematic arrangement to collect raw materials in bulk quantities and preserve them properly. There is no linkage with major suppliers of raw materials. 42% of the SHGs are ignorant about the major raw material suppliers and their terms and conditions. All these causes high cost of raw materials. Thereby the SHGs are not capable to get a substantial return which raises the question about the viability of the SHGs. The activities like food processing, pisciculture, household industry and commercial farming are facing this problem. This is mostly found in Astaranga, Brahmagiri, Delang and Krushnaprasad block of puri district.

In addition to it, there are other problems which the SHG members are facing. These are mentioned below.

2.1 *Inadequate and ill-trained staff to meet the challenges*

The attitude of the staff of the rural development department, block office is not encouraging. They are not well trained to accept the challenges and equip the SHGs self-reliant.

2.2 *Lack of Stability and Unity among SHGs*

It is found that there is no stability of the units, as many married women are not in a position to associate with the group due to the shift of their place of residence. Further 47% of the uneducated women are found to be influenced by their male counterparts in taking loans, distribution of loans and subsidies. Thereby conflicts among the group members go against the ethics of SHGs. Moreover, there is lack of unity among women members owing to personal reasons. It is also found that after taking the third dose of credit having huge subsidy (i.e. to the extent of 1.25 lakh), there is conflict among the SHGs members over the distribution of subsidy amount which affects the sustainability of SHGs.

2.3 *Exploitation by strong Members*

It is found that, in the study area influential members try to earn a lion's share of the profit of the group by exploiting the ignorant and illiterate members. Even though the ignorant and illiterate members have contributed a lot towards production activity, yet they are not properly paid. As a result it affects the zeal and vigour of the illiterate persons which affect the group activity.

2.4 *Ignorance of Members/ Participants*

Even though the authorities take measures for creating awareness among the group members about the schemes beneficial to them, still 26% of the groups are unaware of the schemes of assistance offered to them. Now the Government of India and the State Govterments are providing subsidies and other schemes of assistance up to a maximum of Rs. 5 lakhs. However, 29% are ignorant and are not able to avail the opportunity.

2.5 *Corruption*

It is reported by the members that there is corruption at selection procedure of SHG, sanction of loan and provision of subsidy. If the group members are not greasing the palms of the officers/bankers, then they are not provided loan even though they are worthy of getting it. On the other hand, those who grease the palms they are provided all the benefits without delay. Some SHG members therefore have lost confidence upon this system. They feel frustrated which goes against the ethics of SHGs.

2.6 *Frequent Political Interference*

It is found that in rural areas, there are political interventions in group finance. If the group is not in favour of the local MLA or M.P, then that group is deprived of getting the loan in time. Some of the group members are therefore busy in running after the local leaders instead of doing their work. This obstructs the independent functioning of the SHGs.

SUGGESTIONS AND POLICY RECOMMENDATIONS

The following suggestions are made for successful working of the SHGs.

- A careful selection of key activities in a particular area based on local physical and human resources and market demand is vital for the successful operation of micro enterprises.
- Provision of adequate and timely finance
- Sufficient infrastructure
- Capacity building and skill up-gradation
- Creation of adequate marketing facilities Effective supervision and monitoring of investment activities
- Strong political will
- Inspection of the end use of the loan

CONCLUSION

No doubt Self Help Groups are facing numerous problems. These problems include marketing, finance, quality product, infrastructure and facilitator's support. Hence certain suggestions such as, provision of adequate and timely finance, sufficient infrastructure, capacity building and skill up-gradation, creation of adequate marketing facilities, effective supervision and monitoring of investment activities, strong political will and inspection of the end use of the loan are prescribed to sort out the above mentioned problems such that SHG beneficiaries will flourish which will lead to rural development in the study area.

❀

Notes- In the study area the sample beneficiaries are engaged in different income generating activities. For the sake of simplicity and convenience, all the economic activities have been grouped into eight sub heads.
Agriculture includes cultivation of Paddy, Pulses and Turmeric.
Commercial Farming includes production of Sugarcane, Betel leaves, Mushroom, Vegetables and fruits such as Coconut, Cashew, Sapota, Jackfruit, Pineapple, Guava, Lemon and Orange.
Food Processing includes Rice making, Arisha & Kakara pitha preparation, Juice, Sauce, Jelly, Jam, Pickle preparation, Buddy , Papad & Mixture making, Chips & Muduki making, Biscuit and Mudhi making,Tamarind processing.
Pisciculture includes Fresh water Fishery, Marine Fishery, Prawn culture, Dry fish
Livestock includes Dairy, Goat and Sheep rearing, Poultry, Piggery, Bee keeping.
Household Industry includes Making of Agarbatti, Bag , Balita , Basket, Broom, Candle , Chandua & Cloth appliqué, Coir rope, Furniture, Handicraft, Phenyl preparation, Pottery and Terracotta, Toy and appliqués , Rice\Flour Huller.
Trade & Commerce includes Cloth shop, Imitation jewellery shop, Fertiliser & Pesticide storage and selling, Flower vending, Groccery Business, Sweet shop and Stationary shop.
Others include cycle repairing, net weaving, Brick kiln, Laundry, Catering Services, Mid-Day meal cooking, Tent house, Sea shell and Shipa.

REFERENCES

Amin, S, Rai, A. and Topa, G. (2003), ‘Does microcredit reach the poor and vulnerable, Evidence from Northern Bangladesh’, *Journal of Development Economics*, 70(21), 59 – 82.

Anderson, C. Locker, L. and Nugent, R. (2002), ‘Microcredit Social Capital and Common Pool Resources’, *World Development*, 30(1), 95 – 105.

Chavan, P, Rajkumar, R. (2002), ‘Micro – Credit and Rural Poverty: An Analysis of Empirical Evidence’, *Economic and Political Weekly*, 37,10, 955 - 965.

Guha, S. and Gupta G. (2005), ‘Micro – Credit for Income Generation: The Role of Rosca’, *Economic and Political Weekly*, 40(4), 1470 – 1473.

Lenka J. and Mishra K.C. (2008), ‘Micro Finance: A Strategy for Alleviation of Poverty’, *Orissa Economic Journal*,40(1&2),48-54.

Lokhande M.A. (2008), ‘Socio–Economic Impact of Micro Financing through Self – Help Groups in Marathwada Region’, *The Indian Journal of Commerce*, 61(4), 151 – 164.

Meher, Shibalal (2004), ‘Impact of Microfinance on Poverty: A Study of Self-Help Groups in Orissa’, Working Paper No.54, Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar.

Mishra, K.C. and Mishra R.C. (2008), ‘Rural Development in India: Emerging Challenges and Task-Ahead’, *Southern Economist*, 47(8), 5-8

Mosley, P. and Hulme, D. (1998), ‘Microenterprise finance: is there a conflict between growth and poverty alleviation?’ *World Development*, 26(5), 783 – 790.

Mwenda, K. and Muuka, G. (2004), ‘Towards best practices for micro financé institutional engagement in African rural areas – Selected cases and agenda for action’ *International Journal of Social Economics*, 31(1/2), 143- 158.

NABARD, Status of Microfinance in India 2008-09, 2012-13, Mumbai.

Nair, S. (2005), ‘The Transforming World of Indian Microfinance’, *Economic and Political Weekly*, 40(17), 1695 – 1698.

Ojha, R. (2001) ‘Self – Help Groups and Rural Employment’, *Yojana*, 45(5), 20 – 23.

Pillai B, Vijayachandran and Harikumar V. (2006); ‘Self Help Groups in Kerala’, *Kurukshetra*, 54(9), 30 – 32.

Rajakutty, S. (2004), ‘Self and Wage Employment Programmes for Poverty Alleviation in Rural India – An Overview’, *Journal of Rural Development*, 23(2), 155 – 185.

Ramchandran T. and Balakrishanan S. (2008); “Impact of Self – Help Groups on Women’s Empowerment – A study in Kanyakumari District”, *Kurukshetra*, 57(2), 31 – 34.

Ramakumar, R. and Chavan, P.(2005), ‘Micro – credit and Rural Poverty – An Analysis of Empirical Evidence’, *Economic and Political Weekly*, 37(10), 955 – 965.

Robinson, M. (2001), The Microfinance Revolution: Sustainable Finance for the Poor, *The World Bank*, Washington, D.C.

Satish P. (2005) ‘Mainstreaming of Indian Microfinance’, *Economic and Political Weekly*, 40(17), 1731 – 1739.

Shylendra, H.(2004), ‘The SHG – Bank Linkage Programme: An Assessment and Future Strategies’, *Journal of Rural Development*, 23(4), 411 – 433.

Tripathy, K. and Jain, Sudhir, K. (2007), ‘Micro – Finance and Self – Employment Initiatives under SGSY: A Review of Intentions and Realities,’ *Productivity*, 47(4), 387 – 393.

Vadivoo, S. and Sekar, V. (2004), ‘Self – Help groups a movement for women services: how the poor in India could be better served’, *Kissan World*, 31, 13 – 14.

World Bank(2006), 'World Bank in Microfinance in South Asia : Toward Financial Inclusion for the Poor' *The World Bank*, Washington DC,

Yunus, M. (2004), 'Grameen Bank, Micro Credit and Millennium Development goals' *Economic and Political Weekly*, 39(36), 4077 – 4080.