CHAPTER – 7
PROBLEMS AND SUGGESTIONS

The process of microfinance institutions, SHG formation and management is not an easy task. The members have to face different problems within groups or outside the group, with promoting agencies, income generation activities, interacting with financial institutions and even some village level problems also. The given chapter is divided into two sections, the first section of the present chapter is categorized in 2 parts therefore discusses the various kinds of problems seen in groups. The progression of the description of problems is from group management to implementation agencies to income generation activities. After presentation and discussion of the problems, the second section provides some recommendations for improvement in the microfinance programmes with an ultimate target to improve the situations of the group members.

7.1 PROBLEMATIC ISSUES IN SHGS AND PROGRAMME IMPLEMENTATION

• Irregular Repayments

Irregular repayment was a common feature in all the programmes but varied in degree in all programmes. The highest irregular repayment was observed in the SCRIA followed SGSY and Swayamsiddha. Use of loans for consumption purposes was one of the main reasons for the irregular repayment. The other factor of this behavior was the indifferent attitude of the members towards income generation activities. Some group members especially in SGSY postponed their next installments to the banks as they were expecting that the government would waive off their loan in accordance with the recent loan waive off scheme for farmers. Many SGSY group members argued that their households were more vulnerable than the farmers and government should also waive loans for their groups. To some extent, banks were also responsible for irregular repayments as they were not eager to lend the money in one installment.

• Unequal Power Equations in the Groups

It was found in the study that all group members were not equally empowered. The factors behind this kind of power distribution were lack of education, confidence,
and socio-economic background. This kind of pattern is not conducive for the objective of women? Empowerment as it creates obstacles to the women’s participation in the groups. It can also negatively impact their skills and abilities as well as their confidence in dealing with different kinds of issues.

- **Irregular Group Meetings**

  Monthly meetings are very significant for the smooth functioning of the groups as regular meetings always give a chance to interact with other and officials and help members in social solidarity too. The absence of such meeting has the potential to destroy the larger objective of the group formation. During the survey, it was found that in many cases, the meetings of groups were irregular especially in SGSY and Swayam Siddha. In SCRIA, the majority of the groups were regular in their monthly meeting.

- **Lack of repeated Loans**

  In the case of SGSY and Swayam Siddha, the study found that the banks were not keen to lend more than one or two times to the groups. In rare cases, they disbursed the whole amount of loans to the group and in many cases, it was disbursed in two installments. Banks also postponed their second installment to the groups with poor recovery ratio. In majority of the cases of Swayam Siddha, the loans were one time affairs, and the bank felt relieved when the file was closed. It is impractical to expect the larger share of borrowers to graduate just on the basis of one or two installments of loan. In the case of SCRIA, most loaners started with small loans, but as the relationship with the organization improved, more loans were given to the same person, thus making their interaction and relationship last for the long-term.

- **Subsidy Component in Loans**

  The study found that in case of SGSY, the element of subsidy attracted the poor households to become members of groups. Livelihood generation, capital building, savings etc. were not in the agenda of these households. The subsidy element also led to some misappropriation on the part of functionaries, as well as misuse on the part of borrowers themselves. Creating and sustaining support systems was the main objective of the subsidy but it was distorted in the field.
• **Irregularities in the Utilization of Loans**

In the study, it was found that some members joined the groups only to avail the loan facilities and not with the objective of livelihood generation. This sense of insincerity among some members distorted the larger objective of the group. There were irregularities in the use of loan especially in SGSY and SCRIA groups. It was observed that actual utilization of the loans had not been in the same areas as those which were approved. These loans were sanctioned for income generation activities but the group members used them for their domestic and social consumption and in many cases for debt repayments to local moneylender also. Some members in SGSY confessed that they approved loans for the livestock and later on put the money to the consumption purpose. Fewer irregularities were observed in Swayam Siddha as the loan amount those groups availed was very low.

• **Amount of Loans and Time taken in Disbursement**

It was found that in most of the SHGs, the financial assistance provided by the concerned agencies was not adequate to meet their actual financial requirements. There were high numbers of beneficiaries in Swayam Siddha who were highly dissatisfied with the amount of loan they got. This was also the case with SCRIA but with some difference. The overall loan amount was good but members were keen to avail loans in one or two installment rather in small ones. In the case of SGSY, the amount was comparatively high and only those respondents were dissatisfied whose repayment was poor or who had not taken up any income generation activity. A disturbing feature of SGSY was that those who have once benefited from the subsidy under IRDP will never be eligible for credit from formal sources. The respondents were also not satisfied with the time taken by the authorities in disbursing the loans as well as subsidies. And it was difficult for the member to use the loans in productive purposes.

• **More Focus on Consumption Loans**

The study found that a large amount of group loans was disbursed for persons and domestic purposes such as consumption, chhuchhak, Bhat, marriage, etc. and a minor part of group loans was disbursed for income generation activities. In the case of bank WI loans, group members were keener to take the loan for consumption than for investment purpose. These consumption loans of course are very important but to
increase and sustain the income level, investment loans are necessary. However the study observed that in many cases, group members were not keen to take up economic activities and they spent the bank as well as group loan for consumption purposes.

- **Focus on Quantitative Targets**

  The progress of SHGs, especially in SGSY was calculated in formation of various numbers of groups, or people covered under group and kind of income earned, and through disbursements of loan. To achieve a specific target in a specific time period administration also pressurized the group time to time. And over all in last various year’s seen that the failures in achieving targets was the result of selection of poor quality groups, bad quality formation of groups, willful and fake assessments of entrepreneurial-potential, projects, and intestinally defaulting in financial works this was validated in the study.

7.2 **Low Return on income Generation Activities**

  The returns on investment were not attractive in certain groups due to inefficient management, high cost of production. In the case of milk production, many respondents were unhappy with the increased cost of rearing cattle as this certainly reduced their profit margins. In bead making, the majority of the buyers were from Delhi and the bead makers were not in a good bargaining position. Bead makers also complained that the shortage of electricity hinders the running of power-operated machines and this caused low production and profitability. Petty business owners claimed that due to competition and low amounts of investment, their sales were lower than other businessman in the village.

  In some cases, due to these problems, those members who had taken up economic activities surrendered in a later period as the activity became less profitable. In the study it was seen that the majority of group respondents who used the credit to purchase livestock faced the problems of obtaining fodder and other supplements. This was mainly because the majority of them were landless and BPL families. The bead makers also faced problems in the hike in the prices of raw material which increased their cost. This reduced their expected level of income.
• **Inefficient Monitoring**

It was found that the element of monitoring and evaluation of the group activities was missed in all programmes. No proper mechanism of monitoring was adopted to prevent the misappropriation of the loans amount in any of the programmes. The SGSY officials were indifferent and rarely monitored the progress. The frequency of the visits of ICDS officials were comparatively high as the groups were associative with the making food for Anganwadi children and this require regular monitoring (Focus was on food making not on SHGs). In SCRIA, the numbers of visits were satisfactory but their monitoring and evaluation mechanism was also weak. As regards lending and recovery, the lack of co-ordination seen between banks and government. The SHOs under SGSY and Swayamsiddha claimed that the attitude of the staff department was indifferent but there were vide

• **Lack of Activity and Resource Planning**

In the case of selection of various economic activities for SHGs, it was found that proper resource planning exercise not conducted. Without focusing on the local resources, occupational skills and market potential, it is difficult to sustain economic activities. SGSY focused mainly on livestock rearing as per the cluster approach. The groups of Swayamsiddha were linked with the Anganwadi to prepare food for the children. These members received very meager amount for this exercise. In SCRIA, due attention was not paid to initiating and scaling up the best income generation activities.

• **Problems within Implementing Agencies**

The programme-implementing agencies especially, DRDA and [CDS, faced problems in effective implementation due to being inadequate manpower and overburdened of various responsibilities. These institutions also faced problems such as lack of staff trained on income generation, financial literacy and other social issues. In case of Swayamsiddha, the next phase of the scheme is in the pipeline, the flows of funds are inappropriate and this also causes some problems. The DRDA staff has to look after other development scheme and this resulted in less attention being paid to SGSY. Variations also, as in some cases the members were very satisfied.
• **Inadequate Training Facilities**

There was a low awareness about the benefits of the scheme among the members and the training facilities were inadequate. The training facilities were supposed to be given to the members of SHGs in the specific areas of financial literacy and orientation. This pattern was not uniform in all the groups of these programmes as some groups under SGSY and Swayamsiddha complained that they never received any kind of training on the basics of group management. In some groups of SCRIA, 10 per cent of the members were also not confident enough to do their basic financial exercises and were dependent on the support of the male members of their households.

• **Limited Capacities of the Poor Women and Households**

It was found during the study that the capacity of the poor women and their households to start entrepreneurial activity and absorbing loan amount was limited. In some cases, especially in SGSY, the households re-deposited the loan amount in the bank as they had no plan to start any business activity. That was happen only due to immature skills, low ability to face risks, lack of motivational quotes by others for entrepreneurship, and most important factor is illiteracy which put them behind the stage of opportunities.

• **Exclusion of the Poorest in the Programme**

The study noticed that except in SGSY groups, Swayamsiddha and SCRIA ignored the poorest of the poor households. While they did involve poor households from scheduled and backward castes, the ratio was comparatively low. In Swayamsiddha, the majority of the members was from the upper economic segment of society and was not poor. In the case of SCRIA, their targeting of this segment was comparatively low as compared to SGSY, however it was high as compared to that of Swayamsiddha.

• **Overshadowing of the other Microfinance Programmes by SGSY**

In the study, it was found that the SGSY scheme created problems for groups running under different programmes. The non-SGSY groups, especially in Swayamsiddha, subsidy and high amount of loan were the main attraction points for some of the members and some of them, who recently came under the BPI, level,
were planning to form a new group under SGSY. In taking the opinion of NABARD groups, it was found in most cases, that they were dissatisfied with the low amount of the loans disbursed and very keen to join SGSY to secure high loans and subsidies. These components in SGSY thus adversely affected and discouraged individuals from joining SHGs under different programmes

- **Less Diversification of Income Generation Activities**

The study found that the range of activities for which loans were available was quite narrow and the programmes agencies had not focused on the diversification of income generation activities. In SGSY, the majority of loans were disbursed for livestock; the groups under Swayamsiddha had rarely adopted these activities due to lower loan amount and indifferent attitude of banks. The majority of the groups adopted food preparation for Anganwadi as directed by ICDS office. In SCRIA, the loan amount was also not comparatively high this leads to adoption of only patty business and small scale activity such as purchase of livestock for sale and goatry.

- **Problems in the Marketing of Products**

Marketing is an important area of functioning of SHGs. However, in the majority of the SHGs sampled, livestock rearing and petty business were the major economic activities and this ignored the aspect of marketing. A very few groups in SGSY (bead makers in Hisar District) were involved in income generation activities where they lacked in marketing strategies and pricing. The marketing problems which they faced including lack of sufficient orders, lack of linkage with the marketing agencies, lack of adequate sale promotion measures and poor quality

- **Less Control of Women on Loan and Income**

The study found that women SHG members had no or less control over the loan use and earned income in their households. The majority of the households took up livestock as an income generation activity; this kind of activity is only possible with the collective efforts of all the family members. It was found that income earned from this activity was normally in the grip of the members' husbands or male members of the households. In patty businesses, women gave their loan amount to their husband or male members and this result limited change in power equations of products due to the application of traditional technology.
• **Absence of Group based Economic Activities**

In the study, except for those groups operating under Swayamsiddha, none was found to be working on a group basis. Even in case of Swayamsiddha, collective work was performed as a result of policy changes in the department and not on a voluntary basis. Even SCRIA, which is community based organizations found it difficult to initiate any group-based income generation activity. This pattern is entirely against the spirit, philosophy and objectives of SHGs.

• **More Emphasis on Loan not on IGA**

The analysis of the data shows that in majority of the cases, loan amount found as main factor behind welfare, risk reduction and empowerment and the income impact was very limited. These finding were validated by statistical tested and econometric models. If the households are more dependent on loan amounts, it may affect them negatively in the long run as this is in fact a debt and should be used for livelihoods generation. Using loan amount on items other than IGA will

• **Lack of proper Micro Insurance Mechanism**

The study found improper micro-insurance mechanism in the groups formed by SGSY. Some respondents complained that they could not get the compensation for the death of their livestock and those who able to received compensation, reported dissatisfaction with the process. In the case of Swayamsiddha and SCRIA, there was not even a provision of these services. Ultimately squeeze the capital base of the poor households.

7.2 **RECOMMENDATIONS FOR THE IMPROVEMENT**

• **Emphasis on Quality than Quantity**

For the actualization of the SHG objectives, more emphasis should be on the qualitative aspects of these groups. The blind strategy of making more and more groups without any qualitative inputs will certainly create problems and risks also. Governments should play a facilitating role, should not be target-oriented and should restrain from enlarging the agenda of the SHGs.
• **Proper organization and management of groups**

  In the study, it was observed that capacity building at the SHGs level was very low. In order to improve the organization and management and effectiveness of SHG, there should be a focus on regular meetings, regular trainings, building capabilities in members, accessing in various governmental and banking schemes, proper management of accounts are the part of democratic functioning.

• **Promotion of literacy among members**

  Illiteracy among members stands in the way of members to giving their fullest to map functioning and taking up responsibility in any aspect of SHG work. In order to make an SHG effective in functioning, there is a need for all members to understand the basics of finance and the workings of the SHG. This is important especially for the cashier and secretary. The groups could be linked to literacy programmes run by government institutions and community-based organizations. The programme implementation agencies should ensure the extension of informal education to the rural women so that they can gain knowledge and information.

• **Subsidy Component**

  The subsidies in SGSY have distorted the objective of self-sustainability and are not being uses as perceived by the policy makers. The subsidy element is also a major source of corruption and a disincentive to lend on account of low recovery rates. Therefore, there is a need to phase out subsidies in the SGSY programme and banks should be encouraged to lend adequate funds to viable projects preferably managed by SHGs- that would ensure generation of income for the borrowers and repayment of the bank loan. Micro-finance programmes like NABARD, SIDDI, Rashtriya Mahila Kosh, Swashakti and SEWA and other community based organizations have worked well without subsidies.

• **Alternate Lending Strategies and Introduction of New Products**

  It was observed that except SGSY and to some extent SCRIA, the bank/MFI loan amount in Swayamsiddha was comparatively low. The frequencies of group loans were low in SGSY and Swayamsiddha. Two strategies can work to improve the situation, The individual based activities related to generation of income is to be shifted from activities related to groups and the other is to identify and promote the
members with entrepreneurial skills. Those who are not keen to start economic activities should be provided some different financial product alike consuming credits, insurance and home loans etc. which help them to survive their requirements.

For the majority of SHG members, consumption loans were far more important than production loans. Many people did not want to become entrepreneurs or self employed at least in the short run. In particularly serious and hard conditions, such arrangements may rescue the poor from vulnerable conditions.

- **More Responsive roles of Implementation Agencies**

  Microfinance is not just an ordinary kind of financial service. Regular training and exposure visits for complete shifts in direction and approaches towards banks should be periodically organized. Delay in sanctioning of loans and indifferent attitude of banks to be strictly dealt with. There should also be proper sensitizing of the staff and programme implementers in gender issues.

- **Proper Grading Exercise**

  Grading is the best tool to measure the performance of the groups. Before members can strive for improved performance, they need first to be conscious of good performance standards, to take cognizance of where their SHGs stands vis-a-vis these standards and finally to seek assistance for improved performance. Simultaneously, banks are expected to use these grading tools to make decisions on whether or not to provide financial assistance to SHGs. The grading exercise for SHGs, it is suggested, may be left with a competitive independent agency. This can improve the efficiency and sustainability of the groups.

- **Micro-Level Planning for Livelihood Opportunities**

  A ‘Task Force’ should be set up at the local level by including all concerned agencies such as DRDA (District Rural Development Agencies), and NABARD (National Bank for Agriculture and Rural Development), participating banks, gram panchayat, line department, NGOs and the private sector for the identification of adequate opportunities for livelihood a planning key at micro level is essential. In order to have a knowledge base about the availability of resources, panchayat-level surveys can also be conducted under the auspices of local authorities. To make them operational, the cluster-based local development approaches should be adopted.
• **Proper Monitoring and Evaluation**

Proper monitoring exercises should be undertaken to identify various aspects such as group requirements, group management and governance, income-generation activities, use of loans, etc.

• **Larger Framework of Empowering Women**

The approach of women’s empowerment through microfinance should include the adequate stagey concerned with policies for empowerment and promoting related tasks for women (which will allow structural inequalities in the society to be addressed). The chief direction of trend is to provide opportunities for women through which they can earn income for their betterment and for satisfying various needs of life. For it they should be promoted time to time with various schemes launched by various governmental or non-governmental agencies/banks/MFIs/NGOs etc. they should fulfil their main motto of empowering women by providing income generation activities.

• **Creating SHG Federations**

To improve the capacity of the groups, the microfinance programmes should emphasize the need for creating federations of SHOs at various levels. The activities of the federation’s viz. social mobilization, articulation of common concerns, organization of awareness campaigns, provision of forward and backward linkages to marketing activities, etc. can further strengthen the capacity of the groups. They can also work as pressure groups for the proper implementation of development programmes; moreover federations can become a strong platform to fight on gender issues.

• **Collaborative Efforts**

In Haryana, various kinds of agencies such as DRDA, ICDS, NABARD, the forest department and international and regional NGOs are working in the area of microfinance. Some well-coordinated efforts should be implemented to prevent the duplication, overlapping and wastage of funds. It must be essential for all micro financial institutions of different departments to be uniform in providing various schemes equally for needy people.
• **Emphasis on Social Mobilization**

Social mobilization, along with economic empowerment, should be at the main part of the rural livelihood development and women's empowerment strategy through SHGs.

• **Sensitization and Capacity Building**

To empowering the women there are various factors which makes necessary are needed for a successful intervention, Such as providing newly fresh schemes through various training programmes. The training which is given is just not related to income generation activities but also to understand the social structure keenly these programs helps them to become self-dependent and mature, the ability of thinking to face the various problems which comes in society. They promote encouragement in respondents. Apart from financial literacy and income generation programmes training should be conducted on social issues

• **Promotion and Diversification of Income-Generation Activities**

Though households in rural areas are exposed to some of the traditional income generation activities it is not sufficient for them to establish business in that venture. Proper training and guidelines should be prepared to help people to take up income generation activities. The implementation agencies must ensure that SHG members are helped thoroughly to have knowledge on the process of establishing an enterprise, management and marketing. If these inputs are not supported strongly then people are least likely to succeed in taking up any income generation activity on sustainable basis even after having a desire and need for such activity.

One important point of suggestion is about the microfinance programmes are related to new opportunities of livelihood. The future emphasis of the implementation agencies should be on group based income generation activities. This will enhance the capacities of the group members as well as social solidarity.

• **CONCLUSION**

The study identifies various kinds of problems in SHGs at various levels. For example, in the capability to assist in accessing of better livelihood opportunities it has been seen that these SHGs remained weak. And then further, they are failed to
accommodate the poor’s with the facilities of banks as well as to reduce the poverty from society up to some extent in Haryana.

To empower women and to reduce their vulnerability, it is necessary to help rural people become literate, upgrade and improve the skills and provide opportunities for them to express their potential abilities. It is also the responsibility of the extension personnel and other higher authorities to motivate, guide and educate rural people for their employment and to solve their problems in a timely manner.