

## CHAPTER V

# CONCLUSION AND FINDINGS

### **Problems in the Implementation of Kudumbasree NHGs**

Although certain productive NHGs have helped their members to cross the poverty line and the SHGs have been functioning dynamically in the field of micro-credit, micro-enterprises and empowerment of poor backward women, they have also certain problems in the implementation at various levels and stages. They need suitable suggestions for improvement and the solutions to their problems.

Microfinance through 'Self-Help Group system is an innovative participatory programme for eradication of poverty through empowerment of women socially, politically and economically under the context of severe feminization of poverty in rural India. The Government, banks and Non-Governmental Organizations (NGOs) are the main promoters for formation of Self-Help Groups.

The Governments have replaced the self-employment and wage-employment programmes like Integrated Rural Development Programmes (IRDP) etc., by the new rural development programmes like Swarnajayanti Gram Swarozgar Yojana (SGSY) etc., in order to reduce the number of mere subsidies-giving programmes which have a very weak impact on income and employment generation in rural India.

Since from the very beginning of their inception, SHGs have been facing different problems in implementation at beneficiary, unit, financial, institutional and Government levels. The major problems faced by SHGs are as detailed below.

### **Beneficiary Level Problems**

1. The individual members from homogeneous status could associate freely and form SHG. But there is problem of choice between whether to select the social status or economic status of the individual for formation of SHG. Poverty is a complicated term it represents both low economic and low

social status of an individual. Whether to give priority to social status or economic status for eligibility criteria to become the member of SHG is the main problem.

2 The most of SHG members come from poor families, particularly low social status agricultural labour and village artisan families. They have no experience of new business like dairy development, trading etc. Neither they are able to select their old family business as it is less profitable nor they select new business as there are risks due to lack of experience. So it becomes very difficult to SHG members to select the correct and suitable business.

3 Of course the rural women are expert in economic activities such as domesticating milk animals, preparation of food articles, making of handicrafts, tailoring etc. but they have been using the local or indigenous techniques. But to enhance the competence levels like promotion of business, production function, human resource function, management of finance, marketing functions etc. it needs modern techniques.

Lack of higher education among the members may refrain them from selection of new techniques. If they continue the indigenous techniques, they will not be sustained or if they adopt new techniques, they are unable to use them effectively.

4 The SHG programme no doubt could provide economic freedom and make the poor women economically self-reliant but these women themselves could not get free from their social and family responsibilities. The poor women, particularly from nuclear families, have unavoidable household activities like rearing and caring the children, old persons, girl child etc. so they are unable to participate in SHG activities regularly and actively.

5 The majority of SHG members are either illiterate or primary school level educated so they are unable to participate in meetings actively. Some members have stage fear and some other members are not allowed to share their ideas with others in the meeting. Sometimes decisions are imposed by

animators or representatives. They simply follow the direction given by their animators or representatives.

- 6 The SHG members are mainly undertaking the production of traditional products like dairy products, food articles etc. but there is huge competition from well-organized business firms on the one hand and lack of market skills on the other hand made the investments of the SHG members risky. The SHG members manufactured products may not survive in quality and price wars under modern business scenario context. There are no safety nets for their investments.
- 7 The some promoter banks and SHGs charge above 15% interest rate on loans borrowed by the SHG members. The interest rate is too high or burdensome to bear by the poor members. There are some other SGHs and banks which charge the lowest rate of interest i.e. 1% on the loans given to the SHG members. The differential rates of interest followed by the different banks and SHGs are not conducive for the development of SHGs as well as to their members. The lowest uniform rate of interest be followed otherwise there is room for exploitation of the poor members and rise of neo-money lender system.
- 8 Under bank-linkage programme, the lending banks make all the members of SHG responsible for repayment of loan but the irresponsibility of one member make other members to suffer. Such joint responsibilities could discourage the members to borrow loans or to join the group. So it is strongly opposed by the family heads and members.
- 9 The individual members have no adequate infrastructure to organize production activities at their dwelling place. They have no well-organized market for their products so they are forced to sell their products at low price to middlemen. They have no warehousing, storage, cold storage and transport facilities.
- 10 There are no social security schemes by the Government for the protection of SHG members. They suffer loss during sick or any accident period. They

have no guarantee from the SGH to assure them security at the time of crisis or any hardships. Their old age is dark and unsafe.

- 11 Most of the productive SHG members use local raw materials to produce the products but there is inadequate supply of raw material on the one hand and the raw materials are poor in quality on the other hand e.g., majority of the SHG members who are domesticating milk animals have been facing shortage of good quality cattle feed locally.

### **Problems at Unit level**

Each SHG is considered as a single unit. Every unit has its own problem. At unit level, the SHGs have various problems. While designing SHG programme as social banking or micro-credit agency in the rural credit delivery system and innovative instrument to eradicate rural poverty, our planners were under the presumption that the SHGs would work well as substitute of existing rural development programmes. But things may not happen as we think. Of course, they are functioning dynamically but they are facing various problems. The major problems of SHGs are:

1. SHGs are formed by the external agencies like Government, banks and Non-Government Organizations who want SHGs to realize their predetermined and well defined goals. The Government has the interest to replace subsidy-giving rural development programmes. The banks have interest to extend their credit business to the poor class with less operational costs without risks. The Non-Government Organizations have the interest to implement their programmes contracted from the Government or any agencies through formation of SHGs. Here nobody has thought of the interest of the poor who are being formed into self-help group. Therefore, the SHGs are functioning like body without soul. The self-interest builds everything very strong and enables it to have potentiality for sustainability. Unless the poor are formed into group voluntarily with self-interest, the sustainability of SHG is doubtful.
2. The SHGs formed by the promoters like Government, banks and Non-Government Organization have the problem of follow up by their

promoters. If the loans are given to the members through SHGs; the promoters should follow up and enable the SHGs to recover the loans. They should also follow up the productive activities of SHGs.

3. While opening savings bank accounts, the bank officials demand documents like resolutions, authorization, copy of rules and regulations from SHGs which is very difficult on part illiterate and primary school level educated members. SHG has to depend upon the outsider or third person reluctantly for preparation these documents. There is scope for exploitation by him or her.
4. There is no uniformity in selection of economic activities by the loan lending banks and loan recipient SHGs. The banks prefer to lending loans to SHGs for economic activities like traditional hand loom, handicraft, artisan activities etc. The banks insist upon SHGs to use about saving devices like food making machines, food articles preparing machines etc. There bank restrictions are contradiction to the selection of SHGs economic activities which are non-traditional in nature and using labour intensive devices. In other words, the banks insist upon production of local market friendly products but the SHGs want to produce both local and non-local market friendly products.
5. Especially banks lend loans to the SHGs not more than 3-4 times of their savings. But the SHGs need huge amount particularly for productive activities e.g., for dairy product business Rs.5 to 10 lakhs are required. SHGs need huge amount of working capital. The banks lend loan ranging between Rs.5000/- to Rs.40000/- per group. So the quantum of loans lend by the banks are inadequate.
6. The schedule castes and tribes SHGs have to undertake reluctantly their family occupations. These groups cannot move freely to the new-businesses because of the non-co-operation from the upper caste people's end. Under such unhealthy social environment it is very difficult to empower rural poor women through self-help group. Such low social status self-help groups neither have a strong mental set-up to break the vicious

circle of low caste inferior complexity nor do they have dominancy to command the rural heights to make room for their survival.

7. They have been pursuing their activities including productive activities in the houses or dwellings of their members. These houses are totally inadequate to accommodate their activities. Nor they have financial viability to offer the rent for hired buildings.
8. The SHGs have limited sources of funds. The internal accumulated savings is insufficient and the linkage banks are giving small amount loans. So the SHGs have no adequate funds to distribute the sufficient quantum loans to their members so as to enable them to carry on their business activities without pause.
9. The multi-National Companies (MNCs) have even entered the field of house-hold industries. They are also producing the items like food articles. They have entered the field of cottage industries. Under such economic environment it is problem for the SHGs to get survive.
10. The rural poor women members have no assets of their own in the male dominate society. Lending loans to such members is a risky job. If any unwanted incident or event happens to the members then SHG will be put into troubles. There are no safety nets like insurance against the loans and accumulated savings funds of the SHGs. The rate of defaults is also present in the financial operations of the SHGs.
11. Some SHGs charge exorbitantly high rate of interest i.e. 1% or 2% per month but some other SHGs charge lowest rate of interest i.e., 1% or 2% per annum. This shows that there is no central control over monitoring the interest policy of the SHGs. Charging exorbitantly high rate of interest would definitely refrain the SHGs to achieve the main goal i.e. eradication of rural poverty at gross-root level.
12. There is no specific law to safeguard the interest of SHGs. Every financial institution except Self-Help Group has the legal frame work for their activities. So there is need for enactment of specific law to provide legal framework for the activities of SHGs.

13. Some SHGs are capable and willing to take job-work of the big companies involved in production activities like Hindustan Lever Limited, Bajaj, and Reliance etc. Such connectivity would support a very good market for SHGs.
14. The SHGs are developed as micro-credit agencies or informal intermediates of rural credit but there is no proper motivation to develop them as 'Micro-enterprise'. They need managerial training to organize and manage both old and new businesses.
15. Since the members are very poor and living below poverty, it would be very difficult to collect savings regularly by SHGs. When these poor people have no secured regular income, it is very difficult demand regular savings from them.
16. The local politicians and political leaders have excess interference in SHGs activities at all level. The Government officials, who are entrusted the work of formation of SHGs, would not maintain fairness while forming SHGs instead they would form the SHGs as per the direction of the politicians. The politicians made these SHGs as their vote bank. Under such circumstances SHGs remain simply the group of their vote bank. Under the influence of the politicians, the Government officials form the fake SHGs and the SHGs of well to do family members to avail the loan facilities.

### **Problems at Institutional Level**

The National Bank for Agricultural and Rural Development (NABARD) is an apex bank in rural credit structure. NABARD has initiated 'Self-Help Group-Bank Linkage Programme' to develop Self-Help Micro Credit (SHMC) agency so as to deliver credit to rural poor in "Rural Credit Delivery System. It motivated and directed the financial institutions like nationalized commercial banks, Regional Rural Banks (RRBs) District Co-operative Credit Banks and the Co-operative Credit societies to form 'Self-Help Groups' of the poor in rural as well as urban areas.

Accordingly the financial institutions form and promote in SHGs in rural areas. But these financial agencies are facing certain problems while discharging their duties. The major problems are discussed as under.

1. The nationalized commercial banks have the problem of framing their policies focusing on both disadvantaged groups viz. (i) SHGs and (ii) thinking of development on national and international level. The banks have to follow dichotomy in their lending and interest rate policies. The banks have to frame smooth terms and conditions for the SHGs clients, keeping in mind the interest of other clients. It is difficult task to the banks.
2. The banks have to spare their human resources and time resources for forming of SHGs. They have to imparting training to SHG members. Of course, the cost of loan lending and operations costs of the banks might have reduced, but the follow up responsibilities of the bank officials have been increased much. It became major problem to the banks to spare their man-power for the promotional activities of SHGs.
3. The banks have the problem of shifting their emphasis from mere poverty alleviation programme to self-employment generation programme i.e. SHGs. The diverting of bank fund from previous anti-poverty programmes to SHG became the major issue before the commercial banks.
4. There are problems in lending to women beneficiaries: The banks have to face two problems when they lend loan to the women under SHG programme. Firstly, there are no properties in the name of women. Secondly in case of unmarried women it is very difficult to recover the loan from them because after marriage they migrate to the other places. Further they give rise to legal complications.
5. About 10 to 15% SHGs found defaults in repayment of bank loans. This percentage may increase in future because most of the productive SHGs have no well-organized market for their products. It may become serious threat to the commercial banks.

6. The problem associated with the sanction of loans to SHGs. Under some Government programmes, the loan applications of SHGs are processed through the Gram Panchayats, Block Panchayats and District Panchayats, so the politicians interfere in the affairs of the banks may create problem to the banks to lend loans to the proper SHGs. Banks intend to lend more loans for productive activities but the political interference is the main hurdle to the banks.

Besides the financial institutions face so many other problems while forming SHGs, selecting the members from more comparable socio-economic conditions imparting training, identifying economic activities and doing other types of follow-up- works.

### **Problems at Government Level**

Our planners and policy makers sit in the mega cities like New Delhi, Bombay and other cities, and design anti-poverty programmes like Self Help Group Programme and Rural Development Programmes which are sometime unsuitable to the existing rural conditions. Some programmes may remain only on papers. It is all because of lack of time bound action plans. The Governments are also facing certain difficulties in implementation of SHG programmes.

Besides, the problem in implementation of SHG programme at Government level is that there is lack of co-ordination and co-operation between the different Government departments. Corruption and red-tapism in Government departments become the cause for slow progress of SHGs.

Moreover, the basic problem in implementation of SHG programme in rural areas is that the officers in-charge of the programme are either less interested or not interested much in effective implementation of these programmes. They fail to undertake action plan related to the organization of market, imparting proper training, identification of market-friendly economic activities etc. they do give more room for politicians to interfere in the affairs of SHGs.

In addition to, the excess intervention by the politicians in the formation and promotion of SHGs which would defeat the very purpose of SHGs programme. It drives the eligible poor out of the SHG programme.

Over and above, the Government departments have no well trained staff or machinery to maintain records of the SHG's activities like income and employment generation, export trade share, their contributions to the state and national economy etc.