Chapter-8

Problems Associated with the SHG members

8.0 Introduction:

The basic objective of the SHG-Bank Linkage Programme is to organize the rural poor through social mobilization and provide banking facility at an affordable cost, so that this section of the people can able to improve their economic and living conditions. Undoubtedly, this Programme has succeeded in changing the socio-economic conditions of the poor people in many parts of the country. The poor households, particularly women whose participation in household matters and public affairs were insignificant in pre-SHG period, have significantly improved in the post-SHG period. The Programme has empowered women members economically, socially and politically. However, many problems arise at the operational level in implementation of the Programme. Many SHG members in the study area have faced a number of problems during the post-SHG period. The problems encountered by them are obtaining bank loans, repayments of loans, selection of activity for investment, marketing of products, lack of insurance facility, lack of training and other genuine problems related with the group activities. In this chapter, the problems faced by the SHG members are discussed elaborately.

8.1 Problems Associated with the SHG Members:

Since inception, SHG members have faced some genuine problems. The problems faced by the members in the study area have been shown in the following
table. The groups of SHG members shown against the nature of problems are not mutually exclusive.

**Table: 8.1**

Problems associated with the SHG members

<table>
<thead>
<tr>
<th>Nature of Problems</th>
<th>Facing problems (%)</th>
<th>Facing no problems (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate bank loans</td>
<td>43.2</td>
<td>56.8</td>
</tr>
<tr>
<td>Delay in sanctioning loans</td>
<td>58.3</td>
<td>41.7</td>
</tr>
<tr>
<td>Skill development training</td>
<td>77.8</td>
<td>22.2</td>
</tr>
<tr>
<td>Monitoring system</td>
<td>80.4</td>
<td>19.6</td>
</tr>
<tr>
<td>Anxiety in leadership</td>
<td>30.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Higher rate of interest</td>
<td>52.9</td>
<td>47.1</td>
</tr>
<tr>
<td>Repayment of loans</td>
<td>64.9</td>
<td>35.1</td>
</tr>
<tr>
<td>Marketing of products</td>
<td>60.9</td>
<td>39.1</td>
</tr>
<tr>
<td>Lack of awareness</td>
<td>52.5</td>
<td>47.5</td>
</tr>
<tr>
<td>Lack of insurance facility</td>
<td>55.4</td>
<td>44.6</td>
</tr>
<tr>
<td>Selection of activity for investment</td>
<td>42.2</td>
<td>57.8</td>
</tr>
</tbody>
</table>

**Source:** *Field Survey*

8.1.1 Inadequate Bank Loans:

Adequate amount of bank loans is utmost essential for executing any economic activity effectively. But in the most cases, it has been found that loans extended by the bank to the SHGs were very small. Out of 542 SHG members, 43.2 per cent reported that the loans extended by the bank were inadequate. Inadequate bank loans restricted the SHGs in extending sufficient amount of loans to their
members. This practice had increased dissatisfaction among the members in the study area, because with the amount of loans the members hardly met their financial needs.

8.1.2 Delay in Sanctioning Loans:

The SHGs are entitled to get credit from the banks, if they attain required maturity. Generally, after six months of the date of formation, if the resource handling capacity, repayment behaviour, accounting system etc. is satisfactory, the SHG is eligible to get credit from the banks. But in the study, it has been found that unnecessary delay on the part of bank in sanctioning loans had created serious problems among the SHG members. Out of 542 SHG members, 58.3 per cent members reported that bank had taken unnecessary time in sanctioning loans. This practice of bank had increased anxiety among the SHG members and in most cases members decided to give up the hope for doing something by taking loans from the banks. This adversely affected the working of the SHG members.

8.1.3 Skill Development Training:

Training improves the skill and efficiency of the trainee. Thus, skill development training to the leaders and other members of the groups is essential to improve their efficiency, so that they can execute their works smoothly and effectively. Keeping in mind of the importance of the training, NABARD extends financial assistance to various SHPIs for providing proper training to the leaders and other members of the SHGs. But this initiative of NABARD was not implemented properly in the study area. Out of 720 SHG members, 77.8 per cent reported that no
skill development training had been provided to them and they were not trained up in respect of doing groups and other economic activities.

8.1.4 Monitoring System:

Guidance and support from the SHPIs to the SHGs on a continuous basis from the beginning of lending to utilizing of loans is indispensable. The continuous monitoring and follow up action are necessary for achieving the desired goals. But in actual practice, it was not found in the study area. As per view of 80.4 per cent members of 281 SHGs, there was no monitoring on the part of SHPIs. They reported that their activities were not monitored by bank or other promoting institutions. Lack of monitoring had increased the tendency of SHGs to make higher income by lending group funds to non-members. Moreover, lack of monitoring also affected the members in respect of taking proper decision on investment. This practice had lead to misuse of group funds.

8.1.5 Anxiety in Leadership:

The SHG members select efficient and energetic members from them as office bearers or leaders of the group, who execute all the internal and external activities of the group. They maintain books, accounts and detail records relating to the savings and borrowings, conduct meetings and maintain minutes of the meetings. They deal with the outsiders for overall benefits of the group. Thus, the works done by them have great importance. They are accountable to the group for misappropriation of funds and negligence of the duties. That is why, some SHGs offer incentives to their leaders for better works. But it has been found in the study that out of 360 SHGs,
leaders of 30.0 per cent SHGs were reluctant to perform their works continuously, because such works were uninteresting and non-profitable for them. Moreover, they expressed that involvement in group activities had created extra burden on them and also increased their anxiety.

**8.1.6 Higher Rate of Interest:**

The poor people mainly join the group for self help. By joining the group, they access to formal credit and try to remove from the clutches of the moneylenders. The loan obtained from the moneylenders is expensive, because they charge exorbitant rate of interest on loans. But, the finding of the study reveals that most of the SHG members felt heavy burden of higher interest rate. Out of 612 SHG members, 52.9 per cent expressed that the rate of interest charged by the SHGs was said to be high and that created extra burden on them in respect of repayment of loans. Their view in this regard was that SHGs charged higher rate of interest on loans for earning higher income.

**8.1.7 Repayment of Loans:**

Prompt repayment of loan enables the lenders to recycle their funds. In the study it has been found that easy access to micro credit had increased the workloads and pressures of the SHG members in respect of repayment of loans in time. Out of 612 SHG members, about 65 per cent reported that they had faced problems in respect of repayment of loans. They viewed that shorter repayment period had increased extra pressure on them and in many cases they had to sell their products at
cheap price for repayment of loans. Death of livestock, meagre income, extravagant family expenditure etc. had adversely affected on the repayment of loans on time.

8.1.8 Marketing of Products:

A well marketing system influences on the viability of any micro enterprise. It enables the entrepreneurs to sell their products easily at a reasonable price. But members of many SHGs in the study area had faced the problem of marketing their finished products. Out of 612 SHG members, about 61 per cent members reported that they had faced problem in marketing of their products. They stated that there was no adequate marketing system in the study area, where they could sell the products. Lack of adequate marketing facility had largely affected on their repayment capacity. Moreover, in many cases, members of the SHGs compelled to sell their products at meagre price, for which they suffered lost.

8.1.9 Lack of Awareness:

Awareness is considered as important element for success of any development programme. Higher level of awareness ensures greater level of efficiency and dynamism of any development programme. The participation of the people increases in the development programme when the information of the benefits available under the programme reaches them. Generally, SHPIs spread the information and educate the target groups about the benefits of the programme and the procedure to be followed in obtaining loans. Out of 720 SHG members, 52.5 per cent members stated that they did not have any knowledge about the Programme. Though the aim of the SHG-Bank Linkage Programme is to mobilize rural poor in to SHG and bring them
above the poverty line, but in actual practice it was seen that the households belong to rich background was also benefited from this Programme.

8.1.10 Lack of Insurance Facility:

Under microfinance system, micro insurance service is available to the productive assets of the SHG members. Any lost caused by death, fire, thief etc of productive assets are covered under micro insurance service. Access to insurance enables entrepreneurs to concentrate on developing their business. In the field survey, view of members regarding availability of insurance service was sought. Out of 612 SHG members, 55.4 per cent stated that they did not know how and from where this service could be availed. Due to lack of insurance service, some members had suffered losses for the death of livestock, which was not covered under insurance facility.

8.1.11 Selection of Activity for Investment:

Selection of economic activity for proper investment of funds enables the members to earn regular income and also enables them to repay the loans on time. Though, most of the SHG members in the study area were educated, they had little knowledge about the selection of activity for investment. For which, they invested funds in those activities, who yielded low income. Out of 612 SHG members, 42.2 per cent reported that they had faced problems in selecting the activities for income generation. It has been found in the study that most of the women members selected weaving as the main activity for income generation, which had created stiff competition among them in marketing of their products.
8.2 Conclusion:

From the above discussion it is clear that the SHG members in the study area have faced many problems during the post-SHG period. Some problems have risen due to the negligence of the line department in implementing the SHG-Bank Linkage Programme and some problems have risen within the groups due to lack of mutual understanding among the members. No doubt, the SHG-Bank Linkage Programme has succeeded in changing the socio-economic conditions of the SHG members. However, the pace of success can be quickened, if such problems are removed or minimized. In order to remove or minimize such problems, co-ordination between the various line departments and understanding among the group members is essential. Frequent monitoring by the SHPIs on the group activities may also reduce the problems faced by the members.