

## REVIEWS ON CHALLENGES AND PROSPECTS OF SELF HELP GROUP IN INDIA

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### Abstract:

*This paper considers the strategies of Self Help Group for micro-enterprise development in rural areas. It seeks to answer the questions of whether and under which conditions Self Help Group are an effective vehicle for organizing and representing local people in the development of community based micro-enterprises. Financial assistance is being provided to women's SHGs in the form of micro finance. Micro finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by SHGs. With the help of micro finance the Self Help Group in India emerged as a popular strategy for the facilitation of micro-enterprise development by government, non-government organizations and educational institutes in rural areas of India. So success of Self Help Group is based on a through understanding of local conditions and possibilities to intervene.*

### KEYWORDS:

SHG, Marketing, Finance, Micro credit.

### INTRODUCTION

Self Help Group is the small group formed by the women members (normally 20 members) residing in a particular locality, possessing the core skill capability of producing a product individually or in groups and have started business venture of their own with the support of the government agencies. Government of India through the state governments are developing SHGs consisting of women members who are interested in taking up entrepreneurship to set up their own business ventures jointly as a group. The groups containing members are identified through Magalir Mandrams of the rural areas by the Government where the members are from families which are in below poverty line, not much educated and unemployed but young and energetic who are interested in becoming entrepreneurs. Government wants to help these groups during initial period of the business to overcome the teething problems and provides support and training. Ultimately to function independently as a successful business venture. SHGs normally engage themselves in the manufacturing and marketing business in the small scale level like packaged food items, readymade garment unit, embroidery, etc. They are also in service sector like restaurants, Tourist taxi operators, etc. Government provides loan at subsidized interest rate, does not insist on guarantee while providing loan, and provides all supports in formation, implementation and running the business venture. Government to help the destitute women population has come out with the SHG scheme.

Women empowerment and prospects is an important tool for social development and this can be achieved when the society recognizes women as one among the social partners, provided those rights, facilitated them with equal education, health and out of these allow them to participate equally in all aspects. Nothing succeeds better than the power of self help. Now SHGs have become a modern economic weapon for the poor women to fight against poverty and economic depression. As a factor of capacity and skill building it encourage a diversified entrepreneurial and business talent of the women and helps them in

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dealing with banks and the markets more effectively and efficiently. It generate employment opportunities and creates a conducive social and economic infrastructure by empowering women. There have been constant organized efforts taken by the government agencies and NGOs to promote SHG as a mean for women empowerment.

The present work is an attempt to survey the literature on the different issues related Self Help Group.

There are various types of reasons which explain why self help groups are formed and should continue to exist. The literature on problems and prospects of Self Help Groups can be classified under the following categories:

1. Studies relating to marketing problems of SHG.
2. Studies relating to financial problems of SHG.
3. Studies relating to Socio-Cultural problems of SHG.

### SHG'S CHALLENGES

Aheeyar (2007) states that problems related to marketing and obtaining a reasonable price for products badly constrain the majority of the clients. He also reports that 40 to 50 percent of the enterprises have failed due to problems related to marketing. Competition is seen in marketing of the products which have been pioneered by the retailers, super markets and other marketing agencies. This coupled with lack of knowledge on business management and inadequate resources and support mechanisms reduce the development perspectives of the micro enterprises. An important aspect of micro enterprises is the access to the local market or in other words, the ability of the resource poor to challenge the lack of access to the local market and to its marketing services (Kibas 2005). In this respect, local organizations (SHGs) have to depend on marketing agencies as promoters for marketing of their products – which invites the suggestion that SHGs work as integrated towards of local people, where people share the responsibilities of product packaging and distribution.

In respect of marketing, karuppasamy (2010) suggests that the government should arrange presentation and advertising training programmes and that the government channels might broad cast the SHP advertisement at minimal or no charge. The technology indicates a needs analysis. Abrol (2003) list the key domains for effective technology implementation as:

Identification of the needs of peasants and agricultural labourers as producers.  
Adaptation of technologies to make items/ products fully competitive in local market.  
Formation of production networks to establish forward and backward linkages within the local economy area, thus strengthening the competitiveness of the local system.

Ganapathi and Malar (2008) emphasize reasonable and affordable product prices are an important factor influencing consumers to buy from SHGs. Purchasing decisions are also influenced by factors like services, quality, value for money and the home made nature of the products. Customers are reported to feel that product packaging needs to be improved. Jose and Nair (2011) stated that the another marketing problems are SHG products are not getting enough advertisement. These two points combine in the criticism that most of the products are not branded, properly processed or sealed – due to lack of appropriate technology and sales takes place only in the immediate vicinity.

Edgcomb et.al. (1996) place a stress on workable information systems that facilitate work and provide timely and needed information. SHGs might contribute as sites where people gain (information) technology in their local settings (environment). The entry of non-SHG enterprise into the SHG market relationship means a loss of revenue for the micro-enterprises. Local people should be able to sell directly to the consumers and avoid the huge mark up taken by middle marketing agencies. Thus special attention needs to be given to (re)linkage with market, which should be created locally. Additionally, to stay competitive backward linkages with information technology is important.

Even though women entrepreneurs are encouraged by government and other supporting agencies they are faced many challenges. Major challenge faced by women entrepreneurs is that the potential clients / customers perceive that the women entrepreneur does not have the ability to provide high quality products are not competent enough to take more than one critical projects simultaneously. Due to this perception larger companies are often selected by major clients for doing business, ignoring small entrepreneurs (Amyx, 2005).

### REVIEWS RELATED FINANCIAL PROBLEMS OF SHG

According to Dhameja. S.K. (2002) small business are held back by tough local conditions and some of them are unable to raise huge collaterals demanded by banks as a condition to access loans. It is perceived that they are too big for micro finance institutions but too small for conventional banks.

Concerning the capital shortages and inadequate access to financial services for both agricultural and non-farming activities, various micro enterprises has been set up in India to challenge the long standing problem of sustainable local financing. SHGs provide the financial (saving and credit) services as financial intermediaries in a cost effective and sustainable manner to facilitate the access for the rural poor and attenuate risks. Included as a crucial elements in the poverty alleviation measures for 1996-2006, SHG banking in India has grown to become the developing world largest micro finance programme for the rural poor, comprising around 2.2 million SHGs with a total of 33 million (self selected) members, 90 percent of them are women, credit linked to some 36,000 bank branches and co-operative societies. The NABARD, SHG-bank linkage program (essentially a central development bank financing local SHG banks) benefited four million families covering an estimated 20 million poor (NABARD, 2006).

A rural micro enterprise promotion program developed for the Philippines and other countries in the region reviewed the ways in which financial needs are addressed. The formal sector banking network and institutionalization of agriculture and rural credit rarely provide access for the poor in India. Thus, the rural poor turn to the informal sector for their credit needs, principally to traders, money lenders and landlords which results in exploitation, leading in turn to the development of various group based micro finance schemes aimed at providing credit to the poor. It was also argued that financial services are needed in addition to suitable access to credit as well as non financial business services such as skills, training and technology transfer, market access, better market and pricing information and insight into the functioning of local markets.

Study by Sharma, K.L. (1975) has also revealed some considerable information regarding women. The results showed that the significant problems were presence of discrimination in the society, tedious procedure for getting loan, lack of appropriate financial resources and unpredicted obstacles in the beginning of the new business establishment.

Anjugam and Ramasamy (2007) stated that the age of women and value of productive assets other than land have negative relationship with the participation of women, whereas social backwardness, indebtedness and presence of other micro credit programmes in the same or near by villages have positive association with women's participation in the micro finance programme. It was suggested that higher number of Self Help Groups may be formed among the economically and socially disadvantaged households in order to relieve them from the clutches of moneylenders and at the same time to bring the poor under the fold of formal banking institutions.

Hashemi (1996) revealed that women's access to credit helps significantly to make an economic contribution by women. It makes possible an increase in asset holding by women in their name, they can exercise their increased purchasing power and get benefitted with higher level of mobility, political participation and involvement in major decision making. Narayanaswamy (2000) has observed that the financial position of old women groups had improved to better in comparison of new groups. The members were also benefited with increased confidence level and awareness regarding health and child education. In order to assist poor women the activists for social alternatives had started a micro finance programme covering 2500 villages in Tamil Nadu.

Nagayya (2000) stated that there has been a massive expansion in the formal credit delivery network in the last three decades and there is an acceptable gap in financing the genuine poor especially in remote rural area

Islam.B (2003) reported on the functioning of SHGs and micro credit. It included social, economic, political, spiritual development of the poorer section of the society. NGOs gave some training to the SHGs for awareness building, entrepreneurship and skill training and some help in arranging inputs and marketing, introduced savings and internal lending helped in the maintenance of accounts and linked them with the banks for credit requirements.

Meenambigai (2004) stated that Self Help Group play a major role in transforming rural economy, micro credit helps the rural poor to improve their standard of living and fulfils their credit needs. Micro-credit encourages savings, promoting income generating activities and benefits women. According to Gariyali Vetrivel (2004), micro finance brings certain improvement in decision making and monitoring the village development activities.

### LINKAGE BETWEEN MICRO FINANCE AND EMPOWERMENT

Mayoux (1996) states that empowerment is a multidimensional and interlinked process of change in power relations. She also believes that empowerment is the concept which primarily concerned with those who are disempowered and are at a disadvantage. Mayoux explained that micro finance programmes are assumed to bring out virtuous spirals by assisting poor women in giving access to credit. There are certain assumptions behind the positive relationship between micro finance and empowerment. Women's access to savings and credit and savings will help them to take a bigger role in decision making which further will help them to take a bigger role in decision making which further will help them to optimize their own and family level welfare. Investment in women activities is also likely to enhance employment opportunities of the women and increase the income at household level. This will also enable them to increase expenditure on the well being of themselves and the children and prevent the leakages in the household income on unproductive and harmful expenses. Access to credit will result in to improved skills, mobility, knowledge and support network. Collective action will lead to wider social and political movement. At the same time Mayoux also states that empowerment may not be natural outcome of any micro finance programme. One has to positively design a programme which will lead to empowerment.

Karmakar.K.G. (2000) described that to enable the transaction of micro finance to a well functioning and mature industry the SHG bank linkage programme needs up scaling and structured financing to micro finance institution is required. If they are to get wide access to funds for a better approach that will enable them to deliver on their potential to reduce poverty. Jayaraman (2002) reported that the role and performance of fisherwomen SHGs in India. He found that the fisherwomen SHGs performing well in availing micro credit, utilizing it and repaying it in time. The micro credit programme implemented through SHGs contributed to the socio-economic welfare and empowerment of the fisherwomen. It is also contributed to the eradication of usury and illicit liquor.

Holvat (2005) observed that micro finance to poor women through women SHGs resulted into active participation of women in decision making. According to Veena (2005) microfinance transfer women from wage work to self employment and retain their control over their earnings. Kathirvel (2012) emphasized that the SHGs which create a silent revolution must be viewed as 'change Agents' in rural areas. He also pointed out that micro credit is much more than access to money; it is about women gaining control over the means to make a living. It is about women lifting themselves out of poverty and vulnerability. It is about women achieving economic and political, empowerment within their villages and their countries. Thus promotion of income generation activities through micro credit among Self Help Group women which ensures their economic independence and social status.

Sujata Kumari et.al. (2012) reported that the income of the women increased after joining the SHGs. So that monthly household expenditure also rose by a considerable level. But the savings are increasing at slow rate because the incremental expenditure higher. Mostly they are spending for present consumption. The members should change it. A few members do not pay in time but this is not affecting the further credit of SHGs.

Ramachandran and Balakrishnan (2008) identified that the SHGs have the power to create a socio economic revolution in the rural areas of our country. SHGs have not only produced tangible assets and improved living conditions of the members. Arjun and Pangannavar (2008) noted that Self Help Group programme is the right approach to create self employment opportunities so as to supplement the income and assets of the rural poor. The SHG programme provides the rural poor women the access to micro credit. It encourage rural women entrepreneurship and rural women empowerment.

Gurumoorthy (2000) maintains that SHGs are a viable alternative in order to achieve the objectives of rural development and elicit community participation in all rural development programmes. Indian SHGs are generally found to be very effective in organizing the informal education and training (For example entrepreneurial and technical training) programmes for the exchange and sharing of knowledge and skills of the rural folk. Many NGOs, government programmes and micro finance institutions organize training programmes for SHG members and leaders. Training and Technology Development Centres (TTDC) are one of the examples of a body aiming to introduce innovative technologies for the qualitative improvement of the product made by the SHGs. Other examples include the Shree Shakthi programme in dairy co-operative sector in Madhya Pradesh, the training –cum-employment programme for the women's Economic Programmes, the Siva Sakthi Project, Rashtriya Mahila Kosh and Others (Sardhana (2002).

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