

# PROBLEMS FACED BY SELF HELP GROUPS WITH REFERENCE IN KARUR DISTRICT: A MICRO STUDY.

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## 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, Karur 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. 2018, there were around 172 lakhs 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 money lenders. 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 Karur District.
- To provide suitable policy options for successful working of the SHGs in the study area.

## METHODOLOGY:

The field study has been restricted to Karur district of Tamil Nadu. 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 Eight 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 2016-17. 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 Tamil Nadu.

## PROFILE OF THE STUDY AREA

Karur is one of the oldest towns in Tamil Nadu and has played a very significant role in the history and culture of the Tamils. Its history dates back over 2000 years, and has been a flourishing trading centre even in the early Sangam days. Epigraphical, numismatic, archaeological and literary evidences have proved beyond doubt that Karur was the capital of early Chera kings of Sangam age. It was called Karuvor or Vanji during Sangam days. There has been a plethora of rare findings during the archaeological excavations undertaken in Karur. These include mat-designed pottery, bricks, mud-toys, Roman coins, Chera Coins, Pallava Coins, Roman Amphorae, rare rings etc.

Karur was built on the banks of river Amaravathi which was called Annaporunai during the Sangam days. The names of the early Chera kings who ruled from Karur, have been found in the rock inscriptions in Aru Nattar Malai close to Karur. The Tamil epic Silapathikaram mentions that the famous Chera King Cheran Senguttuvan ruled from Karur. In 150 AD, Greek scholar Ptolemy mentioned "Korevora" (Karur) as a very famous inland trading centre in Tamil Nadu. After the early Cheras, Karur was conquered and ruled by Pandyas followed by Pallavas and later Cholas. Karur was under the rule of Cholas for a longtime. Later the Naickers followed by Tipu Sultan also ruled Karur. The British added Karur to their possessions after destroying the Karur Fort during their war against Tipu Sultan in 1783. There is a memorial at Rayanur near Karur for the warriors who lost their lives in the fight against the British in the Anglo-Mysore wars. Thereafter karur became part of British India and was first part of Coimbatore District and later during 1920s Tiruchirappalli District.

Karur is also a part of Kongunadu. The history of Kongunadu dates back to the 8th century. The name Kongunadu originated from the term "Kongu", meaning nectar or honey. Kongu came to be called as Kongunadu with the growth of civilization. The ancient Kongunadu country was made up of various districts and taluks which are currently known as Palani, Dharapuram, Karur, Nammakkal, Thiruchengodu, Erode, Salem, Dharmapuri, Satyamangalam, Nilgiris, Avinashi, Coimbatore, Pollachi and Udumalpet. Kongunadu was blessed with abundant natural resources, a pleasant climate and distinct features. Kongunadu was ruled over by the Chera, Chola, Pandya, Hoysala, Muslim rulers and finally the British.

### **DIFFICULTIES ENCOUNTERED WHILE OPERATING SELF-EMPLOYMENT VENTURE**

The difficulties faced by SHG beneficiaries while operating self-employment venture are shown in 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
Facilitator	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.

***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 Thanthoni block, Aravakurichi block, Kadavur block and K.Paramathy 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.

***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 Respondent	% to Total
Before Sanction of Loan	146	27.65
After Sanction of Loan	64	12.12
Before & After Sanction of Loans	76	14.39
No Visits	242	45.83
<b>Total</b>	<b>528</b>	<b>100</b>

*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 disbursement 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 disbursement 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.

***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 Kadavur, Thogamalai, Krishnarayapuram, and K.Paramathi 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.

***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 Thogamalai, Krishnarayapuram, and K.Paramathi Blocks .

***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 Thogamalai, Krishnarayapuram, and K.Paramathi Blocks , Karur, and Thanthoni Blocks.

***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 Thogamalai, Krishnarayapuram, and K.Paramathi Blocks of Karur district.

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

**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.

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