

# Problems and Constraints faced by SHGs; A Study in Nayagarh District of Odisha

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## ABSTRACT

The concept of SHG is more than two decades old and proved its efficiency in addressing rural poverty through self-help and entrepreneurship. The SHG approach revolves around the principle, self-help for development. The SHGs have helped mobilizing millions of rural women into groups, helped them earn livelihood, and addressed their credit needs. SHGs gave platform for rural women to showcase their capabilities. However, despite the positive outcomes of the SHG approach, there are many problems and constraints that comes in the way of the SHGs. To identify the problems and constraints faced by the SHGs, the present study was carried out in Ranapur block of Nayagarh district in Odisha with a sample size of 400 members from 68 SHGs. The results of the study indicates that the two major problems faced by the SHGs are financial (89.8%) and marketing problems (74.5%). The problems of finance arise due to high interest of loan and insufficient financial assistance. Whereas the main problems of marketing include lack of marketing facility, heavy competition and lack of advertisement. Other socio cultural and internal problems faced by the SHGs were male domination and lack of coordination among the members.

## 1. Introduction

The beauty of India is in its diversity and cultural heritage. According to Mahatma Gandhi ji, "India lives in villages". According to census 2011, 72% of Indian population resides in the rural areas of the country. Therefore, it is very clear that to develop India, the rural areas of this beautiful country needs to be developed. That is why since independence, the Indian Government has always focused on rural development. Various welfare schemes for rural development have been launched and many milestones have been achieved in this process. The SHG approach is one of these many approaches for rural development specially women. The condition of women in India especially in rural areas is not very well. Taboos, social customs, illiteracy, malnourishment and many more problems continue to hunt women in rural areas till date. In this sensitive scenario, SHGs have been proved beneficial to help empower these women by providing them with skill development and self employment opportunities.

SHGs or broadly Self-help Groups are small groups consisting of about 10-15 members from same economic background and generally women. These rural women are encouraged to form a group and start saving small amounts to generate a reserve. After six months, they are eligible to take loan from bank and carryout thrift and credit activity and entrepreneurial activities to generate income of their own. From the profit gained out of the economic activities, the bank loan is repaid and this process goes on. The SHG members are trained for free by the Govt to improve their skill and knowledge. Along with training financial help such as revolving funds are provided to the SHGs to encourage and support the SHGs.

Despite all these good efforts, there are some stones left to be turned. There are many loopholes and gaps in the

system that ultimately affects the proper functioning of the SHGs. There are many problems faced by the SHGs in different regions in India. Various researches carried out in different parts of the country suggest that there are numerous problems faced by the SHGs while operating. To understand these issues properly, this study has been designed to identify the problems faced by the SHGs and how they can be addressed.

## 2. Methodology

The present study was conducted in Nayagarh district of Odisha. This district has a huge rural population (92%). The district consists of eight blocks out of which Ranapur block was selected purposively as it was having more number of SHGs (second highest in the district). The block consisted 34 grampanchayats, from each grampanchayat 2 SHGs were selected and from each SHG 6/7 members were selected, making the sample size 400. The sample size was calculated by using Yamane's formula; which is

$$n = N/(1+N*e^2) = 400$$

where n = sample size, N= population size and e = permissible error. Data was collected using interview schedule and appropriate statistical tools were used to analyse the data.

## 3. Results and discussion

### Types of problems faced by the SHGs:

While operating the SHGs, there are many problems that comes in the way. After interviewing the respondents, their problems were basically classified into five categories.

The table 1 points out the types of problems faced by the respondents. Majority 359 respondents (89.8%) stated to be facing finance related problem followed by marketing problem

(74.5%), production related problem (64%), socio cultural problem (25.2%) and internal problems (4.8%). It was found

that the respondents very commonly faced marketing and finance problem.

**Table 1: Distribution of the respondents based on the type of problems they are facing in operating the SHG**

Type of problems facing	Yes		No		Total	
	Number	%	Number	%	Number	%
Marketing problem	298	74.5	102	25.5	400	100.0
Production problem	256	64.0	144	36.0	400	100.0
Finance problem	359	89.8	41	10.2	400	100.0
Socio cultural problems	102	25.2	298	74.5	400	100.0
Internal problems	19	4.8	381	95.2	400	100.0

**Finance related problems**

Finance is a powerful element in case of operating a micro enterprise like SHGs. The members of the SHGs are usually rural poor women who have little to no knowledge about formal banking and credit system. As seen from table 1, out of 400 respondents majority 359 respondents (89.8%) stated they were facing finance related problems while operating their SHGs. The table 2 below shows what and how many type of financial problems they were facing.

As illustrated in the table 2, it is evident that majority of the respondents were facing two types of finance problem (39.5%) followed by one type (28.1%), three types (25.1%) and four types (7.3%) respectively.

It was further found that majority of the respondents were facing finance related problem due to high rate of interest (85%). Whereas a second major finance related problem faced by the respondents was insufficient financial assistance (42.1%). Other financial problems faced by the respondents was not being able to pay loan amount (39%), rigidity in banking procedure (24.8%), delay in getting loan (17.5), lack of finance (1.7%) and problems in providing bank security (1.7%) respectively.

The members were taking loan from Mahila Mahasanghas (specially designed by the state Govt to promote and support SHGs) and cooperative banks. In both the cases, the interest rate was 12% per annum. Though it was far less in comparison to informal credit sources such as local moneylenders etc, still high due to poor economic background of the members. The cooperatives were providing 7% rate of interest only after timely payment of the loan and the extra money paid is reverted back to the account. For example; an SHG took a loan of 1 lakh rupees for 1 year at an interest rate of 12%. If in one year it completes its payment to the bank then the interest is recalculated at 7% interest rate and the extra interest (at 12%) paid is reverted back to the account of the beneficiaries. In most of the cases the members were unable to pay loan timely hence were paying 12% interest. Only few successful groups were able to pay their loan in time.

Apart from the interest rate the second most faced financial problem was insufficient financial assistance. though there were no such formal limitations of providing loan amount to the SHGs, banks were refusing to give more than 2 lakhs loan to the SHGs. Whereas the Mahila Mahasangh was only providing loan upto 1 lakh. So there was a limitation of finance as stated by the respondents. Rigidity in banking procedure, delay in getting loan etc were among other financial problems faced by the SHG members.

**Table 2: distribution of the respondents based on the type of finance related problems faced by them.**

Types of finance problems facing	Yes		No		Total	
	Number	%	Number	%	Number	%
Lack of finance	6	1.7	353	98.3	359	100.0
Rigidity in banking procedure	89	24.8	270	75.2	359	100.0
Unable to pay loan amount	140	39.0	219	61.0	359	100.0
High rate of interest	305	85.0	54	15.0	359	100.0
Insufficient financial assistance	151	42.1	208	57.9	359	100.0
Delay in getting loan	63	17.5	296	82.5	359	100.0
Problems in providing bank security	6	1.7	353	98.3	359	100.0

**Marketing problem:**

Like finance, marketing is another powerful element that determines the success of failure of a business venture or enterprise. In case of the SHGs, proper marketing is necessary to be successful. However as stated by the respondents, the second most problem faced by them was the marketing problem. Table 3 elaborates the type of marketing problems faced by the SHGs.

As illustrated in the table 3, majority of the respondents were facing marketing problem due to heavy competition (74.5%) and lack of marketing facility (73.5%). Lack of advertisement (60.7%) was also a factor in poor marketing. Very few respondents also reported that they were facing marketing problem due to lack of branding and labelling (6%) and poor quality of product (1.7%).

**Table 3: distribution of the respondents based on the type of marketing problems faced by them.**

Type of marketing problems facing	Yes		No		Total	
	Number	%	Number	%	Number	%
Lack of marketing facility	219	73.5	79	26.5	298	100.0
Lack of branding and labelling	18	6.0	280	94.0	298	100.0
Poor quality of product	05	1.7	293	98.3	298	100.0
Lack of advertisement	181	60.7	117	39.3	298	100.0
Heavy competition	222	74.5	76	45.5	298	100.0

**Production related problems:**

As illustrated in the table 4, it is evident that majority of the respondents were facing production related problem due to lack of storage and infrastructure (81.6%) and lack of machinery (72.3%). Lack of trained work force (16.4%) was also a factor in poor production. Very few respondents also

reported that they were facing production problem due to lack of skill and knowledge (6%). None of the respondents reported to be facing power issues in production as most of the activities carried out manually in the SHGs.

**Table 4: distribution of the respondents based on the type of production related problems faced by them.**

Type of production problems facing	Yes		No		Total	
	Number	%	Number	%	Number	%
Lack of machinery	185	72.3	71	27.7	256	100.0
Lack of trained manpower	42	16.4	214	83.6	256	100.0
Lack of storage and infrastructure	209	81.6	47	18.4	256	100.0
Lack of skill and knowledge	18	7.0	238	93.0	256	100.0
Power issue	-	-	256	100.0	256	100.0

**Socio cultural problems:**

The SHGs operate in a social system. Socio cultural problems are the problems that arise due to the social or cultural setting of the particular area. There is a little or no control over the events as they happen freely in social strata. As illustrated in the table 5, It was found that majority of the

respondents were facing socio cultural problem due to male domination (95.1%). Other socio cultural problems faced by the respondents were lack of knowledge and education (16.7%), lack of social mobility (11.8%) and lack of family support (5.9%) respectively.

**Table 5: distribution of the respondents based on the type of socio cultural problems faced by them.**

Type of socio cultural problems facing	Yes		No		Total	
	Number	%	Number	%	Number	%
Lack of social mobility	12	11.8	90	88.2	102	100.0
Lack of knowledge and education	17	16.7	85	83.3	102	100.0
Male domination	97	95.1	05	4.9	102	100.0
Lack of family support	06	5.9	96	94.1	102	100.0

**Internal problems:**

Internal problems are the problems that arise due to improper setting of the internal environment in which the SHG operates. The internal problems are usually controllable as compared to socio cultural problems. The group leader plays a key role to help solve the internal problems of the group by sensitively addressing the issues of the members.

As illustrated in the table 6, majority of the respondents were facing internal problem due to lack of cooperation among the members (68.4%). Other internal problems faced by the respondents were lack of motivation (36.8%) and lack of education (31.6%)

**Table 6: distribution of the respondents based on the type of internal problems faced by them.**

Type of internal problems facing	Yes		No		Total	
	Number	%	Number	%	Number	%
Lack of cooperation among members	13	68.4	06	31.6	19	100.0
Lack of education	06	31.6	13	68.4	19	100.0
Lack of interest	0	0.0	19	100.0	19	100.0
Lack of motivation	07	36.8	12	63.2	19	100.0

Irregular meeting/ book keeping	0	0.0	19	100.0	19	100.0
Personal problems of the members	0	0.0	19	100.0	19	100.0

**Suggestions/ demands by the respondents:**

As shown in the table above, majority of the respondents demanded for no interest on loans (95%). The second majority of the respondents were demanding for easy and quick loan

approval (73%) and training according to need (72%). Other demands and suggestions by the respondents were marketing aid (61.5%) and training in village (51.8%).

**Table 7: distribution of the respondents based on their suggestion/ demand for the improvement of their SHG**

Suggestion/ demands	Yes		No		Total	
	Number	%	Number	%	Number	%
Training in village	207	51.8	193	48.2	400	100.0
No interest on loans	380	95.0	20	5.0	400	100.0
Easy and quick loan approval	292	73.0	108	27.0	400	100.0
Marketing aid	246	61.5	154	38.5	400	100.0
Sufficient financial assistance	144	36.0	256	64.0	400	100.0
Training according to need	288	72.0	112	28.0	400	100.0

**4. Conclusion**

From the study, it was found that Majority of the respondents (89.8%) stated to be facing finance related problem followed by marketing problem (74.5%) and production related problem (64%). Finance and marketing are two crucial elements for the success of an enterprise. The respondents were from poor economic background and had very less education. Majority of the respondents stated to be facing financial problems due to high rate of interest and insufficient financial assistance.

A second majority of the respondents were facing marketing problem due to heavy competition and lack of marketing facility. SHGs are formed by poor rural women who have little or no knowledge about marketing. Though there were many initiatives taken by the state Gove to promote SHGs, marketing issue of the SHGs was the least addressed one.

Some respondents were facing production related problem, mostly due to lack of storage and infrastructure and lack of machinery. The sociocultural problems faced by the respondents were mainly due to male domination. The market

places were mainly operated by the males and the SHG women were paid very less in comparison to male entrepreneurs. Other socio cultural problems faced by the respondents were lack of knowledge and education due to which they were exploited by the middlemen while getting loan or during marketing. The respondents were facing internal problem mostly due to lack of cooperation among the members.

**5. Suggestions**

The government should take appropriate measures to ensure proper credit facility to the SHG members. The rate of interest should be reduced ensuring sufficient financial help to the SHGs. There is an urgent need to ensure transparency in the system that channels all the benefits to the SHGs. Marketing problems of the SHGs needs be addressed properly. There is a need to provide a bigger and safer platform to the SHGs to market their product. The state Govt instead of focusing on paper work should focus on providing real benefits to the SHGs and ensure measures to prevent exploitation by the intermediaries so that the real fruit of the SHG approach can be reaped for the benefit of the rural poor.

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