

## ANALYSIS OF PROBLEMS FACED BY LEADERS OF RURAL AND URBAN SELF-HELP GROUPS BENEFITTED BY MICRO-FINANCE INSTITUTIONS IN MADURAI DISTRICT

Dr. M. Jeyakumar\* and P. Rajapandi\*\*

\*Associate Professor and Head

\*\*Research Scholar (Full-Time)

PG Department and Research Centre in Economics,  
Saraswathi Narayanan College (Autonomous), Madurai-625 022

### Abstract

*Micro-finance refers to the financial services to the members of Self-Help Groups (SHGs) who have poor access to banking. It is the provision of thrift, credit and other financial services to the poor in rural and urban areas to enable them to improve their living standards. It was started in the early 1980s in India with the formation of informal SHGs to provide access to savings and credit services. It is a powerful tool to eradicate poverty in the country. It encourages entrepreneurship and assists economically poor women to uplift their status. Moreover, it aims at achieving women empowerment. It is obvious that the individual effort is not so effective to improve the economic conditions of women in India. Thus, organizing women in a group is essential for achieving the goal of uplifting their economic conditions. SHG is an informal group through which women get micro-credit from Micro-Finance Institutions (MFIs). It is either a registered or an unregistered group of 10 to 20 members primarily involved in savings and credit activities. It is an alternative to achieve the objectives of rural development and ensures community participation in all rural development programmes. In particular, it is an organized set up to provide micro-credit to women on the strength of group savings without insisting on any collateral security for the purpose of motivating women to venture into entrepreneurial activities. It is a fact that lending to a small women group is less risky and benefits the whole family. Thus, NGOs and other financial institutions come forward to provide micro-credit to SHGs. However, the members of SHGs face a lot of problems in involving themselves in these group activities. In particular, the leaders of the groups encounter various difficulties in ensuring the successful functioning of SHGs. Poor attendance of the members, poor repayment of internal loan by members, raising family responsibility and poor financial support from the family are some of the problems faced by the leaders of SHGs. Unless the problems of leaders of SHGs are solved, the success of the micro-credit scheme will be a distant dream. In this context, the present work aims at analyzing the problems faced by leaders of rural and urban SHGs benefitted by MFIs in Madurai district.*

**Keywords:** Self-Help Groups, Micro-Finance Institutions, community participation, MFIs, Garrett's ranking technique, casteism

### Objectives

The objectives of the present study are

- to examine the personal and the family problems of the leaders that affect the functioning of rural and urban SHGs in Madurai district and
- to analyse the group related problems faced by the leaders of rural and urban SHGs in the district.

### Methodology

The present work utilized primary data for analysing the problems of leaders of SHGs. The researcher designed an interview schedule for the collection of primary data.

Academicians, Officers of MFIs, government officials and professionals of NGOs were consulted for the preparation of the schedule. Further, the researcher pre-tested the schedule for getting the suggestions of SHG members for the inclusion of relevant questions into the schedule and the deletion of irrelevant questions from the schedule. Twenty members were contacted for pre-testing. The schedule was finalized and used for data collection.

The researcher has prepared the list of SHGs benefited by MFIs in Madurai district and the sample SHGs have been drawn from the list. As on 31.03.2015, there were 20,934 SHGs benefitted by MFIs in the district. Applying the following formula the sample size has been determined as 377 SHGs:

$$n = \frac{Nt^2 pq}{Nd^2 + t^2 pq}$$

Where, n stands for sample size

N for the population size

P for the supposed ratio of rural SHGs = 0.5

q for the supposed ratio of urban SHGs = 0.5

d for the distance of assurance = 5/100

t for table value at 5 per cent level of significance = 1.96

The total SHGs have been stratified as rural and urban groups. Stratified simple random sampling method has been applied to select the sample groups in the study area. The sample for the present analysis consists of 283 rural and 94 urban SHGs. The field survey was conducted for six months from January to June, 2015. The Garrett's ranking technique has been exercised to analyse the problems faced by the leaders/animators of SHGs benefitted by MFIs in the district.

### Results and Discussion

The leaders of SHGs face both personal and family problems in leading the groups in rural areas. They are

1. Poor awareness on the procedure of micro-finance
2. Poor self-confidence
3. Poor knowledge on the maintenance of SHG accounts
4. Health problem v) Raising family responsibility
5. Family restrictions on my mobility
6. Poor financial support from the family.
7. Family intervention in availing MFI loan.
8. Family intervention in the repayment of MFI loan and
9. Family intervention in the utilization of MFI loan.

The sample leaders of rural SHGs have been asked to rank these problems faced by them in leading the groups. They have been analysed using Garrett's ranking technique. The results are shown in Table 1.

**Table 1: Personal and Family Problems Faced by Leaders of Rural SHGs**

Sl. No	Problems	No. of leaders reported	Mean score	Rank
1.	Poor awareness on the procedure of micro-finance	158 (64.22)	32.63	VII
2.	Poor self-confidence.	132 (53.65)	22.74	VIII
3.	Poor knowledge on the maintenance of SHG accounts	115 (46.74)	18.85	IX
4.	Health problem.	172 (69.91)	43.52	VI
5.	Raising family responsibility	178 (72.35)	54.67	IV
6.	Family restrictions on my mobility.	187 (76.01)	47.82	V
7.	Poor financial support from the family.	240 (97.56)	78.91	I
8.	Family intervention in availing MFI loan.	104 (42.27)	16.21	X
9.	Family intervention in the repayment of MFI loan	231 (93.90)	67.38	II
10.	Family intervention in the utilization of MFI loan	216 (87.80)	60.74	III

**Source:** Primary data

Figures in the brackets are percentages to total number of sample leaders of rural SHGs

Table 1 points out that poor financial support from the family has been the most severe problem faced by leaders of rural SHGs. Ninety eight per cent of the leaders of sample groups point out that poor financial support from the family has been the most severe constraint for them. Family intervention in the repayment of MFI loan has emerged as the second severe problem for the leaders of rural SHGs in the district. Ninety four per cent of the leaders / animators felt this problem in the district. Family intervention in the utilization of MFI loan has been realized as the third severe constraint by the leaders of rural SHGs in the study area. Raising family responsibility and family restrictions on mobility have also been the major problems for the leaders of rural SHGs in the district. The inference from the analysis is that poor financial support from the family, family intervention in the repayment and utilization of MFI loans and raising family responsibility has been the severe personal and family problems faced by the leaders of rural SHGs in the district.

The leaders of SHGs face the various group related problems also. The available literature reveals that

1. poor repayment of internal loan by members
2. conflict among the members due to personal problems
3. groupism due to political affiliation
4. groupism due to casteism
5. delayed contribution to savings by members
6. lethargic attitude of officers of MFIs in extending group loan
7. raising group dropout rate
8. pressure given by MFIs in the repayment of group loan
9. poor net working of the group and

10. poor attendance of the members are the group related problems faced by the leaders of SHGs.

The sample leaders of rural groups have been asked to rank these group related problems faced by them. They have been analysed using Garrett's ranking technique. The results are furnished in Table 2.

**Table 2: Group Related Problems Faced by Leaders of Rural SHGs**

Sl. No	Problems	No. of leaders reported	Mean score	Rank
1.	Poor repayment of internal loan by members	238 (96.74)	79.96	I
2.	Conflict among the members due to personal problems	189 (76.82)	40.85	VI
3.	Groupism due to political affiliation	109 (44.30)	15.32	X
4.	Groupism due to casteism	147 (59.75)	31.54	VII
5.	Delayed contribution to savings by members	226 (91.86)	67.44	II
6.	Lethargic attitude of officers of MFIs in extending group loan	124 (50.40)	18.43	IX
7.	Raising group dropout rate	172 (69.91)	45.81	V
8.	Pressure given by MFIs in the repayment of group loan	184 (74.79)	54.23	IV
9.	Poor net working of the group	137 (55.69)	24.73	VIII
10.	Poor attendance of the members	215 (87.39)	59.92	III

**Source:** Primary data

Figures in the brackets are percentages to total number of sample leaders of rural SHGs.

Table 2 points out that poor repayment of internal loan by members has been the most severe group related problem faced by leaders of rural SHGs in the district. Ninety seven per cent of sample leaders point out that poor repayment of internal loan has been the most severe constraint for them. Delayed contribution to savings by members has emerged as the second severe problem faced by the leaders of rural SHGs in the district. Ninety two per cent of the leaders felt the problem of delay in member's contribution to group savings in the district. Poor attendance of the members has been listed as the third severe constraint by the leaders of rural SHGs. Pressure given by MFIs in the repayment of group loan has also been a problem for the sample leaders of rural SHGs in the study area. Raising group dropout rate has been another major problem for the sample leaders in ensuring the sustainability of the groups in the rural areas of the district. The inference from the analysis is that poor repayment of internal loan, delay in the member's contribution to group savings and poor member's attendance have been the severe constrains faced by the leaders of SHGs in rural areas of the district in maintaining the group's sustainability.

The sample leaders of urban SHGs have been asked to rank personal and family related problems affecting their performance in leading the groups. These problems were analysed using Garrett's ranking technique. The results are given in Table 3.

**Table 3: Personal and Family Problems Faced by Leaders of Urban SHGs**

Sl. No	Problems	No. of leaders reported	Mean score	Rank
1.	Poor awareness on the procedure of micro-finance	47 (35.87)	31.83	VIII
2.	Poor self-confidence	43 (32.82)	18.53	X
3.	Poor knowledge on the maintenance of SHG accounts	73 (55.72)	42.48	VI
4.	Health problem.	51 (38.93)	24.59	IX
5.	Raising family responsibility	121 (92.36)	74.16	I
6.	Family restrictions on my mobility	102 (77.86)	59.72	III
7.	Poor financial support from the family.	114 (87.02)	65.32	II
8.	Family intervention in availing MFI loan	59 (45.03)	36.62	VII
9.	Family intervention in the repayment of MFI loan	119 (90.83)	52.18	IV
10.	Family intervention in the utilization of MFI loan	94 (71,75)	48.71	V

**Source:** Primary data

Figures in the brackets are percentages to total number of sample leaders of urban SHGs

Table 3 points out that raising family responsibility has been the most severe problem faced by leaders of urban SHGs in the district. It is to be noted here 92 per cent of sample leaders point out this problem as the most severe constraint for them. Poor financial support from the family has emerged as the second severe problem for the leaders of urban SHGs in the district. Eighty seven per cent of the sample leaders felt this problem in the district. Family restrictions on mobility have been pointed out as the third severe constraint faced by the leaders of urban SHGs in the study area. Family intervention in the repayment of MFI loan and family interventions in the utilization of MFI loan have also been major problems for the leaders of urban SHGs in the district. The inference from the analysis is that family responsibility, poor financial support from the family, family restrictions on mobility has been the severe personal and family problems faced by the leaders of urban SHGs in the district.

The sample leaders of urban SHGs have been asked to rank the group related problems faced by them. The same Garrett's ranking technique has been exercised to analyse these problems. The results are shown in Table 4.

**Table 4: Group Related Problems Faced by Leaders of Urban SHGs**

Sl. No	Problems	No. of leaders reported	Mean score	Rank
1.	Poor repayment of internal loan by members	102 (77.86)	62.35	III
2.	Conflict among the members due to personal problems	63 (48.09)	24.36	IX
3.	Groupism due to political affiliation	54 (41.22)	37.42	VII
4.	Groupism due to casteism	37 (28.24)	14.81	X

5.	Delayed contribution to savings by members	72 (54.96)	43.79	VI
6.	Lethargic attitude of officers of MFIs in extending group loan	92 (70.22)	49.17	V
7.	Raising group dropout rate.	119 (90.83)	68.14	II
8.	Pressure given by MFIs in the repayment of group loan.	112 (85.49)	54.24	IV
9.	Poor net working of the group	41 (31.29)	32.47	VIII
10.	Poor attendance of the members	127 (96.94)	76.02	I

**Source:** Primary data

Figures in the brackets are percentages to total number of sample leaders of urban SHGs.

Table 4 points out that poor attendance of the members has been the most severe group related problem faced by leaders of urban SHGs in the district. It is to be noted here 97 per cent of sample leaders point out this problem as the most severe constraint for them. Raising group dropout rate has emerged as the second severe problem faced by the leaders of urban SHGs in the study area. Ninety one per cent of the sample leaders felt the problem of raising group dropout rate in the district. Poor repayment of internal loan by members has been listed as the third severe constraint by the leaders of urban SHGs in the district. Pressure given by MFIs in the repayment of group loan has also been a major problem for them in ensuring the sustainability of the groups. The inference from the analysis is that poor attendance of the members, raising group dropout rate and poor repayment of internal loan have been the severe constrains faced by the leaders of SHGs in the urban areas of the district in maintaining the group's sustainability.

### Policy Implications

Based on the findings of the present analysis, the following suggestions are offered to ensure the effective functioning of SHGs financed by MFIs in the district:

The study shows that poor repayment of internal loan, delay in the contribution to group savings, poor member's attendance and raising dropout rate are the main problems faced by the leaders/animators of SHGs in the district. Thus, the members may be given training on the management aspects of the SHGs. Family restriction on member's mobility has been another problem faced by the leaders in ensuring the effectiveness of group activities. Family members of the leaders of SHGs may be provided counselling to overcome this social problem.

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