



# A Study on Issues, Challenges and Strategies of Self Help Groups (special reference to Poorvanchal , an Eastern region of Uttar Pradesh India)

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## Abstract

Self Help Group (SHG) is an informal group of individuals who came together to improve their economic condition. SHG is constituted with a small group of 10-20 members who works together for uplifting their standard of living. This program runs in most of all parts of India providing financial strength for the betterment of poor people and entrepreneurs. Many such programs are already going through SHG, NGOs, Banking sector, Micro Finance Institutions, etc., in Poorvanchal region of Uttar Pradesh, as well. People who have some skill, wants to become an entrepreneur or wants to do some other work independently, but having lack of financial strength, are helped by giving micro-credit by SHGs and many such institutions.

This paper is focused on present working condition of SHGs in Poorvanchal region, with an objective to find out the problems inherent in such schemes. Trying to know whether it is beneficial for the development of individual as well as for the whole area in present form or not. It also focusses on the problems or challenges faced by entrepreneurs and include some suggestion for the improvement in SHG schemes.

**Keywords:** *Self Help Group, Micro Credit/ Financial Institutions, Entrepreneurs.*

## Introduction

Self Help Group (SHG) is a voluntary association of 10-20 members (men and women) with homogenous socio-economic status for cooperative and mutual help to support each other for their own development. These groups work with different names such as – Samiti, Mandal, Samooh etc. the concept of SHG can be comprehend from Grameen bank of Bangladesh which was introduced by economist, Prof. Mohammed Yunis of Chittagong University in 1975 to provide microfinance to rural women. SHG there mainly focused on women, as a result of an earlier research, that was women have tendency to save money more than men. The financial institutions also try to lend their money to women because they timely repay the interest, as well as, principle money. SHG usually works for rural poverty alleviation program by active participation of members for the development of leadership skills as well as developing confidence in women for taking decision both at

household and community level. In India NABARD initiated SHG in 1986-87, but came into force during 1991-92 by linking it with banks.

SHG model works in different states of our country by the help of banks and financial institutions such as NABARD, Micro finance institutions, NGO, etc., these institutions started SHG program by giving micro-credit to group members, and small entrepreneurs especially in rural areas. SHG members contribute their money at one place and give credit to needy member of the group at minimum rate of interest and for some specific time. Also, they collect money from members and deposit in bank on the name of one of their members, this may be done because when they are in the need of finance bank can also provide loan as per their terms and conditions.

Principle of SHG model is based on three words— “by the people, of the people and for the people.” Self-Help Groups have also created the habit of saving money to the people who are economically weak and focused on woman empowerment and create awareness about rights and duties among woman. Recently we see that SHG in India, as well as, in states have also faced extraordinary challenges due to ongoing Pandemic. For this, they have made masks, provided sanitizers to the needy people of this region.

SHG plays a major role in entrepreneurship development, specially focusing on women entrepreneurs. Women entrepreneurs performs an important role in less developed countries particularly in terms of their contribution to the economic development. We can see that in every field contribution of women is increasing, day by day, in different activities like politics, academics, corporate sectors, social sectors and so on. SHG, MFIs provides micro-credit to the women to start their own business either individually or in group. The growth of women entrepreneurs can increase if programs are run for the awareness of women rights and duties in a proper manner and also give freedom to their work effectively.

### Challenges faced by SHGs

SHGs are facing several problems. Some of the common problems are as per following:

- **Lack of communication facility:-** In rural areas still there are low communication facility, due to this there is a lack of coordination between small entrepreneur and SHGs members. This results that they are not aware that which type of product consumers demands. This lack of communication facility can affect the proper working condition.
- **Lack of rural banking facilities-** Many public sector banks and microfinance institutions are not willing to provide financial services to poor people. Because they do not want to take the risk of non-performing assets.
- **Lack of knowledge about market conditions-** They do not focus on market research which conveys the conditions in the marketlike tastes and preferences of the customer about the product, how much price they can afford. If we do not know the exact problem of consumers, we are not able to achieve our targets.
- **Problem faced by distribution channel of marketing-**This in one of the serious problems for the member of SHG because there are number of marketing channel for product distribution, the questions arises that which channel they should prefer.
- **Lack of upgraded technology-** Due to limited finance available for technology SHGs are not upgraded technically because of which some way or the other they are lagging behind.
- **Less support from family-** Women cannot get full support from their family and society for their work, this leads to breakdown in the morale of women. Resulted in winding up of women enterprises. There are number of opportunities that a woman missed because they are not aware off.
- **Limited area coverage-** Market area for rural entrepreneurs are very limited due to these products cannot be distributed in the large area of the country.

## Government Initiatives

To overcome the above problem there are some initiatives taken by the government towards SHG movement that are mentioned here:

- **Swa-shakti Project-** It came into force in the year 1988 with the aim to the development and empowerment of women who engaged in farm activity in economic form in rural areas through self-help groups (SHGs). Funding for this project is done by World Bank and International fund for agricultural development (IFAD).
- **Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP)-** It is a non-governmental organization (NGO) working for women empowerment, removal of poverty and rural development in Uttar Pradesh from 2002. Also, its objective is to make a group of poor women as community institutions and promotes financial inclusion, health care education, livelihood and environment.
- **Self Help Group and SGSY Scheme-** This scheme came into force on 01-04-1999 with the motive to bring poor people above poverty line within 3 years. The scheme envisages supplementary of credit if necessary to the participants. The preference will be given to SHGs in the village area under group finance and individual finance both.
- **Mahila Udyam Nidhi Scheme-** This scheme is initially started by Punjab national bank of India. Its aim is to give small loans to the women engaged in the entrepreneurial activity. The time limit for the repayment of loan amount is 10 years which is more than sufficient. Maximum loan amount under this scheme is 10 lakhs.

### Current Position of Self-Help Groups in Eastern Uttar Pradesh

S.No.	District name	SHG 2016	SHG 2019	Registered Member 2016	Registered Member 2019
1	Azamgarh	5445	10877	62914	115840
2	Ballia	3375	3329	39350	38281
3	Chandauli	5381	8629	59617	93933
4	Deoria	5019	8618	551127	92442
5	Ghazipur	1344	2169	13167	21946
6	Gorakhpur	6758	12081	71002	128553
7	Jaunpur	1560	2965	16167	27860
8	KhusiNagar	1666	2728	17536	28400
9	Maharjganj	2099	4503	22254	43478
10	Mau	1468	2715	15660	27815
11	Mirzapur	6056	8874	65404	95909
12	Sant Kabeer Nagar	1383	1738	15081	18718
13	Sant Ravidas Nagar	1119	2602	114490	27215
14	Siddharth Nagar	1624	3372	17152	30778
15	Sonbhadra	5368	8781	56948	98028
16	Varanasi	4398	7729	51465	87035

*Source: National Rural Livelihoods Mission (NRLM), Ministry of Rural development, Government of India*

### Analysis of the Current Position

On the basis of this report, we see that all district of eastern Uttar Pradesh has improve their performance in these three years except district “Chandauli” where number of SHG and members of this group decreased but still all other district performed well. On the basis of this statement, we come to know that why the SHGs are decreasing in their number? Is there lack of awareness about SHGs? Is there is any problem in arranging of finance for lending loan or micro credit?

## Suggestion for Improvement of SHGs in Poorvanchal Region

By observing all these problems here are some suggestions to overcome from the problems of SHGs in Poorvanchal region:

- **Supportive Environment** -The government should play a role of facilitator and promoter to create a supportive environment for the growth and development of the SHG movement.
- **Extending Area**- To open new offices in every district of Poorvanchal region where every SHG should report their progress, by this they can give better performance.
- **Setting Targets**-The government should made efforts for the expansion of financial structure and set a target for all banks, microfinance institutions to provide loans as a microcredit to small entrepreneurs and SHGs. This may help to these SHGs to getting loan easily and their financial structure also strengthens.
- **Assigning Authority**- For improving the performance of SHGs, government should give authority to the concerned department to view the performance reports, make recommendations, etc., so that the government can make suitable policies to help these SHGs and their members.
- **Collecting Information**-Government should give responsibility to each and every district to collect detailed information about SHGs performance. The department should have a direct link with district and block level.
- **Monitoring and Controlling** -For effective improvement in the working of SGHs government should make necessary arrangements for watching the performance of SHGs, ensure proper monitoring and efficient control.

### Conclusion

Observing all of the above initiatives it can be concluded that development of SHG is very important for the economic, social and political empowerment of Poorvanchal region. People of this region cannot do exceptional things unless they are provided proper guidance and support. Today's demand is to provide proper financial assistance, monitoring and technical support to the SHGs, which is possible with the joint support of central and state government. We can see technology has changed old ways of thinking into the new ways, therefore proper technical support is must. If we implement the proposed suggestions properly, there is high chance of positive result upliftment of the status of people of Poorvanchal region of Uttar Pradesh.

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