

A study on constraints faced by beneficiaries in availing micro finance through SHG's

Abstract

The present paper is an attempt to identify the problems faced by the rural women in availing microfinance through SHGs. The study was conducted in Kakori block of Lucknow district, Uttar Pradesh. The study design adopted was exploratory cum descriptive. For the present study 180 beneficiaries and 180 non beneficiaries were selected. Thus, 360 respondents were selected for the study. The results indicated that the most common problem faced by the respondents in availing the microfinance services was short period for repayment, not clear about the interest rate and credit expenditure on family crisis. It can be concluded from the study that the respondents faced problems after availing the microfinance services, which needs to be addressed.

Keywords: Microfinance; empowerment; rural women; Self Help Groups (SHGs).

INTRODUCTION

Economic independence may be one of the significant pillars for paving the way for women empowerment. However, it is not very easy for the rural women to get money at hand. Borrowing loan from bank is a complex process for the women due to many factors including lack of collateral and formalities of many paper works. Owing to such situations, it is very common for the less privileged families to go to the moneylenders and take high-interest loans for meeting their daily needs. Women in rural India lived in virtual isolation, where they are unable to access even the most basic services. It is observed that microfinance is being referred to as one of the cost-effective and supplementary tools of rural credit delivery system which facilitates prompt and timely availability of institutional credit to the poor (Pandey P. 2009).

The microfinance provides women with the financial services required for their personal, social and economic development. The services of microfinance through SHGs mainly focused on women because according to them women use their income and saving in a more productive way such as education of children and improving the standard of living by proper management of household expenses. Simply getting cash into the hands of women can improve their self-esteem and help them in achieving greater economic independence and security, which in turn gives them the chance to financially contribute to their household and society. Now-a day's many self-help groups are being formed almost every day from where borrowing is relatively easier. Besides SHGs there are sources of microfinance services available across the country.

Among all these services of microfinance, women mostly prefer the microfinance through SHGs services. Women make up a large proportion of SHGs beneficiaries. With the money loaned to them by Bank, many women are able to earn a higher income, provide employment, acquire new skills, promote asset creation and were able to adopt new technologies. Despite of many positive impacts of microfinance through SHGs, it is observed that rural women are facing many problems regarding the microfinance services provided to them. Identification of problems faced by the respondents related to microfinance through SHGs may improve the efficiency of the microfinance services and thereby may facilitate the process of empowering the rural women. Keeping this fact in view a study was conducted to identify the problems of rural women in availing microfinance services.

Methodology

The study was conducted in district of Lucknow, Uttar Pradesh, which was selected purposively. The Lucknow district is divided into 8 developmental blocks i.e. Bakshikatalab, Chinhat, Gosainganj, Kakori, Mal, Mahiabad, Mohanlalganj, Sarojani Nagar. Out of these, the blocks Kakori, Chinhat, Gosainganj and Malihabad were selected they have maximum number of SHGs in comparison of other blocks. A List of All the beneficiaries of microfinance through SHGs were obtained from the selected Block Development offices of Lucknow district. The ultimate beneficiaries of microfinance through SHGs were separated from the list and 180 beneficiaries and 180 non beneficiaries were selected through random sampling from the list, making the total sample size of 360 respondents.

All the constraints mentioned by the beneficiaries were arranged systematically and their mean scores were obtained. On the basis of mean score they will be provided rank by the researcher.

Findings

Constraints faced by the SHG members and group in three broad categories

1. Constraints faced by the SHG as a whole
2. Constraints faced with respect to bank linkage
3. Constraints faced by the individual members

Table – 1
Major constraints faced by the group

S.N.	Variables	Mean Score	% Score	Rank
1.	There is political interests in the functioning of group and selection of leaders	3.76	93.94	I
2.	The members are unaware about the regulations of SHGS	3.64	91.11	II
3.	Leadership positions are rested within a selected group	3.47	86.83	III
4.	Members lack proper leadership qualities	3.38	84.42	IV
5.	There is lack of proper documentation regarding the group activities and meetings	3.37	84.25	V
6.	The major share of the benefits received through group approach rests with the elite and influential members	3.22	80.39	VI
7.	There is lack of operating skills among the group leaders	3.21	80.22	VII
8.	There is ignorance and illiteracy among group members	2.90	72.56	VIII
9.	There is lack of co-operation and coordination among group members	2.82	70.39	IX

From the above table it is clear that the major constraint faced by the SHG is the influence of political parties. The political parties back some of the SHGs. Often they select candidates for the election from these SHGs as they are the grass root level organization that are in close touch with the households. Majority of the members are unaware about the regulations of SHGs as these training are provided to the leaders of the SHGs. The statement lack of cooperation and coordination among the SHG members got the last rank, which proved the strong group cohesiveness among the members.

Table – 2**Major constraints faced with respect to bank linkage**

S.N.	Variables	Mean Score	% Score	Rank
1.	There is improper utilization of funds	4.12	92.89	I
2.	High rates of interest is charged for the loans	3.51	87.86	II
3.	Bank officials are not approachable and they behave in an unfriendly manner	2.96	73.97	III
4.	Members are not making timely repayment of loans	2.65	66.36	IV
5.	Loans are not disbursed on time	2.54	63.61	V
6.	There is cumbersome banking procedures to avail bank loan	2.50	62.44	VI

The above table depicts that improper utilization of fund is the major constraint faced by the members. There is no equitable distribution of fund among the members. The respondents opined that high rates of interest are charged for the loan. The lowest rank is assigned to the statement cumbersome banking procedures to avail the loan. The procedures for availing credit at the group level are simpler than individual level.

Table – 3**Major constraints faced by the individual members**

S.N.	Variables	Mean Score	% Score	Rank
1.	I lack confidence in communication among group members and officials	3.78	94.44	I
2.	Domestic violence has not been reduced after joining SHGs	3.63	90.86	II
3.	I am unfamiliar with banking habits	3.52	88.11	III
4.	There is lack of cooperation from the family members	3.43	85.86	IV
5.	I am not able to manage work within the available time	3.38	84.44	V
6.	I lack confidence to work	3.07	76.72	VI
7.	I haven't get adequate training for skills upgradation and SHG activities	2.75	68.81	VII
8.	I am overworked and bear increased responsibilities	2.52	62.89	VIII
9.	I have additional stress for savings and repayment of loan	2.40	59.89	IX
10.	I lack proper guidance	2.28	56.92	X

The above table shows that the members lack confidence in communicating among the group members as well as with the officials. They were not provided with adequate training or motivation classes for improving their confidence. The respondents opined that domestic violence has not been reduced after joining SHG. Lack of proper guidance goes the lowest rank, means they are provided with proper guidance at each and every stages of SHG formation.

Conclusion

Based on the findings of the present study, it may be concluded that there is need to enhance the knowledge of the borrowers on the terms and conditions of availing the loan. The research finding showed that the respondents are facing faced problems while availing and after availing the microfinance services which need to be addressed. The most common problem faced by the respondents in availing the microfinance services was short period for repayment, followed by not clear about the interest rate and credit expenditure on family crisis. Proper awareness should be given by the using authority to the rural people video or different print material in vernacular language regarding different loan products, terms and conditions of microfinance, loan facilities, interest rate and the bank loan formalities, moreover, the interest charged on the loans should be reduced to encourage and attract new customers since the ultimate goal of most of the women clientele is to have access to loans. The microfinance through SHGs should also provide basic business education to train these rural women so that they can learn how to run a business.

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