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Micro- finance: Problems and Constraints in Vellore District, Tamil Nadu, India

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ABSTRACT This article analyses the problems and constraints faced by women SHG members in Vellore district in Tamil Nadu. The causes of the problems may arise from within the family or their own organization (SHG) or emanate from out of the external environment and their community. The study has used 13 key variables that affect the performance of micro- finance and tries to analyse the chief variables among them that poses problems and act as a constraint to the effective functioning of the SHG. The researcher collected responses from 450 women respondents from two blocks in Vellore district in Tamil Nadu. Delay in getting the loans followed by marketing of products emerged as the chief problems and constraints to the micro-finance through SHGs. The paper provides the framework of the problems and constraints and also the approaches of how the members manage them. Simple statistical tools were used to analyze the data to arrive at solid conclusions.

1. INTRODUCTION

Micro- finance through Self Help Groups (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. When micro- finance is extended to people, especially women, along with supporting activities like training, raw materials supply and marketing arrangements of products, it makes women as micro- entrepreneurs in rural areas. In addition to empowerment, it results in economic development of the family. The SHG becomes matured and sustainable when the members, as a team achieve the goals and aspirations and members are able to face conflicts, challenges and constraints with their courage, confidence and empowerment. For any strategic approach to be sustainable, it is important to track the deficiencies and constraints for making necessary corrections and adjustments at the policy level and also implementation levels. The SHG and micro-finance approach is no exception.

2. REVIEW OF LITERATURE

Many studies indicated the problems and constraints of micro- finance through SHG. The recent studies on micro-finance highlight some issues like lack of funds, delinquency in repayment and political intervention in the identification of activities (Rahman 2002), political interference in the selection of the beneficiaries, lack of timely and adequate credit and lack of women- oriented schemes (Vadivoo and Sekar 2004), lack of clear information and guidance and low support from the family (Vanitha and Krishnamurthy 2004), inadequate capital, delay in sanctioning of loan and inadequate understanding of market and market conditions (Ramanunny 2005), lack of orientation and initiative of bank staff to the concept and the needs of Self Help Groups (Rao 2005), loans to members not based on purpose of loans, irregular group meetings, lack of proper maintenance of book keeping (Chaim 2006), restrictive government procedure (Bhuvaneswaran 2006), lack of training (Lalitha 2007; Swain 2009), low returns and overemphasis on repayment (Ahmad 2006), inadequate loans and long waiting period to get loans (Ghate 2007), lack of cooperation and understanding among members, conflict between leaders and members based on caste and locality (Kumari and Malathi 2009), lack of capital and labour (Kallur 2009).

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2.1 Objectives of the Study

The present study is undertaken with the following specific objective:

- To identify the problems in micro- finance through SHGs in Vellore district.

Following hypotheses were formulated while studying the problems and constraints faced by the rural women during the course of micro-finance

H1: There is no significant difference between the blocks and problems and constraints during the course of micro-finance.

H2: There is no significant relationship between the period of membership and problems and constraints during the course of micro-finance.

3. RESEARCH METHODOLOGY

This study is a descriptive one and the variables are identified from the earlier research studies, hence a descriptive design is adopted.The above brief review of literature has shown some of the problems and constraints in micro-finance. There was no study conducted in Vellore district about the problems relating to micro-finance among rural women. Though many studies were conducted in various districts of Tamil Nadu, no study was conducted in Vellore district to explore the problems and constraints of SHG micro-finance. Moreover, Vellore district in Tamil Nadu is one of the important districts, the researcher has selected the same for the current study. With these issues, the main focus of this study is to analyse the problems in micro- finance in Vellore district.

3.1 Primary Data

This study is primarily an empirical investigation. Data were collected from primary source through direct contact with the women Self Help Groups in Vellore district.

3.2 Sample Design

In the multistage sampling procedure employed, probability sampling has been applied up to a certain stage. In subsequent stages, non-probability sampling has been followed. A three step process was used to take the samples for the study. It involves selection of district, blocks and respondents.

3.3 Tools Used

Simple statistical tools both average and percentage analyses were used to draw conclusions in addition to ANOVA.

3.4 Selection of Respondents

The present study is a descriptive one and the required primary data were collected by using a structured questionnaire designed exclusively for this study. The data were collected from primary sources through direct contact with the women SHG groups during the period 2008-09. Two blocks in Vellore district such as Natrampalli and Nemili were selected for the study, as the two blocks have similarities in number of SHGs and population below poverty line. The researcher has selected 225 respondents using random sampling from each block representing 90 SHGs formed in the last ten years and 5 respondents were selected from each SHG. A total of 450 respondents were selected for the study.

4. RESULTS AND DISCUSSION

4.1 Profile of the Respondents

About 77 per cent of the respondents are below 40 years of age, and 33 per cent respondents are above 40 years. Among the respondents, about 59 per cent of the respondents studied up to 10th standard and only 2 per cent were graduates. While 33 per cent of the respondents joined in Self Help Groups for the purpose of savings, 22 percent of respondents joined in the group to supplement their family income, 11 percent of respondents joined for savings as well as to avail loan facilities and the rest joined with an intention to participate in income generation activities.

4.2 Analysis of Key Variables and Discussion

The researchers identified 13 key variables that are influencing the performance of micro finance such as; criticism by members in the family, criticism by non-members of SHGs, criticism by bank employees, lack of trai-ning, inadequate time, inadequate support in the family, inadequate loan amount, delay in availing loan facilities, non-availability of raw-materials, marketing of products, lack of cooperation among members, absence of rotation of group leaders and outsiders interference for the purpose of analyzing the problems and constraints in micro finance. An attempt is also made to prioritize these variables on the basis of the most problematic and the least influential within the variables. The results of the study are discussed below.

There is a general perception that the members of SHG do not get adequate motivation, rather the members are generally criticized by various sections of the society; such as other family members, non-SHG members, bank employees etc. The present study reveals that while 119 respondents (26.44 %) agreed that they are not enjoying support in the family, about 294 respondents (65.33 %) expressed that they are enjoying the family member's support and so majority of the respondents are having the support of their family members. The study revealed that 181 respondents (40.22 %) expressed there is a problem with non members of SHG.

It is also a fact that since most of the members of SHGs are home makers they do not get adequate time to fully participate in the micro enterprises activities. The study reveals that 52.6 per cent of respondents expressed that they did not have adequate time to carryout the micro enterprise activities. At times the members of the family do not encourage women participating in micro finance activities since they are not adequately taking care of the home needs. Majority of the members (332 respondents) informed that there is no problem with their family members.

Due to various reasons including the work load issues, the indifferent attitude of the bank employees while engaging the SHG members has been a cause for concern by the SHGs. But the study showed that only 98 respondents (21.77 %) expressed that they faced criticism of bank employees and remaining respondents have no such complaints.

Finance is an important aspect for any economic enterprise whether big or small as it plays an important role in shaping the enterprise. The quantum of finance as well as its timely availability helps the enterprise to plan and implement its programme smooth and better. The study showed that many of the respondents (310 respondents) expressed that they are not getting loan in time and perceived the delay in getting loan as a serious problem. Delay in getting loans ranked as chief problem among the respondents in Vellore district. About 58 per cent of respondents expressed that their loan amount is inadequate and delay in the loan sanction coupled with inadequate quantum of loan affects the entrepreneurial abilities of rural women.

Availability raw material plays a major role in any economic activity and it ensures the smooth production and meeting market needs. Due to lack of knowledge and experience of the sources of raw material availability and also insufficient market orientation, the SHG micro enterprises faces hardships in arranging raw materials for smooth production and also sale of finished products to generate regular cash flows for running the business smoothly. The study indicated that most of the respondents (55.3 per cent) expressed that non availability of raw material as an important problem and it remained as a third major problem in Vellore district.

The lack of training orientation in production as well as marketing function affects the quality of the products produced and sales turnover. Lack of training is a problem for 254 respondents (56.44 %). It was also revealed that for 65.5 per cent respondents marketing their produce were the second major problems in microfinance.

The SHG is basically a voluntarily formed organisation that demands cooperation among various members. The philosophies of team work and leadership rotation of leadership are the main stay of SHG as the members joins together with varying objectives and expectations of their own. The study revealed that about 38 per cent respondents agreed there is a problem of lack of cooperation among members. About 37.1 per cent respondents agreed with problem of rotation of leadership while about 14.2 per cent are undecided about the rotation of the leadership as a problem. The study also reported that 116 respondents (25.77 %) agreed they faced outsiders' problems.

It is evident from the Table 1 that the delay in getting loan facility, marketing of products and non availability of raw materials ranked as the first, second and third major constraints respectively for the working of SHG micro enterprises in Vellore district. While inadequate loans and lack of training proved to be a fourth and fifth constraint in ranking, the criticism by the bank employees and family members are ranked twelfth and thirteenth position in the ranking. It reveals that the criticism by the bank employees and family members are the least affecting variables in the working of SHG micro finance

Table 1: Problems and constraints in micro finance

S. No.	Variables	Mean	S. D.	Rank of means
1	Criticism by members in the family	2.2133	1.0441	13
2	Criticism by non-members of SHG	2.9867	1.2644	8
3	Criticism by bank employees	2.2733	1.2337	12
4	Lack of training	3.3111	1.0971	5
5	Inadequate time	3.2267	1.1432	6
6	Inadequate support in the family	2.6178	1.0989	11
7	Inadequate loan amount	3.4111	1.1433	4
8	Delay in getting loans	3.6844	0.9262	1
9	Non availability of raw materials	3.5200	0.9652	3
10	Marketing of products	3.6067	0.9548	2
11	Lack of cooperation among members	2.9956	1.1501	9
12	Absence of rotation of group leaders	2.9989	1.1491	7
13	Outsiders' interference	2.7356	1.1497	10

Source: Primary data

in the study area among the thirteen variables studied.

It is evident from the Table 2 that there is significant difference between the two blocks since the calculated value is (F=49.359, p=.000) significant at 1 per cent, so it is concluded that the respondents in both the blocks have significant difference in terms of problems and constraints in micro finance. The constraints faced by members of SHG in Natrampalli is more (μ=3.2476, α=6344) when compared to Nemili block (μ =2.8479, α =.5707), therefore, constraints are less in Nemili block. Natrampalli is comparatively a rural area with less banking network and away from major towns may be a reason for this fact. Moreover there is only one NGO is operating in this block whereas Nemili is comparatively fertile in agriculture with diversified activities and its nearness to major towns and this belt is having wider networks of NGOs also in addition to improved banking network.

Analysis of variance reveals (Table 3) that there is significant relationship between the period of membership in the groups and problems in the following aspects viz. family member criticism, non member criticism, lack of time, non availability of raw material, problems in marketing, lack of cooperation and rotation of leaders in the group. The members belonging to older groups (SHGs formed up to 2005) experienced more problems (Tables 4,5 and 6) than their counterparts in the recently formed groups (SHGs formed after 2005).

Table 2: Statistical parameters between blocks

Block	Mean	S.D	F	Sig.
Nemili	2.8479	.5707	49.359	.000
Natrampalli	3.2476	.6344		

Source: Output of SPSS

Table 3: Period of membership in SHG and problems and constraints

Problems	F	Sig.
Family member criticism	6.783	.010
Non member criticism	4.718	.030
Lack of time	3.257	.072
Non availability of raw material	3.048	.082
Problems in marketing	3.707	.055
Lack of cooperation among members	10.240	.001
Rotation of leaders	16.053	.000

Source: Output of SPSS

4.3 Conflict Management/ Problems Solving

Methods of conflict management and problem solving of members reveals the following conclusions.

- Seventeen percent respondents expressed that the problems were solved by discussing the issues in group meetings and conflict resolution through group meetings seems to be the major source of problem solving by the respondents.
- Twelve percent respondents informed that Non Governmental Organisations helped them to solve the problems.
- Fifteen percent of respondents informed that they solved the problems with the help of Non Governmental Organisations and family support.
- Nine percent respondents informed that they do not consider the problem as a problem and reason may be the increase in self confidence and improvements in knowledge and skills.
- In addition to micro finance outside loans solved the problems to 2.2 percent of respondents.
- Six percent of respondents solved the problems through patience and perseverance.
- Eight percent of respondents informed that problem are continuing still and remains unsolved.

Table 4: Mean table

Variables	*Year of group formation*	*N*	*Mean*	*S.D.*
Family member criticism	Groups formed up to 2005	178	2.3708	1.12378
	Groups formed after 2005	272	2.1103	.97703
	Total	450	2.2133	1.04415
Non member criticism	Groups formed up to 2005	178	3.1461	1.26268
	Groups formed after 2005	272	2.8824	1.25706
	Total	450	2.9867	1.26449
Criticism by banks	Groups formed up to 2005	178	2.3596	1.24644
	Groups formed after 2005	272	2.2169	1.22430
	Total	450	2.2733	1.23370
Lack of training	Groups formed up to 2005	178	3.2584	1.16472
	Groups formed after 2005	272	3.3456	1.05129
	Total	450	3.3111	1.09712
Lack of time	Groups formed up to 2005	178	3.1067	1.12238
	Groups formed after 2005	272	3.3051	1.15204
	Total	450	3.2267	1.14328
Lack of support in family	Groups formed before 2005	178	2.6573	1.07382
	Groups formed after 2005	272	2.5919	1.11630
	Total	450	2.6178	1.09895
Inadequate loan amount	Groups formed up to 2005	178	3.3483	1.15569
	Groups formed after 2005	272	3.4522	1.13544
	Total	450	3.4111	1.14334
Delay in getting loan	Groups formed up to 2005	178	3.7079	.89824
	Groups formed after 2005	272	3.6691	.94541
	Total	450	3.6844	.92622
Non availability of raw material	Groups formed up to 2005	178	3.6180	.99723
	Groups formed after 2005	272	3.4559	.94003
	Total	450	3.5200	.96523
Problems in marketing	Groups formed up to 2005	178	3.7135	.98114
	Groups formed after 2005	272	3.5368	.93247
	Total	450	3.6067	.95486
Lack of cooperation	Groups formed up to 2005	178	3.2079	1.21038
	Groups formed after 2005	272	2.8566	1.08904
	Total	450	2.9956	1.15018
Rotation of leaders	Groups formed up to 2005	178	3.2528	1.17801
	Groups formed after 2005	272	2.8162	1.09815
	Total	450	2.9889	1.14917
Outsiders problem	Groups formed up to 2005	178	2.7528	1.22848
	Groups formed after 2005	272	2.7243	1.09733
	Total	450	2.7356	1.14974

Table 5: Effect of period of membership and problems

Details of SHG formation	*N*	*Mean*	*S.D.*	*S.E.*
Groups formed up to 2005	178	3.1484	.67290	.05044
Groups formed after 2005	272	2.9818	.60124	.03646
Total	450	3.0477	.63508	.02994

Table 6: ANOVA table

	Sum of squares	*df*	*Mean square*	*F*	*Sig.*
Between groups	2.984	1	2.984	7.505	.006
Within groups	178.108	448	.398		
Total	181.091	449			

Source: Output of SPSS

5. CONCLUSION

It is concluded that delay in getting loans, marketing of products and non availability of raw materials are the major problems being faced by the respondents and the respondents in the older SHGs experienced more problems than the members belonging to the recently formed groups. There is a significant difference between the problems faced by members of SHG in the two blocks and respondents of Natrampalli block experience more problems than their counterparts in Nemili block. It is the right time for the NGOs and stake holders in rural development to take effective steps to sort out the problems to ensure the sustainability of the SHG movement.

6. RECOMMENDATIONS

1. The bank managers should be motivated or trained and they should feel comfortable in financing SHGs and they should ensure timely and adequate finance to the SHG members. Delay in sanction of loans is a major problem in addition to insufficient capital. Simplification of banking procedures, access credit, etc. will encourage the poor to bank with the formal sector which will result in poverty reduction.
2. Training programmes on group management, team management, conflict management and resolution, leadership skills, marketing and, financial literacy and awareness programmes on environmental protection may be organized. Training and retraining programmes on management of SHGs have to be organized to improve awareness so that there will be democratic participation of membership and rotation of leadership in the groups.
3. Absence of proper marketing services is one of the most crucial problems faced by SHGs in the study area. Adequate marketing services will improve financial returns of the members. Demand creation and widening customer base for SHG products requires immediate action of the development practitioners.

7. FUTURE RESEARCH DIRECTIONS

Our country is dominated by socio cultural variations and the heterogeneous nature of villages coupled with socio-economic factors and dominancy of community factors may affect the cohesiveness and sustainability of the SHGs. So this study paves for future research on cohesiveness and sustainability of SHG movement, the homegrown model of microfinance in India, which is powerful tool not only for poverty alleviation but also an essential element for sustainable rural development.

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