



The Issues and Challenges of Self-Help Groups : A Study In Chhattisgarh

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Abstract : This research paper explores the prevailing challenges encountered by Self-Help Groups (SHGs) in the state of Chhattisgarh and aims to propose viable strategies for their resolution. With the increasing focus on inclusive and grassroots development, SHGs have emerged as critical instruments for women's empowerment and community-based economic transformation. However, these groups often face structural, financial, and socio-cultural barriers that hinder their effectiveness. This study specifically examines the underlying issues related to governance, financial literacy, institutional support, and socio-economic constraints. By analyzing primary and secondary data, the paper seeks to offer actionable recommendations and practical interventions to strengthen the operational framework of SHGs in Chhattisgarh. The ultimate objective is to enhance the sustainability and impact of these groups in promoting community development and financial independence.

Keywords : Self-Help Groups, Socio-Economic Background, Community-Based Organizations, *Financial Inclusion*, *Women Empowerment*.

Introduction

The origin of the Women's Self-Help Group (SHG) movement can be traced back to Bangladesh, where Professor Muhammad Yunus pioneered the concept through the Grameen Bank model. SHGs are voluntary, informal collectives primarily aimed at promoting savings and facilitating access to credit among economically disadvantaged women, thereby fostering self-employment and community resilience. These groups typically consist of 10 to 20 members who share similar socio-economic backgrounds and operate based on mutual trust, cooperation, and democratic decision-making. Unlike formal financial institutions, SHGs are not required to register under any statutory framework, offering them operational flexibility and grassroots accessibility.

India's financial ecosystem is characterized by a dual structure comprising both formal and informal sectors. Historically, the poor—particularly those lacking tangible assets—have been marginalized by formal banking systems due to their inability to provide collateral, the perceived risks of lending, and the high transaction costs of servicing low-value loans. As highlighted by Ray (1998) and Bera (2008), institutional biases and structural limitations have made formal finance largely inaccessible to rural households, compelling them to rely on exploitative informal credit sources.

In response to these financial exclusions, SHGs have emerged as critical instruments for inclusive development, particularly in rural India. By organizing the poor into cohesive units, SHGs empower marginalized communities to collectively address shared socio-economic challenges. These groups not only mobilize internal savings but also facilitate access to external credit under favorable terms, acting as grassroots financial intermediaries. Over time, SHGs have evolved into dynamic micro-enterprises and community-based organizations (CBOs), enabling members to pursue sustainable livelihoods.

The Self Help Group–Bank Linkage Programme (SHG–BLP), launched in 1992 by the National Bank for Agriculture and Rural Development (NABARD) in collaboration with the Reserve Bank of India (RBI), institutionalized this movement as a formal model of microfinance in India. Known globally as the Indian Microfinance Model, this initiative has played a pivotal role in promoting rural development and financial inclusion. Despite its widespread impact, several operational, social, and policy-level challenges persist—ranging from inadequate training and capacity-building to governance issues and market access limitations.

In the context of Chhattisgarh, where rural poverty and social exclusion remain pressing concerns, understanding the structural and contextual challenges faced by SHGs is crucial. This paper seeks to analyze these issues comprehensively and propose actionable strategies to strengthen the effectiveness and resilience of SHGs in the region, thereby contributing to broader goals of financial inclusion and rural transformation.

Review of Literature

Microfinance, as defined by NABARD (2001), encompasses the provision of savings, credit, and a variety of financial services in small denominations to economically disadvantaged populations across rural, semi-urban, and urban settings, with the ultimate goal of improving their quality of life.

Puhazhendi and Badatya (2002) observed that participation in Self-Help Groups (SHGs) led to a notable increase in the income levels of women members. Additionally, the SHG framework opened up avenues for both non-farm and off-farm employment while simultaneously fostering social empowerment.

Rajagopalan (2005) emphasized that SHGs significantly contributed to enhancing women's mobility, self-confidence, and engagement in public affairs. These groups also facilitated better access to financial services, encouraged individual savings, and improved women's status both within the household and the wider community.

In the context of Chhattisgarh, Mohanty, Das, and Mohanty (2013) highlighted how SHG participation contributed to women's capacity building and involvement in decision-making processes. Their study noted that active participation in microenterprises through SHGs empowered rural women to take more initiative in both family and community matters.

Banerjee (2009), in her study published in the *Journal of Rural Development*, examined the economic impacts of SHGs, illustrating how they serve as a viable tool for rural transformation. Similarly, Ahirrao (2009) evaluated NABARD's catalytic role in linking SHGs with the formal banking system. His findings suggest that the majority of rural women engaged in SHG activities reported increased empowerment, affirming the potential of microfinance programs to serve as effective strategies for poverty alleviation and women's empowerment.

Das (2012) pointed out disparities in SHG performance across different development blocks. His study revealed that the overall quality of SHGs in certain areas of Chhattisgarh was suboptimal when compared to other states or regions, possibly due to environmental constraints or sampling limitations. The findings reflect a broader perception regarding the inconsistent progress of the SHG movement in the state.

Sahoo (2010), in his study on SHGs in Cuttack District, acknowledged that despite the expansion of SHG activities, the expected level of women's empowerment remains unrealized. His research attempts to assess

the actual contributions of SHGs in fostering gender empowerment and economic participation in the regional context.

These studies collectively underline the transformative potential of SHGs, while also signaling persistent challenges in implementation, sustainability, and inclusiveness—particularly in regions like Chhattisgarh where socio-economic backwardness prevails.

Objectives of the Study

The primary objective of this study is to explore and critically analyze the key issues and challenges confronting Self-Help Groups (SHGs) in the state of Chhattisgarh. In addition, the study aims to:

- Examine the current status and performance of SHGs across India.
- Evaluate the operational framework and effectiveness of SHGs in Chhattisgarh.
- Identify the specific hurdles faced by these groups within the state
- Propose actionable and sustainable strategies to overcome these challenges.

Understanding Self-Help Groups (SHGs)

Self-Help Groups (SHGs) are small, community-based voluntary associations typically comprising 10 to 20 members who share similar socio-economic conditions. These groups, whether formally registered or informally organized, are designed to address common financial and social challenges through mutual cooperation and collective decision-making. SHGs promote a culture of saving among their members by maintaining pooled funds in a common bank account, which serves as the basis for providing internal loans and accessing external credit from financial institutions.

Members of SHGs utilize these funds to meet various financial needs such as personal consumption, small-scale entrepreneurial ventures, insurance coverage, and remittance facilitation. Loans are granted with minimal paperwork, no collateral requirements, and are usually of small amounts, disbursed frequently, and repaid over short durations at modest interest rates. The group's financial transactions are carefully recorded and reviewed during regular meetings, fostering transparency and discipline.

After six months of consistent functioning and savings, SHGs become eligible for institutional credit to initiate income-generating activities. Leadership positions within each group—such as President, Secretary, and Treasurer—are filled through democratic elections. This structure promotes leadership development and inclusive governance at the grassroots level.

SHGs operate along two major dimensions: **Microfinance** and **Microenterprise Development**. While microfinance has been the dominant focus since the late 1990s, the promotion of microenterprises through SHGs is a relatively recent and evolving trend. According to Kunhaman (2012), SHGs possess strong potential to nurture microenterprises, particularly in rural settings where traditional financial and business infrastructure is often lacking.

Growth of SHGs in India

The SHG movement in India began with the initiative of the Mysore Resettlement and Development Agency (MYRADA) in 1985, which introduced the concept of affinity-based self-help groups. By the mid-1980s, MYRADA had facilitated the formation of around 300 SHGs, many of which emerged as a response to the collapse of large cooperatives due to leadership inefficiencies and governance failures (NABARD, 2005-2006). A significant institutional push came in the late 1990s with the launch of the **Swarnjayanti Gram Swarozgar Yojana (SGSY)** by the Government of India. This comprehensive program adopted a group-based approach to

rural development, encouraging the rural poor to form SHGs and engage in viable microenterprises with the support of bank credit and government subsidies (Tripathy, 2004).

Since 2000, the SHG model has been integrated into successive national development plans. The program is supported by a collaborative framework involving key stakeholders such as the Indian Banks' Association, State-Level Bankers' Committees, District Consultative Committees, NABARD, and facilitating NGOs. These institutions, alongside research organizations, play a crucial role in monitoring, training, and capacity-building efforts.

Furthermore, SHG operational manuals and resource guides have been developed and made accessible online, contributing to knowledge dissemination and standardized practices across the country.

Issues and Challenges Faced by Self-Help Groups in Chhattisgarh

Despite the significant role SHGs play in promoting rural development and women empowerment, several persistent challenges undermine their effectiveness, particularly in Chhattisgarh. The key issues identified in this study are outlined below:

■ **Lack of Awareness among Members**

Although various awareness campaigns and schemes are introduced by governmental and non-governmental bodies, many SHG members remain uninformed about the full range of benefits and support available to them. This knowledge gap hinders the utilization of available resources and assistance.

■ **Insufficient Training and Skill Development**

The training provided to SHG members in areas such as product development, production techniques, quality control, marketing, and managerial skills is often inadequate. Without proper training, members struggle to compete with more established enterprises that benefit from technical expertise and professional standards.

■ **Challenges in Raw Material Procurement**

Most SHGs procure raw materials individually in small quantities, which prevents them from accessing economies of scale such as bulk discounts or extended credit. Moreover, there is a lack of centralized procurement systems or storage facilities, and minimal awareness about reliable suppliers, leading to higher input costs and supply inconsistencies.

■ **Marketing Constraints**

Marketing remains one of the most critical yet underdeveloped aspects of SHG operations. The challenges faced include:

- ✓ Irregular or insufficient orders.
- ✓ Weak linkages with marketing agencies and networks.
- ✓ Inadequate promotional activities.
- ✓ Lack of stable and accessible markets.
- ✓ Absence of brand identity.
- ✓ Poor product packaging.
- ✓ Subpar product quality due to outdated production methods.
- ✓ Intense competition from large-scale producers.
- ✓ Absence of a structured and efficient distribution system.

■ **Instability and Lack of Cohesion, Especially among Women SHGs**

Women-led SHGs frequently face issues of discontinuity, particularly when members relocate post-marriage or due to family obligations. Internal conflicts and lack of coordination among members further reduce group cohesion and long-term sustainability.

■ **Dominance by Influential Members**

In many cases, stronger or more educated members dominate decision-making processes, often leading to the exploitation of less informed or illiterate members. This imbalance undermines the principle of equality and shared benefit that SHGs are based upon.

■ **Poor Financial Management**

Some groups lack basic financial discipline and transparency. Business returns are often misused for personal or household expenses instead of being reinvested in productive activities, which affects long-term growth and sustainability.

■ **Low Profitability and Returns**

Several SHGs operate with minimal financial returns due to poor planning, inefficient operations, lack of cost control, and low awareness about product quality. These factors diminish the economic attractiveness of SHG participation.

■ **Inadequate Financial Support**

Financial assistance from banks and support institutions often falls short of the actual capital requirements of SHGs. The absence of sufficient subsidies or soft loans also limits their ability to cover essential operational costs, including wages.

■ **Unfavorable Attitude of Financial Institutions**

Many banks and financial institutions continue to perceive SHGs as high-risk borrowers. As a result, they are often reluctant to provide loans or other financial services, which significantly limits the growth potential of SHGs.

■ **Lack of Institutional Support from Line Departments**

To access government schemes and services, SHG members must interact with line department officials. However, many report non-cooperation, lack of follow-up, and bureaucratic hurdles, which deter them from seeking necessary support and guidance.

Suggestions to Address the Challenges Faced by SHGs

To mitigate the aforementioned challenges and enhance the effectiveness of Self-Help Groups (SHGs) in Chhattisgarh, the following strategic recommendations are proposed:

1. **Utilization of Local Resources and Innovation Training**

SHGs should be provided with comprehensive information about locally available raw materials and their diverse applications. This knowledge can be disseminated through grassroots surveys conducted at the panchayat level under the supervision of local authorities. Members should be encouraged and trained to create innovative, marketable products using indigenous materials, thereby reducing dependency on costly external resources.

2. Expansion of State-Level Marketing Networks

State-level promotional and support organizations should broaden their outreach across the entire state, rather than concentrating on select regions. This would enable uniform development and better market access for SHGs operating in remote or underserved areas.

3. Formation of Co-operative Societies for Marketing

SHGs within the same panchayat or locality can be encouraged to form cooperative societies. These collectives can coordinate the marketing of products under a unified brand name, undertake advertising and promotional initiatives, and centralize procurement of rare or bulk raw materials. Such cooperatives would ensure economies of scale and stronger market visibility.

4. Role of NGOs in Capacity Building

Non-Governmental Organizations (NGOs) can play a vital role in strengthening SHGs by offering foundational education, motivation programs, and financial literacy training. NGOs can also help in bridging the skill gap by identifying underperforming members and providing targeted capacity-building through short-term training programs at the village or panchayat level.

5. Regular Awareness Programs

The Department of Rural Development and allied agencies should organize periodic awareness camps to inform SHG members about various government schemes, financial assistance programs, and capacity-building initiatives. Such efforts will empower members to make informed decisions and utilize available resources more effectively.

6. Performance-Based Financial Support

Financial institutions should adopt a performance-oriented approach in extending credit and subsidies to SHGs. Assistance must be allocated based on the group's track record, operational efficiency, and future viability—ensuring an unbiased process free from political, social, or caste-based discrimination.

7. Integrated Socio-Economic Empowerment

A noticeable shift in the values and attitudes of SHG members reflects the growing success of socio-economic empowerment programs. These interventions, when integrated with health, education, and livelihood strategies, can foster holistic development across households and communities.

8. Promotion of Self-Fulfillment and Collective Growth

SHG development must not be limited to financial empowerment but should also emphasize personal growth and social fulfillment. Strengthening the self-worth and aspirations of each member will create a more committed, cohesive, and future-ready group, capable of driving long-term community transformation.

By implementing these measures, SHGs in Chhattisgarh can transition into more robust and resilient institutions, capable of contributing significantly to local development, financial inclusion, and women's empowerment.

Conclusion

Self-Help Groups (SHGs) have increasingly established themselves as influential instruments for the socio-economic upliftment of the rural poor in India. Their role extends beyond mere financial assistance, as they

have demonstrated a significant positive impact on household income, savings behavior, self-confidence, and social participation among their members—particularly women.

By encouraging collective action and mutual support, SHGs have enabled rural women to step out of traditional domestic confines and engage in decision-making processes, both within their families and communities. This transformation has led to greater awareness, skill development, and empowerment.

Though SHGs operate at the micro level, their cumulative impact is macro in scope—catalyzing rural development, promoting financial inclusion, and contributing to the broader goals of gender equity and poverty alleviation. Strengthening these institutions through targeted policy support, training, and infrastructure can unlock their full potential in shaping an inclusive and sustainable development trajectory for regions like Chhattisgarh and beyond.

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