

# Challenges faced by Self-help Groups in taking up Entrepreneurship in Uttar Pradesh

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## ABSTRACT

Entrepreneurship has always attracted the attention and interest of several individuals like economists, politicians, social reformers, businessmen etc. Entrepreneurs are considered a significant component of our society that has played a critical role in changing our country's business and employment scenario. By adopting the process of entrepreneurship, entrepreneurs have contributed to the nation's GDP by adding new products or services and making them available for consumption. In doing so they have to face several challenges that are related to wide range of issues. A successful entrepreneurial venture requires funds, resources, manpower, technical know-how, awareness, and knowledge about policies and processes. Earlier while thinking about entrepreneurs, only rich affluent businessmen have quick and easy access to funds and resources would come to mind, however micro finance initiatives by self-help group have taken entrepreneurship to rural areas, villages and small town. This paper intends to study and bring to various light challenges that SHGs face while taking up entrepreneurship in the state of Uttar Pradesh.

**Keywords:** Self-help groups, Micro finance, Entrepreneurial challenges.

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## INTRODUCTION

Self-help groups or SHGs are distinctive methods toward the financial inclusion of marginalised rural poor, who, despite numerous government interventions, failed to access funds that may be useful for satisfying their financial needs. Self-help groups have proven wonders in providing financial assistance, particularly in countries where the government have a limitation of extending such support. Self-help groups through fundraising through micro finance and through their group activities have been considered an effective medium to promote entrepreneurship, especially in rural or semi-urban areas. SHG refers to an organized or unorganized group of individuals (usually between 10–20 in numbers) who come together to find solution of some common problem that they face. Self-help groups have proven wonders in providing financial assistance, particularly in countries where the government have limitation of extending such support. This revolutionary concept has brought smiles to face of million poor people across the world was first thought and conceptualized by Professor Mohammed Yunus of Bangladesh in 1975, who was also awarded with Noble Prize for his contribution to the field. The objective of

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SHGs has been such praiseworthy that the government has introduced initiatives to promote SHG and their work.

## REVIEW OF LITERATURE

It is evident that an entrepreneur requires access to funds, human and non-human resources. Mere access to resources does not guarantee business success, entrepreneur must be effective and efficient in utilization of these resources.

There are several researchers who rank lack of access to funds as a major challenge that SHGs are facing in establishing a venture. According to (Mansuri, 2010) one of the primary challenges that an entrepreneur

face is the availability of funds. Although there is an impressive network of institutions engaged in financing, such facilities are out of reach of many poor people from rural backgrounds. The formal banking has failed to provide services to poor and have left no option but to bank of SHGs to provide finances that may be appropriately utilised. A significant number of rural poor were also unable to get financial advances from banks and other institutions because they could not arrange for any collateral or security towards the financial assistance (Khandelwal, 2007). SHG-Bank linkage program has been a unique and noble initiative itself. It is one of the largest programme of such type to take place anywhere in the world. Although the concept of micro financing was prevalent at several places, linking SHGs to bank to derive full advantage of such linkage is unique to India. As far as Uttar Pradesh is concerned, the SHG-Bank linkage programme has successfully attained its objectives. Public sector commercial banks and regional rural banks have been very actively involved in the programme while the performance of cooperative banks has failed to meet the level of expectation. NPA against advances to self-help groups has been gradually rising this has been a major hinderance in the implementation of the programme (Usmani & Anees, 2022). The primary challenge face by SHGs is that the bank services that are available in India has uneven distribution and several rural poor and women having to self-rely for financing the entrepreneurial aspirations, mostly these are generated through informal channel, however funding thus generated is very meagre that is rarely able to serve the purpose (Kumar & Golait, 2009). (Kalyani & Chandralekha, 2002) in their work highlighted the impact demographic factors and socioeconomic conditions have on entrepreneurs, particularly women. It is observed that several women received support from members of the family that was crucial for completion of various organisational work. Thus, lack of family support is a challenge for self-help groups in pursuing their entrepreneurial intentions. (Rajani, 2008) Her research covering 100 women entrepreneurs from Kadapa district of Rayalseema studied management of small enterprise and the need for managerial training among women entrepreneurs. The researcher found that in most cases, women who entered into entrepreneurship were either illiterate or had little education. Managerial skill associated with being an entrepreneur like production skills, administrative skills, integration skills like personnel skills, communication and negotiation skills and entrepreneurial skills were also studied. It was

found that these women entrepreneurs had average production and entrepreneurial skills, while they had low administration skills, however, they ranked well in the case of integration skills rated to be average among them. About 66% women entrepreneurs were also found to be aware of support system available through banks while the remaining 34% were unaware of it. However, only 26% of women entrepreneurs utilized the support mechanism available through banks and other agencies. The main reasons because of which the remaining 74% stayed away from the available support system was lengthy and complex bank procedures, delay in loan approval, extensive follow-up with banks and meagre support that was available was mostly insufficient. The study highlights what must be the focus areas of the training programme for women entrepreneurs. (Lalhunthara, 2019) in his study on 406 micro, small and medium enterprises made an attempt to identify factors that had important role in encouraging entrepreneurship in Aizawl district of Mizoram were research point out the importance of entrepreneurial education and entrepreneurial support system through government and other agencies in order to promote entrepreneurship. (Colney, 1997) earlier in his study in the same region had pointed that the region's weak and unproductive industrial sector along with the poor help and support from banks was responsible for the pace of entrepreneurial development in the region. (Rathna, Badrinath, & Anushan, 2016) in their work studied entrepreneurial motivation and challenges associated with women entrepreneurs of Thanjavur district. Unfavorable market condition was a major problem faced by women entrepreneurs from the area of study while strict legal and regulatory conditions and problems related to financing were also some noted problems. In the study, it was found that most women agreed that lack of information and balancing of work and family life were the top two challenges they faced, followed by poor self-confidence.

## OBJECTIVES

The study attempts to understand the different challenges and barriers that self-help groups of Uttar Pradesh face in taking up entrepreneurship. It also attempts to suggest means of handling the challenges.

## METHODOLOGY

The study is based on primary data collected from members of self-help groups belonging to Uttar Pradesh through closed ended questionnaire. Uttar Pradesh was



divided into two geographical regions; UP east and UP West. Districts having more than 10,000 SHGs as per NRLM data were considered. Purposive sampling was adopted and out of 27 districts having more than 10,000 SHGs as per NRLM data 12 districts were selected 5 from UP west and 7 from UP east. Sample size of 150 SHG members was taken however, 7 cases were found to be incomplete thus resulting sample size is 143.

## ANALYSIS

### Lack of Finance and Unawareness to Sources of Finances

Finance is considered to be the most important requirement for any venture. Funds are not only required at initial stage but also all through the life of the business. The funds at the initial stages are mostly for associated with fixed assets and raw materials. While operational cost is of recurring nature that may be required at different stages.

It is found that lack of finance is a major challenge (Table 1) that self-help group face in taking up entrepreneurship. Total 7.7 % strongly agreed while 48.3% agreed that lack of finance is a problem they

must mitigate to take up entrepreneurship. 20.3% of the SHG members disagreed to the fact that finance is a challenge to take up entrepreneurship.

It is also found that another major challenge is unawareness to the sources of finances (Table 2). 4.2% members strongly agreed while 72% agreed that they are unaware of the different sources of finances. Lack of finance probably arise due to the fact that 76.2% members are not aware of the sources that finance thus rendering these members unable to have easy access to finances that can help them to use such funds for entrepreneurial activities.

### Problems Linked with banks

Finances are made available to self-help groups through network of banks in India. SHG-Bank linkage programme is a programme unique to India. Total 13.3% strongly agreed while 55.2% agreed that they face problems getting funds from banks (Table 3). This is mainly due to essential requirements and the complex process linked with getting funds from the bank. 11.9% of members disagree that face problem in getting funds from banks. 19.6% neutral responses were received.

**Table 1:** Lack of finances

		Frequency	Percentage (%)	Valid percent (%)	Cumulative percent (%)
Valid	Strongly Agree	11	7.7	7.7	7.7
	Agree	69	48.3	48.3	55.9
	Neutral	34	23.8	23.8	79.7
	Disagree	29	20.3	20.3	100.0
	Total	143	100.0	100.0	

**Table 2:** Unawareness about sources of finances

		Frequency	Percentage (%)	Valid Percent (%)	Cumulative Percent (%)
Valid	Strongly Agree	6	4.2	4.2	4.2
	Agree	103	72.0	72.0	76.2
	Neutral	29	20.3	20.3	96.5
	Disagree	5	3.5	3.5	100.0
	Total	143	100.0	100.0	

**Table 3:** Problems in getting funds from bank

		Frequency	Percentage (%)	Valid Percent (%)	Cumulative Percent (%)
Valid	Strongly Agree	19	13.3	13.3	13.3
	Agree	79	55.2	55.2	68.5
	Neutral	28	19.6	19.6	88.1
	Disagree	17	11.9	11.9	100.0
	Total	143	100.0	100.0	

**Table 4:** Crosstab Problems in getting funds from bank and Type of bank is SHG is linked to

<i>Public commercial bank</i>		<i>Type of bank is SHG linked to</i>			<i>Total</i>	
		<i>Private commercial bank</i>	<i>Regional rural bank</i>	<i>Cooperative bank</i>		
Problems in getting funds from bank	Strongly Agree	4	0	15	0	19
	Agree	18	2	48	1	69
	Neutral	3	0	15	10	28
	Disagree	7	1	9	0	17
Total		32	3	87	11	133

Crosstab of types of banks to which self-help group is associated and problems in getting funds from bank to have an idea of whether problem of getting funds from bank (Table 4).

It is observed that out of 19 members who had problem in getting funds from bank 4 belonged to SHGs which have saving account linked to public sector commercial bank while 15 were linked to regional rural bank. Among 69 members who agreed to facing problem in getting funds from bank, 18 had a saving account linked with a public commercial bank, 2 with private commercial bank while 48 had saving account linked with regional rural bank and remaining 1 with the cooperative bank. It can thus be observed that members are have more problem in getting funds from regional rural bank in comparison with other banks.

Corruption is often also a spoil play in various development and social measures initiated by government and other related bodies. However, on a different note it was found that only 10.5% agreed to presence of corruption in loan approval

and disbursement. Total 32.9% disagreed and 4.9% strongly disagreed on corruption in loan approval and disbursement (Table 5). Thus corruption is not a major challenge for SHG to take up entrepreneurship.

### Lack of Family Support

Members of self-help groups are mostly female, and as females in India's social set-up have multiple roles to perform, family support becomes essential for them. For a female to be a contributing member of the self-help group, it is necessary that her engagement and involvement in work other than that of home is acceptable to various family members. It is found that the members in the study are facing this problem to some extent (Table 6). Total 32 members i.e., 22.4% felt that they do not get support from their family in their desire to take up some work that may generate earning. Total 61 members, which accounted for about 42.7%, agreed that there was lack of support from family. Total 35 members felt that lack of support from family is not a challenge for them.

**Table 5:** Corruption at bank with regard to loan approval and disbursement

		<i>Frequency</i>	<i>Percentage (%)</i>	<i>Valid percent (%)</i>	<i>Cumulative percent (%)</i>
Valid	Agree	15	10.5	10.5	10.5
	Neutral	74	51.7	51.7	62.2
	Disagree	47	32.9	32.9	95.1
	Strongly Disagree	7	4.9	4.9	100.0
	Total	143	100.0	100.0	

**Table 6:** Lack of family support

		<i>Frequency</i>	<i>Percentage (%)</i>	<i>Valid percent (%)</i>	<i>Cumulative percent (%)</i>
Valid	Strongly Agree	32	22.4	22.4	22.4
	Agree	61	42.7	42.7	65.0
	Neutral	15	10.5	10.5	75.5
	Disagree	28	19.6	19.6	95.1
	Strongly Disagree	7	4.9	4.9	100.0
	Total	143	100.0	100.0	



**Table 6:** Frequency of training

		Frequency	Percentage (%)	Valid percent (%)	Cumulative percent (%)
Valid	Quarterly	8	5.6	5.9	5.9
	Half yearly	68	47.6	50.0	55.9
	Annually	60	42.0	44.1	100.0
	Total	136	95.1	100.0	
Missing	System	7	4.9		
Total		143	100.0		

### Challenges linked to training

Training is an important element required for all sorts of tasks and is no different for members of self-help groups. Training programme frequency varied across 136 members out of 143 who responded that training program was organised by their self-help group (Table 6). Though training was being provided majority of respondent, 95.8% respondent still felt that there was lack of training which is a challenge for them to take up entrepreneurship. Only 6 out of 143 respondents felt that training was not a major challenge for taking up entrepreneurship. Among the 136 members who had training programme at their SHG, 8 had it on quarterly basis, while 68 had it on a half-yearly basis, while 60 has a training program on an annual basis. Total 7 respondents reported that training programme was not being organised at their SHG.

Through crosstab between frequency of training and lack of training (Table 7) it is found that 24 respondents out of 60 where training was being held on annual basis

strongly agreed that lack of training is a challenge while 36 out of 60 agreed to this, for 6 out of 8 where training was being held on quarterly basis lack of training is not a challenge, indicating that higher is the frequency of training less is the chance of lack of training being seen a challenge for entrepreneurship.

### Insufficient Managerial Skills

Lack of training was found to have impact on another aspect of entrepreneurship. Managerial skills are important for any organization's success, survival and growth. A crosstab between the frequency of training and insufficient managerial skills was prepared. In the case of respondents where the training programme was being held on annual basis, 25 out of 60 strongly agreed and 30 out of 60 agreed that insufficient managerial skills is a challenge for pursuing the entrepreneurial aspiration of members, indicating that if the frequency of training is less it have an adverse impact on managerial skills of members (Table 8).

**Table 7:** Crosstab Frequency of training and Lack of training

Quarterly		What is the frequency of training			Total
		Half yearly	Annually		
Lack of training	Strongly Agree	0	4	24	28
	Agree	2	64	36	102
	Disagree	6	0	0	6
Total		8	68	60	136

**Table 8:** Crosstab Frequency of training and Insufficient managerial skills

Quarterly		What is the frequency of training			Total
		Half yearly	Annually		
Insufficient managerial skills	Strongly Agree	0	23	25	48
	Agree	0	38	30	68
	Neutral	3	2	5	10
	Disagree	4	5	0	9
	Strongly Disagree	1	0	0	1
Total		8	68	60	136

**Table 9:** Inadequate knowledge about product distribution

		Frequency	Percentage (%)	Valid Percent (%)	Cumulative Percent (%)
Valid	Strongly Agree	93	65.0	65.0	65.0
	Agree	32	22.4	22.4	87.4
	Neutral	11	7.7	7.7	95.1
	Disagree	7	4.9	4.9	100.0
	Total	143	100.0	100.0	

**Table 10:** Insufficient commitment from SHG members

		Frequency	Percentage (%)	Valid Percent (%)	Cumulative Percent (%)
Valid	Strongly Agree	11	7.7	7.7	7.7
	Agree	63	44.1	44.1	51.7
	Neutral	38	26.6	26.6	78.3
	Disagree	30	21.0	21.0	99.3
	Strongly Disagree	1	.7	.7	100.0
	Total	143	100.0	100.0	

**Table 11:** Disagreement and conflict among members

		Frequency	Percentage (%)	Valid Percent (%)	Cumulative Percent (%)
Valid	Strongly Agree	13	9.1	9.1	9.1
	Agree	78	54.5	54.5	63.6
	Neutral	19	13.3	13.3	76.9
	Disagree	9	6.3	6.3	83.2
	Strongly Disagree	24	16.8	16.8	100.0
	Total	143	100.0	100.0	

### Inadequate Knowledge about Product Distribution

Members also saw lack of awareness about product distribution as a challenge for self-help group members. This results in the members' inability to ensure that their product reaches its target consumer. 65% strongly agreed while 22.4% agreed *i.e.* 125 respondents either strongly agreed or agreed that inadequate knowledge about product distribution is a challenge for SHG members (Table 9).

### Challenges Associated with Members

Another critical element is issues associated with the group members. It was found that the group's desire and aspiration to take-up entrepreneurship was also affected by the commitment level of the group members. It was found that 51.7% of respondents strongly agreed or agreed that there is a requirement of more commitment from group members. 26.6% neutral responses were received, indicating that, 31 respondents, *i.e.*, about 21.7% felt that the members had sufficient commitment towards group work (Table 10).

Disagreement and conflict among members is yet another challenge that self-help group faces (Table 11). Total 9.1% strongly agreed while 54.5% agreed that disagreement and conflict among members is a challenge for them. Total 23.1% felt that this is not a challenge for them while 13.3% neutral responses were received.

### CONCLUSION

Self-help group are seen as a significant part of Indian financial system as they have been instrumental in connecting to marginalized and poor through micro financing initiatives. India's dream of becoming self-reliant economic power needs to involve all to contribute to economic growth and development. Through their entrepreneurial efforts, the self-help group has the potential to involve Around 50% of India's population residing in rural areas, villages and small town where SHGs and their engagement in economic activities is more. Steps must be taken to find ways through which entrepreneurial promotion through SHG can take place, along with this it is also important



to identify and address the challenges that SHG face in pursuing entrepreneurship. The present work brings to front key challenges like; lack of finances, unawareness about sources of finance, problems associated with getting loan from banks, lack of training, insufficient managerial skills and challenges associated with members like lack of commitment from members and conflicts and disagreement among members. It is also found that most of the challenges are associated with one major challenge: lack of training. It, therefore, become important to organise frequent structured training for SHG members. Training can help members to manage finances in a better way, and identify source of funds. Managerial skills improve with training; thus, several operational challenges may be aptly addressed.

Lack of family support has been a common barrier in case of female initiatives probably due to Indian culture mainly been patriarchal. Often female taking up some task and performing well in it become a prestige issue in the dominant male society. This may be addressed through proper counseling and talk, which may be SHG driven to increase the acceptance of female doing work. Help of NGOs may also be sought in such case so as to help reduce and gradually eliminate this social issue that has been plaguing out society since long.

Several other challenges that several members reported were lack of transport facility and distance from market place. It is well known that success of a business depends on the availability of its product in the market and these two issues highlight that infrastructural development is also directly linked with promoting of entrepreneurship. Government intervention to ensure

availability of transport facilities in rural area, easy access to market place is also important.

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