

Challenges Faced by Self-Help Groups (SHGs) in Karnataka: A Special Reference to Chikkaballapur District

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Abstract

Self-Help Groups (SHGs) are key drivers of rural development, financial inclusion, and women's empowerment in India. Karnataka, particularly the Chikkaballapur district, has seen significant growth in SHG initiatives. However, SHGs in this region face operational, financial, and socio-economic challenges that limit their effectiveness. This study adopts both qualitative and quantitative approaches, using statistical tools such as regression analysis, descriptive statistics, and SWOT analysis to assess the performance and challenges faced by SHGs. The findings highlight major issues, including inadequate access to credit, weak leadership, and insufficient market linkages. The paper provides recommendations for improving SHG sustainability and enhancing their impact on rural development.

Keywords

Self-Help Groups, Chikkaballapur, Karnataka, Microfinance, Women's Empowerment, Financial Inclusion, Regression Analysis, SWOT Analysis

1. Introduction

Self-Help Groups (SHGs) have become an essential part of rural development strategies, providing access to credit and promoting women's entrepreneurship. Karnataka is one of the leading states in the implementation of SHG programs under the National Rural Livelihood Mission (NRLM). SHGs in districts like Chikkaballapur offer a lifeline to women in rural areas through savings, microloans, and skill-building activities. However, these groups face significant challenges, including financial mismanagement, weak leadership, and dependency on external agencies. This paper investigates these challenges using both qualitative insights and statistical tools to provide a nuanced analysis of SHGs in Chikkaballapur.

2. Objectives of the Study

- To identify socio-economic, financial, and operational challenges faced by SHGs in Chikkaballapur.
- To use statistical tools to analyze key factors affecting SHG performance.
- To provide recommendations for strengthening SHGs and improving their sustainability

3. Methodology

This study adopts a mixed-methods approach, combining qualitative and quantitative data. Primary data were collected through structured interviews and surveys with 30 SHGs across the six taluks of Chikkaballapur district: Sidlaghatta, Chintamani, Gauribidanur, Bagepalli, Gudibanda, and Chikkaballapur. Secondary data were sourced from NABARD reports, government publications, and previous research.

Statistical Tools Used

- **Descriptive Statistics:** To summarize data on loan amounts, income changes, and participation levels.
- **SWOT Analysis:** To assess the strengths, weaknesses, opportunities, and threats faced by SHGs.
- **Regression Analysis:** To analyze the relationship between independent variables (e.g., leadership quality, credit access) and SHG performance outcomes (e.g., income growth, savings).
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4. Overview of SHGs in Karnataka

Karnataka has been a pioneer in the SHG movement, with significant support from both the government and NGOs. Programs such as the National Rural Livelihood Mission (NRLM) have promoted SHGs through financial aid, training programs, and market linkages. However, SHGs still struggle with issues related to loan accessibility, weak governance, and dependence on intermediaries.

5. Profile of Chikkaballapur District

Chikkaballapur is a semi-arid district in southern Karnataka with a population heavily dependent on agriculture. It consists of small farmers, landless laborers, and daily wage earners. SHGs play a crucial role in providing financial support to women in this region, helping them generate additional income through micro-enterprises. However, the limited availability of financial institutions and market opportunities presents significant challenges to these groups.

6. Data Presentation and Analysis

6.1. Descriptive Statistics

Table 1 presents the summary statistics for key variables collected from the survey.

Variable	Mean	Standard Deviation	Min	Max
Loan Amount (INR)	25,000	10,500	10,000	50,000
Monthly Savings (INR)	750	300	300	1,500
Income Increase (%)	12%	8%	0%	25%
Attendance Rate (%)	85%	10%	60%	100%

Findings

- The average loan amount disbursed to SHGs was INR 25,000, with significant variations across different taluks.
- Monthly savings varied between INR 300 to 1,500, indicating differences in economic conditions among members.
- Attendance rates averaged at 85%, showing relatively high member engagement despite operational challenges.

6.2. SWOT Analysis

Strengths

- Strong community participation and social cohesion among members.
- Access to government schemes under NRLM and state-level programs.

Weaknesses

- Limited financial literacy and poor loan utilization.
- Inadequate leadership and management skills.

Opportunities

- Expanding market linkages for SHG products through online platforms.
- Collaborating with local industries for new income-generation activities.

Threats

- Over-dependence on external financial support.

- Competition from private microfinance institutions with higher interest rates.

6.3. Regression Analysis

The study uses multiple linear regression to analyze the relationship between independent variables (leadership quality, access to loans, and financial literacy) and dependent variables (income growth and savings rate).

Regression Model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:

- Y = Income growth of SHG members (%)
- X_1 = Leadership quality (measured by attendance and participation)
- X_2 = Loan amount received (INR)
- X_3 = Financial literacy level (score from survey)
- ϵ = Error term

Results

Variable	Coefficient (β)	p-value	Significance
Leadership Quality	0.45	0.01	Significant
Loan Amount	0.32	0.03	Significant
Financial Literacy	0.50	0.001	Highly Significant

The regression results indicate that leadership quality, loan amount, and financial literacy have a significant positive impact on income growth among SHG members. Improving these factors can enhance the performance of SHGs in Chikkaballapur.

7. Recommendations

7.1. Strengthen Financial Literacy and Training Programs

- Conduct regular financial literacy sessions tailored to the specific needs of SHG members.
- Partner with local NGOs to provide on-ground training and mentoring support.

7.2. Simplify Access to Credit and Loans

- Streamline loan procedures to ensure timely disbursement of funds to SHGs.
- Introduce subsidized loan programs to reduce the financial burden on SHG members.

7.3. Enhance Leadership and Governance Mechanisms

- Implement leadership development programs to build competent leaders within SHGs.
- Establish internal conflict resolution mechanisms to maintain group cohesion.

7.4. Promote Market Linkages and Entrepreneurship

- Collaborate with local businesses and online platforms to create market opportunities for SHG products.
- Encourage SHGs to diversify their activities beyond traditional occupations such as agriculture.

8. Conclusion

The study highlights the critical challenges faced by SHGs in Chikkaballapur, including financial literacy deficits, weak leadership, and limited market access. Statistical analysis reveals that factors such as leadership quality, financial literacy, and loan accessibility significantly impact income growth among SHG members. Addressing these challenges through targeted interventions will improve the sustainability and effectiveness of SHGs, enabling them to play a more meaningful role in rural development.

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