

## **HELP FINANCIAL OPERATIONS AND PRODUCT PREFERENCES OF SELF HELP GROUPS (SHG)**

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### ***Abstract***

*The aim of this research work is to study the financial utilization and product preferences of Self Help Groups (SHGs) in the Union Territory of Puducherry region. The research variables were identified from the literature review relating to financial operations and product preferences of SHG and primary data of 251 random sample of SHGs was collected through survey method using well-structured questionnaire. The statistical package of SPSS was utilized to analyze the data using statistical techniques of descriptive statistics with frequency analysis and simple mean, chi-square test and correspondence analysis. Results show that majority of groups which is 69.3% of them have adopted a savings rate of Rs.51-100 and majority of the groups consisting of 54.6% wish to use part of the loan for equipment purchase in addition to other expenditures*

**Key words:** Self Help Groups, Operations, Financial Utilization, Product Preferences, Empirical

### **Introduction**

Self Help Groups (SHG) are small, homogenous, affinity groups from the poorer sections of society who, have voluntarily come together to save small amounts regularly which is deposited in a common fund to meet the members emergency needs and to obtain collateral free loans as decided by the group. The SHG is an informal group of

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persons numbering between 10 and 20 people from the economically poorer section of the society. SHG can also be described as a formal group of persons, which has been created for the purpose of collective support towards the process of empowerment and financial independence. The SHG formation and group activity and has been evolved due to the various prevalent social conditions in society which may be dependency of women, large family size, low literacy rate, lack of funds, and lack of technical skills by vast sections of society. The guiding principle of SHG formation and functioning is mutual trust and mutual support where individuals are equal and made responsible for actions while the group development is the primary motive of functioning and all decisions are made through consensus. Many definitions have been made of the SHG. As per A women's SHG is a small economically homogenous affinity group of rural poor women, voluntarily coming together to save a small amount of money regularly, to agree to contribute to a common cause, to meet emergent needs on a mutual help basis, to practice collective decision making, to solve conflicts through leadership and to provide collateral free loans with terms and conditions decided by the group and this study will help to answer the research questions of the financial utilization and product preferences of Self Help Group (SHG) Products in Puducherry region.

### **Review of Literature**

has studied the rural non-Farm Employment: Some Reflections on Petty production with an objective of analyzing the different factors that affect the formation and growth of rural micro enterprises using review of literature from journals and other publications on rural employment and finds that finance was needed for equipment financing, stocking raw materials and for the other working capital needs. One such new concept in the lending is the introduction of group lending to the poor. have examined the role of small business in economic growth and poverty alleviation in West Virginia: An Empirical Analysis with objective of analyzing the role of small business in the rate of economic growth and poverty alleviation through macroeconomic analysis of time series data of small business development and economic growth and found that there is a positive relationship between relative size of the small business and economic growth and inverse relationship between Gross State Product and incidence of poverty.

has studied the emergence of successful entrepreneurs in rural India using case study of village based entrepreneurs and finds that promotion of entrepreneurship in rural India can be by reducing the formalities in financial sector. Finance should be accompanied by suitable marketing consultancy for choosing products. Paitoon has analysed the small and Medium Enterprises in Thailand with objective to study the development, decline and productivity measures of Small and Medium Enterprises in Thailand through review of data from Government Ministries of Industry, Labor and Social Welfare and National Statistical Office and conclude that small companies complained of shortage of capital, medium sized companies complained of shortage of labor and large companies stated uncertain government policies. The companies needed reduced import duties. has studied the linkages and interdependencies of large scale, small scale and informal sector in an Industrial region in India using survey by means of questionnaire and interview method of data collection and research result depicts that Large scale Petrochemical companies have weak links with small scale industries but strong links with other large scale organizations. Large scale engineering companies have stronger links with small scale industries. Large scale industries and informal sector are mainly linked for waste management.

### **Research Methodology**

The purpose of the research work is to analyze and describe the financial utilization and product preferences of Self Help Groups. It can be hence understood that the research is descriptive in nature. First, Subject experts' options survey was conducted on the identified variable for questionnaire validity checking and required corrections were incorporated . The pilot survey of 30 SHGs was collected and initial Cronbach's- alpha value were estimated for checking the reliability of the questionnaire. Primary data for the main study was collected through the survey method of 251 random sample of SHGs were identified from the list of SHG maintained in the various banks, NGOs and Municipal bodies. The data was collected from the members and group leaders of SHGs by means of well-structured questionnaire. The statistical package of SPSS was utilized to analyze the data using the statistical tools descriptive statistics with frequency analysis and simple mean, Chi-square test and correspondence analysis .

## Results and Discussion

Data analysis and interpretation of the sample Self Help Groups (SHG) studied is portrayed in this section. Details such as savings rate, category of products made by SHG, number of loans from banks, purpose of present loan and purpose of present loan

### Savings Rate

The savings rate of the SHG signifies the amount that they are willing to save for the purposes of developing thrift. The savings rate has been categorized as those saving below Rs. 50 per month, those savings between Rs. 51-100 per month, those savings between Rs. 101-150 per month, those saving between Rs. 151-200 per month and those groups saving greater than Rs. 200 per month.

**Table 1 Savings Rate**

Savings Rate	Frequency	Percentage
Below Rs.50	8	3.2
Rs.51-100	174	69.3
Rs.101-150	32	12.7
Rs.151-200	21	8.4
Greater Than Rs.200	16	6.4
Total	251	100.0

Source : Primary data

From the above table 1 it can be inferred that the majority of groups which is 69.3% of them have adopted a savings rate of Rs.51-100 wherein the majority have adopted Rs.100 as an ideal rate of savings, a good number of groups consisting of 12.7% of the groups have adopted a savings rate of Rs. 101-150, while a smaller proportion of 8.4% of the groups have adopted a savings rate of Rs.151-200. A much smaller number of groups consisting of 6.4% of the groups have adopted Rs.200 and greater as savings rate.

### Category of Products Made by SHG

The product categories made indicates the different choices of products and skills to make such products. The different varieties of products produced and services provided which have been selected by the group for making indicates those products which are being most preferred by the groups for the purpose of manufacturing and providing

service. The popularity of the product also indicates the general demand for these products presently which can also be inferred through this list. The list of products that have been included in this list are Tailoring activity, Catering service, Ready-to-eat snacks, Handicrafts, papads, milk production, pickle making, cosmetic products, agriculture activity, fruit and fruit product providing, toys, bakery and others indicating those that are other than these products. The list includes those groups which are producing more than one product therefore the percentage of each category of product as producing and not producing is shown.

**Table 2 Category of Products**

S.No	Product category	Yes		No		Total
		Count	%	Count	%	
1	Tailoring	147	58.57	104	41.43	251
2	Catering	86	34.26	165	65.74	251
3	Ready to Eat Snacks	68	27.09	183	72.91	251
4	Handicrafts	65	25.90	186	74.10	251
5	Papad	57	22.71	194	77.29	251
6	Milk	54	21.51	197	78.49	251
7	Pickles	52	20.72	199	79.28	251
8	Others	51	20.32	200	79.68	251
9	Cosmetics	47	18.73	204	81.27	251
10	Agriculture	40	15.94	211	84.06	251
11	Fruit and fruit products	35	13.94	216	86.06	251
12	Toys	20	7.97	231	92.03	251
13	Bakery	13	5.18	238	94.82	251

Source : Primary data

From the above table 2, it can be interpreted that the product categories that are most preferred to be made by the SHG's are in the order as given shows that Tailoring where 58.6% of the groups are involved in this activity. This is followed by catering of food through small catering outlets where 34.3% of the groups are involved. This is followed by snack foods consisting of snacks and savories wherein 27.5% of the groups are involved. This is followed by handicrafts making being done by 25.9% of the groups, followed by Papad production being done by 22.71% of the groups, followed by dairying being done by 21.51% of the groups. This is followed by pickle making which is being done by 20.72% of the groups. This product is followed by other products

mainly consisting of fish sales, flower and garland (and flower bouquet) making. This is followed by cosmetics products making being done by 18.73% of the groups, which is followed by agricultural activity being done by 15.94% of the groups. This is followed by Fruit and fruit juice sales being done by 13.94% of the groups. This is followed by toy making being performed by 7.97% of the groups and Bakery products making by 5.18% of the groups.

### **Number of Loans from Banks**

The bank loans are provided to the groups to undertake economic activity through capital investment. These loans are made available through certain external agencies such as banks. The options given for this are no loan taken, loan taken once, loans taken twice, loans taken three times and loans taken four times and greater since the formation of the group.

**Table 3 Number of Loans from Banks**

Number of Loans from Banks	Frequency	Percent
No loan taken	39	15.5
One Time	68	27.1
Two Time	107	42.6
Three Time	24	9.6
Four Times and Greater	13	5.2
Total	251	100.0

Source : Primary data

From the above table 3it can be inferred that the majority of the groups consisting of 42.6% of the groups have taken loan from banks twice since the formation of the group while a good proportion of the groups consisting of 27.1% have taken loan only once. A reasonable proportion of 15.5% of the groups have not taken a loan from banks since the formation of the group which may be mostly groups formed recently. A proportion consisting of 9.6% of the groups have obtained loans three times and a small proportion consisting of 5.2% of the groups have obtained loans four times and greater. It can be concluded that majority of the group have taken loans at least one time.

### **Present Outstanding to Banks**

The present outstanding of the group indicates the repayments necessary to be made by the group. The outstanding indicates the debt position of the group towards the bank and shows the liability of the group. The present outstanding level of the groups has been divided into five categories and their frequency is shown in the table next.

**Table 4 Present Outstanding to Banks**

<b>Present Outstanding to Banks</b>	<b>Frequency</b>	<b>Percent</b>
None	104	41.4
1-10,000	32	12.7
10,001-25,000	18	7.2
25,001-75,000	52	20.7
75,001 and Greater	45	17.9
Total	251	100.0

Source : Primary data

From the above table 4 it can be inferred that the majority consisting of 41.4% have no outstanding with the banks, while a good proportion consisting of 20.7% have an outstanding of Rs.25000-75,000. Another good proportion of 17.9% have an outstanding of Rs.75,000 and greater, while a reasonable proportion of the groups consist of 12.7% have an outstanding between Rs.1-10,000 and a small proportion of groups consisting of 7.2% have an outstanding of Rs.10,001 to 25,000. Therefore it can be concluded that the majority of the groups do not have any outstanding with the banks and hence are able to perform operations without any loans.

### **Purpose of Present Loan**

The loans obtained from the banks have been put to several uses simultaneously, both productive in the form of working capital, new product introduction and equipment purchase and non-productive uses such as household expenditure and other expenditures such as functions as required by the groups. The purpose of use of the loans have been shown in five categories. Some loans have been used for two purposes only, while some groups have used the loans for three purposes. Since the loan has been used for multiple purposes hence the usage has been obtained through dichotomous question for each category. The frequency of usage in each category is as shown in the table next.

**Table 5 Purpose of Present Loan**

<b>Purpose</b>	<b>Yes</b>	<b>Percentage</b>	<b>No</b>	<b>Percentage</b>	<b>Total Count</b>
Household Expenditure	81	32.3	170	67.7	251
Equipment Purchase	137	54.6	114	45.4	251
Working Capital	112	44.6	139	55.4	251
New Product Introduction	84	33.5	167	66.5	251
Any Other	16	6.4	235	93.6	251

Source : Primary data

From the above table 5it can be inferred that the majority of the groups consisting of 54.6% wish to use part of the loan for equipment purchase in addition to other expenditures. While a good proportion of 44.6% of the groups wish to use part of the loan as working capital for the conduct of their micro enterprises. A good proportion of the groups consisting of 33.5% wish to use part of the loan to introduce a new product through their micro enterprise and a reasonable proportion consisting of 32.4% of the groups wish to use part of the loans for household expenditure. A small proportion of the groups consisting of 6.4% propose to use part of the loans for any other purpose such as ceremonies and functions.

Chi-square test for association between number of products made and Sales Promotion Expenditure per month

Chi-square test result for association between number of products made and sales promotion expenditure is shown below.

**Table 6 Chi-square test for association between number of products made and sales promotion expenditure per month**

Number of Products Made	Sales Promotion Expenditure per month					Total	Chi-square value	p value
	No Expenditure	Less than Rs.100	101-200	201-300	301 and Greater			
No Products	3 (37.5%) [5.1%]	2 (25.0%) [6.9%]	1 (12.5%) [1.9%]	0 (0%) [0%]	2 (25.0%) [3.6%]	8	47.388	0.001
One	17 (37.0%) [28.8%]	4 (8.7%) [13.8%]	7 (15.2%) [13.2%]	4 (8.7%) [7.4%]	14 (30.4%) [25.0%]	46		
Two	12 (14.6%) [20.3%]	8 (9.8%) [27.6%]	24 (29.3%) [45.3%]	25 (30.5%) [46.3%]	13 (15.9%) [23.2%]	82		
Three	7 (15.6%) [11.9%]	6 (13.3%) [20.7%]	12 (26.7%) [22.6%]	16 (35.6%) [29.6%]	4 (8.9%) [7.1%]	45		
Four	10 (28.6%) [16.9%]	3 (8.6%) [10.3%]	6 (17.1%) [11.3%]	7 (20.0%) [13.0%]	9 (25.7%) [16.1%]	35		
Above four	10 (28.6%) [16.9%]	6 (17.1%) [20.7%]	3 (8.6%) [5.7%]	2 (5.7%) [3.7%]	14 (40.0%) [25.0%]	35		
Total	59	29	53	54	56	251		

Note: 1. The value within ( ) refers to Row Percentage, 2. The value within [ ] refers to Column Percentage



Since p value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence it can be concluded that there is association between number of products made and sales promotion expenditure. Based on the row and column percentages it can be inferred that 37% of the groups making one product are making no sales promotion expenditure, 30% of the groups making two products are making a sales promotion expenditure of Rs.201-300 per month, 35% of the groups making three products are making a sales promotion expenditure of between Rs.201-300, 25% of the groups making four products are making a sale promotion expenditure of above Rs.301 per month and 40% of the groups making above four products are making a sales promotion expenditure of above rs.301 per month.

Correspondence analysis for association between number of years offunctioning and sales promotion expenditure per month.

To find the association between number of years in operations of the groups and sales promotion expenditure incurred by the groups chi-square test was done which showed a highly significant association between the two indicators at a significant level of 0.0001.

A correspondence analysis of the association is as depicted below.

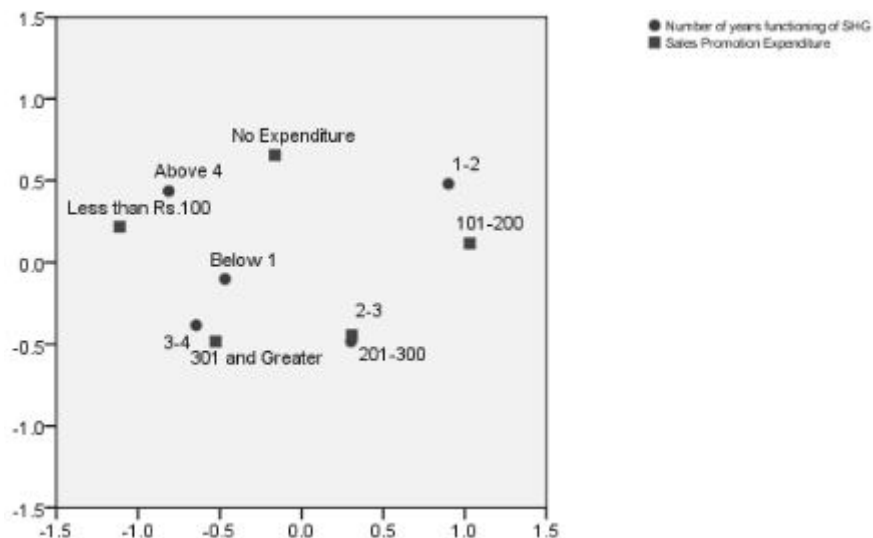


Figure 4.4 Correspondence Analysis Chart- Years and Expenditure

From the above chart it can be inferred that there is association between below 1 year and no expenditure. There is association between 1-2 years and Rs.101 to 200. There is association between 2-3 years and Rs.201-Rs.300 and there is association between 3-4 years and Rs.301 and greater.

Correspondence analysis for association between Savings rate and number of machines used for production by the group

To find the association between number of savings rate and number of machines being used a chi-square test was done which showed a significant association between the two indicators with a significance level of 0.019. A correspondence analysis of the association is as provided below.

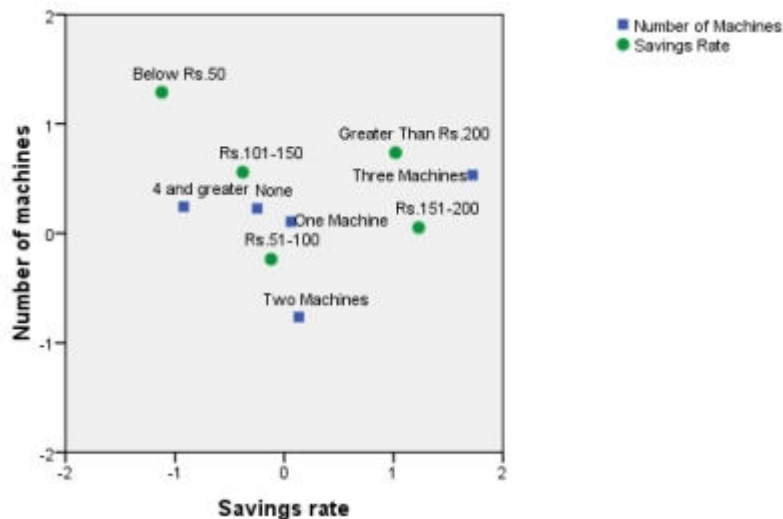


Figure 1 Correspondence Analysis Chart–Savings and Machines

From the above correspondence analysis chart it can be inferred that savings rate of Rs.51-100 and no machine are associated, savings rate of Rs.101-150 and 4 and greater machines are associated, further savings rate of Rs.151-200 and greater than Rs.200 are associated with three machines.

### **Conclusions and Implication**

Research works has concluded that majority of groups which is 69.3% of them have adopted a savings rate of Rs.51-100 wherein the majority have adopted Rs.100 as an ideal rate of savings. Tailoring where 58.6% of the groups are involved in this activity. This is followed by catering of food through small catering outlets where 34.3% of the groups are involved. Majority of the groups consisting of 42.6% of the groups have taken loan from banks twice since the formation of the group while a good proportion of the groups consisting of 27.1% have taken loan only once. Majority consisting of 41.4% have no outstanding with the banks, while a good proportion consisting of 20.7% have an outstanding of Rs.25000-75,000. Majority of the groups consisting of 54.6% wish to use part of the loan for equipment purchase in addition to other expenditures. While a good proportion of 44.6% of the groups wish to use part of the loan as working capital for the conduct of their micro enterprises. Chi-square results show that there is association between number of products made and sales promotion expenditure. Based on the row and column percentages it can be inferred that 37% of the groups making one product are making no sales promotion expenditure, 30% of the groups making two products are making a sales promotion expenditure of Rs.201-300 per month and correspondence analysis results depicts that there is an association between below 1 year and no expenditure, association between 1-2 years and Rs.101 to 200, association between 2-3 years and Rs.201-Rs.300. The research study endeavors to study the various distribution activities performed by the SHG in the Union Territory of Puducherry Region. The study will be a useful guide for making strategic decisions for the development of SHGs. Thus this research will be of immense utility to the Government, Banks, Micro finance Organizations and other policy makers.

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