

Financial management of self help groups in the warangal rural district

¹Bharath Samishetti , ²Dr. K. Anusha

¹Research Scholar, MBA, Koneru Lakshmaiah Education Foundation, Vaddeswaram, Vijayawada, Guntur, Andhra Pradesh, India, bharathmohanhr@gmail.com

²Assistant Professor, MBA, Koneru Lakshmaiah Education Foundation, Vaddeswaram, Vijayawada, Guntur, Andhra Pradesh, India, anusha@kluniversity.in

abstract- For the economic empowerment of women, they depend on self-help groups in rural and urban areas. Thus SHG is a voluntary group formed by homogenous women and it is a holistic program of micro-enterprises covering all aspects of self-employment, organization of the rural poor into SHGs, and their capacity to the planning of activity, technology, building, clusters, infrastructure, credit, and marketing. Telangana State has about 4.35 lakh SHGs as of the end of March 2018. In the Narsampet division, there are about 5690 self-help groups. Financial help is extended by the Central and State Government at 7% interest. Of this, the Center pays 4% and the State government 3%. The financial support to the SHGs is routed through the banks. The SHGs are expected to promote savings, self-employment, relevant skill-building, gender equality, optimum utilization of rural resources, and collective decision making. The group should devise a code of conduct to bind itself because of the fast-changing environment. Savings collected will be the group-specific or corpus fund. Such a corpus fund should be used to advance loans to the members. As such the group develops financial management terms and conditions covering the loan sanction process, repayment schedule & interest rates. The present study examines the financial strength of about 160 groups federated into the Mutually Aided Women Credit Society by considering aggregate savings, credit dispensed, recovery of loans, and overdue loans.

Keywords: Collective decision making, Gender equality, Relevant skill-building, Rural women.

1. Introduction

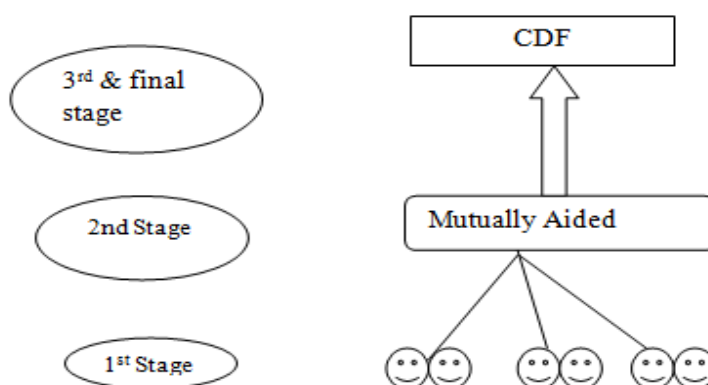
Self Help Groups

SHGs are formed by 10-20 members of people who are facing similar kinds of problems for solving. Members want to improve their living standards by setting up their savings and loan fund. The total fund is owned by the specific group and consists of the savings of the members. The fund is used to make short-term loans at reasonable interest to members. The profit of the fund is divided into the members of the group at the end of the year. This group is a comprehensive team with common vocational characteristics like farming, fishing, and of common economic activity. Every group is headed by a leader who organizes and coordinates the members concerning credit deployment, planning of economic activities, and recovery of the loans on time. Thus this basic structure of the group itself controls the finances of the members to improve the standard

of living of the members. By conception the SHG members do not believe in the external financial support but to accelerate the economic development, the Government now and then offers subsidized inputs.

The group is supposed to meet every week to collect funds born out of savings of the members and also to provide financial accommodation according to the demand and supply of funds. All the members of the Group are to attend the weekly meetings. The management of the Group is the responsibility of an elected body of five members: - one President and the rest of four are committee members. Out of the four one is responsible for the administration of the savings, the second is responsible for the loan administration, and the third is responsible for the maintenance of the books according to the rules and regulations in sync with other groups working in their adjacent communities and the fourth one is a controller. The management is to monitor, review and advise the members about the utilization of the funds and plan various programs to strengthen their financial position of the group on one hand and economic position of the members on the other hand.

To fall in line with the other SHGs functioning in the specific area (territory), the management of the various SHGs is usually federated into a Mutually Aided Society. It facilitates mutual sharing of the practices, policies, and functioning of socio-economic projects of the SHGs. The higher agencies (at 2nd and 3rd Stages) arrange training for the management members of the SHGs in accounting, monitoring, and credit management. Conceptually the SHGs are voluntary groups as stated above. These SHGs are federated into a Mutually Aided Cooperative Society (MACs) meant to advise, control, and supervise the activities of the groups. The Cooperative Development Foundation (CDF), again another voluntary association of the societies designed to bring about discipline in the entire pyramidal structure consisting of the SHGs (1st stage) mutually aided cooperative society (2nd stage) and the CDF (3rd stage). The basic psychology of the people is that they will have a vanity of showing their superiority over other members in all activities in general and in the financial matter in particular. This feature is deeply rooted in the village environment. The following chart explains the linkage between the SHGs, Societies, and the (CDF). This pyramid structure by itself is ensuring financial discipline among the SHGs. Thus all of them work for the development of the basic members of the SHGs to achieve the socio-economic empowerment of the members.



The above structural relationships, because of the embedded financial discipline are facilitating the education process of the members in the area of financial management and SHGs and promoting cooperation and coordination among the SHGs and their members.

2. Literature Review

M. Saravanan (2016) discussed in his article on the impact of SHGs on the Socio-economic development of rural household women in Tamil Nadu – A study: how the SHGs should impact on socio-economic development of women in a rural area in Tamil Nadu.

Sowjanya S. Shetty, V. B. Hans & Prakasha Rao (2015) A Self Help Groups, Financial Inclusion and Women Empowerment – A Critique as per article they are discussed about SHGs are ready to accept new changes as per time change in financial inclusion.

Supravat Bagli & Papita Dutta (2013) Financial Inclusion of the Rural Women: A study on Self-help group in Bankura District, West Bengal the researcher surveyed 541 SHG members to know the savings and lending procedure of members for effective financial inclusion.

Audil Rashid Khaki and Prof. Mohi-ud-Din Sangmi (2012) Microfinance and Self Help Groups: An Empirical Study, those are analyzed that the significance of SHGs is linking with banking and the performance of SHGs in the terms of living standards, income and result in microfinance.

Objectives of the Study: The main objective of the paper is to evaluate the financial management practices of the SHGs affiliated to MACs in Narsampet. Hence, the paper examines the financial trends of the select MAC in aggregate terms which have 160 affiliated SHGs located around the select MAC.

- 1) To identify the various components of savings and the changes in savings during the last five years.
- 2) To analyze the mobilization of funds.
- 3) To study the cost of administration.
- 4) To analyze additional expenditure.
- 5) To examine the Pattern of Utilization of Borrowed funds by the Members of the groups.

3. Research Methodology

For the data analysis process entire data collected through secondary sources from 160 affiliated SHGs located around the selected MACs.

Scope and Limitations of the study

The major limitation of the study is that the financial functioning of SHGs individually is not attempted as the researcher could not collect the group-wise data due to lack of time and resources. However, the pyramid structure explains that the strength of a MAC is always associated with the financial discipline of the SHGs. Hence, a study of the financial trends of a MAC will reflect the financial strength of the SHGs. The scope of the paper is to study the savings and deployment of available liquid resources of the select MAC. As such the qualitative changes that occurred among the group members separately and independently are not examined.

The relevance of the Study of Financial Management in SHGs.

Earlier it is observed that the SHGs have emerged as an alternative means of providing credit to the eligible borrowers. Most of the SHGs are targeting women in rural India. Conceptually it is expected to reduce the over-due loans through the system of group obligation to the financial commitments of the borrowers. Credit support to women is envisaged in proportion with the savings and other accumulated credit balances of the member. India has a women population of more than 50% of the total population. Even then their socio-economic position vis-à-vis their counterparts is far lesser due to which they marginalized in all fields. To

uplift the socio-economic status of women in the country is to support financially, legally, and administratively through a suitable credit support system. SHGs are considered a suitable system for empowering women. In brief, SHGs are basic financial unit created to support the process of women empowerment. As a part of the rural development program, the Government of India is providing different kinds of financial benefits to women through the SHGs. Hence, they must be run efficiently and effectively. This study precisely aims at assessing the financial management of the SHGs in terms of their savings, surpluses, credit deployment. An analysis of these criteria at the group level could be more relevant. For this purpose, the data are collected from the Annual Reports of the select MACS to which SHGs are affiliated.

Data Analysis:

1) Mobilization of savings

As observed earlier the major sources of finances to the SHGs, as per the bye-laws are Savings of the members under different schemes. Savings are also of two types' viz., prescribed savings of the members, and monthly voluntary savings of the members. Further, the SHG also allows the deposits by the members. These funds are to be managed by the group concerned as per the rules and regulations. The leader of the group is responsible to maintain accurate accounts and also to report to the members as and when asked for. Generally, the SHGs are asked to maintain Cash Book, Membership Register, and Individual Accounts and other Registers supporting the basic transactions.

TABLE: 1 Members' Savings of Different Types

(Fig. In Rs.)

Year	Prescribed savings per month	Voluntary savings per month	General Savings as per convenience (Deposits)	Total Savings	Growth of Aggregate Savings (%)
2013-2014	3988970 (89)	466345 (10)	5402 (1)	4460717 (100)	-
2014-2015	4482820 (89)	521021 (10)	4731 (1)	5008572 (100)	12.28
2015-2016	4963170 (88)	637203 (11)	3580 (1)	5603953 (100)	11.88
2016-2017	3993700 (84)	714130 (15)	2100 (1)	4709930 (100)	-15.95
2017-2018	4339460 (81)	1011092 (18)	2146 (1)	5352690 (100)	13.65

Source: Financial Records of SHGs & MAC

Note: Figures in brackets indicate the share of each component to the horizontal total.

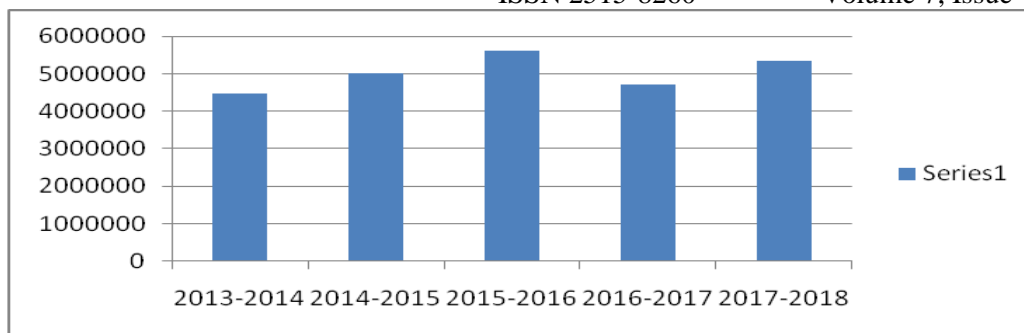


Fig1: Graphical representation of total savings from 2013-14 to 2017-18

It can be seen from Table: 1 that the total savings (sources of funds) increased from Rs.44.61 lakhs in 2014 to Rs.53.53 lakhs in 2018 registering an increase of 20% for 5 years. A close examination of trends in total savings shows that in 2016-17 there is a drop in the aggregate funds by 15% and in the next year, it started recovering. Componential analysis of the savings deposited with the MACS by the 160 groups indicates that their share remained almost uniform in all the five years except in 2016-2018 whose share is worked out to 15% and 18% respectively. The growth of prescribed savings is 8%; 116% involuntary deposits and un-prescribed deposits declined by about 60%. All these analyses reveal that the management of finances is fairly good.

2) **Deployment of mobilized funds by the SHGs:** The mobilized funds are to be used either for helping the members financially or increasing financial strength to face the future contingencies. It is also a function of financial management.

TABLE 2: Utilization of mobilized funds by the SHGs

(Fig. In Rs.)

Year	Bonus	Assurance Treasure	Exemplary	In Time	Nominee	Total	Growth of Surplus Ploughed Back (%)
2013-14	1205107 (67)	401100 (22)	29063 (2)	125675 (7)	35000 (2)	1795945 (100)	-
2014-15	1531353 (71)	436800 (20)	56421 (3)	141468 (6)	-	2166042 (100)	20.60
2015-16	2465199 (69)	456400 (13)	51831 (1)	569114 (16)	42350 (1)	3584894 (100)	65.50
2016-17	1776412 (56)	395700 (13)	217825 (7)	661291 (21)	90660 (3)	3141888 (100)	-12.35
2017-18	2028508 (56)	398400 (11)	257725 (7)	838992 (23)	99727 (3)	3623352 (100)	15.32

Source: Annual Financial Reports of the MAC

Note: Figures in brackets indicate the percentage share to the total.

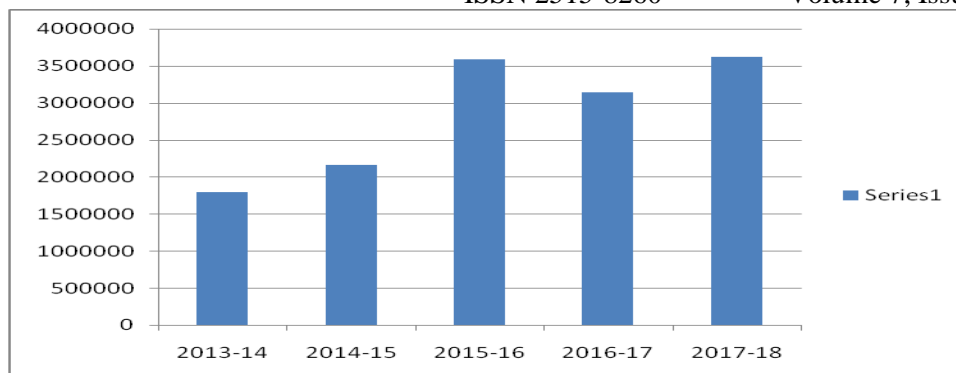


Figure 2: Graphical representation of utilization of mobilized funds from 2013-14 to 2017-18

Table: 2 reveals that the funds plowed back increased from Rs.17.95 lakhs in 2013-14 to Rs.36.23 lakhs in 2017-18 registering an increase by about two and a half times. A close examination of trends in total Surpluses employed shows that increased in 2015 -16 and there is a drop of 12% in 2016 -17 but in the next year, it started recovering. The componential analysis of the plowed back funds by all the 160 SHGs in the select MACS indicates that their share remained constant over the years. It means that their financial management is proved to be stable and hence it can be said that the management of finances is fairly good.

Cost of management and administration:

The cost of management means the expenditure incurred in running the activities of the SGHs. The essence of SHG management is to (i) establish the voluntary system of running the business of the groups and (ii) if at all any unavoidable expenses are incurred by the group it must be minimum. The SGH should be considered as a training ground for the members to learn the intricacies of financial management in a cooperative environment.

TABLE 3 Cost of Administration of SHGs

(In Aggregate terms)

(Fig. In Rs.)

Year	In Time	Continuous	Total	Growth of Cost of Administration (%)
2013-14	555452 (99)	2467 (1)	557919 (100)	-
2014-15	5391400 (98)	81400 (2)	5472800 (100)	880
2015-16	6354600 (98)	133900 (2)	6488500 (100)	18.55
2016-17	5303000 (99)	36300 (1)	5339300 (100)	-17.71
2017-18	5420400 (97)	152800 (3)	5573200 (100)	4.3

Source: Annual Financial Reports of SHGs aggregated by the Select

Note: Figures in brackets indicate the percentage share to the total.

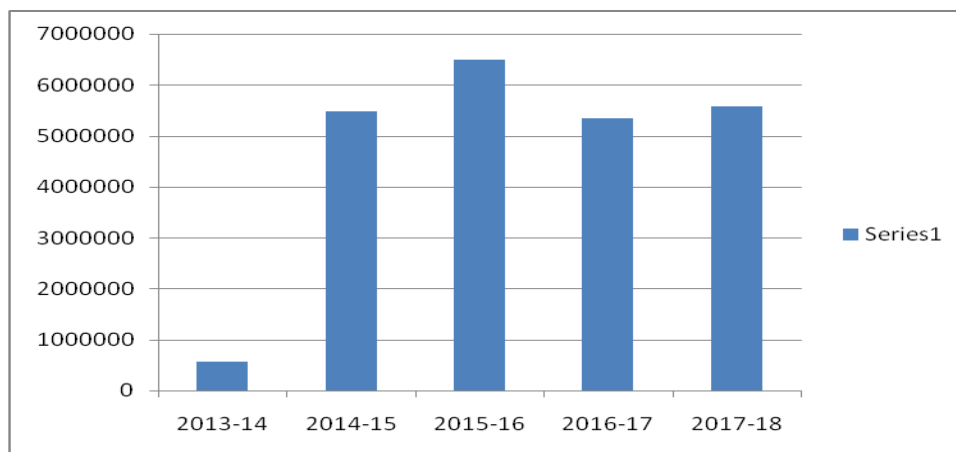


Fig3: Graphical representation of Cost of Management and Administration from 2013-14 to 2017-18

Table: 3 reveals that the Cost of Administration of SGHs increased from Rs.5.57 lakhs in 2013-14 to Rs. 55.73 lakhs in 2017-18 registering a growth by 10 times over five years. As a matter of no variables like regular deposits, voluntary deposits, and deployment of funds increased at the rate shown by the cost of management. It means that the voluntary nature of administrative activities of SGHs is not consistent with the essence of their establishment. A close examination of the data concerning the cost of administration shows that it increased in 2015 -16 and thereafter a little is drop observed in the cost of administration in 2016 -17. The Componential analysis of the Cost of Administration with the MACS by the 160 groups indicates that there is no significant change since the percentage of the cost of in time remained more or less equal. In Time cost of administration increased enormously from Rs. 0.03 lakh in 2013-14 to Rs. 1.55 lakhs in 2017-18. All these analyses eminently prove that the cost of administration is not within the control of the groups. The cost of administration should always be minimum since the self-help philosophy is to conduct the activities free of cost.

TABLE 4

Year	Bonus	Assurance Treasure	Exemplary	Special/Distinct	In Time	Total	Growth of Additional Expenditure (%)
2013- 2014	105056 (52)	15106 (7)	275 (1)	64818 (32)	15740 (8)	200995 (100)	-
2014- 2015	1152800 (57)	101600 (5)	6800 (1)	712900 (35)	46000 (2)	2020100 (100)	905
2015- 2016	1767900 (64)	123600 (4)	4400 (0.15)	814200 (29)	55900 (2)	2766000 (100)	36.9

2016-2017	1784800 (59)	85500 (3)	58200 (2)	1031000 (34)	52800 (2)	3012300 (100)	8.9
2017-2018	1809900 (39)	69500 (2)	44700 (1)	2371500 (52)	293100 (6)	4588700 (100)	52.33

3) Additional Expenditure

(Fig. In Rs.)

Source: Annual Financial Reports of the select MAC

Note: Figures in brackets indicate the percentage share to the total.

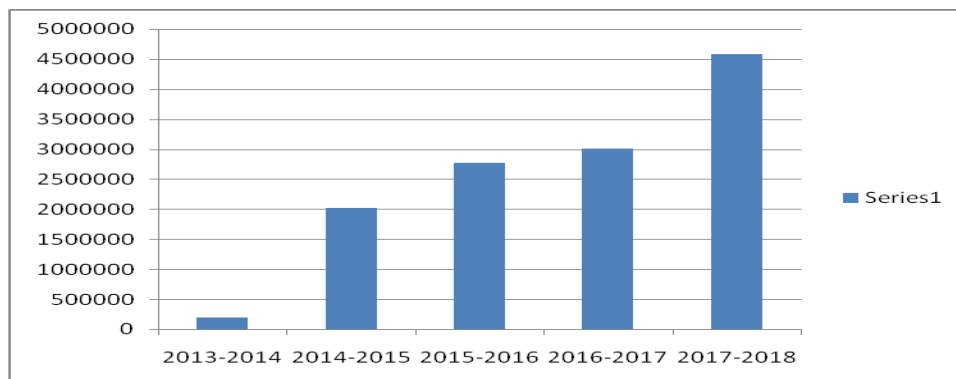


Fig4: Graphical representation of Additional Expenditure from 2013-14 to 2017-18

It can be seen from Table: 4 that the SHGs make some defrayments for the benefit of the members as a part of their operational objectives. Additional payments to the members increased from Rs.2 lakhs in 2013-14 to Rs. 45.88 lakhs in 2017-18 for various purposes. A close examination of data shows that the payments increased steadily over the years. The componential analysis of the Additional payments to the members of the 160 SHGs increased over the five years.

4) Purpose-wise Utilization of borrowed Funds by the Members of the SHGs

The broad objective of the SHGs is to help the women members relieve their commitments and unexpected expenses that arise out of their social responsibilities like marriages, festivals, and health-care.

TABLE 5
The pattern of Utilization of Borrowed funds by the Members of the SHGs
(Fig. In Rs.)

Year	Agriculture	Business	Education	Marriage	Hospital	Land	Total	Growth of Utilization of funds (%)
2013-14	1077100 (25)	2301700 (52)	661300 (15)	114900. (3)	77600 (2)	154100 (3)	4386700 (100)	-
2014-15	1566700 (34)	2102000 (45)	678900 (15)	120000 (2)	88000 (2)	100200 (2)	4655800 (100)	6.13
2015-	2941600	2454700	272000	181400	176000	103800	6129500	31.65

16	(48)	(40)	(4)	(3)	(3)	(2)	(100)	
2016-17	1889300 (37)	2253800 (44)	697800 (14)	82600 (2)	112600 (2)	62900 (1)	5099000 (100)	-16.81
2017-18	2587400 (39)	2942900 (45)	651300 (9)	232400 (4)	115600 (2)	18300 (0.2)	6547900 (100)	28.41

Source: Annual Financial Reports of the select MAC

Note: Figures in brackets indicate the percentage share to the total.

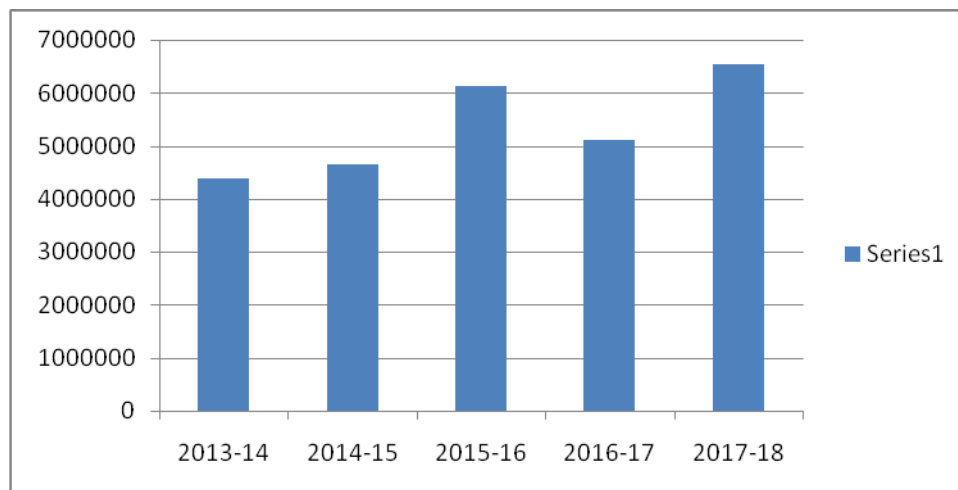


Fig5: Graphical representation of the pattern of utilization of borrowed funds from 2013-14 to 2017-18

The data in Table: 5 indicate that agriculture and business needs have been assisted by the SHGs significantly and other needs like health care, education, marriages, and the cost of purchased land are the other purposes for which the groups are assisted. Agriculture and Business utilization of funds has been increased by 36.6% and 71.42% respectively.

4. Summary:

The emergence of SHGs is the result of the failure of the primary cooperative societies in maintaining effective financial management and it is also meant to inculcate the habit of savings of the members. The ever-mounting over-due loans of the primary cooperatives have weakened the age-old system of cooperation. In SHGs, each group will have psychological and sentimental checks of individual members. However, the broad objective of the SHGs is to improve the economic condition thereby the empowerment of the members. An analysis of the data available in the Annual Financial Report (five years) leads to the following findings:

- 1) Savings of the members deposited in the SHGs increased from Rs.44.61 lakhs in 2014 to Rs.53.53 lakhs in 2018 registering an increase of 20% over 5 years.
- 2) The employment of funds increased from Rs.17.95 lakhs in 2014 to Rs.36.23 lakhs in 2018.
- 3) The aggregate cost of administration is doubled during the period under study.
- 4) The borrowed funds of the members are found to have been used for agriculture and business purposes.

Reference

- [1] Lalitha and Sivakumar, "Self Help Group Formation" *The Journal of Social welfare* P.30-31.
- [2] Manimekalai. K. "Economic Empowerment of Women through Self-Help Groups", *Third Concept*, (February-2004), pp.15-18.
- [4] "The Women SHGs fewer in western India: Expert", *The Financial Express*, Jan 21, 2006.
- [5] V.Pugazhendhi (1995) in his study 'Transaction costs of lending to the rural poor Non-Governmental Organization and self-help groups of the poor as intermediaries for Banks in India'
- [6] National Bank for Agricultural and Rural Development (NABARD, 2000), Report on
- [7] Impact of Micro Finance on the Living Standards of SHG members, 1999-2000, Mumbai.
- [8] Archibald, M. E. (2007). *The Evolution of Self-Help: How a Health Movement Became an Institution*. Book, Houndmills: Palgrave Macmillan.
- [10] Upreti, H. C. and Nandini Upreti, *Women and Problems of Gender Discrimination*, Pointer Publishers, Jaipur, 2000.
- [11] Usha Rao, J., *Women in a Developing Society*, Ashish Publishing House, New Delhi, 2007.
- [12] Kamaraju, S. 'Self Help Groups: Emerging Rural Enterprises', *Kisan World*, Aug 2005, Vol. 32, No. 8, pp. 25-26.
- [13] Rajammal P. Devadas *Empowerment of Women through SHGs*", 1999
- [14] Vinayagamoorthy "A Women Empowerment through Self Help Groups: A Case Study in the North Tamil Nadu".
- [15] Pandian & Eswaran, (2002), "Empowerment of Women through Micro-Credit", *Yojana*. vol.46, November, pp.47-50.
- [16] Ritu Jain (2003), "Socio-Economics Impact Through Self-Help Groups", *Yojana*. vol.47, No.7, pp.11-12.
- [17] Vijayanthi, (2000), "Women's Empowerment through Self-Help Groups a Participatory Approach", *Social Change*. Sept-Dec, vol.30, Nos.3&4, pp 64-87.
- [18] Balamirtham P., and Uma Devi I.V., "Women SHGs in the Upliftment of Tsunami Victims", *Southern Economist*, Vol.48, December 15, 2009, pp.41-44.
- [19] F. Ricci, Lior Rokach, and Bracha Shapira, "Introduction to recommender systems handbook," *Recommender systems handbook*, springer US, pp. 1-35, 2011.
- [20] T. Ebesu, and Y. Fang, "Neural Semantic Personalized Ranking for item cold-start recommendation," *Information Retrieval Journal*, vol. 20, no. 2, pp. 109-131, 2017.
- [21] Sharma, Puspa Raj (2007), "Micro-finance and Women Empowerment", *The Journal of Nepalese Business Studies*, Vol. 4, No. 1, pp. 16-27.
- [22] Nair, A. 2005. "Sustainability of microfinance self-help groups in India: would federating help?" *World Bank Policy Research Working Paper 3516*. Washington, DC: World Bank.
- [23] Swain, R. B., and Y. Wallentin. 2008. "Does microfinance empower women? Evidence from self-help groups in India." *Working Paper 2007-24*.
- [24] Anjali Singh, (2011), *Village Women As Radio Jockeys*, *SOCIAL WELFARE*, Vol. 57 No. 11, pp-5
- [25] Deininger, K., and Y. Liu. 2009. "Economic and social impacts of self-help groups in India." *Hema Vijay*, (2008). *Women Are Our Eye*, *Social Welfare*, VOL – 54, issue no. 11, pp-11-12.

- [26] Wallis A. (2010), “Power and empowerment: Fostering effective collaboration in meeting the needs of orphans and vulnerable children” by in *Global Public Health* 5:5
- [27] Kabeer, N. (2001). *Resources Agency Achievements: Reflections on the Measurement of Women’s Empowerment – Theory and Practice*. SIDA Studies, No. 3.
- [28] Padmavathy, S. (2005). “Employment generation through SHG’s in rural area.” In *Rural Labour Market* [M. Soundara Pandian (Ed.)]. New Delhi: Serials Publications.
- [29] Christuraj, P. & S. Saraswathy (2009): *Self Help Groups and Socio-Economic Changes among Rural Women*. *Indian Journal of Social Development (An International Journal)*, Vol. 9, No. 1,
- [30] Moyley, L. Tracey, Maureen Dollard & Saswata Narayan Biswas (2006): *Personal and Economic empowerment in Rural Indian women: A Self-help Group Approach*. *International Journal of Rural Management*, Vol. 2.
- [31] Abdul Raheem A. (2006): "Role of SHGs", *Yojana* –Volume No: 50, Oct. 2006,
- [32] Karuthiah Pandian.S, *Doctoral Research Work, "Self Help Groups, A strategic tool in empowering women "*, Department of Management studies, Manonmaniam Sundaranar University, 2004.