

Marketing Strategies and Financial Viability of Self Help Groups

(A Study with special reference to Vellore District)

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1.1. Introduction

Women in India have been traditionally suppressed and particularly women who belong to the economically and socially weaker sections of society have been even more repressed. All the provisions in the constitution and the spate of legislations enacted to empower women in the post-independence India have not been adequate to set women free from their traditional bondages, liabilities and restrictions. Till recent times, women's participation in the decision-making processes, especially in the rural areas has remained very marginal.

As per the 2001 census, there were 496.4 million women representing 48% of India's total population in the country. Hence it is very important that women are empowered and that their capacities are enhanced through a process of imparting literacy to them, educating them in the areas of legal rights, health, contraceptive care, poverty mitigation, participation in the Panchayat Raj Institutions and the political processes of the country.

The globalization process has mixed results for women. The increased internationalization and competition cause female intensive sectors to develop expand.

Three important strategies have been worked out for empowerment, which are essentially multi pronged. One is capacity building, second legislative and the third organizational strategies, which enable women to come out of their isolation, use their collective strength to gain control over self, economic and socio-political resources. One such outcome of these strategies is the formation of Self-Help Groups (SHGs)

SHGs are small voluntary associations of women created for enabling members to reap the benefits out of mutual help, solidarity and joint responsibility. Benefits include mobilization of savings, access to formal credit facilities, capacity building and marketing.

The self-help group membership should be in the range of 12-20. The age group for the membership is 18-60. It is worthy to note that the members should all be married women and below poverty line; preferences are given for the poorest women amongst the target group, with focus on widows, divorces, deserted and handicapped women. The SHGs are required to maintain certain books of accounts like Attendance register,

Minutes book, Savings ledger, Loan ledger, General ledger, Cash book and Individual pass book.

The 'Sangha loan' is granted by the SHG to its members. The main sources of fund for sangha loans are savings and common fund and the rate of interest charged on this loan varies.

The organization structure of SHG consists of one animator, two representatives and members. The animator may preferably be literate. Group meetings are to be conducted every week. Animator and Representatives (A&R) Training and SHG Members Training are provided by the government.

Loan schemes are available in the banks for SHGs through

1. Direct linkage
2. SGSY scheme for Rural SHGs through DRDA
3. TAHDCO scheme for SC/ST category
4. PMRY scheme for educated unemployed youths.

The self-help group (SHG) concept in India was implemented in 1992 through banks all over the country. In India SHGs have been formed generally around specific production activities and often they have promoted savings among their members and used such resources to meet the emergent credit needs of the members of the group. Since such SHGs have been able to utilize savings from groups that were not expected to have any savings and also to effectively recycle the resources generated among the members, their activities need serious attention as a possible complementary mechanism for meeting the credit needs of the poor. Formation of self-help groups amongst women will embolden three C's strategies (collective corrective and community based) for uprooting the existing social evils against women. Further, the massive problem of rural unemployment and underemployment can only be solved through self-employment.³

Self-help emphasizes self-determination, self-reliance, self-production and self-empowerment by mobilizing internal resources of the persons, the group or the community.

There were 3,37,744 women SHGs in Tamil Nadu as on March 2010, under the Mahalir Thittam. These SHGs had an enrolment of 54,32,759 women members. They had saved a whopping Rs. 13822.322 million. The average group size was 17 members.

TABLE 1.1

**Mahalir Thittam in Tamil Nadu-
A glimpse as on 31.03.2010**

No. of blocks covered [100%]	385
No. of Panchayats covered [100%]	13180
No. of rural groups formed	2,73,255
No. of urban groups formed	64,489
No. of rural women enrolled	44,26,731
No. of urban women enrolled	10,06,028
Rural group savings	Rs. 10967.709m
Urban group savings	Rs. 2854.613m
Total savings	Rs. 13822.322m

Source: Agenda notes for project officers review meeting- progress upto March, 2010.

Currently, 664 NGOs have been working with the Mahalir Thittam. Their main role is capacity building and monitoring. 17% of the SHGs are covered under the insurance scheme.

‘Mahalir Thittam’ is being implemented in Vellore District since 1.5.1998 to promote self-help groups over a project period of five years in rural areas. There were 15472 women SHGs in Vellore district as on March, 2010 under the Mahalir Thittam.

1.2. Effective Marketing Strategies for Women Self-help Groups

Though self-help groups enhance the power of decision-making yet their growth and sustenance are to a large extent dependent on the activities they choose to perform, the product they choose to produce and the marketing strategies they plan to pursue. These groups could choose to market more of their existing produce in the existing market or find new markets in nearby area and choose to market the existing products. This will depend on the nature of the products, target consumers, the price fixed and resources available at their disposal to advertise or promote their products. Exploring new markets with existing products or developing new products for new markets would again depend on the age, experience and resources. There are certain practical problems that marketing entail and women must learn to adjust to these inconveniences.

Self-help groups owing to their limited experiences and exposure to running business enterprises need to build their capacities in the area of marketing with the help of well informed and practicing marketing consultants. In this world of globalization where fierce competition is the natural course of events, SHG small enterprises do have a place to thrive and grow provided they know their game plan of marketing well. SHG will at no point get any advantage of being run by women and so they need to run the race fully armored.

Marketing is a social and managerial process by which individuals and groups to obtain what they need and want through creating and exchanging products and value with others (Kotler 2009).

A successful marketing strategy requires the well-knit support of the factors like finance, raw material and production related issues. The five Ps marketing, i.e. Product, Price, Place, Promotion and Personnel need to be given very serious thought in the light of severe resource constraints and small scale of operation by these SHGs. They need to develop suitable strategies keeping in mind the resources at their disposal.

Strategy is not mere planning. It is a plan to counter the unknown as time comes and events occur. The markets are more competitive now than ever before. Globalisation has unleashed unlimited variety of goods and players in the markets. Multinationals are here to market their products. Local Indian firms are equally aggressive and innovative. Yet there is a place for every competitor who can abide by the rules of marketing be it in terms of price, product, positioning or the place of marketing the product available. Women are not going to get any concession vis-à-vis men run business. They too must be efficient and alert. They too must devise well-formulated strategies.⁵

Essentially, there are four major marketing strategies according to Philip Kotler. They are:

Market penetration – i.e. sell more and more of the existing products in the existing markets which will lead to market penetration. This can happen for the SHGs only if they are able to identify their target consumers and their needs. It should focus on those segments where they can comfortably play in spite of the others in the market. In the case of a local product, knowing the local needs add to their advantage.

Product development and innovation – The second area of focus in framing a strategy would enable them to introduce new products in the existing markets resulting in product development. However, since the financial resources are limited they need to be careful about the cost of innovation and the effect of these changes on the demand for the product by the consumers.

Market development – Sometime the strategy may be to market its existing products in new markets. This exercise is worthwhile only if the geographical expansion could also result in increased demand. It also means that the firm has to anticipate the increased quantity and make products available at different locations. Otherwise, setting up marketing infrastructure will turn to be a waste of resources. This should ideally be avoided due to cost. Watch and move approach is desired in following this strategy.

Diversification – This strategy of introducing new products in new markets though practiced by bigger firms may not suit SHGs, as their scale of operation cannot meet the overheads.

Strategies have to be devised based on price advantage, manpower advantages, local raw material availability, cultural advantage of consumption, etc. Based on local advertisement costs, the cost should not be increased by going to further and further areas. Manpower itself can become sales promoters hence can reduce advertisement costs.

1.3. Some Real time Problems/Limitations of Marketing for Women Self-help Groups

The operation of the SHG itself is localized. This means there is limitation in terms of geographical coverage. Traveling, getting contracts, getting parts of the products from various sources, etc., Can be a challenge. If they want to expand business they may need to travel to other geographical areas with regards to local needs, packaging, pricing, making the product available and so on. SHGs must be able to have a vision about their group. If the groups are not very steady, then taking on to serious marketing can be very risky.

Successful marketing of self-help group's products needs a lot of creativity, as there is shortage of resources and the scale of operation is small. However, with the right kind of guidance they can be overcome.

1.4. Statement of the Problem

Business concerns have several objectives. Among them economic objective is very important. Economic objectives have been the core objectives of business firms from early times. These objectives may be classified into (a) profit (b) creation of more customers and (c) innovation for better stability and income. Without customers, business makes no sense and the business activity can be sustained only if large customers buy the products and services of the enterprise. In the same manner SHGs can be sustained only if there is an economic improvement. The economic development is achieved only by improving the marketing conditions for their product.⁸

Marketing though occupied an important place in all stages of economic life, from simple barter economy to the present day, it was not so complicated as it is today. The task of marketing has become more exciting and challenging. Marketing practices of SHGs are very important for long sustainability of SHGs. Marketing is the basis upon which the entire structure of a business concern is built.

An effective system of marketing is a condition precedent for a high level of economic activity. It is important not only for the firm producing the product but also to the society which uses the product.

Marketing the finished product is the most challenging task to the members of the SHGs. In most cases, the middlemen are involved to sell the products of the SHGs, as no such facilities for marketing and guidance are available to the SHGs.

Exhibition of products made by SHGs are conducted in all districts frequently. These exhibitions create a meeting ground where different groups share their experiences on marketing the product and some members even learn skills from members of other groups.

Any economic activity taken up by the poor for self-employment should qualify the test of market acceptance. Of late, the mode of development assistance by government has shifted from individual enterprises to group activities. This shift was aimed at higher economies of scale of enterprise operations leading to better competitive products and collective bargaining power through higher level of accessibility to market, credit, technology, infrastructure and other necessary linkages.

Selection of key activities by SHGs is not based on market appraisal. This has resulted into huge inventory of non-competitive and non-optimum products. These outcomes are leading the policymakers to redesign their interventions in terms of identifying markets, developing products, building up an appropriate market channel and equipping the SHG members with the skills of market appraisal and analysis.

Unfortunately, in several districts, for want of innovative marketing support, the savings of SHG members are underutilized or unutilized for building viable and sustainable self employment avenues. The incidence of risk is minimum if one has access to market intelligence or information. Only then one could penetrate into an existing market.

However, no market development strategy is static and enjoys universal replicability. These have to be identified, appraised and evolved continuously to suit the local conditions and activities. Further, to be innovative in their modes of development support. In this context, the following questions arise:

1. What is the extent of growth of SHGs?
2. To what extent the savings and loans are utilized by SHGs in doing the business and giving sangha loan to members of the group?
3. What are the marketing practices which are used by the SHGs for selling their products?
4. Are the SHG members satisfied with the accounting system, amount of subsidy given and services provided by the NGOs and government?
5. What is the level of profitability of SHGs?
6. What are the benefits of SHGs to the members in particular and also to the society?
7. What are the problems faced by SHGs while doing the business?
8. How could problems of SHGs be solved?

1.5. Scope of the Study

The study aims to find out how the marketing strategies are applied by the SHGs. So it will indicate whether or not the existing practices are to be altered. The study aims at measuring level of profitability or performance and the level of satisfaction of animator/

representatives/ members of SHG. The study also reveals the problems faced by SHGs and provides suggestions to solve the problems.

1.6. Objectives of the Study

The objectives of the study are as follows:

1. To study the growth of SHGs in Vellore district.
2. To evaluate the marketing practice of the SHGs to promote sale of their products/services.
3. To assess the level of satisfaction of SHG members with regard to subsidy, maintenance of accounts, the role of NGOs and government schemes.
4. To measure the profitability and to identify the factors influencing profitability of SHGs.
5. To find out the benefits arising as well as the problems faced by the SHGs.
6. To recapitulate the findings of the study and to offer suggestions to solve the problems of SHGs.

1.7. Hypotheses

To fulfill the second objective of the study, the following null hypotheses have been formulated and tested:

1. There is no significant difference between average profit of the SHG grouped on marketing factors namely-type of activity, basis of price fixation, location, promotion strategy and number of employees.
2. There is no significant difference between mean sales of SHGs grouped on marketing factors namely type of activity, basis of price fixation, location, promotion strategy and number of employees.

For the purpose of third objective, the following hypotheses have been framed and tested:

1. There is no relationship between the satisfaction of members and socioeconomic factors of the members of the SHGs.
2. There is no relationship between the satisfaction of members and organizational factors of SHGs in which the respondents are members.
3. There is no relationship between the satisfaction of members and financial factors of SHGs in which the respondents are members.
4. There is no relationship between the satisfaction of members and marketing factors of SHGs in which the respondents are members.

1.8. Methodology

Area of the Study

Vellore District has been chosen for the study considering the fact that it is one of the pioneering districts in implementing Mahalir Thittam. Since the researcher hails from and resides in Vellore District it is expected that the researcher could have easy access to the SHGs spread in various blocks of the district without much time and financial constraints.

Period of Study

The secondary data collected for the study pertains to a period of seven years from 2003-04 to 2009-10.

Pilot Study and Pre-testing

The pilot study was conducted and information from twenty SHGs was collected through interview schedules. According to the pilot study, the interview schedules were modified suitably to collect the required information

Sample Design

For collecting primary data, Multistage sampling technique has been followed.

i) Selection of the District

In the First stage, Vellore district has been selected by the researcher purposively as it is one among the leading districts in promoting SHGs.

ii) Selection of sample blocks

Vellore district has 20 blocks. Based on the average number of SHGs per block, these twenty blocks have been stratified into two groups-above average and below average. There were 12 blocks in above average category and 8 blocks in below average category. From each stratum 50% of the blocks were selected-6 blocks and 4 blocks from the above average and below average categories respectively. Thus totally out of 20 blocks were selected.

iii) Selection of sample SHGs

Data regarding number of SHGs yearwise and blockwise were obtained from Mahalir Thittam office, Vellore. However in the course of pilot study the researcher found that not all SHGs were having continuous existence of 5 years nor were actively functioning. Further, it was found that there SHGs doing economic activity without bank loan and also SHGs not doing any economic activity even after getting loan but is prompt in repaying loan. Besides there were members carrying on activities individually and not as a group though availing financial assistance in the name of SHGs.

In view of the constraints expressed above, the researcher had to adopt Judgments Sampling Method for selecting SHGs. One hundred SHGs were selected from the 10 blocks chosen in stage III.

These sample SHGs have a total membership of 1306 and atleast five years of existence. Adequate care has been taken to include SHGs

1. getting financial assistance under SGSY
2. getting financial assistance under NABARD
3. using only revolving fund.

iv) Selection of SHG members

To assess the satisfaction of members with regard to subsidy, maintenance of accounts and the role of NGOs and government schemes respondents have been chosen in such a way that it covers the group leader, the representative and two ordinary members from each of the 100 sample SHGs. Thus the sample of 400 SHG members consists of 100 group leaders, 100 representatives and 200 ordinary members.

Sources of Data

To fulfill the objectives of the study both primary and secondary data were collected. The primary data were collected from the 100 SHGs by preparing an interview schedule. Another interview schedule was prepared for interviewing the SHG members (Refer Annexure). The secondary data were collected from books, periodicals, records and reports of Mahalir Thittam office, Vellore and internet.

Quantification and Measurement of Variables and Construction of Scales

The level of satisfaction in respect of subsidy, maintenance of accounts, performance of NGOs and role of government has been measured by constructing three – point scale on the Linker model. The scores awarded to the response of each component were, satisfied-3, neutral-2, dissatisfied-1.

Socioeconomic Variables

- (1) Age (2) Community (3) Education (4) Occupation (5) Level of dependency (6) Type of the family (7) Annual income.

SHG Related Variables

1.Location 2. Organization and conduct of meetings 3. Number of members 4. Subscription fees 5. Songhua loan 6. Savings and Assets 7. Loan from Government 8.Subsidy 9. Training 10. Manufacturing and marketing practices 11. Expenses and profits 12. Accounts and auditing 13. Level of satisfaction 14.Benefits, strengths and Problems of SHGs.

Content Validity and Test of Reliability

Content Validity of the Interview Schedule

In this study the interview schedules' content validity was determined with the help of a panel comprising of the Project Officer, Assistant Project Officer, NGOs and other officers of Mahalir Thittam, Vellore District. Of course, the panel of experts on this topic thoroughly viewing and scrutinizing the interview schedule disclosed that it covered all the aspects required for conducting the study and certainly met the standards.

Test of Reliability

Reliability of the data collected by using interview schedule from the SHG respondents was tested by applying Thornback's Alpha. Accordingly the reliability of the data was (alpha 0.7787) i.e. close to 78%. Since the data were reliable they were analysed further.

1.9. Framework of Analysis

The collected data were analysed with reference to the specific objectives of the study. The analysis was carried out as follows:

Measuring the growth of SHGs in Vellore District being the first objective of the study. Has been fulfilled by calculating the Annual Compound Growth Rate and Average Growth rate for seven years from 2003-04.

As regards the second objective of evaluation of Marketing strategies, analysis of variance (ANOVA) has been used to find out the significance of the influence of marketing factors on profit and sales. Analysis of variance frequently referred to by the contraction ANOVA is a statistical technique specially designed to test whether the means of more than two or more quantitative population are equal. Null hypothesis have been formulated and tested to know the difference of average profit of SHGs, average sales of SHGs.

In tune with the third objective of the study, Chi-square test has been applied to test the relationship between satisfaction of members of the SHGs and i) socio-economic factors of members, ii) organizational, financial, marketing factors of SHGs in which the respondent is a member.

To accomplish the fifth objective of the study, namely assessing the benefits, strengths and problems of the SHGs, weighted average analysis has been carried out.

1.11. Limitations

1. Only women SHGs have been taken for the study though a number of men SHGs also exist.
2. Only those SHGs which are doing business on behalf of all SHG members have been considered for the study. The businesses run by the individual members of SHGs are excluded from the scope of the study.
3. As the study based on the primary data collected through interview method, the reliability depends on the true response of the SHG office bearers and members. However, adequate care has been taken to elicit true response through cross checks.

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