Financial Supply Chain- A Study of Self Help Groups (SHG) Near Chennai, Tamilnadu

V M Ponniiah, Professor of Management Studies, School of Management, SRM University, Chennai- 603203 ponniah.vm@ktr.srmuniv.ac.in

V M Sankaran, Professor & HOD, Department of Agronomy, Madras Veterinary College, Chennai -600007

ABSTRACT

The small enterprises have characteristics of low capital intensity, high employment potential and use of indigenous technology having feasibility particularly in the rural areas, where there are limited infrastructure facilities. According to Subbaraman K R (1991) job generating capacity of village industries cannot be over emphasized. According to Meenu Goyal and Jai Prakash (2011), women leaders are assertive, persuasive and willing to take risks. Self Help Group is prominently addressing these issues, as it caters to the people in the bottom of the pyramid.

The term Financial Supply Chain Management recognizes that there is a chain of dependent events that has an impact on the working capital of an organization. An effort is made through this empirical paper to ascertain as to how Self Help Groups are practising the financial supply chain. Secondary data by way of literature review is carried out to support the same. From the empirical study, it is discerned that today women participation in the field of entrepreneurship is increasing at a considerable rate. Empowerment of women through Self Help Group model is no exception to this. In fact, this model covers larger portion of women at the bottom of pyramid, which will accelerate the standard of living in the society of the entire family.

Key words: self help group, empowerment, financial supply chain

1. INTRODUCTION

The small enterprises have characteristics of low capital intensity, high employment potential and use of indigenous technology having feasibility particularly in the rural areas, where there are limited infrastructure facilities. According to Subbaraman K R (1991) job generating capacity of village industries cannot be over emphasized. Unemployment breed poverty and it can be eradicated by spreading the network of village industries in every nook and corner of the country. According to Meenu Goyal and Jai Prakash (2011), women leaders are assertive, persuasive and willing to take risks. Self Help Group is prominently addressing these issues, as it caters to the people in the bottom of the pyramid.

Self Help Groups are able to generate sustainable business by making use of locally available raw material, skills and engage in an economic activity thereby meeting a need existing there or elsewhere. The term Financial Supply Chain Management mirrors the concept of Supply Chain Management. It recognizes that there is a chain of dependent events that has an impact on the working capital of an organization.

An effort is made through this empirical paper to ascertain as to how Self Help Groups are practising the financial supply chain. The management of that chain of events (in so far as finance can influence them) is part of Financial Supply Chain Management. Financial supply chain finance targets
2. OBJECTIVE OF THE STUDY

The purpose of the paper is to determine the status of financial supply chain practised by women entrepreneurs- as Self Help Groups. Secondary data by way of literature review is carried out to determine the same. An empirical study was also conducted through a questionnaire from entrepreneurs-Self Help Groups- (120 numbers) who are having accounts with two branches, Neelankarai branch and Micorsate (specialised branch) of Indian Bank near South Chennai in Tamilnadu.

Table 2.1 Frequency distribution of the sample population of two branches of the Indian Bank

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Name of the Branch</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Branch 1 (Neelankarai branch)</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>Branch 2 (Specialised branch-Microsate)</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

The whole sample size was analyzed for the demographic profile of the SHG in both the branches of the Indian Bank and presented here. A total of 120 sample population was interviewed and the sample size was kept uniform @ 60 for each branch.

3. REVIEW OF LITERATURE

3.1 Self Help Group

A Self-Help Group (SHG) is a village-based financial intermediary usually composed of 10 to 20 local women. A Self-Help Group (SHG) is a registered or unregistered group having homogenous social and economic backgrounds, voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by microfinance institutions.

The role of National Bank for Agricultural and Rural Development (NABARD) in the development of rural economy is substantial. Battacharya S.K. and Akburi M M P (1975) independently observed that National Bank for Agricultural and Rural Development (NABARD) has been providing assistance not only for the development of agriculture but also for the development of rural industry.

Ponniah V M. and Chandra Mohan A (2011), while delivering their research paper on Micro Small Medium Enterprises (MSMEs) at 98th Indian Science Congress, SRM University, Kattankulathur, Tamilnadu, stated that an export business, whose owner was unable to recognize the opportunity would slowly lose his capacity to take risks. It might soon get downsized to a subcontract unit and finally, become defunct and shut down.

Khaled Soufani (2002), in his paper explained the choice of factoring as a financing source and the type of businesses using it in the UK. The tests focused on establishing a profile of borrowers, based on firm’s demographic characteristics. After conducting a survey of 3805 companies, it was found 212 were using factoring services.

According to the study by author Basheer Ahmed F M (2000), sickness in general cannot be studied in isolation, as it is the outcome of a number of factors. Careful identification of causes would enable institutions associated with rehabilitation of sick units, to identify appropriate remedial
measures and formulate revival strategies and nursing package. A wise entrepreneur will call the consultant to analyse the situation and recommend a course of action that will bring the company on the road to recovery.

However Self Help Group with their limited resources cannot afford to engage professionally qualified consultant to guide them, in case of need. Financial Management plays a dominant role in not only growth but also in enabling their sustainability. To manage the enterprise financially prudently, SHGs need to know the implications of financial supply chain.

3.2. The Financial Supply Chain

The Financial Supply Chain is increasingly recognised as an area offering significant potential for generating bottom-line improvements and creating competitive advantage. The Financial Supply Chain refers to the end-to-end trade processes and information that drive a company’s cash, accounts, and working capital. From a buyer’s perspective, this involves the full procurement-to-payment process. For the seller, it is the order-to-cash cycle. In both cases, the goal of the Financial Supply Chain is to optimise:

- Accounts payable and receivable
- Cash management
- Working capital
- Transaction costs
- Risk Administration

But unlike the Physical Supply Chain, which has seen improvements ranging from containerisation to fulfilment management, there remain significant performance gaps in the Financial Supply Chain. Financial Supply Chain benefits have proved elusive because of the complexity associated with it. The end-to-end trade cycle involves a number of different types of parties needing to exchange information and a variety of contractual documents in a timely manner.

4. ANALYSIS AND FINDINGS

Self Help Group is having different individuals whose age, group etc vary and are engaged in various activities. The functioning of Self Help Group is not without any problems; they are facing many constraints. Based on the primary data collected from 120 SHGs, banking with two different branches of Indian Bank, the following analysis is made.

Table 4.1 Frequency distribution of the age group of members of Self Help Groups in the two branches of the Indian Bank.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Age group</th>
<th>Neelankarai</th>
<th>Microsate II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Frequency</td>
<td>%</td>
<td>Frequency</td>
</tr>
<tr>
<td>1</td>
<td>Less than 30 years</td>
<td>3</td>
<td>5.0</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>30 to 40 years</td>
<td>42</td>
<td>70.0</td>
<td>35</td>
</tr>
<tr>
<td>3</td>
<td>More than 40</td>
<td>15</td>
<td>25.0</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>100</td>
<td>60</td>
</tr>
</tbody>
</table>

Maximum number of (64.2%) SHG members belong to the age ranging from 30 and 40 years. There were only 10.8 % of members in the category of less than 30 years.
Table 4.2 Mode of doing the business activity by the SHGs.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Individuals in SHG</th>
<th>Neelankarai</th>
<th>Microsate II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of SHG</td>
<td>%</td>
<td>No. of SHG</td>
</tr>
<tr>
<td>1</td>
<td>By individuals</td>
<td>55</td>
<td>91.7</td>
<td>52</td>
</tr>
<tr>
<td>2</td>
<td>By 2 or more individuals within the SHG</td>
<td>1</td>
<td>1.7</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>All joining as a single group</td>
<td>4</td>
<td>6.6</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>100</td>
<td>60</td>
</tr>
</tbody>
</table>

Even though members formed a group and followed uniform group-saving, a majority of the SHG members (89.2%) were doing their business activity by individuals rather forming small groups. 6.7% of the SHGs did their activity as a single group. Only 4.2% of the SHGs did their activity by forming 2 or more small individuals within the SHG.

Table 4.3 Amount of savings among the SHGs in both the branches of the Indian Bank.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Amount of savings (Rs.) per month</th>
<th>Neelankarai</th>
<th>Microsate II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of SHG</td>
<td>%</td>
<td>No. of SHG</td>
</tr>
<tr>
<td>1</td>
<td>55</td>
<td>5</td>
<td>8.3</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>60</td>
<td>0</td>
<td>0.0</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>105</td>
<td>5</td>
<td>8.3</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>110</td>
<td>50</td>
<td>83.4</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>100</td>
<td>60</td>
</tr>
</tbody>
</table>

An uniform amount of saving Rs 110/ per member was the practice with about 88.3% of the respondents, where as an amount of Rs.105 per month per member was the contribution for saving with 6.7% of the respondents.

Table 4.4 Amount of loan availed by the SHGs

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Loan availed (Rs)</th>
<th>Neelankarai</th>
<th>Microsate II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of SHG</td>
<td>%</td>
<td>No. of SHG</td>
</tr>
<tr>
<td>1</td>
<td>Less than 25000</td>
<td>5</td>
<td>8.3</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>25001 to 1,00,000</td>
<td>45</td>
<td>75.0</td>
<td>39</td>
</tr>
<tr>
<td>3</td>
<td>1,00,000 to 5,00,000</td>
<td>10</td>
<td>16.7</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>100</td>
<td>60</td>
</tr>
</tbody>
</table>

More than 70% of the SHGs obtained loan amount in the range of Rs. 25,001 to 1,00,000. Twenty percent of the respondents have obtained the loan above 1 lakh but below 5 lakhs. A meager 10% of the SHGs got the minimum loan amount of less than Rs 25,000.

Table 4.5 Number of SHGs selling their products on credit basis.

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Neelankarai</th>
<th>Microsate II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHG</td>
<td>%</td>
<td>No. of SHG</td>
</tr>
<tr>
<td>1</td>
<td>Credit to buyers allowed</td>
<td>12</td>
<td>20.0</td>
</tr>
<tr>
<td>2</td>
<td>No credit allowed</td>
<td>48</td>
<td>80.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Credit to buyers was allowed by 18.3% of the SHGs whereas the balance 81.7% of the SHGs did not allow credit sales.
Table 4.6 Number of SHGs availing credit facility from their suppliers for the raw materials.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Neelankarai</th>
<th>Microsate II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHG</td>
<td>%</td>
<td>No. of SHG</td>
</tr>
<tr>
<td>1</td>
<td>Credit from suppliers availed</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>No credit allowed</td>
<td>42</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Credit facility for the raw materials purchased from the suppliers was availed by 25% of the SHGs and the remaining SHGs did not do so.

Table 4.7 Credit period enjoyed by the SHGs from the suppliers for the raw materials

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Neelankarai</th>
<th>Microsate II</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHG</td>
<td>%</td>
<td>No. of SHG</td>
</tr>
<tr>
<td>1</td>
<td>1 month</td>
<td>15</td>
<td>83.3</td>
</tr>
<tr>
<td>2</td>
<td>1 to 2 months</td>
<td>2</td>
<td>11.1</td>
</tr>
<tr>
<td>3</td>
<td>2 to 3 months</td>
<td>1</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>18</td>
<td>100</td>
</tr>
</tbody>
</table>

Credit period allowed to the SHGs by the suppliers of raw materials was 1 month for about 73.3% of the SHGs, whereas 16.7% enjoyed credit up to 2 months.

4.8 To test whether there is any significant difference between the SHGs with regard to the various constraints/problems faced by them. (by using Kendall Coefficient of Concordance)

Null Hypothesis : There is no concordance exists between the SHGs with regard to the various constraints/problems faced by them.

\[ \chi^2 = k(N-1)W \]

\[ W = \frac{s}{12k^2(N^3 - N)} \]

Where \( s = \sum \left( R_j - \frac{\sum R_j}{N} \right)^2 \)

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Constraints/Problems</th>
<th>Mean rank</th>
<th>Ranking given by the SHG</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Competition</td>
<td>2.85</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Credit collection</td>
<td>7.23</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Cost of running the business activity</td>
<td>3.90</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Raw materials</td>
<td>7.73</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Erratic power</td>
<td>5.00</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Inadequate credit</td>
<td>3.77</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Labour problem</td>
<td>7.60</td>
<td>9</td>
</tr>
<tr>
<td>8</td>
<td>Lack of marketing</td>
<td>5.79</td>
<td>6</td>
</tr>
<tr>
<td>9</td>
<td>Lack of credibility</td>
<td>6.08</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>Lack of advertisement</td>
<td>5.06</td>
<td>5</td>
</tr>
</tbody>
</table>

\[ W = \frac{s}{12k^2(N^3 - N)} \]
\[ s = \frac{4505447}{\frac{1}{12}10^3(120^3 - 120)} = 0.3129 \]

Where \[ s = \sum \left( R_j - \frac{\sum R_j}{N} \right)^2 \]

\[ \chi^2 = k(N-1)W \]

\[ = 10(120-1)0.3129 = 372.35 \]

Table value of \[ \chi^2 \]

\[ = \chi^2(k-1), 5\% \]

\[ = \chi^2(10-1), 5\% \]

\[ = 16.92 \]

Since the calculated value is greater than the table value the null hypothesis is rejected at 5\% level of significance. Hence, alternate hypothesis is accepted and is discerned that there is concordance between the SHGs with regard to the various constraints/problems faced by them. Since the W value is 0.3129, moderate concordance existed. (W = 0 to 0.3, Low concordance; 0.3 to 0.6, Moderate concordance; > 0.6, High concordance)

5. FINDINGS AND SUGGESTIONS

From the empirical study, it is observed that:

- Maximum number of (64.2\%) SHG members belong to the age ranging from 30 and 40 years.
- Even though members formed a group and followed uniform group-saving, a majority of the SHG members (89.2 \%) were doing their business activity by individuals instead of forming small groups.
- An uniform amount of saving Rs 110/ per member was the practice with about 88.3 \% of the respondents.
- More than 70 \% of the SHGs obtained loan amount in the range of Rs. 25,001 to 1,00,000.
- Credit to buyers was allowed by 18.3 \% of the SHGs whereas the balance 81.7 \% of the SHGs did not allow credit sales.
- Credit facility for the raw materials purchased from the suppliers was availed by 25 \% of the SHGs and the remaining SHGs did not do so.
- Credit period allowed to the SHGs by the suppliers of raw materials was 1 month for about 73.3 \% of the SHGs, whereas 16.7 \% enjoyed credit upto 2 months.

Competition, Inadequate credit and Cost of running the business activity were ranked by the SHGs as their major constraints/problems faced by them during the course of the business. Self Help Group managing women are practising financial chain, whether they are aware of the concepts behind it or not. Because it is discerned that women entrepreneurs financed their business through savings (88.3 \% of the sample), availing loan (70\%), and availing credit from the suppliers (25\%). However credit is allowed to the buyers only by minimum of 18\%.

From the literature it is discerned that today women participation in the field of entrepreneurship is increasing at a considerable rate. Empowerment of women through Self Help Group model is no exception to this. In fact, this model covers larger portion of women at the bottom of pyramid, which will accelerate the standard of living in the society of the entire family.
REFERENCES