



ROLE OF SELF HELP GROUPS FOR MARKETING OF FINANCIAL PRODUCTS & SERVICES IN RURAL INDIA

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ABSTRACT

Increasing disposable incomes through NREGS and JRY schemes, good monsoons resulting in better harvests is changing the way and lifestyles of rural Indians. However, lack of robust banking structures and the failure of regional rural banks and the corruption in the co-operative banks is forcing the villagers to adopt their own financial models. Microfinance is gaining predominance with the establishment of self help groups (SHG) which have transformed the rural women to save and distribute wealth by forming their own groups and in financing their own members.

This research paper is trying to explore whether these SHG's can be the distribution models for selling a plethora of financial products like mutual funds, insurance etc This research paper is based on secondary data sources collected from reputed peer reviewed journals (national and international).

This research paper would throw a light on how self help groups can be utilized as distribution channels for marketing the financial products in rural India. It would also provide the data pertaining to challenges and constraints of using SHG's as the distribution channels. This research paper would also focus on the complex issues and emerging innovations in the distribution of financial products through SHG's in rural India. It would provide a direction to all the financial organizations to make the best out of these strategies. However this research paper is confined to only SHG's as change agents in rural distribution of financial products. However, there are a lot of other organizations which are doing the same and are not been featured in this study. Research is confined only on the data through secondary data sources and does not include any primary research.

Keywords: *Self Help Group(SHG), Women empowerment, Rural entrepreneurship, Microfinance, Marketing of financial products.*

Introduction

The term rural markets and Self help groups (SHG) are inseparable. The term 'self-help group' or SHG can be used to describe a wide range of financial and non-financial associations. In India women are given a secondary status by their families and the society is still considered as Male Dominated. However with the beginning of Self Help era i.e., the beginning of Self Help Group Movement in India, women are becoming more enterprising, willing to set up their own businesses, earn money, support their families and improve their standard of living in order to support their families.

The SHG's are petite, casual and homogenous groups. These groups have proved as recurring representatives of progress (economic and social) in both the rural and urban areas. In simple words, they are tiny groups of women structured



into groups of ten to twenty and function in a savings-first business form whereby the member's savings are used to fund their loans. Also, SHGs can be described as a 'voluntary association of people formed to attain goals both social and economical' (Singh and Jain, 1995).

Women below the poverty line are becoming more and more independent as compared to the past. They know the importance of additional income apart from the earnings of other members in the family; Savings along with income generation can create wonders and help them provide better future to their children. They understand the importance of income, savings, education, health and empowerment. The SHG's subsequent to being formed start collecting fixed amounts of saving from all member participants regularly. Following the building up of a rational quantity of savings, the group initiates lending to its members for minor needs.

SHGs have varied origins, mostly as part of integrated development programmes run by NGOs with donor support. The major programme involving financial intermediation by SHGs is the SHG-bank Linkage Programme. This Programme was launched in 1992 by National Bank for Agriculture and Rural Development (NABARD), the apex bank for rural development in India.

Status of Indian Women in Society:

In India, gender inequalities have existed since years, women since ages were given a secondary status and they were expected to be at home, taking care of children, cooking and doing the household chorus. Women were also subjected to domestic violence and indifference in the family. Education provided to the girl child was also limited. Female mortality and female foeticide was also high. With the increase in the middle class society, women started working and gradually coming out of their expected routine. Now they work, earn money and also take care of their children. Domestic violence even though is still existing, women are more confident about their future because they can feed themselves and their children by their own. This fact is about the middleclass but in case of lower middleclass and poor households, status of women need to be improved. These women not only lack education and confidence, they also require some formal training if they are willing to work and earn. Development can happen only if women, who constitute half of the population of the country are treated equally and get equal employment and self employment opportunities. Women can development themselves as well as their families if provided with proper guidance about business opportunities. They can bring their families out of the vicious cycle of poverty.

The strengths of SHG's may be characterized as given below:

- The women from SHG's believe in savings. They save money regularly and maintain records of savings of all the members. With the money collected as savings, they lend to the needy members of group and also fund to their small business start ups.



- The modern type of funding is crucial to enhance credit strategy for meeting the requirements of the underprivileged. It can be done by a blending up of flexibility, sensitivity and receptiveness of the informal credit system with the technological and managerial potential and financial resources of formal financial institutions. It is important to also construct a material belief and trust between various banks/financial institutions and the poor, deprived and underprivileged. Banking should be encouraged in a segment of population that formal financial institutions usually find difficult to reach i.e., creation of financial inclusion
- The entire process of SHG's is driven by savings initiated by their members, creation of new employment opportunities and stimulus to improve the income from the ongoing activities in order to lead a better livelihood.
- The groups develop their own management system and accountability for handling the resources generated. The interaction among the members is based on participatory mechanism in terms of decision-making.
- As it says, 'small drops of water can built up an ocean', tiny savings of rural women can generate the required reserves which can protect them from being exploited by the moneylenders. Thus, the voluntary savings make up the key for economic progress. This further leads to financial inclusion as the promotion of SHG's can bring lower income group women into the mainstream of economic development.
- Credit through SHG's is considered more suitable by banks and NGO's. This is because the creditability of SHG's regarding utilization of resources and recovery of funds is praise worthy.
- Credit accessibility through SHG's is cost effective and group approach can ensure wider coverage of poor families through bank credit. In some cases members also approach banks themselves.

Types of SHGS:

Types of self-help groups engaged in financial intermediation in India distinguished by their origin and source of funds:

(i) Pre-existing groups:

- ROSCAs, such as nidhis, rotating their own savings with no external resources
- Pre-existing ROSCAs that have been identified by banks and are accessing bank loans

(ii) Promoted by NGOs:

- Thrift groups receiving no external funds (including those formed under component programmes of sector development projects)
- Receiving only revolving fund grant from NGO/donor



- Started with donor/government grants and subsequently linked to banks/MFIs
- Receiving loans from NGO-MFI

(iii) Promoted by banks/NBFCs:

- Promoted by bank staff and agents – receive loan from bank
- Promoted by agents – receive loan from bank/NBFC

(iv) Promoted by DRDA/government/local government agency:

- Only receive revolving fund grant from government agency
- Access loans from banks/MFIs

(v) Promoted by SHG federations

- Directly linked to banks
- Receive loans through SHG federations

Source: Adapted and enlarged from CENDRET (1997)

Literature Review:

Post nationalization period, banking sector contributed substantially towards meeting the credit needs of poor. One of the objective of bank nationalization strategy was provision of financial services to neglected and low income clients. As a result of this state and central government provided many credit packages for poor which were customized to their needs. Even though certain amount of progress was achieved, credit flow to the poor was limited. Then NABARD was given the responsibility to look into the matters relating to rural credit. Research by NABARD and MYRADA suggested that even after so many efforts lot of people below the poverty line were still not covered by rural banking network (CS Reddy, 2005)

The major programme involving financial intermediation by SHGs is the SHG-bank Linkage Programme. This Programme was launched in 1992 by National Bank for Agriculture and Rural Development (NABARD), the apex bank for rural development in India. By March 2002, the programme covered 7.8 million families with 90 per cent women members. On-time repayment of loans was over 95% for banks participating in the programme. It also involved 2,155 non-government organizations (NGOs) and other self-help promoting institutions. NABARD's corporate mission is to make available microfinance services to 20 million poor households, or one-third of the poor in the country, by 2008. However, there is at present a high degree of concentration in the southern states, with just two states, Andhra Pradesh and Tamil Nadu accounting for more than 66% of the SHGs linked to banks (Ajay Tanka, 2002).



Self-help groups intermediated by microcredit have been shown to have positive effects on women, with some of these impacts being ripple effects. Nagayya, D. D., & Rao, T. V. (2011) maintains that an informal arrangement for credit supply to the poor through SHG's is fast emerging as a promising tool for promoting income-generating enterprises. He has reviewed the initiatives taken at the national level with a view of institutional arrangements to support this programme for alleviation of poverty among the poor, with focus on women. He maintained that NABARD and SIDBI are playing a prominent role at various stages of implementation of this programme. There are other national level bodies also supporting NGO's/VA/s, viz. Rastriya Mahila Kosh (RMK), Rashtriya Gramin Vikas Nidhi (RGVN) etc. He called for an imperative need to enlarge the coverage of SHG's in advance portfolio of banks as part of their corporate strategy, to recognize perceived benefits of SHGs financing in terms of reduced default risk and transaction costs. Development of the society is directly related with the Income Generation Capacity of its members with agriculture, as the key income generation activity the entrepreneurship on farm and home can directly affect the income of a major chunk of our population. The growth of modernization processes such as industrialization, technical change; urbanization and migration further encourage it. Entrepreneurship on small scale is the only solution to the problems of unemployment and proper utilization of both human and non-human resources and improving the living condition of the poor masses (Venkata Ramana, C. C., Ramachandra Aryasri, A. A., & Nagayya, D. D., 2008).

Despite significant evidence to the contrary, many financial institution managers and policy makers do not believe poor people save money. They tend to assume that poor people are "too poor to save," that they prefer to consume rather than save excess income, or that when they do save it is only to access a loan. The prevailing perception that poor people do not save may stem from the low penetration of formal savings mechanisms, the most common of which are accounts in financial institutions. To compete with informal savings mechanisms, formal services must be appropriate for poor savers, satisfying key client preferences. Although these preferences vary from market to market, worldwide, low-income savers tend to care most about accessibility and security. Accessibility can be seen as physical accessibility (proximity) and financial accessibility (affordability). Accessibility also can be defined as liquidity, although studies indicate that poor clients have both liquidity and illiquidity preferences (Rani Deshpande and Deena M Barjorjee, 2005)

Microfinance programmes like the Self Help Bank Linkage Program in India have been increasingly promoted for their positive economic impact and the belief that they empower women. However, only a few studies rigorously examine the link between microfinance and women's empowerment. This article contributes to this discussion by arguing that women's empowerment takes place when women challenge the existing social norms and culture, to effectively improve their wellbeing. In recent years, governmental and non-governmental organizations



(NGOs) in developing countries have introduced microfinance programmes offering financial services to low income households, specifically targeting women. This was based on the premise that women in poor households are more likely to be credit constrained, and hence less able to undertake income-earning activities. Access to credit has received even greater attention in the context of poverty reduction and women's empowerment objectives. With the aim to meet the Millennium Development Goals³ and microfinance programmes' role in supporting it, there has been an increasing expectation on their impact on women's empowerment. However, only a few studies have successfully investigated this impact in a rigorous manner (Ranjula Bali Swaina and Fan Yang Wallentinb (2009) "There are two billion people around the world, who are living on less than \$2 a day," says Chris Brookfield, director, Unitus Equity Fund. "There is huge market potential in helping these individuals to rise up and work towards a better future." Legatum, a privately owned international investment firm, announced an investment of \$25 million in Share Microfin, the country's largest MFI. This is the largest investment, both domestically and internationally, made by any investor in an MFI. "The size of the market, the low penetration rates and the high rate of growth attracts investors," says Mahajan of Basix. "It's a win-win situation for Indian MFIs as the sector stands to benefit from foreign funds by way of increased professionalism, global exposure, new networks, higher standards and ethics and a natural transfer of global expertise." (Rajeshwari Adappa Thakur,)

Role of SHG in Marketing of Financial Products & Services

The basic aim of formation of a SHG is financial and economic independence of lower class of women. SHG members are women belonging to similar economic status. They have similar kinds of issues and problems in their life. The purpose of joining the SHG is to solve these problems and get ahead in life. A number of products are being produced and marketed by self help groups.

Some of the products, which are conveniently produced/marketed by SHGs are Fiber based products like hand bags, decoration items (candles, artificial flowers, agarbattis), woolen sweaters, carry bags, etc; Also food items, like chakli ,chiwda, daily meal items like chapatti- bhaaji , Honey and honey based products, Pickles, Sea foods(SHG's of fisher women), Wafers, Flour items, Bakery items, Masala Powders(Red chilly powder and paste, turmeric powder, garam masala etc), Fried Chips like banana, potato etc, Murukku, Jams, squash etc, Palm candies, Oils like coconut, sesame etc; Plant Fiber brushes, Rose water, Temple articles, artificial Jewellery, Greeting cards from plant materials, Vermi compost, coir pith compost, Thatched palm leaf, Detergents, soaps, Phenyl, and Ready made garments.etc; Palm leaf products like baskets leaf mats, Coconut shell products, Toys made of paper, fruits, terracotta etc, Sea shell crafts, Cut flower items, Pottery items, Flower and flower products and bead ornaments. Embroidery products, Pin lace products, Cloth items, saree fall beeding etc.



In rural areas, when the members of a SHG go for marketing a particular product, people trust them and it is easy to sell those products to the people. It happens because, people in the village know them and their SHG. All the above articles are being marketed by SHG's without any problem. However, if any outsider who is not known to the villagers tries to market the same product to the same people, its impact is different.

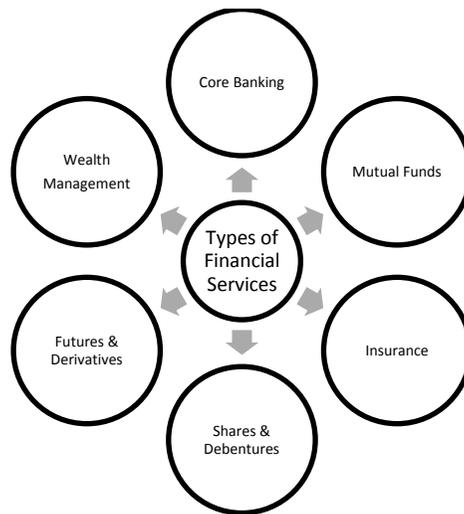
Its all about trust and comfort. In rural areas educational background, upbringing, economic status of the consumers are very important factors. This is where SHG's have an upper hand in marketing the products within their areas. The main issue here is the role of Self help groups in marketing financial services and products to the rural consumers.

Lack of robust banking structures and the failure of regional rural banks and the corruption in the co-operative banks is forcing the villagers to adopt their own financial models, microfinance is gaining predominance with the establishment of self help groups (SHG) which have transformed the rural women to save and distribute wealth by forming their own groups and in financing their own members. The banks have failed to reach the rural poor. Now with the success of SHG-Bank linkage programme, it is evident that SHG play a crucial role in rural areas and helps linking banks to poor women and their SHG's. Therefore, it can also be entrusted with the responsibility of marketing financial products and services to the rural consumers. Self help groups can be utilized as distribution channels for marketing the financial products in rural India because of the trust factor.

This can be great success because the poor who are normally reluctant to go to banks and financial institutions can easily be covered by SHG's. SHG's can be change agents in rural distribution of financial products. The objective of financial inclusion can also be achieved by this.

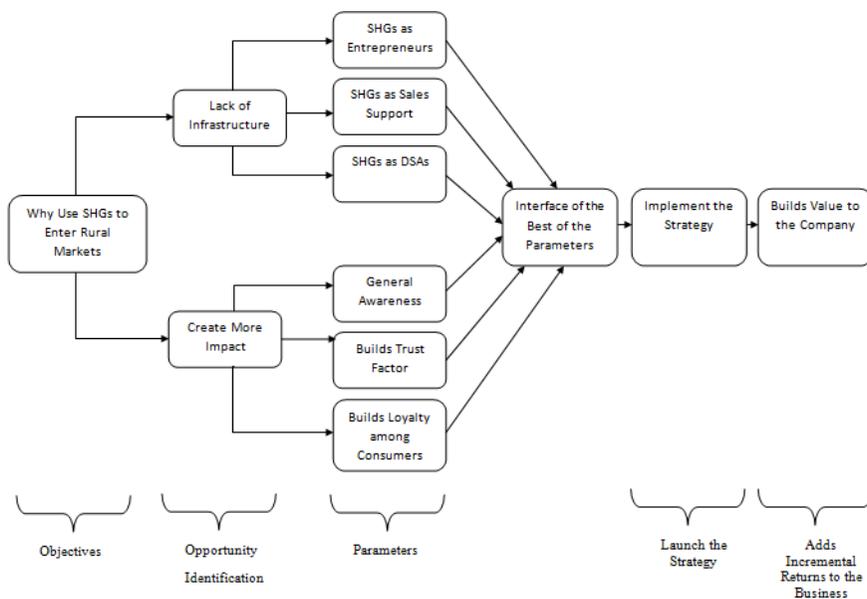
Financial Products & Services in India:

Financial services refer to a number of services related to managing money. It generally includes banking, insurance, mutual funds, shares and stocks, etc. This booming sector is opening up great opportunities to the Corporate World and the Banking Sector in India. Disbursing these financial products in the Rural Markets is a big challenge faced by the Corporate Sector. They are looking forward to see innovative distribution channels to push their products into these rural markets. Microfinance and Self Help Groups (SHG's) are playing a crucial role in the distribution of these products. Financial sector is undergoing continuous transformation and is aiming towards achieving economic growth at a faster pace. In rural areas, where banks cannot reach the poor, these self help groups can be utilized for distributing these financial services.



Marketing of these financial services would be easier if it is done by women who can easily access the rural people and explain them the significance of these financial services. Also these women are known to villagers. Being familiar, they can talk frankly with them and get these queries answered. The best example for this would be Project Shakti, wherein the women, ‘shakti ammas’ are used to market the products of HUL.

Strategic Framework for Marketing Financial Products by Using Self Help Groups (SHG’s):





The strategic framework can be explained in the following stages:

- **Objectives:** The first thing is to consider ‘why to use SHGs to enter rural markets?’ There can be various reasons for the same:
 - Absence of existing DCs
 - If at all DCs exist, they are not efficient
 - The trust factor can be built
 - Women can be better in negotiation and convincing abilities
 - People from village will have more local knowledge about the market
- **Opportunity Identification:** There can be two scenarios in front of the organization. Either there is a lack of infrastructure or the organization wants to create more impact.
- **Parameters:** If there is a lack of infrastructure, SHGs can be used in the following ways
 - SHGs can be used as entrepreneurs with much freedom and responsibility
 - SHGs can be used as a sales support to the company
 - SHGs can be used as a Direct Sales Agents of the companyIf the organization wants to create more impact, it needs to build general awareness, build trust factor and build loyalty among consumers.
- **Launch the Strategy:** Depending on the situation, the company needs to choose the best set of parameters and implement the strategy.
- **Builds Value to the Company:** The strategy in turn adds incremental value to the company.

Scope for Future Research:

This paper is based on secondary research from reputed peer reviewed journals. In the future, primary research can be carried out to gain a more hands on understanding of the rural distribution of the financial products. As this topic is the hot bed for discussion in the Financial Industry, Researchers and Academicians will have to carry out more Primary Research so as to gain more practical insights into this topic, and thereby the Data gathered can be useful in shaping the future of Microfinance and the way Self Help Groups (SHG’s) would operate in the disbursement of the Financial products offered in the country.

Conclusion:

SHG and its members are very well known to the rural people. As there is a trust factor involved, SHG can be used to enter rural market. The major problem with rural areas is that they do not have proper infrastructure facilities to support them. SHG’s can be used to enter rural market because they create more impact in



these areas. Due to lack of infrastructure, SHG's can be used as distribution channels for financial products and services who can market these products as entrepreneurs, or direct selling agents. SHG's can be sales support for these financial services.

SHG's can create a great amount of impact in rural areas by generating awareness among rural consumers about financial products and services. It builds a trust factor among the rural people, and loyalty among the consumers. Rural consumers who are reluctant to approach banks feel free to approach the members of SHG's who are known to them.

It is important to integrate the best of these parameters for implementation of the strategy. The successful launch of the strategy builds value for the company and adds incremental returns to the business.

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