

## “FINANCIAL PERFORMANCE ANALYSIS OF BUSINESS ENTERPRISES MANAGED BY SELF HELP GROUPS IN PERAMBALUR DISTRICT”

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### ABSTRACT

The Gandhian plan of rural development sought all round development bringing into full and active play all the resources of the individual. The poorer the household the greater is the burden on women. Who strive to augment its income though long hours of manual work at low wages? The Self Help Groups (SHGs) is a boon to rural women particularly to women with entrepreneurial skills. Micro finance and SHGs are effective in reducing poverty, empowering women, creating awareness and ensure sustainability of environment which finally results in sustainable development of the nation. The continuous study in different dimension about the business enterprises which are managed by Women SHGs will bring many fruitful understandings, insights and based on these outcomes many remedial measures could be provided to the business units of SHGs. The present study attempts to find out performance of SHGs financed by different commercial banks under micro finance scheme in Perambalur District under the programme of Swarnajayanthi Gram SwarozgarYojana (S.G.S.Y). Out of population 541, 300 respondents were selected under multi stage simple random sampling method. The financial performance studies under 7 variable such as project selection, source of finance, application of funds, ensure the fast as well as cash cycle, repayment, redeployment and cost control mechanism.

**KEYWORDS:** Swarnajayanthi, Gram Swarozgaryojana, Self Help Groups, Micro Finance

### INRODUCTION

There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Knowing the financial position becomes even more important as the business grows, especially if the plan is to grow the business substantially. Lack of a precise and timely knowledge of the current financial position can lead to business failure and have other consequences for the directors/owners.

The Gandhian plan of rural development sought all round development bringing into full and active play all the resources of the individual. Self sufficiency was the key note of the economy of this society. The Gandihan philosophy as being the nerve centre of the people's universe gave share and commitment to a new programme called Community Development Programme (CDP) with the village as the modal point.

*“If you want to awaken country first awake women, if a woman is awakened a family is awakened and a family is awakened, a village is awakened there by entire country is awakened” - Jawaharlal Nehru*

*“A nation would not march forward if the women are left behind” – Swami Vivekananda*

Swarnajayanthi Gram SwarozgarYojana is one of such micro finance proramme. The main objective of SGSY is to bring the assisted poor families above poverty line ensuring appreciable sustained level of income over a period of time. The poorer the household the greater is the burden on women The SHGS is a boon to rural women particularly to women with entrepreneurial skills.

Micro finance and SHGs are effective in reducing poverty, empowering women, creating awareness and ensure sustainability of environment which finally results in sustainable development of the nation. SHGs have emerged as popular method of working with people in recent years. This movement comes from the people's desires to meet their needs and determine their own destinies through the principle "by the people, for the people and of the people". The SHGs today have become a vehicle to pursue diverse developmental agendas and even for the profit motive. The proliferation of SHGs has posed a serious challenge to sustain this movement by maintaining quality of SHGs and hence, the quality assessment of SHGs is now being considered as a key concern. To avert such a situation, growth with quality has become the paramount agenda of today among different stakeholders, as there is an over reaching concern about sustainability of the SHG movement in India. Several rating systems for micro-finance interventions and SHGs have been developed in the past. But most of these were restricted to understanding the creditworthiness of SHGs and employed indicators on performance on basic group functions and credit absorption capabilities. Social, empowerment and behavioural aspects of SHGs functioning rarely found a place in the rating system.

### Statement of Problem

The continuous study in different dimension about the business enterprises which are managed by Women SHGs will bring many fruitful understandings, insights and based on these outcomes many remedial measures could be provided to the business units of SHGs. The track record of the performance of Women SHGs business enterprises shows that, there is a mixed response over the growth of those business enterprises.

Moreover, many factors such as financial insufficiencies, improper guidance, poor planning, lacking of marketing scope and facilities are negatively influence the business as well as financial performance of women SHGs enterprises. Due to the lack of co-operation from the government, non-government agencies and society, the Women SHGs business enterprises are facing severe issues and they are unable to record the desired result.

### OBJECTIVES

- To identify major financial issues that affects the performance of Business enterprises run by SHGs.
- To provide financial guidance for Business enterprises run by SHGs

### REVIEW OF LITERATURE

**Koch and Soetjipto (1993) Khandker and Others (1995):** traced the origin of Grameen Bank which was started in 1983 in Bangladesh by Prof. Mohammed Yunus. Yunus observed the role of micro credit in facilitating women's potential.

**Bhatia and Bhatia (2002):** through few case studies highlighted that recovery of SHG's is higher than other credit extended to borrowers. Moreover, involvement of SHG's had helped the bank branches in recovery of old dues. They observed that there have been perceptible changes in the living standards of the SHG's members, in terms of ownership of

assets, increase in savings and borrowing capacity, income generating activities and income levels as well.

**K.C. Sharma (2001):** maintained that through SHG's women empowerment is taking place. Their participation in the economic activities and decision-making at the household and society level is increasing and making the process of rural development participatory, democratic, sustainable and independent of subsidy, thus, macro-financing through SHG's is contributing to the development of rural people in a meaningful manner.

**Manimekalai and Rajeshwari (2002):** in their writings highlighted that the provision of micro-finance by the NGO's to women SHG's has helped the groups to achieve a measure of economic and social empowerment. It has developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization.

**T. R. Gurumoorthy (2002):** in his work, “SHGs- Economic Empowerment Through Self – Reliance”, studied the micro-credit funding agencies and the amount sanctioned by them. Out of the 27,000 self-help groups in Tamil Nadu, 5,400 are linked with banks and the banks advance credit to them to the extent of Rs.9 crores. In his view, SHGs have the power to create a socio-economic revolution in the rural areas of the country. In his opinion, members of self-help groups must be prepared to undertake entrepreneurial activities at a smaller level with minimum capital requirements.

**Krishnaiah (2003):** in his study has highlighted the operations of the SHGs engaged in the domain of income generation, human development, environmental protection and natural resources management. The author has concluded that identification of proper products for manufacturing, use of appropriate technology and creating necessary marketing channels will require greater attention for making the SHGs as viable credit depending mechanisms.

## DATA AND METHODOLOGY

Researcher used multiple stage simple random sampling method to collect the responses. In Perambalur district there are 4 Blocks and each block consists of several panchayats. The selection of panchayat is considered as first stage sampling. Each panchayat consists of several villages. Selection of villages is considered as second stage and the SHGs are identified randomly is the third stage. The sampling plan is clearly presented in the following table.

**Table 1**

Sl. No	Name of Block	No. of Panchayat	No. of Villages	Population	Total no of SHG	Economic Activities Sanctioned	Sample	
							Villages	No. of SHG
1	Alathur	39	78	105986	909	100	29	63
2	Perambalur	20	54	100245	2207	89	24	82
3	Veppanthattai	29	90	125539	1429	165	30	82
4	Veppur	33	92	136247	1409	187	23	73
<b>Total</b>		<b>121</b>	<b>314</b>	<b>468017</b>	<b>5954</b>	<b>541</b>	<b>106</b>	<b>300</b>

Primary data were collected through questionnaire. The respondents were asked to give their opinion relating to the financial performance analysis of business enterprises.

The secondary data are collected from journals, reports, articles, research papers, websites, booklets etc.

## DATA ANALYSIS AND INTERPRETATION

### Factors Influencing Financial Performance

The various factors arises that influence the financial performance of SHGs namely project selection, source of finance, application of funds, fast and safe cash cycle, repayment, redeployment of funds, cost control mechanisms. In this context, a parametric t-test has been applied and the following results are obtained. The mechanism of the t-test indicates that the computed mean is compared with the hypothesised mean value 3. The significant positive and negative t-test values indicate the agreement and disagreement of the factors influencing the financial performance by the SHG members. The significant t-value can be taken to interpret the undecided opinion of the SHG members.

**Table 2: The Sample T-Test is Applied on Eight Variables of Project Selection**

	N	Mean	Std. Deviation	Std. Error Mean	T-Value	Sig(2-Tailed)
Practical Problem	300	3.5467	.67031	.03870	14.126	.000
Government support	300	3.4533	.65005	.03753	12.079	.000
Difficult formalities	300	3.2467	.66380	.03832	6.436	.000
Lack of guidance	300	3.4367	.65377	.03775	11.569	.000
Government schemes	300	2.1900	.51781	.02990	-27.094	.000
Government official support	300	3.3000	.62554	.03612	8.307	.000
Effective training programmes	300	3.2300	.70623	.04077	5.641	.000
Guidance by Government agencies	300	3.1333	.61385	.03544	3.762	.000

The above table expressed t-test values are significantly greater than the test value 3 at 5 percent level of significance.

It is concluded that the SHG members moderately agree to have adequate support from the Government at the time of selecting their projects. They agree to receive able guidance and effective training from the government on the projects selected. The SHG members strongly agree to face the problems in completing formalities for starting their business and do not receive proper guidance and consultancy services. The SHG members strongly disagree on their awareness about various Government schemes at the time of selecting projects.

**Table 3: The Sample T-Test is Applied on Five Variables of Sources of Finance**

	N	Mean	Std. Deviation	Std. Error Mean	T-Value	Sig(2-Tailed)
Banks and financial institutions loans sanctioned inadequate	300	2.9067	.65782	.03798	-2.457	.015
Bankers confidence on women SHG is low	300	3.0633	.86128	.04973	1.274	.204
Subsidies offered is adequate	300	2.2933	.76326	.04407	-16.036	.000
Capacity to fund on own projects	300	3.1100	.79162	.04570	2.407	.017
	300	2.3500	.83054	.04795	-13.555	.000

The SHG members moderately agree that their funds are properly shared into fixed capital and working capital, where capital investments is rightly distributed among the fixed assets and working capital distributed between the volume of demand still they expressed to have lack of knowledge in redeployment of surplus funds on existing or new business. The SHG members are able to decrease the volume of idle funds of their business to manage financial crunch as they avail proper time to time guidance on application of funds.

**Table 4: The Sample T-Test is Applied of Seven Variables of Application of Funds**

	N	Mean	Std. Deviation	Std. Error Mean	T-Value	Sig(2-Tailed)
Total capital shared into fixed capital and working capital	300	3.6833	.76922	.04441	82.938	.000
Capital rightly distributed	300	3.8733	.39726	.02294	168.877	.000
Working capital rightly distributed	300	3.7100	.56595	.03268	113.542	.000
Unable to decrease the volume of idle of funds	300	2.2900	.64339	.03715	61.649	.000
Business facing financial crunch	300	2.9033	.65988	.03810	76.207	.000
Lack of guidance on application of funds	300	2.9933	.69875	.04034	74.198	.000
Lack of knowledge on redeployment of funds	300	3.1133	.74094	.04278	72.779	.000

The SHG members moderately agree that their funds are properly shared into fixed capital and working capital, where capital investments is rightly distributed among the fixed assets and working capital distributed between the volume of demand still they expressed to have lack of knowledge in redeployment of surplus funds on existing or new business. The SHG members are able to decrease the volume of idle funds of their business to manage financial crunch as they avail proper time to time guidance on application of funds.

**Table 5: The sample T-test is applied of eleven variables of ensure fast as well as safe cash cycle**

	N	Mean	Std. Deviation	Std. Error Mean	T-Value	Sig(2-Tailed)
Irregular supply and poor quality of raw materials	300	2.2667	.96540	.05574	-13.157	.000
Poor infrastructure facilities	300	2.1467	.77059	.04449	-19.180	.000
Manpower shortage	300	1.8633	.83285	.04808	-23.639	.000
Debt collection problems	300	1.8633	.83285	.04808	-23.639	.000
Problems of packaging	300	2.4300	1.12665	.06505	-8.763	.000
Problems of production of quality product	300	2.5533	1.08524	.06266	-7.129	.000
Poor demand	300	2.7300	1.06499	.06149	-4.391	.000
Poor customer acceptance	300	2.6133	.97998	.05658	-6.834	.000
Poor payment by buyers	300	2.6433	.96915	.05595	-6.374	.000
Low capacity utilization	300	2.7400	1.01118	.05838	-4.454	.000
Poor safety and protection of working environment	300	2.2567	.67748	.03911	-19.004	.000

The SHG members in order to ensure fastest as well as safe cash cycle in their business agree to supply good quality of raw materials and maintain proper infrastructure facilities and focus on the safety and protection to the working environment. It is further inferred that they have sufficient man power to complete every process of the work done in their organisation and deliver the products at right time based on the requirement of their customers and receive regular payments from the buyers without delay.

**Table 6: The Sample T-Test is Applied of Eight Variables of Repayment**

	N	Mean	Std. Deviation	Std. Error Mean	T-Value	Sig(2-Tailed)
Flexibility	300	3.2733	.75754	.04374	6.250	.000
Higher Interest rate	300	3.6700	.56760	.03277	20.445	.000
Cash rebate	300	1.7833	.52022	.03003	-40.509	.000
Prompt repayment	300	3.1300	.72677	.04196	3.098	.002
Low penalty	300	3.2933	.74103	.04278	6.856	.000
Non-availability of trade credit	300	3.6700	.65001	.03753	17.853	.000

Stringent terms and conditions from marketers	300	2.8667	.84732	.04892	-2.726	.007
Stringent terms and conditions from Suppliers	300	2.6333	1.10285	.06367	-5.759	.000

The SHG members moderately agree that they are given flexibility in repayment schedule, low penalty on late payment as they repay their loan promptly within the due dates. They also expressed that, they are not given trade credits because the interest rates charges are high. But the SHG members disagree with cash rebates on early repayments and stringent terms and conditions from marketers and suppliers.

**Table 7: The Sample T-Test is Applied of Five Variables of Redeployment of Funds**

	N	Mean	Std. Deviation	Std. Error Mean	T-Value	Sig(2-Tailed)
More consent and willingness	300	3.0133	.77578	.04479	.298	.766
Utilization of Reserves and surplus for working capital requirements	300	3.1267	.67736	.03911	3.239	.001
Utilization of Reserves and surplus for capital investment crisis	300	2.7367	1.03484	.05975	-4.408	.000
Utilization of Reserves and surplus for expansion of business	300	2.6133	1.04281	.06021	-6.422	.000
Utilization of Reserves and surplus for acquisition of business	300	2.4533	.80206	.04631	-11.805	.000

Th SHG members moderately agreed to have more consent and willingness on redeployment of funds and utilize the reserve and surplus for managing the current working capital requirements. But they disagree to effectively utilize their reserve and surplus for managing capital investment crisis, expansion of business and for acquisition of new business.

**Table 8: The Sample T-Test is Applied of Ten Variables of Cost Control Mechanisms**

	N	Mean	Std. Deviation	Std. Error Mean	T-Value	Sig(2-Tailed)
Problems on controlling the wastage.	300	2.6567	1.24255	.07174	-4.786	.000
More awareness is available in cost control.	300	3.4833	.69618	.04019	12.025	.000
Application of More mechanization.	300	2.6567	.74429	.04297	-7.990	.000
Recruitment & Application of right employees in production process.	300	3.8433	.46134	.02664	31.662	.000
Application of right inventory and stores management techniques.	300	3.3333	.85908	.04960	6.721	.000
Utilization of quality inputs.	300	3.3933	.83723	.04834	8.137	.000
Adoption of bulk purchase strategy.	300	2.8333	.82937	.04788	-3.481	.001
Accurate demand forecasting.	300	3.5300	.70053	.04044	13.104	.000
Minimized sales network.	300	3.0100	.85967	.04963	.201	.840
Minimized production process.	300	2.5400	.72813	.04204	-10.942	.000

The SHG members moderately agreed to have awareness on cost control, demand forecasting, inventory and stores management techniques, recruitment of right employees in production process, minimised sales network, utilization of quality inputs. It is further revealed that the SHG members maximise the production process by purchasing the required quantity of raw materials for controlling the wastages and apply suitable mechanisms based on the sales requirements.

## **FINDINGS**

Since maximum of the SHG members are uneducated, they experience the problems in completing formalities for starting their business and do not receive proper guidance and consultancy services and they also expressed to have no awareness about various Government schemes at the time of selecting projects.

The SHG members moderately agreed that banks and Government offer various subsidies to the SHG members though they have low level of confidence on women SHG. The SHG members moderately agree that their funds are properly shared into capital and working capital, where capital investments is rightly distributed among the fixed assets and working capital distributed between the volume of demand. As the SHG business is developing, the members are able to decrease of the volume of idle funds to reduce their business facing frequent financial crunch as they avail proper guidance on application of funds.

The SHG members in order to ensure fastest as well as safe cash cycle in their business agree to supply good quality raw materials and maintain proper infrastructure facilities and focus on the safety and protection to the working environment. Due to availability of sufficient man power, the SHG complete every process of the work done in their organisation and deliver the products at right time based on the requirement of their customers and receive regular payments from the buyers without delay.

The SHG members moderately agree that they are given flexibility in repayment schedule, low penalty on late payment as they repay their loan promptly within the due dates but they also expressed that they are not given trade credits and the interest rates charges are high. The SHG members moderately agreed to have more consent and willingness on redeployment of funds and utilize the reserve and surplus for managing the current working capital requirements whereas they disagree to effectively utilize their reserve and surplus for managing capital investment crisis, expansion of business and for acquisition of new business.

The SHG members moderately agreed to have awareness on cost control, demand forecasting, inventory and stores management techniques, recruitment of right employees in production process, minimised sales network, utilization of quality inputs. The SHG members maximise the production process by purchasing the required quantity of raw materials for controlling the wastages and apply suitable mechanisms based on the sales requirements.

## **SUGGESTION**

The bankers with whom the SHG members avail loans shall visit SHGs frequently and grade them based on their quality. The financial status of SHG members has improved due regular sanction of loans from credit institutions like banks. Access to credit has enabled women SHGs to undertake income generating activities.

Banks and NGOs need to carefully monitor the credit linked groups especially when the amounts are much higher than the average, in order to ensure an excellent recovery performance assistance in terms of technology back up, product market, human resource development and insurance coverage through a suitable institutional mechanism, needs to be given to SHGs.

Expert advice and practical training can be given to the members in selecting their income generating activities based more on practicability and profitability

## CONCLUSIONS

The study shows that the satisfactory financial performance by the SHGs in conducting the business. The SHGs have to face the problems in completing formalities for starting their business and do not receive proper guidance and consultancy services. Banks have low level confidence on women SHG. They are not given trade credits because the interest rates charges are high. Women's participation in SHGs enabled them to discover inner strength, gain self-confidence, socio economical, political and psychological empowerment and capacity building.

The strong social ties among the members paved way for increase in business loan per member, reducing expenditure and increasing income of the group members. Many institutions coming forward to help the SHGs meet and the current demands of rural women empowerment and poverty alleviation that leads to a gradual improvement in the quality of their life and will enable SHGs to identify activities for economic betterment. The group-empowerment becomes a dynamic force to involve the SHG members in the multifarious activities of social, political and economic empowerment.

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