

Marketing Problems of Self-Help Groups: An Analysis on the Factors Contributing Profitability & Sustainability

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Abstract

The real development of country is measured by the development of its citizens in true sense. Self-help groups play a vital role in generating gainful employment opportunities for the poor households across the country, especially engaging the women. The efforts of government for the creation and uplift of self-help groups are considerable in the last three decades. The developmental agencies and government bodies have done really well in terms of mobilizing the rural women and enrolling them to the micro-enterprise set of self-help groups. The number of groups enrolled in NRLM website country wise are enormous. Self-Help groups play a major role in providing entrepreneurship opportunities to urban and rural poor. But only a few groups and handful of cooperatives are able to make their mark in the business arena. The lack of education, managerial competence and many financial, logistical, and social factors act as a hurdle to the growth and sustainability of self-help groups. Delhi and National Capital Region host to almost 13000 and above SHGs. This geographic area has seen rapid urbanization and growth. So, the SHGs operating in the area have no shortage of potential market. The key is to identify the marketing problems of SHGs and helping them taking an offering to the market which are acceptable and demanded by consumers. This paper tries to examine the factors relating to unacceptability of the products produced by SHGs in the locality and to provide possible corrective suggestions to the stakeholders

Keywords: Self-Help Groups; Marketing; Skill Development; Sustainable Business Practices.

Classification-JEL : A12, V14

1. INTRODUCTION

The growth of Indian economy is phenomenal in the last few decades. It has become the 3rd largest economy in terms of PPP and the 5th largest economy in real terms (Investopedia, 2020). The numbers of millionaires in India are increasing day by day and are expected to reach 1.3 million by 2025 with an increase of 81.3% from its current numbers (Business Standard, 2021). However,

this growth is somewhat skewed and the divide between the rich and poor has increased. Financial inclusion of its large urban and rural population by providing gainful employment opportunities is very crucial for a populous country like India. Entrepreneurship and employment opportunities are key to equal distribution of wealth and Self-help Groups perform a key role in doing so. It brings together the marginalized poor to come at a common

platform and indulge into productive activities. It mobilizes the unused human capital into productive activities, which would have otherwise lying comparatively unproductive. By generating employment opportunities, it also contributes in gender equality, women empowerment, social justice, community development, education, social status, standard of living and ultimately the national income of the country.

For the last 3 decades, central and state governments have kept their focus greatly on the formation and uplift of SHGs in the country. Many departments are involved into providing financial, institutional, and marketing assistance to these SHGs. NRLM, SRLM, NABARD, State Cooperative banks, Nationalized Banks and many other micro-financial agencies help SHGs through SHG – Bank linkage programs to avail credit facilities at attractive rate of interest. Many private banks also provide unsecured loans to SHGs as a part of financing primary sector of economy. Schemes in Dairy Development, poultry development, ration shops, manufacturing vermicompost fertilizer etc. are rolled out on periodic manner to benefit these groups (NABARD Report, 2020).

Apart from the above-mentioned agencies many non-government agencies (NGOs) and Non-Banking Financial Corporations (NBFCs) are also contributing into the uplift of SHGs. They not only arrange credit facilities for SHGs but in many occasions provide training and marketing support. However, incompetency in managerial skills and having less marketing acumen hampers their business growth and they fail to attract customers for their products.

2. THE STUDY AREA

The area of the study is Delhi-NCR which is spread across in a total 30,242 square kilometers. The geographic area of NCR is comprised of the National Capital Delhi (1483 square kilometers), adjoining areas from the state of Uttar Pradesh (10,853 square kilometers), the state of Haryana (13,343 square kilometers) and Rajasthan (4,493 square

kilometers). The most populous and dense is central national capital region with 3,483 square kilometers including the cities of Delhi, Ghaziabad, Noida, Greater Noida, Faridabad and Gurgaon (Economic Times, 2019). It is home to almost 4.6 Crore population. This area has also seen huge influx of migrated population from rural areas for a living. This has added to the numbers of urban landless unskilled poor.

Being host to almost 13000 plus SHGs the central NCR can be flag bearer of micro-entrepreneurship. The study area is full of opportunities to SHGs in terms of a large accessible market with high disposable income. At the same time, it brings challenges to poor SHG members in terms of high cost of living, poor living standards, and host to competition with organized players with high skilled employees and deep pockets. Thus, a careful analysis of the factors affecting marketing practices of SHGs is necessary.

This paper tries to examine the problems related to the consumer acceptability of SHG products in Delhi – NCR region. It also suggests the actions that need to be taken to solve the problems of SHGs related to marketing their products.

3. NEED AND SCOPE OF THE STUDY

Self-help groups are formed of 10-20 members who come together voluntarily for doing some productive work. They consist of poor members of society, mainly women, of almost similar social status who agree to contribute a small amount of money to build up capital for the group. Various government and non-government agencies along with banks and NBFCs also promote them with providing micro-credit, and managerial support to carry out their activities. For the last three decades it has been considered the most important way to engage poor women into productive work and generating employment opportunities. The groups also enhance the financial and social status of poor in the society and bring social justice by financial inclusion of the people from the bottom of the pyramid.

Therefore, the success of the business operations of the SHGs is vital for the country. SHGs across the country are normally involved in the production of products like vermicompost fertilizer, pickles, papad, agarbatti, diya, handicrafts, pottery and many other items related to primary sector. Their business is mainly facing problems of product quality, inadequate packaging, lack of branding, labeling, bar coding, no proper pricing policies, lack of promotion and absence of robust distribution network. Most of the SHGs do not sustain profitable business operation for long run. So, there is a strong need of doing a study on the factors contributing towards the unacceptability of their products.

4. OBJECTIVES OF THE STUDY

To know the association between main issues faced by SHGs pertaining to marketing and unacceptability of their products in the market.

5. REVIEW OF LITERATURE

(Purushottam, 2004) highlighted that most of the self-help groups do not have proper marketing techniques in their business activities that results in unacceptability of their products in the market. This is majorly due to lack of education, poverty, scanty resources, and poor infrastructure in the areas where they are mostly located. It is challenging for SHGs to conceptualize, design, production, promoting and distribute the products due to these factors. (Jerinaby 2007) also sought that factors like inadequate marketing of products, lack of managerial efficiency, shabby business practices, frequent group conflicts and poor family and community support create major problems and challenges for SHGs.

Although the SHGs have some sort of support from state governments agencies in areas of employment, finance and credit facilities and distribution through fairs (Kavitha & Vasudevan, 2008). The SHGs who got support from NGOs comparatively performed in better manner especially in the credit and savings front than the SHGs who did not get any kind of

support from NGOs (Subramaniam 2001). They were able to do better in terms of capacity building and accessing institutional support for their group. They need to work cautiously on issues of targeting and promotion. Also, before pricing the products they need to study the offering for similar products from the organized players (Subashini Muthukrishnan, 2005). She pointed on the need of focusing on the quality aspects for enhancing the acceptance of SHG products in the market.

(Kapoor Shikha, 2019) focused on the role of self-help groups in improving the social status of poor women. In her research done on the self-help groups in Nithari village of Noida, she found that the government agencies and banks are providing credit to the self-help groups, but they require sound managerial support in terms of branding, packaging and distributing their products.

6. RESEARCH GAP

There is a definitive research gap in the studies happened in north and south India. Extensive review of literature shows that majority of the study were conducting in southern and north-eastern India. Also, due to the dynamic market conditions the factors affecting SHG business is changing rapidly. The socio-cultural environment and role of women in the society is also changing. So, an extensive study on identifying the factors affecting acceptability of the SHG products in a lucrative market like Delhi – NCR is imperative.

7. RESEARCH METHODOLOGY

For this study, the researchers have opted survey method of research. Descriptive research design is opted with data collection from sample elements from only one time makes this research specifically as cross-sectional research design.

The population of the study is comprised of the self-help groups situated in the Central National Capital Region. Out of 13000 plus of SHGs, a total of 100 Self-help groups were chosen as a sample by using convenience sampling method. Primary data is collected from

the sample elements with help of a schedule presented to the respondents.

8. DATA ANALYSIS AND INTERPRETATION

Cronbach Alpha method is used to measure the internal consistency and reliability of the responses.

$$a = \left(\frac{k}{k-1} \right) \left(1 - \frac{\sum_i^k = 1\sigma_{yi}^2}{\sigma^2_x} \right)$$

where,

k refers to the number of scale items

$1\sigma_{yi}^2$ refers to the variance associated with item I

refers to the variance associated with the observed total scores

The value of Cronbach Alpha is 0.71, which indicates good internal consistency and reliability of responses.

Factor analysis is used to identifying and classifying variables contributing to the unacceptability of self-help group products. Following table shows the names of newly developed variables and percentage of variance explained by each of the factors.

9. NULL HYPOTHESIS

There is no association between main issues of SHGs and unacceptability of their products in the market.

Alternate hypothesis: There is an association between main issues of SHGs and

Table : 1
MAIN_ISSUES * UNACCEPTABILITY CROSS TABULATION

			unacceptability			Total
			Branding	Training	Product Quality	
main_issues	sales and marketing	Count	4	5	7	16
		Expected Count	5.1	5.3	5.6	16.0
	absense of distribution network	Count	2	7	1	10
		Expected Count	3.2	3.3	3.5	10.0
	poor product training	Count	1	2	2	5
		Expected Count	1.6	1.7	1.8	5.0
	poor product idea	Count	1	1	4	6
		Expected Count	1.9	2.0	2.1	6.0
	absense of quality inspection	Count	1	2	2	5
		Expected Count	1.6	1.7	1.8	5.0
	logistics and transportation problem	Count	6	3	2	11
		Expected Count	3.5	3.6	3.9	11.0
	unaware of social media platform	Count	4	5	6	15
		Expected Count	4.8	5.0	5.3	15.0
	poor credit system	Count	4	1	5	10
		Expected Count	3.2	3.3	3.5	10.0
	non-specific pricing technique	Count	0	2	1	3
		Expected Count	1.0	1.0	1.1	3.0
	absense of promotion	Count	7	4	4	15
		Expected Count	4.8	5.0	5.3	15.0
non-standardise product quality	Count	2	1	1	4	
	Expected Count	1.3	1.3	1.4	4.0	
TOTAL	Count	32	33	35	100	
	Expected Count	32.0	33.0	35.0	100.0	

Table : 2
Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	85.33	20	0.050
Likelihood Ratio	63.00	20	0.021
Linear-by-Linear Association	8.24	1	0.031
N of Valid Cases	100		

unacceptability of their products in the market.

The above table shows a clear association between main issues of SHGs and unacceptability of their products in the market. The significant value comes out to be less than 0.05 p- value. Hence, null hypothesis is rejected. Therefore, there has been an association of the issues of SHG like inadequate sales and marketing, absence of distribution network poor product training, below standard packaging, untrained members etc. contributing to the unacceptability of the products in the market.

10. CONCLUSION

As per the outcomes of this study the many factors related to SHGs operating in the central capital region result into the unacceptability of their products by their potential market. They are mainly classified into factors like unskilled and untrained labor force, shabby product ideas, poor product training, poor packaging, uneven product quality, absence of labeling, branding and bar coding of the products that results into the unacceptability of the products to organized

retail stores. Also, factors like, no use of proper pricing strategy, local level self-consumption and poor distribution network results into the failure of the product to reach out to a large lucrative market. Other than these shallow pockets, poor credit system, tough competition by organized players, and inability to leverage the power of social media results into the failure of their products.

The self-help groups are flag bearers of inclusive developmental model for the country. Being host to 4.6 crore population, and a large number of urban poor residing among the lucrative potential market of Delhi – NCR, they can really be successful if they work on certain aspects. Once a good quality product would be offered to the market of Delhi – NCR with high disposable income, clubbed with a robust distribution strategy SHGs can do wonders. The supporting agencies and NGOs need to take a greater role for that. Access to skill building and measures of capacity building of the group members can contribute in conceptualizing better product ideas. Also, timely availability of credit and training to produce good quality products with proper packaging and distribution add on to the competitive parity of the groups. Providing assistance in distribution of the products by way of frequent organization of exhibitions and fairs in the like of SARAS fair will enhance the acceptability of SHG products, monetize their produce and increase the sustainability of their business.

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