



Role Of Effective Financial Management In Development Of Self Help Groups

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ABSTRACT

In this research paper the author has expressed the view on financial management and its effectiveness on the growth and development of SHG's. Self-Help Group (SHG)-Bank Linkage Program (SBLP) which was launched in 1992 on a pilot basis soon grew significantly. The other model of microfinance, i.e. MFI model comprising of various entities, such as, Non-banking financial companies (NBFCs), Non-Governmental organizations (NGOs), Trusts, Cooperatives, etc. have also been growing significantly in the recent years. Despite the policy efforts, gap remains in the availability of financial services in rural areas. The dependence of the rural poor on money lenders continues, especially for meeting emergent requirements. Such dependence is more pronounced in the case of marginal farmers, agricultural labourers, and petty traders and rural artisans belonging to socially and economically backward classes and tribes whose capacity to save is too small.

KEY WORDS: Self-Help Groups, Financial Management, Development, Impact

INTRODUCTION

Self-help groups is rising as a prevailing instrument for poverty alleviation in the new linkage Programmed, aimed at providing a cost effective device for providing financial services to the 'unreached poor'. In the Indian context terms like "small and marginal farmers", Micro finance can be described from early 20th century until 1969, when co-operatives largely dominate as an intuition in provision of micro finance services. Between 1950 and 1969 the emphasis was on the promoting of co-operatives. The nationalization of the major commercial banks in 1969 marks a watershed inasmuch as from this time onwards the focus shifted from the co-operatives as the sole provider of rural credit to the multi-agency

approach. Regional Rural Bank were set up in 1976 as low cost institutions mandated to reach the poorest in the credit deficient areas of the country. The nationalization of banks in 1969 along with a strong political emphasis towards poverty eradication led to a new rural finance policy that was directed at reducing the lending imbalances in particular sectors. This new policy resulted in among other things to establishment of Regional Rural Bank (RRBs) and adoption of priority sector lending banks under direct specifications of Reserve Bank of India. By 1990's the problems with both states promoted institutions forms that is credit co-operative and RRBs in delivery of rural credit were quite evident. The credit co-operatives were crippled with poor governance, management and the poor financial health due to intrusive state patronage and politicization.

SELF HELP GROUPS

The Self Help Groups (SHGs) are usually informal groups where members have a common perception about needs and importance towards collective action for a common cause. The common need here is meeting their emergent economic needs without being dependent on outside help. These groups promote savings among members and use the pooled resources to meet the emergent needs of their members, including the consumption needs. The number of members in SHGs is normally ranged from 10-20. The main objective of SHG is to inculcate the habit of thrift, saving, banking culture, that is availing the loan and repaying the same over a given period of time and in the process, gain economic prosperity through credit. In short, a SHG is a group of about 10 to 20 people, usually women, from a similar class and region, who come together to form savings and credit organization.

They pooled financial resources to make small interest bearing loans to their members. This process creates an ethic that focuses on savings first. The setting of terms and conditions and accounting of the loan are done in the group by designated members. A Self Help Group (SHG) is a small, economically homogeneous affinity group (10- 20 members) of the rural poor voluntarily coming together:

- To save small amounts regularly;
- To mutually agree to contribute to a common fund;
- To meet their emergency needs;
- To have collective decision making;
- To solve conflicts through collective leadership and mutual discussion; and

RESEARCH REVIEWS

Henry Mabika (2015) the cash shortage in Zimbabwe local authorities has now reached unprecedented levels. With local authorities failing to pay salaries and allowances as expected and creditors are accumulating. This situation had developed because revenue collections are low, traditional sources of revenue have gone dry and government has also stopped its assistance to local authorities, the liquidity crisis has had a negative effect on service delivery. There is no more service being offered by local's authorities and the single major reason is liquidity.

Sandhya (2018) - In their research paper, the primary data was collected from women working in production and manufacturing industries of Mysuru district of Karnataka. Their paper makes an attempt to look at the usage of loans of 124 women members of self-help groups who participated in microfinance programmes. The findings indicate that majority of the beneficiaries have used the loans for starting their own part- time micro-enterprises which is supplementing their wages they are getting from the factory.

Shireesha (2021) -The goal of this article is to establish a global helpline for women that will provide 24-hour emergency assistance to women who have been the victims of violence. The Scheme of Universalization of Women Helpline aims to provide 24 hour immediate and emergency assistance to women affected by violence by referral and information about women-related government schemes and programs across the nation through a single uniform number.

Dr prakash vhanakade (2022) -The study examines despite India's Extensive economic expansion despite everything those concerns are still valid today. Even while women have the potential to help with household economics, they frequently lack the agency to take part in decisions regarding sources of income, which frequently pushes their families dangerously close to poverty urbanization, and innovations

OBJECTIVES OF THE STUDY

1. To understand the concept of self-help groups financial structure
2. To study the role of effective financial management in self-help groups

RESEARCH METHODS AND DISCUSSION

In this research paper the author has strived hard to present the concept of self-help group and its financial management aspects in a conceptual and descriptive view. The data has been collected from various sources viz., journals, articles, books, websites and annual reports and periodicals to meet the set objectives of the study. The study has been found that the role and impact of financial management in the self-help groups in Karnataka has been playing the major dominant role in development and access of financial support and assistance for the needy and remote village people. The conceptual aspects of the financial management and effective way of utilizing has been discussed below.

SHG'S IN KARNATAKA

There are three categories of institutions promoting SHGs; the government, financial institutions and NGOs. The promoting institution plays a significant role in the way on how SHG develops and functions.

Stree Shakti is an approach through which efforts are being made by the government with the intention to pool both human and material resources and empower women in rural areas. The pioneering scheme would empower women to achieve financial stability and self reliance through various income generating activities to boost household income and also vital contribution towards the area of social service like

helping widows to lead honorable lives, laying of roads, village cleaning etc. The scheme was launched on 28-8-2000.

SHGs mainly facilitated by Anganwadi workers from the Department of Women and Child Development and some NGOs now being involved. So it is the single largest Government sponsored economic development programme for women, which employs the SHG strategy, but with the self-help groups having their origins from NGO-driven projects. There is some scepticism about the Government's capacity to manage such programmes, more specifically when they have been up scaled very rapidly as with Stree Shakti,

LIST OF REGISTERED SHG'S IN KARNATAKA

SL NO	DISTRICTS	NEW	REVIWED	PRE NRLM	TOTAL SHGs	TOTAL MEMBERS
1	Bagalkote	2435	5752	140	8327	92791
2	Bangalore	1447	2099	686	4232	67478
3	Bangalore Rural	1500	3176	457	5133	63818
4	Belgaum	4889	11436	633	16958	201662
5	Bellary	1234	3812	46	5092	55158
6	Bidar	924	8321	28	9273	97749
7	Chamarajanagara	1183	5290	193	6666	85070
8	Chikkaballapura	4243	3815	236	8294	86568
9	Chikmagalur	1535	4833	41	6409	80077
10	Chitradurga	2178	7431	622	10231	122436
11	Dakshina Kannada	1725	4078	584	6387	71761
12	Davanagere	2831	3387	1675	7893	98940
13	Dharwar	1782	2712	1353	5847	69667
14	Gadag	3973	3028	418	7419	73103
15	Hassan	2322	8425	1817	12564	167773
16	Haveri	3988	4693	513	9194	98233
17	Kalburagi	1673	6035	121	7829	95358
18	Kodagu	668	2209	227	3104	33157
19	Kolar	1748	5728	642	8118	88710
20	Koppal	4245	3293	688	8226	89168
21	Mandya	4074	7332	360	11766	157406
22	Mysore	2070	9918	245	12233	166595
23	Raichur	3084	3216	39	6339	65122

24	Ramanagara	795	5424	88	6307	90480
25	Shimoga	3421	8194	321	11936	127065
26	Tumkur	3609	12303	873	16785	192799
27	Udupi	5033	2621	29	7683	86856
28	Uttara Kannada	3093	6431	118	9642	110224
29	Vijayanagara	1303	4426	529	6258	71929
30	Vijapura	1477	4903	397	6777	75944
	Total	76,397	1,65,765	14,280	2,56,442	30,25,195

Source : NRLM , Ministry of Rural Development 2023.

EFFECTIVE FINANCIAL MANAGEMENT SYSTEM OF SHG'S

Accounting And Financial Reporting Accounting is fundamental to stewardship of public funds. The purpose of accounting is to record financial events and ensure accountability as required by law. Accounting principles and standards govern when, where and how financial events are executed and recorded and provide for accountability through agency and consolidated financial statements required by law. On the other hand, for the financial reporting purposes of depicting accurate, current, and complete disclosure of the financial results of financially assisted activities and it must be made in accordance with the financial reporting requirements as prescribed in prevailing laws and rules as applicable.

Internal Control Internal control is one of the key elements of an effective financial management system and is an integral part of managements “control” of an organisation. broadly constructed, internal controls consist of all those policies and procedures which management develops and maintains to provide reasonable assurance that the financial management and programmatic goals of the institutions will be achieved. Internal control systems are basically management control systems with a view to ensuring compliance with rules and regulations, reliability of financial data and reports and to facilitate efficiency of government operations. Internal control exists in the basic management process of planning, executing, and monitoring. it should not be viewed as an add-on these basic management processes but should be viewed as an integral part of them and should be placed at strategic points in these processes to ensure that objectives are achieved. internal control is at the core of SHG's fulfilling their mission and achieving their goals while providing safeguards to protect governmental resources. However, it is noteworthy that costs of implementing internal controls should not exceed the potential loss from fraud or the value of assets that the controls are established to safeguard.

Control environment the control environment can best summarised as the attitude that management has about internal controls. If management believes that internal controls are important, is committed to implementing controls and communicates this view to employees, then internal controls are more likely to function effectively. however, if manage views internal control as not important or as an obstacle, then this attitude will likely be communicated to employees through managements actions. with this attitude, employees will likely view internal controls as “red tape” to be “cut through” in order to get the job done.

An effective control environment is an intangible factor that sets the foundation for all other components of internal control.

Risk Assessment Risk assessment is the process used to identify, analyse and manage the potential risks that could hinder or prevent an organisation like self-help groups from achieving its objectives. All entities have certain risk involved in meeting their objectives and providing services to internal practices (line departments of state government) and external parties (taxpayers and citizenry). This is based upon the premise that opportunity and risk are related; therefore, SHGs is exposed to risk by simply fulfilling the opportunity that it has better serve the citizens under jurisdiction. By this definition, it can be seen that risk should not be viewed negatively but simply inherent to the decision of doing business.

Control activities Control activities are the policies, procedures, techniques and mechanism that enforce management's directives, such as the process of adhering to requirements for budget development and execution. They help ensure that actions are taken to address risks. Internal control activities should be an integral part of an entity's processes for planning, implementing, reviewing, ensuring accountability for government resources and achieving effective results. Internal control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorisations, verifications, reconciliations, performance reviews, maintenance of security and the creation and maintenance of related records that provide evidence of execution of these activities as well as appropriate documentation.

Information And Communication SHG to run and control its operation and achieve its desired objectives. communications relating to both operational and financial data is needed at all levels of the entity in a relevant reliable and timely fashion. In addition to internal communication, management should ensure that there are adequate means of communicating with and optimum information from external parties that may have a significant impact on the SHG achieving its goal. Pertinent information should be identified, captured and distributed in a form and time frame that permits people to perform their duties efficiently. Besides, personnel should know their job responsibilities and how their activities relate to the work of others: a mean should exist to permit upward communicating significant information

Monitoring Subsequent to implementing internal controls, it is necessary periodically to monitor evaluate their effectiveness to ensure that the controls are functioning properly. Potential weaknesses in internal control structure may be identified by statutory audit, internal audit or by employees of SHG. When members of self-help groups are notified of these weaknesses. They should take corrective action to resolve the identified problems in their internal control structure. Although monitoring is a separate component of internal control, it is easy to see how it relates to the component of internal control environment.

Budget control Actual expenditures or outlays must be compared with budgeted amounts for each grants or sub grant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically require in the grant or sub grant

agreement. If the unit cost data are required, estimates based on available documentation will be accepted whenever possible.

Compliance Local governments like SHG's must comply with central and state government laws and regulations, local ordinances and other legal requirements.

CONCLUSION

SHG is a particular form of Microfinance. "Microfinance Institutions "provide financial services to the poor, those do not have access to formal means of obtaining credit. A micro finance Institution is usually an organization that acts as an interface between the formal credit delivery institution and credit seekers with an aim to assist for the socio-economic development of poor and marginalized people. The financial management in the self-help groups are so important, finance is the life blood of any organisation whereas in self group it is much more important tool because the aim of it is to fight the poverty and reduce unemployment in rural areas and around.

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