LINKAGE POTENTIAL OF SELF HELP GROUPS (SHGs) TO MICRO, SMALL & MEDIUM ENTERPRISES (MSME)

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ABSTRACT:The purpose of this research work is to study the potential of Self Help Groups (SHGs) for linking to Micro, Small & Medium Enterprises (MSME) in the Union Territory of Puducherry region. The research variables were identified from the literature review relating to potential of SHG and primary data of 251 random sample of SHGs was collected through survey method using well-structured questionnaire. The statistical package of SPSS was utilized to analyze the data using the statistical techniques of descriptive statistics with frequency analysis and simple mean, chi-square and ANOVA Test. Majority of SHGs consisting of 49.8% are willing to pay an amount up to Rs.5000 if training is provided through MSME organizations and higher number of SHGs have indicated that they are very much interested in ancillary production activities.

Keywords: **Self Help Groups, Micro, Small & Medium Enterprises (MSME), Potential Linkage**

I.　　INTRODUCTION

　Self Help Groups (SHG) are small, homogenous, affinity groups from the poorer sections of society who, have voluntarily come together to save small amounts regularly which is deposited in a common fund to meet the members emergency needs and to obtain collateral free loans as decided by the group(Adams, 2009). The SHG is an informal group of persons numbering between 10 and 20 people from the economically poorer section of the society. SHG can also be described as a formal group of persons, which has been created for the purpose of collective support towards the process of empowerment and financial independence(Basargekar, 2008). The SHG formation and group activity and has been evolved due to the various prevalent social conditions in society which may be dependency of women, large family size, low literacy rate, lack of funds, and lack of technical skills by vast sections of society(Ahluwalia, Carter, & Chenery, 1979). The guiding principle of SHG formation and functioning is mutual trust and mutual support where individuals are equal and made responsible for actions while the group development is the primary motive of functioning and all decisions are made through consensus. Many definitions have been made of the SHG. As per (Sahay,1998) A women's SHG is a small economically homogenousaffinity group of rural poor women, voluntarily coming together to save a small amountof money regularly, to agree to contribute to a common cause, to meet emergent needs ona mutual help basis, to practice collective decision making, to solve conflicts throughleadership and to provide collateral free loans with terms and conditions decided by the group(Copestake, 2007).

　Microenterprises activity can be defined as income generating activities in the areas of processing, manufacturing, provision of services, and trading being undertaken by an individual or groups with an element of risk involved. Microenterprises are characterized by limited capital, single ownership, few employees, home based production, providing supplemental income and producing products with limited knowhow and technology(Gebremariam, Gebremedhin, & Jackson, 2004). Microenterprises enable persons in the creation of work along with income and assets with the use of limited amount of resources available with the individuals. Microenterprises enables the persons with low income to start and run small businesses which enables the poorer segments to move out of poverty and bring about economic stability, sustainability and welfare(Heilman & Chen, 2003).

　Microenterprises have served several purposes such as in economic development of the individual, employment generation, community economic development, poverty alleviation and empowerment to the various strata in society. In India much of the population living in the rural areas draw their livelihood from agriculture and its allied sectors. Therefore the aim of the government has been to promote employment opportunities through the linkage of production, skills along with the available raw materials(Sooryamoorthy, 2007). Such production enhancement is to enable the people to take advantage of the new pace of globalization which has provided new opportunities and newer challenges for the microenterprise sector in India(Vasanthakumari, 2012). The effective utilization of the productive potential of persons in the farm and nonfarm sector and the development of the village industries would enable microenterprises to reach the expanding markets through the effective utilization of the potential of the rural population by means of the necessary and effective training for upgradation of technology and skill enhancement(Kumar, 2010).

In India in accordance with the provision of the Micro, Small and Medium Enterprises Development Act (MSMEDA) of June 2006, the Micro, Small and Medium Enterprises can be classified as: 1) Micro Enterprises: a) Manufacturing Sector: Those Enterprises which do not have investment in Plant and machinery Greater than Rs. 25 lakhs. b) Service Sector: Those Enterprises which do not have investment in equipments greater than Rs.10 lakhs. 2) Small Enterprises: a) Manufacturing Sector: Those Enterprises which have investment in Plant and machinery Greater than Rs. 25 lakhs but less than Rs. 5 Crores. b) Service Sector: Those Enterprises which have investment in Equipment's greater than Rs. 10 lakhs and not greater than Rs. 2 Crores. 3) Medium Enterprises: a) Manufacturing Sector: Those Enterprises which have investment in Plant and machinery Greater than Rs. 5 Crores but does not exceed Rs. 10 Crores. b) Service Sector: Those Enterprises which have investment in equipments greater than Rs. 2 crores but does not exceed Rs. 5 Crores(Midgley, 2008). The rest of the industries have been categorized as large scale enterprises and this study will help to understand and answer the research questions to what are the potentials of Self Help Group (SHGs) for linking to Micro, Small & Medium Enterprises (MSME) in the Union Territory of Puducherry region.

II.   REVIEW OF LITERATURE

Fisher (2003)has statenew concepts and technology are being used to improve supply chain performance such as point of sale scanners, EDI, Quick Response System, Efficient Customer Response, Accurate Response, Lean Manufacturing and Agile Manufacturing. The improper supply chain performance are costing the organizations through increased material holdings and lack of inventory in certain other instances. The nature of product if it is functional product such as stable demand and long lifecycles of more than 3 years, have different supply chains than the innovative products which are fast changing with short lifecycles lasting within one year. The author states that stable products should have matching efficient supply chain which can make the products competitive and the innovative products should match it with a responsive supply chain which will take care of the market uncertainties(Monczka, Handfield, Giunipero, & Patterson, 2015). The author states that the many companies have introduced the customization for a large number of customers which has coined a new name called mass customizations. The author states that a company can also have both functional products and can introduce innovative products of the same type. He gives the examples such as the bicycle manufacturer, some models of which is made for mass consumption and has a stable demand(Cooper, Lambert, & Pagh, 1997). The same company can make innovative products of bicycles for recreation and sports and hence create a new range of products. Therefore the author states that the same company can have two supply chains one efficient for the stable product and another responsive for the innovative products(Drayer, 1994). He states such matching of supply chins for the different products is important for the success of the firms(Firouzi & Nezarat, 2012).

Swain and Wallentin (2009)have studied Micro Finance empower Women-Evidence from Self-help Groups in India with objective to study the empowerment of women through study of experimental and control variables using sample data collection through questionnaire for SHG Bank Linkage program from experimental and control groups and found that Empowerment is lacking because of the excessive discriminatory systems. Empowerment comes through training, workshops and the inclusion in the decision making process. Shaw (1990), in the study of linkage between large scale industries, small scale industries and informal sector industries indicate that linkage between large scale, Small scale and informal sector were based on type of industry and were not common to all industries. Large scale petrochemical companies had weak links with small scale industries but strong links with other large scale organizations, while large scale engineering companies had stronger links with small scale industries which act as ancillary production units. Also large scale industries and informal sector were mainly linked in the area of industrial waste management such as sorting of industrial wastes and their sales and not in other areas. Further to this, based on the above review of literature the variables of Training, Production and financing and MSME linkage were identified to be included as variables part of the study(Otto & Ashta, 2012).

III.   RESEARCH METHODOLOGY

The purpose of the research work is to analyze and describe the potentials of Self Help Groups for MSME linkage model. It can be hence understood that the research is descriptive in nature.First, Subject experts' options survey was conducted on the identified variable for checking the questionnaire validity and required corrections were incorporated(Ganeshkumar & Nambirajan, 2013). The pilot survey of 30 SHGs was collected and initial Cronbach's- alpha value were estimated for checking the reliability of the questionnaire. Primary data for the main study was collected through the survey method of 251 random sample of SHGs were identified from the list of SHG maintained in the various banks, NGOs and Municipal bodies. The data was collected from the members and group leaders of SHGs by means of well-structured questionnaire. The statistical package of SPSS was utilized to analyze the data using the statistical tools descriptive statistics with frequency analysis and simple mean, chi-square and ANOVA Test(Hair, Black, Babin, Anderson, & Tatham, 2006).

IV.   RESULTS AND DISCUSSION

This section describes the descriptive and inferential data analysis of SHGs distribution method adopted using statistical techniques namely simple mean analysis, chi-square, and correspondence analysis and results are represented in tabular and figurative forms.

4.1 Amount Willing for Training through MSME

The training have normally been provided by the NGO and governmental organization mainly for the skill development to undertake entrepreneurship. But in certain cases MSME organizations are willing to provide opportunities which may involve some amount of trainings. Some of the organizations may even charge a fees for such training provided. These MSME may undertake such a trainings if the fees match their cost requirements. The different categories provided for this study and the frequency are presented in the table below.

Table 1Amount Willing For Training through MSME

Amount Willing For Training Through MSME	Frequency	Percent
None	70	27.9
0-5000	125	49.8
5001-10,000	42	16.7
10,000-15,000	11	4.4
15,001and Greater	3	1.2
Total	251	100.0

From the above table 1 it can be inferred that the majority of groups consisting of 49.8% are willing to pay an amount up to Rs.5000 if training is provided through MSME organizations. While a good proportion of the groups consisting of 27.9% of the groups are not willing to pay any amount for training even if provided by MSME. A reasonable proportion of the groups consisting of 16.7% of the groups are willing to pay up to Rs.10,000 for the training. A small proportion of the groups are willing to pay up to Rs.15,000 which indicates the willingness of a certain proportion of groups willing to pay more if the training leads to employment opportunities. While an negligible number of groups consisting of 1.2% only are willing to pay even greater than Rs.15,000 to undergo training from MSME organizations. Therefore it can be concluded that the majority of the groups are willing to pay up to Rs.5000 for training through MSME.

4.2 Amount willing as Additional Investment

Production related activities have been provided by companies to outside organizations for improve their efficiency in operations. Such outsourcing of activities of non-core activities have been preferred by many MSME organizations. Such activities can be undertaken through small investments in equipments and machineries to perform the outsourced activities. Such machines may be dedicated to a single operation to perform a single activity only. These investment categories that have been given in this study and their frequencies have been shown in the table below.

Table 2 Amount Willing as Additional Investment

Amount Willing as Additional Investment	Frequency	Percent
None	80	31.9
Up to 5000	77	30.7
5000-10,000	54	21.5
10,000-15,000	37	14.7
15,000 and Above	3	1.2
Total	251	100.0

From the above table 2 it can be inferred that the majority consisting of 31.9% of the groups are not willing to make any additional investments even though it may be for MSME production oriented activities. While a substantial number of groups consisting of 30.7% are willing to make an additional investment of up to Rs.5000 for outsourced work. A good proportion of the groups consisting of 21.5% of the groups are willing to make an additional investment of up to Rs.10,000 to undertake outsourced work. A reasonable proportion of the groups consisting of 14.7% are willing to make an additional investment of up to Rs.15,000 and a negligible proportion of the groups consisting of just 1.2% are even willing to make an additional investment of greater than Rs.15,000 to undertake outsourced work.

4.3Priorities of MSME Linkage

The ability of the SHG to have an association with the MSME organizations indicates the ability to enhance their employment potential and improve their chance of being an outsource partner. The MSME have been a potential source of economic activity for the product and service providers. The items included for this means of linkage to the MSME are as shown in the form of mean values below.

Table 3 Priorities of MSME Linkage

Indicator	Mean	Rank
Interested in ancillary production for MSME	4.35	I
Can provide any other specified services to industries	4.23	II
Can provide canteen maintenance for industries	4.23	III
Can supply lunch regularly to industries	4.22	IV
Can maintain garden for industries	3.90	V
Can do housekeeping for industries	3.85	VI
Can perform production related activities for industries	3.80	VII
Willing to undergo training from MSME for production related activities	1.49	IX

The above table 3 indicates that the rank one among the pertaining indicators on the MSME linkage has shown that groups interested in ancillary production has been of high importance among the SHG. A high number of groups have indicated that they are very much interested in ancillary production activities. Rank two has been given to the indicator if any other specified services can be provided by the groups with a mean value of 4.23 which indicates that the groups are very much interested and capable of providing any related services needed by the industries.

Among the indicators showing various services that can be provided by the SHG it can be inferred that canteen maintenance services has been ranked highest with a mean value of 4.23, followed by providing lunch regularly showing a mean value of 4.22, followed by ability to maintain garden showing a mean value of 3.90. The lowest mean score has been obtained by the indicator if they are willing to undergo production related training from the MSME showing a low mean score of 1.49.

4.4ANOVA Test for significant difference between numbers of years offunctioning with respect to MSME Linkage

The ANOVA test to find the significant difference between demographic variable numbers of year functioning with respect to MSME Linkage is shown below.

Table 4 Test result for significant difference between number of years of functioningand MSME Linkage

Factor	Number of Years	Mean	Std. Deviation	F Value	p Value
MSME Linkage	Below 1	12.40	1.140	11.690	0.0001
	1-2	12.83	1.289		
	2-3	12.56	1.443		
	3-4	12.32	1.876		
	Above 4	10.92	2.284		
	Total	12.17	1.871		

Since p value is less than 0.01 the null hypothesis is rejected at 1 percent level of significance with regard to MSME Linkage. Hence concluded that there is significant difference between numbers of years of functioning with respect to MSME Linkage.

Table 5 Duncan Multiple Range Test result for MSME Linkage

MSME Linkage			
Duncan			
Number of years functioning of SHG	N	Subset for alpha = 0.05	
		1	2
Above 4	64	10.92	
3-4	38		12.32
Below 1	5		12.40
2-3	85		12.56
1-2	59		12.83
Sig.		1.000	0.417
Means for groups in homogeneous subsets are displayed.			

Based on Duncan Multiple Range test, there is significant difference between above 4 years with 3-4 years, below 1 year, 2-3 years and 1-2 years in operation, but there is no significant difference between 3-4 years, below 1 year, 2-3 years and 1-2 years in operation with respect to MSME linkage.

4.5 Chi-square test for association between type of affiliating institution andAdditional Investment for sub-contracting

Chi-square test result for association between Type of Affiliating Institution and Additional Investment to obtain sub-contracting is shown below.

Table 6 Chi-square test for association between type of affiliating institution and   how much willing as additional investment for sub-contracting

Type of Affiliating Institution	How Much Will As Additional Investment for Companies					Total	Chi-square value	P value
	None	Up to 5000	5000-10,000	10,000-15,000	15,000 and Above			
NGO	70 (39.5%) [87.5%]	65 (36.7%) [84.4%]	24 (13.6%) [44.4%]	16 (9.0%) [43.2%]	2 (1.1%) [66.7%]	177	65.966	0.0001
Co-operative Bank	5 (29.4%) [6.3%]	2 (11.8%) [2.6%]	4 (23.5%) [7.4%]	6 (35.3%) [16.2%]	0 (0%) [0%]	17		
Public Sector Bank	2 (8.0%) [2.5%]	0 (0%) [0%]	15 (60.0%) [27.8%]	8 (32.0%) [21.6%]	0 (0%) [0%]	25		
Municipality	3 (9.4%) [3.8%]	10 (31.3%) [13.0%]	11 (34.4%) [20.4%]	7 (21.9%) [18.9%]	1 (3.1%) [33.3%]	32		
Total	80	77	54	37	3	251		

Note: 1. the value within ( ) refers to Row Percentage,   2. The value within [   ] refers to Column Percentage

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence concluded that there is association between type of affiliating institution and how much willing as additional investment for companies. Based on the row and column percentages it can be inferred that 39.5% of the groups affiliated to NGO are not willing to make any additional investment to do outsourcing activities from companies, 35% of the SHG affiliated to cooperative banks are willing to make an investment between Rs.10,000 to 15,000 for outsourced work from companies, 60% of the groups affiliated to public sector banks are willing to make an

investment of Rs.5000 to 10,000 for outsourced work and 34% of the groups affiliated to Municipality are also willing to make an investment of Rs.5000 to 10,000 for outsourced work.

V.   CONCLUSIONS AND IMPLICATION

The research results depicts that majority of SHGs consisting of 49.8% are willing to pay an amount up to Rs.5000 if training is provided through MSME organizations. While a good proportion of the groups consisting of 27.9% of the groups are not willing to pay any amount for training even if provided by MSME. The amount willing as additional investment shows that majority SHGs consisting of 31.9% of the groups are not willing to make any additional investments even though it may be for MSME production oriented activities. While a substantial number of groups consisting of 30.7% are willing to make an additional investment of up to Rs.5000 for outsourced work. A good proportion of the groups consisting of 21.5% of the groups are willing to make an additional investment of up to Rs.10,000 to undertake outsourced work.

Priorities of MSME linkage is rank one among the pertaining indicators on the MSME linkage has shown that groups interested in ancillary production has been of high importance among the SHG. A high number of groups have indicated that they are very much interested in ancillary production activities. Rank two has been given to the indicator if any other specified services can be provided by the groups with a mean value of 4.23 which indicates that the groups are very much interested and capable of providing any related services needed by the industries. ANOVA Test results shows that there is significant difference between numbers of years of functioning with respect to MSME Linkage and finally Chi-square test shows thatthere is association between type of affiliating institution and how much willing as additional investment for companies. Based on the row and column percentages it can be inferred that 39.5% of the groups affiliated to NGO are not willing to make any additional investment to do outsourcing activities from companies, 35% of the SHG affiliated to cooperative banks are willing to make an investment between Rs.10,000 to 15,000 for outsourced work from companies. The research study endeavors to study the various distribution activities performed by the SHG in the Union Territory of Puducherry Region. The study will be a useful guide for making strategic decisions for the development of SHGs. Thus this research will be of immense utility to the Government, Banks, Microfinance Organizations and other policy makers.

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