

A Study of Marketing Strategies for Formation of Effective Distribution Channels by SHGs

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Abstract

The self-help movement is said to represent an alternative development strategy, one that involves the process of social economic empowerment and whose long term objective is to rebalance the structure of power in society. It is centered on people and their environments and argues for the rectification of imbalance in social, economic and political power. This study has been conducted with the objective of understanding the process of innovative marketing models in the SHG sector and to draw lessons from the success stories to upscale and replicate in a similar socio-politico-economic scenario in other parts of the country. We have to understand the marketing by self-help groups (SHGs), with the hypothesis that proper Distribution Channels in the marketing of SHG products reduce the transaction cost and improve the market access and its efficiency.

Now-a-days, we observe a dilemma between two ideologies:

1. Gandhiji's "Swayampurna Gram" i.e. Produce and Sell in the same Village / City, etc.

AND

2. Feasibility of a "Swayampurna Gram" – If the produce is sold locally, lack of knowledge about the optimum price for their produce and the market where the produce has the maximum demand often drives the SHGs to desperation. They sell their products to commission agents (Middle Man) which does not result in full market potential of their produce.

So, development of proper Distribution Channels for marketing of SHG produce, not only in the village, but also in other areas where they are in demand, is inevitable. This paper considers the strategies of SHGs need to adopt, to develop Distribution Channels to obtain maximum profit for their produce. An attempt is being made to roll out a Model wherein, a chain of Production, Distribution, Exploitation of Market, as well as Gathering Govt. and Non-Govt. help for the same, will work in tandem.

Introduction

Poverty and unemployment are among the major problems of developing countries, to which India is no exception. The official rural unemployment rate, for example, is put at 10.1 per cent as opposed to the urban rate of 7.3 per cent, while poverty rates are over 50 per cent higher in rural areas than in urban (GIPC 2010; Alkire and Maria 2010).

In this context, the phenomenon of "Development Oriented" Self Help Groups (SHGs), in the Indian context is an interesting issue to investigate. Various experts on developmental issues (poverty, inequality, hunger) have argued that employment opportunities and enhanced income from both farming and non-farming activities are essential for rural economic development and the reduction of rural poverty (Narayanasamy et al. 2003; Kay 2009).

According to social action theory, people take action towards their goals as groups within the context of their social environment. They have their own, locally defined motives and beliefs, their own interpretations of the meaning of a situation, and they control their own actions (Weber 1991).

As such, the SHG phenomenon can be an important means for alternative development, offering an approach which puts people first is based on collective action. Importantly, SHG strategy has people not as 'objects' of development, but on the contrary as co-agents and 'subjects' of development. This

implies that people have access to and control over resources (Fernandez 1994). The present study looks at the processes and challenges involved in establishing and implementing the local microenterprises of self help groups. This involves an examination of the role of SHGs in micro-enterprise development, with a focus on their strategies in intervening in local development. In order to prevent blind replication of success models without considering the intricacies involved, it is necessary to critically review experiences. Hence, this study will identify the factors contributing to success or failure so that the strategy may be replicated effectively in respect of micro-enterprise development of rural people. A focus is placed, using India as a geographical study area, on “*Bhimthadi & Pavanathadi Jattras*” organized in Pune City.

SHGS In India

The SHG approach in India was first developed through the Self-help Affinity Groups facilitated by the Mysore Resettlement and Development Agency (MYRADA) in 1985, since which more than two million self help groups have been created across the country (NABARD 2005-2006). In 1986-87, there were about 300 SHGs in Myrada’s projects, many of which had emerged from the breakdown of large cooperatives because of lack of confidence in the leadership and poor management. In areas where the cooperatives had broken down, several members (usually in groups of 15-20 people) approached Myrada requesting it to revive the system. Myrada staff realized that they would need training on organizing meetings, and so efforts were made to train the members in a systematic way. From an analysis of these members’ activities, (Fernandez 2006), it emerged that they were linked by a degree of affinity based on relations of trust and support.

The real effort to support SHGs in India, however, came in the late 1990s when the central government of India introduced a holistic program, Swarnjayanti Gram Swarozgar Yojana (SGSY) based on the group approach for rural development. In 1991-92 NABARD started promoting self-help groups on a large scale. And it was the real take-off point for the ‘SHG movement’. In 1993, the Reserve Bank of India also allowed SHGs to open saving accounts in banks. Facility of availing bank services was a major boost to the movement. The movement of SHG was nourished in the states of Gujarat, Maharashtra, Andhra Pradesh, Rajasthan, Tamil Nadu and Kerala. Now nearly 560 banks like NABARD, Bank of Maharashtra, State Bank of India, Cooperative Banks, Regional rural banks, the Government institutions like Maharashtra Arthik Vikas Mahamandal (MAVIM), District Rural Development Agency (DRDA), Municipal corporations and more than 3,024 NGOs are collectively and actively involved in the promotion of SHG movement.

Relevance Of Study:

- It is understood through various articles & published information that there no proper Marketing Strategies adopted by SHGs to develop Distribution Channels and any detailed research is not done so far in this area. (*Daily Sakaal, Dated 31st October, 2008*)
- Lack of knowledge about the optimum price for their produce and the market where the produce has the maximum demand often drive the SHGs to desperation. In their eagerness to sell the produce, they sell their products to commission agents or in the nearby market which often, does not result in full market potential of their produce. (*Mgmt. Review: An Intl. Journal Vol. 3, No. 2, Winter 2008*)
- Although different SHGs are encouraged to participate in district & state level exhibitions and ‘*melas*’ for better price and publicity of their products, not all SHGs possess enough exposure and / or finance to utilize their potential to the maximum. (<http://www.acted.org/>)
- Marketing the products made by SHGs is an important & difficult task as the products are to be sold directly to the people themselves. The SHGs will have to emphasize on the quality and affordable prices to enhance the sales. Therefore SHGs will have to evolve appropriate strategies for market promotion.

Source: *R. Ganapathi +1 (2008); Consumers' Attitude and Preferences towards SHG Products, Asia-Pacific Business Review Publisher.*

- The operation of any SHG itself is localized; this means that there is limitation in terms of geographical coverage. SHG members generally lack literacy, technical competence; market intelligence and entrepreneurial spirit, hence face a lot of difficulties.

Source: *Muneer Sultana (29-05-2012); LAP Lambert Academic Publishing, Marketing of Rural SHG Products in Andhra Pradesh.*

Aims & Objectives

This study has been conducted with the objective of understanding the process of innovative marketing models in the SHG sector and to draw lessons from the success stories to upscale and replicate in a similar socio-politico-economic scenario in other parts of the country. It has been conducted to provide a better understanding of marketing by self-help groups (SHGs), with the hypothesis that proper Distribution Channels in the marketing of SHG products reduce the transaction cost and improve the market access and its efficiency.

The main objectives of this paper are to

- (i) Review the present status Distribution Channels of SHG Products in Pune.
- (ii) Find out the innovative marketing schemes for SHG products.
- (iii) Examine the various State Government plans, programs and their implementation in the agricultural development of SHGs.
- (iv) Identify various marketing problems faced by the SHG and to suggest suitable measures for solving them.
- (v) Explore the involvement of existing agencies (NGO, Bank and Co-operative Society) for development by the way of education, training and their support in financing for improving the SHG products and processes.

Methodology

Primary data was collected by direct interactions with SHGs through interviews & GDs to know the views of SHGs and know their current situation.

The secondary data were collected from various published sources of the Central and State Government such as the Census of India volumes, statistical abstract, selected socio-economic statistics, per capita Net State Domestic Product of States. Economic Survey, Central Government Publications, District Statistical Hand books and Indian Council of Marketing Research journals from 1999 to 2008, etc. and have also been used in this study.

Observations

The marketing of SHG products in Pune is analyzed with the following points taken into consideration:

Method Of Marketing, Types Of Market Place, Setting Up SHG Enterprise, Marketing Agencies, Cooperative Societies, Market Yard Brokers, Price, Fixation Of Price, Distress Sale, Problems Of Marketing, Transportation, Storage, Supply Of Inputs, Marketing Information And Role Of Government In Marketing.

In former times sales would be centered on local markets and it would have been rare for a Small Producer to venture far a field in search of new market opportunities or to consider developing new, higher value products. This traditional form of production starts to change as communities and nations begin to modernize. Through processes of urbanization, generally fostered by industrialization, demand for SHG product from urban dwellers becomes dependent upon more

sophisticated arrangements that require aggregation of the produce, transportation, storage, wholesaling, processing and retailing.

As cities expand, supply systems develop into increasingly longer and more complex market chains with many market channels and specialization of roles in the market chain based on product type, levels of added value and market segmentation.

SHGs must also provide products and services at a price that is competitive with rival suppliers and there is increasing social pressure to ensure that production systems are environmentally sustainable. To achieve desired levels of competitiveness, SHGs and their service providers need to build strategies that incorporate the following elements:

- ◇ A clear market orientation, producing the right product for the right buyer at the right time and price.
- ◇ The establishment of production systems that makes efficient use of existing financial human and natural resources.
- ◇ The incorporation of necessary post production handling and processing techniques.
- ◇ Appropriate business and marketing skills and organizational schemes which lead to economies of scale by reducing costs and increasing marketable volumes of produce.
- ◇ Improved links among market chain factors and flows of both market based information and new production technologies.

Therefore an attempt has been made to appreciate the importance of both private and collective domain through mutually interdependent growth sustenance cycle. Here individuals are encouraged to enhance their living standard through skill up gradation. Commons facilitate the individual growth and ensure most competitive market price. This makes private and common dependent on each other without intruding into others domain or suppressing individual's enterprising ability. However, as system it is of recent origin, one needs to wait and watch how it works in the long run.

Implementation of a good Marketing Strategy for Development of Distribution Channels needs proper infrastructure. To develop that infrastructure, SHGs will have to:

- ◇ Assist DRDA in implementing SGSY scheme from planning to implementation stage.
- ◇ Prepare a model project report based on cluster approach under SGSY scheme.
- ◇ Develop two key products covering all aspects of micro enterprise right from market identification, technology transfer, improvement of productivity and quality, organizing skill development training, bank credit linkage and market tie-up.
- ◇ Organize training workshops on related topics design development, product development, micro enterprise development etc for block level functionaries, bankers, NGOs, Integrated Community Development Society (ICDS) and for Swarojgaris.

Another way to improve sales may be by selling through different Marketing Institutes. However,

Success And Constraints That May Be Faced By Marketing Institutions

Innovative marketing institutions	Factors for success	Constraints	Suggestions
Self-help groups (SHGs)	Effective leadership; Collective bargaining; Win-win situation; Enthusiasm and discipline; Self-confidence due to empowerment; Informed decision-making; Better communication.	Competition from market; Lack of transport facilities;	Regulation by authorities; Provision of subsidy; Provision of soft loan.
Producer associations	Inclusive membership; Tangible deliverables; Social cohesiveness; Conviction of the SHGs	Lack of knowledge about product differentiation	Advertisement; Brand promotion
cooperatives	Working in closeness with SHGs Trust and confidentiality; Hygienic Packing Transparency in weighment using electronic balance;	Inability to handle more types of products Inability to market the whole day; Slow expansion of cooperative societies	Active involvement of state federation with national apex federation, Extending the sales for whole day
Private institutions	Price information on daily basis; Selling decision by SHGs themselves; Lesser transport cost; Improvement in productivity; Accessibility of inputs at less cost than in local market.	Ignorance of the SHGs Lack of awareness; Lack of interaction with the institution;	Awareness creation; Training regarding Branding & Certifications

Adopted from: Agricultural Economics Research Review Vol. 23, 2010, pg 503

Conclusions

1. The concept of SHG is well taken, by masses especially in rural areas. The SHGs have been formed by idle women & to some extent by men also. The public sector Banks are doing their part of linking of SHGs & imparting the necessary training before financing them.
2. Many products of SHGs are well appreciated by the market. However there is a missing link between Source of Production & Consumers. The seasonal fares like Bhimthadi & Pavanathadi Jatras held in Pune drew large crowds.
3. There was demand for some products of which supply could not take care of. Consumers were eager to have supply of some products round the year. However, they were in the dark as to who was to be contacted.

Here comes the importance of completing the link & establishing effective Distribution Channels for the Marketing of SHG Products.

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