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## Is Book Keeping A Challenge to Self Help Group?

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### Abstract

The legitimate and systematic account management is the strength for any form of informal and formal institutions to sustain for a longer period. In this context we can't neglect the Self Help Groups and their accounts management procedures. Involvements of MFIs and NGOs in formation of SHG, book keeping and also in their capacity building have been evidently proved. Everyone will accept that SHGs have an inevitable role in book keeping for the maintenance of periodical subscriptions, Voluntary savings, Internal & External loan Repayment and Disbursement, Cash book and cheque receipt register. But still there is a gap in maintaining these records which leads to dismantle of group at some stage. Though there are many reasons for a group to get dismantle, improper book keeping and financial accounting plays the major role. Basically these SHGs members possess either minimum education or lack education. Hence, accounting becomes a big challenge for them and the accurate book keeping is the strength for their long term sustainability. In the light of the above concept, the study is planned to use the primary data's collected from structured questionnaire by interviewing the members of the SHGs as well as from their records, in the selected urban centers of Thiruvannamali District, in Tamil Nadu. The findings will suggest for a better accounting system.

**Key words:** Self-help group, accounts, banks, book-keeping. **Jel classification:** M41.

### 1. Introduction

An account is a service activity which provides quantitative financial information to help in making decisions regarding deployment and use of resources. The concept of Self Help Group is an informal group with 10 to 20 individual women mostly from low income strata. These groups accumulate the money through their own savings by periodical subscription of every individual, getting subsidized loan from government schemes and direct loan from commercial banks for their internal lending and for income generation activities. In any financial programme, accurate recording and reporting of financial information is of paramount importance. Therefore, accounts management is a significant component for their success to take decision and for successful running of the group. The performance indicators of the SHGs are measured in terms of savings,

internal lending, income generation and repayment. The SHG-bank linkage programme in India is the largest and fastest growing microfinance programme in the world. The programme has managed to involve participation of diverse stakeholders consisting of commercial banks, co-operative banks, NGOs and government departments. As the programme is continuously expanding its outreach, has thrown up certain critical challenges. Therefore quality book-keeping in the SHGs is one important challenge. Quality book-keeping includes completeness of information, up-to-date information, accuracy and transparency. The SHG programmes have mobilized substantial savings from women members over the years. It is therefore important that the micro and macro management of the financial information of the programme are good

quality. It is also important that certain minimum standards of accounting practice are followed.

## 2. Review of literature

According to Tamragundi and Shrikant Ragikallapur<sup>1</sup> (2013) Increasing possibility for loan default with increase in loan size. As per Subramanian<sup>2</sup> (2012) the performance of members business are attributed to members attending regular group meetings as well as trainings where members gain skills and share business experience which help them to overcome the day to day hurdles. It has also helped members without any experience of running business who are usually nervous and worry of starting their own business, to overcome such fear. According to Das<sup>3</sup> (2012) meetings also help improve technical and practical skill of entrepreneurship through the experience and exposure brought about by sharing of business. As per Akepi linggi ehili<sup>4</sup> (2013) The Self-help groups' bank linkage programme, in the past nineteen years, has become a well-known tool for bankers, development agencies and even for corporate house. SHGs, in many ways, have gone beyond the means of delivering the financial services as a channel and turned out to be focal point for purveying services to the poor. Vijayakumar A.N. & M.S Subhas<sup>5</sup> (2011) stated that, the experience of SHGs in many countries have been proving great success as an effective strategy and approaches in recent years. S.Mamtha and M.Saravanakumar<sup>6</sup> (2014) stated that Self-help groups are able to make profit with the initial investment which is equally shared among the members in SHG and save adequately through the business. Yisemyong and Mokochung<sup>7</sup> (2012) visualized SGHs as credit plus institutions with their own agenda, design, set of rules and regulations and have their own system of functioning so bookkeeping system must be able to accommodate the needs of the future, we should ensure that there is adequate space in all record books and that proper system are maintained from the beginning. As per NABARD<sup>8</sup> (2015) report, till date it is found that SHGs are deprived of Financial literacy per say.

Lack of proper account keeping is major area of concern in sustainability of SHGs. It has been mentioned in the newsletter of women Development Corporation, Chennai<sup>9</sup> (2017), by good bookkeeping arrangements the scope of the group to attract outside resources like Bank and other agencies will be accomplished. Christopher Das<sup>10</sup> (2016) concluded that SHG transaction may be small today but will not remain small tomorrow. Bookkeeping system should accommodate the need of the future. Girija Srinivasan<sup>11</sup> (2013) reported that in states where illiteracy level is very high, reliable bookkeeping system is often an issue. K.G. Karmakar<sup>12</sup> (2008) stated that the parameters identified which contribute to quality bookkeeping are completeness of information, accuracy, up-to-date information and transparency. Rajaram Dasgupta<sup>13</sup> (2005) opined that "In respect of bookkeeping the southern states are seen as SHG developed states while Bihar and Madhya Pradesh are among those characterized as SHG-Backward". Adel Varghese & Rajula Bali<sup>14</sup> (2011) argued that "SHG Book-Keeping has an impact on assets, livestock income and salaries". Andreas Berkhof and Malcolm Harper<sup>15</sup> (2005) assessed that Book-keeping discipline among SHG played a major role in SHG Bank linkage.

## 3. Statement of problem

Current study is to examine how the SHG members are handling their accounts and to analyze; to what extent SHGs had helped the members to manage the funds and maintain records of the groups' transaction like loan, loan repayment, dividend, investment and bookkeeping or record maintenance of the group. This is a microscopic study taken in the urban centers of Tiruvannamalai district of Tamil Nadu.

## 4. Objective

The main objective of the study

- a. To analyse each record in the Book of Accounts of the SHG women members.

- b. To examine the accounts management skills of the selected SHG women members.

### 5. Methodology

First a familiarization visit was undertaken to the urban centers of Tiruvannamalai district, i.e., Tiruvannamalai, Arni, Tiruvathipuram and Vandhavasi. With an idea to assess the SHG situation in the towns of the Tiruvannamalai district and a pilot study was carried out. Based on the response from the above stake holders, the questioner was designed. The primary data was collected through personal interview with the individual members and groups of the selected district. The secondary data was collected from books, journals, SHG records, Banks and Municipalities.

### 6. Selection of sample

Tiruvannamalai district consists of 4 municipalities; the researcher had taken one group from each town for the study. These four groups have a reputation for lasting longer, having well peer-monitoring and support, building sizeable group assets, easily linking with banks and running transparent internal financial operation compared to other SHGs.

### 7. Limitation of the study

Though there are nearly 100 urban Self Help Groups in Thiruvannamalai District only 4 groups have been taken for the study. There are four towns in Thiruvannamalai district for each town only one sample has been selected.

### 8. Scope for future research

As more than 80% of the Self Help Groups are functioning at Thiruvannamali town, more number of groups can be taken up and detailed study can be done.

### 9. Details of the SHG Book of accounts

**Subscription** – separate register is being maintained by groups for the monthly subscriptions.

**Voluntary savings** - separate register is being maintained for the weekly/monthly subscriptions.

**Internal loan repayment and disbursement** – loan repayment made by each member of the group for internal loans in terms of principal, interest and penalties is being recorded here.

**External loan repayment and disbursement** – loan repayment made by each member for loans taken from external agencies in terms of principal, interest and penalties is being recorded here. It includes loan issuer name, address, loan amount, interest rate, interest type and repayment.

**Meeting resolution** – meeting place, agenda, summary of discussion, resolutions decided in the meetings signature of the members.

**Member's individual pass book**– Despite regular pass book, each member maintain individual pass book, It helps them to assess their financial position in the group and reconciliation

**Bank savings pass book** –

Deposits and withdrawals of the group savings account at the bank.

**Yearly records** – it contains member's basic information like name address, occupation, income, education, there housing details, land holding information, live stocks and also the skill.

**Financial statement** – This statement derives the profitability of the group by deducting expenditure, receipts and payment made by group with current cash on hand and balance sheet to show the financial position of the group by accumulating the liabilities and equity and assets.

### 10. Highlights of these SHGs

All the 4 SHGs selected for the analysis are more than 5 years old. These SHGs are made up of poor and deprived social group; they are backward both economically and socially. The SHGs meet every week. The initial savings are fixed at Rs.10 every week and later increased to Rs.20 per meeting and subsequently to Rs.40 per month after discussion with members. Group membership varies from 10 to 15 women. The meetings are held in evening hours, in a community place or at in an individual's house. All SHGs are linked to the branch of commercial banks. In all SHGs they

have separate members for bookkeeping. One interesting aspects of the SHG book-keeping is, it is taken care by the members themselves and no outsider engaged, so the group dynamics is safe without being influenced by an outsider. All the members of the groups have been trained by the local NGOs for book-keeping. They learned that accurate book-keeping is essential for the strength and long-term stability of SHGs, providing the data to resolve disputes and maintain accountability to all group members. In average their group savings is around 3.00 lacks this is a commendable achievement that to in a backward District like tiruvanamalai. The SHGs which are registered under government agencies are eligible to get credit from nationalized banks. Each group has to ascertain its credit worthiness before the credit rating committee. One of the criteria is proper maintenance of records, only successful credit rating makes a group eligible for credit linkage; this has become a driving force for the groups for maintaining proper records.

### 11. Data analyses and interpretation

Records	T.malai SHG	Arni SHG	T.puram SHG	Vandavasi SHG
Subscription	G	G	G	G
Savings	G	G	G	G
Internal loan	G	G	G	G
External loan	G	G	G	G
Resolution	S	N.S	G	G
Ind pass book	G	G	G	G
Pass book	G	G	G	G
Yearly records	S	N.S	S	G
Fin statement	S	N.S	N.S	S

G: Good, S: Satisfactory, NS: Not satisfactory.

The subscription register is being well maintained by the groups, all the entries in the weekly savings are update. The internal loan register, used for internal lending among the members is also maintained. The external loan register, well maintained for the loans they receive from the external agencies. The minute book is being well

maintained by only two groups. Each member of the groups maintain separate individual pass book. The common bank pass book is also well maintained with update entries. The yearly records are maintained only by one group. As for as financial statement is concerned none of the four groups do well. Overall their accounting records are consistent. Their accounting system is totally transparent. They have designed a simple procedure for the book-keeping replacing all cumbersome process. It helps ineffective management by foreseeing pitfalls and threats, allowing for timely remedial action and resolution. Though they maintain all the records they do it only with their limited knowledge, it pave the way to most of the problems. Banks and other credit-granting institutes are also not yet demanding correct book-keeping and recording. If they demand for its SHGs will improve their book-keeping practices, banks will be better positioned to judge the maturity and discipline of individual group. They can target loans towards better performing groups.

### 12. Findings

1. The weekly financial records of SHGs were often incomplete and regularly have major errors in calculation and tallying, commonly arithmetic and careless mistakes are done in book-keeping. Since amounts transacted are not standard and vary from meeting to meeting.
2. They commit mistake willfully in tracking overdue loans.
3. Annual dividends in an SHG are distributed proportional to individual member savings.
4. Reconciliation with bank account showed major difference. Because of such mistakes majority of their meetings spent in doing calculations.
5. In absence of skill to handle this complex book-keeping task, they depend on external agencies.
6. In a group only few knows the benefits of regular book-keeping. Since it is time consuming the NGOs are feeling checking the books of all the SHG as impractical.



7. It is very difficult to find all the members in a SHG literate. This increases the responsibility of the literate members.

8. The individual pass books are left with the individuals. SHG records are not reconciled with the bank pass book and individual member regularly.

9. Cash in hand is very less only to meet small emergency needs.

10. Members see no significant income-generating options, and therefore do not take loan for such activities. So far loans have been disbursed only to the members. Parallel loans are not in practice, one time one loan.

### 13. Conclusion

Group members do not understand the benefits of regular book-keeping, by consistence supervision we can ensure this. The books of SHGs can be audited once at the end of every year. More work to be done to train SHGs in how to use the data that is generated. They need to be learn how to analyse and interpret financial statements. Book-keeping should be designed keeping in mind semi-literate women. SHGs should ensure periodical reconciliation at least once in six months.

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