



Financial Management Practices Of Self Help Groups In Bangalore Urban District

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ABSTRACT

Self Help Groups (SHGs) play a vital role in promoting financial inclusion and socio-economic empowerment of women in India. Effective financial management is essential for the sustainability and performance of SHGs, particularly in urban and semi-urban regions. The present study examines the financial management practices of Self Help Groups in Bangalore Urban District with special reference to accounting practices, internal control mechanisms and financial decision-making processes. The study is based on both primary and secondary data. Primary data were collected from 120 members of selected SHGs using a structured questionnaire. Statistical tools such as mean, standard deviation, correlation analysis and ANOVA were used for data analysis. The findings reveal that proper accounting systems, effective internal controls and participative financial decision-making significantly contribute to the overall financial effectiveness of SHGs. The study concludes that strengthening financial management practices enhances sustainability and improves the economic outcomes of SHGs.

Keywords: Self Help Groups, Financial Management, Accounting Practices, Internal Control, Bangalore Urban.

1. INTRODUCTION

Microfinance has emerged as an important instrument for poverty alleviation and financial inclusion in developing countries. In India, the Self Help Group–Bank Linkage Programme has become the dominant model of microfinance, enabling economically weaker sections, particularly women, to access institutional credit. Self Help Groups encourage savings, promote collective decision-making and provide collateral-free credit to their members.

Financial management is a critical component of SHG functioning. Proper planning, utilization and control of funds determine the sustainability and effectiveness of these groups. In urban districts like Bangalore Urban, SHGs operate in a dynamic economic environment where efficient financial management becomes even more significant. Despite the rapid growth of SHGs, variations exist in the quality of financial practices followed by different groups. Hence, a systematic study of financial management practices of SHGs is essential.

2. REVIEW OF LITERATURE

Several studies have highlighted the role of SHGs in women empowerment and poverty alleviation.

Lalitha Shivakumar (1995) emphasized that small savings mobilized through SHGs help reduce dependency on moneylenders.

Karl (1995) viewed empowerment as a multi-dimensional process achieved through collective action and capacity building.

Vijay Kulkarni (2000) observed that SHGs improved women's participation in economic decision-making.

Banumathy (2005) explained the importance of SHG-Bank linkage in strengthening rural credit delivery.

Pushpa Sinha (2010) stated that microfinance through SHGs enhances financial inclusion and socio-economic empowerment. However, most studies focus on empowerment and credit access, while limited research is available on financial management practices of SHGs, particularly in Bangalore Urban District. This research attempts to bridge this gap.

3. STATEMENT OF THE PROBLEM

Despite the expansion of SHGs in Karnataka, many groups face issues related to improper accounting, weak internal controls and inefficient fund utilization. These challenges affect the sustainability and performance of SHGs. Therefore, it is necessary to examine whether financial management practices adopted by SHGs are effective and how they influence the overall functioning of the groups.

4. OBJECTIVES OF THE STUDY

1. To study the financial management practices of Self Help Groups in Bangalore Urban District.
2. To examine the effectiveness of accounting and internal control systems in SHGs.
3. To analyze the role of financial decision-making in the performance of SHGs.

5. HYPOTHESIS

- H₀:** Financial management practices do not significantly influence the performance of Self Help Groups.
H₁: Financial management practices significantly influence the performance of Self Help Groups.

6. RESEARCH METHODOLOGY

The study is based on both primary and secondary data. Primary data were collected from 120 members of selected Self Help Groups in Bangalore Urban District using a structured questionnaire. Judgment and quota sampling methods were adopted. Secondary data were collected from journals, books, reports and government publications. Statistical tools such as mean, standard deviation, correlation analysis and ANOVA were used for data analysis.

7. DATA ANALYSIS AND INTERPRETATION

Table 1: Financial Management Practices of SHGs

Statement	Mean	SD
Proper accounting system is maintained	4.21	0.71
Transparency in financial records	4.12	0.69
Internal financial controls are effective	4.05	0.74
Members participate in financial decisions	4.09	0.73
Financial system supports SHG growth	4.18	0.69

The mean scores indicate that the majority of respondents agreed that their SHGs follow effective financial management practices. High mean values reflect positive perceptions regarding accounting, transparency and decision-making.

Correlation Analysis

The correlation coefficient between financial management practices and SHG performance was found to be **r = 0.68**, indicating a significant positive relationship.

ANOVA Result

The ANOVA test revealed a significant difference in financial management effectiveness based on years of SHG experience ($F = 4.92$, $p < 0.05$). This indicates that mature SHGs tend to exhibit better financial management practices.

8. FINDINGS OF THE STUDY

- Most SHGs maintain proper accounting records and ensure transparency in financial dealings.
- Internal control mechanisms such as group approval and periodic verification are effectively practiced.
- Participative financial decision-making enhances member satisfaction and group sustainability.
- Financial management practices significantly influence the overall performance of SHGs.

9. SUGGESTIONS

- SHGs should adopt standardized accounting formats and regular audits.
- Capacity-building programmes should be conducted to improve financial literacy among members.
- Greater use of digital record-keeping can enhance transparency and efficiency.

10. CONCLUSION

The study concludes that effective financial management practices play a crucial role in enhancing the sustainability and performance of Self Help Groups in Bangalore Urban District. Strengthening accounting systems, internal controls and participative decision-making can significantly improve the economic outcomes of SHGs and contribute to inclusive development.

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