



Flow Of Funds And Financial Sustainability Of Self Help Groups: A Study Of Bangalore Urban District

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ABSTRACT

The sustainability of Self Help Groups (SHGs) largely depends on the effective management and circulation of funds. Flow of funds analysis helps in understanding the sources, utilization and movement of financial resources within SHGs and assists in estimating future fund requirements. The present study examines the flow of funds and its impact on the financial sustainability of Self Help Groups in Bangalore Urban District. The study is based on primary data collected from 120 SHG members using a structured questionnaire. Statistical tools such as mean, standard deviation, ANOVA and descriptive analysis were used. The findings reveal that efficient fund flow management, supported by regular savings and bank linkage, enhances financial sustainability and planning capability of SHGs. The study concludes that systematic flow of funds analysis is essential for strengthening the long-term viability of SHGs.

Keywords: Flow of Funds, Financial Sustainability, Fund Management, Self Help Groups, Bangalore Urban

1. INTRODUCTION

Self Help Groups have become an important institutional mechanism for promoting inclusive growth and financial inclusion in India. SHGs mobilize savings, access institutional credit and channel funds towards income-generating and developmental activities. The effectiveness of these groups depends not only on access to funds but also on the efficient flow and utilization of financial resources.

Flow of funds refers to the movement of funds from various sources to different uses over a specific period. In SHGs, proper flow of funds ensures liquidity, timely implementation of activities and financial sustainability. In urban districts like Bangalore Urban, SHGs face diverse financial demands, making fund flow management a critical aspect of financial planning. Hence, this study attempts to analyse the flow of funds in SHGs and its role in estimating fund requirements and ensuring sustainability.

2. REVIEW OF LITERATURE

Lalitha Shivakumar (1995) emphasized that systematic savings and circulation of funds through SHGs reduce dependence on informal credit sources.

Karl (1995) highlighted that collective financial management strengthens the economic resilience of women's groups.

Rajamohan (2003) observed that proper utilization and recycling of funds within SHGs improve income-generating capacity.

Banumathy (2005) explained that SHG–Bank linkage plays a crucial role in strengthening fund flow and enhancing credit absorption capacity.

Suguna (2006) pointed out that efficient fund management enables SHGs to undertake diversified economic activities and maintain sustainability.

Pushpa Sinha (2010) noted that timely flow of institutional credit reduces financial vulnerability and improves planning capability of SHGs.

Subbarao (2011) emphasized that delays in fund flow and inadequate financial infrastructure hinder effective financial inclusion.

Sengupta (2013) highlighted that efficient fund circulation through savings and credit improves financial stability at the grassroots level.

Sandhya P.S. et al. (2018) found that SHGs with better fund utilization patterns demonstrated improved economic outcomes. However, most studies focus on credit access and empowerment, while limited empirical research exists on flow of funds analysis and financial sustainability of SHGs in urban districts. The present study attempts to fill this gap.

3. STATEMENT OF THE PROBLEM

Despite the expansion of SHGs in Bangalore Urban District, several groups face challenges related to irregular fund inflows, delayed utilization and inefficient allocation of resources. These issues affect their ability to estimate future fund requirements and maintain financial sustainability. Therefore, it is necessary to examine how flow of funds management influences financial planning and sustainability of SHGs.

4. OBJECTIVE OF THE STUDY

- To analyse the flow of funds in selected Self Help Groups of Bangalore Urban District.
- To study the role of SHG-Bank linkage in improving fund flow efficiency.
- To examine the impact of fund flow management on financial planning capability of SHGs.
- To assess the contribution of fund flow analysis to long-term financial sustainability of SHGs.

5. HYPOTHESIS

H_0 : Analysis of flow of funds does not lead to estimation of fund requirements for the budget period.

H_1 : Analysis of flow of funds leads to estimation of fund requirements for the budget period.

6. RESEARCH METHODOLOGY

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

7. DATA ANALYSIS AND INTERPRETATION

Table 1: Sources of Funds in SHGs

Source of Funds	Mean Score
Member savings	4.22
Bank loans	4.35
Government schemes	3.88
Revolving fund	4.01

Interpretation

The table indicates that bank loans and member savings are the major sources of funds for SHGs. High dependence on institutional credit highlights the importance of efficient bank linkage. Government schemes contribute moderately, indicating scope for improved access and utilization.

Table 2: Utilization Pattern of Funds

Area of Utilization	Mean
Income-generating activities	4.28
Consumption needs	3.91
Asset creation	4.06
Emergency purposes	3.84

Interpretation

Funds are primarily utilized for income-generating activities, which strengthens sustainability. Asset creation also receives significant attention. Lower mean scores for emergency purposes suggest inadequate contingency planning among SHGs.

Table 3: Regularity of Fund Flow

Fund Flow Pattern Respondents Percentage		
Regular	68	56.7
Occasional delay	37	30.8
Irregular	15	12.5
Total	120	100

Interpretation

More than half of the SHGs experience regular fund flow, enabling effective financial planning. However, delays and irregularities faced by some SHGs adversely affect programme continuity and sustainability.

Table 4: Fund Flow and Financial Planning Capability

Statement	Mean	SD
Fund flow helps estimate future needs	4.19	0.71
Proper fund flow reduces shortages	4.11	0.74
Planning improves sustainability	4.23	0.68
Bank linkage stabilizes fund flow	4.31	0.65

Interpretation

High mean scores indicate that effective flow of funds significantly improves financial planning and sustainability. Strong bank linkage enhances stability and reduces uncertainty in fund availability.

Table 5: ANOVA – Fund Flow and Years of SHG Experience

Source	F Value	Significance
Fund flow effectiveness	5.12	p < 0.05

Interpretation

The ANOVA result shows a significant difference in fund flow effectiveness based on years of SHG experience. Mature SHGs demonstrate better fund flow management and planning capability, supporting the alternative hypothesis.

8. FINDINGS OF THE STUDY

- Bank loans and member savings are the primary sources of funds for SHGs.
- Efficient utilization of funds supports income generation and asset creation.
- Regular flow of funds improves financial planning and sustainability.
- Experience of SHGs positively influences fund flow effectiveness.

9. SUGGESTIONS

- SHGs should strengthen fund flow monitoring mechanisms.
- Diversification of funding sources should be encouraged.
- Training on financial planning and fund flow analysis should be provided.

10. CONCLUSION

The study concludes that effective flow of funds management plays a crucial role in ensuring financial sustainability of Self Help Groups in Bangalore Urban District. Systematic analysis of fund inflows and outflows helps SHGs estimate future requirements, reduce liquidity constraints and strengthen long-term viability. Strengthening fund flow mechanisms will enhance the overall performance of SHGs.

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