

**A conceptual framework on factors enhancing financial sustainability of  
Self-help Groups: Recognizing market orientation and market strategy as  
key determinants.**

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**Abstract:**

Objective: The objective of this paper is to explore those factors such as Market strategy and Market Orientation (MO) and their role in determining performance and sustainability of Self Help Groups (SHGs).

Methods /Statistical Analysis: Review of previous literature on the subject of market orientation and market based strategies in enhancing the sustainability of group was undertaken. Literature from various contexts, and global experiences of different groups on such lines were closely considered before arriving at a theoretical model to propose the indisputable role of market orientation as an antecedent to market strategy, performance and sustainability.

Findings: Literature support from different contexts does establish the role of market strategy and performance. Further there is an attempt in the study to aim for an optimal marketing strategy that seeks to examine the critical relationships between market orientation and level of marketing strategies. Moreover original models are taken to corroborate the established role of market orientation in enhancing the performance. Besides we find substantial

evidence to conclude on the presence of relationship between marketing strategy and business performance. Subsequently performance and sustainability has been closely linked and empirically proven by various studies in the past from different industries.

**Applications / Improvements:** The past literature has been scarce when it comes to marketing or market linkage creation with respect to Self Help Groups (SHG). Much has been discussed on the Microfinance institutions (MFIs) and the need for sustenance through marketing of their financial products. But, unless the SHG's succeed, we cannot expect much sustenance towards MFI and Banks. It is suggested to take the model further, collect data from field and empirically test the model based on data collected.

**Key Words:** Market Strategy, Market Orientation, Conceptual framework, Self Help Groups (SHGs), Sustainability

## **Introduction**

There has been ever widening gap between the customers and the suppliers. This seems to be happening despite the connection and communications channels we have established in the past decade. It has been a good sign that there are more entrepreneurs than ever before and the cost of funds has been historically low, this has also put pressure on the margins which is shrinking. Input costs and bottom lines have to work favourably for business to sustain. This isn't happening and reasons are many. Primarily the lack of connect in terms of marketing seems to top the list, going by the existing literature. How important is marketing? And do the companies carry a market orientation? This study attempts to find evidences and reconciles a model which can perhaps take the subject of marketing and market orientation more towards the grass root levels of enterprises. We are in the age of a connected and globalized world. Internet is beginning to change ways how we have been reacting and interacting thus far, in more fundamental ways. The conventional process chains have been altered by Online based communication channels such as emails, internet forums, chat applications and more. (Picot, 2000). Marketing has also undergone changes due to these recent technological advancements. Thus, it is more significant today to relook at the way customer interaction is conducted than ever before.

## **Defining Market Orientation**

- *Market Orientation*

In *The Practice of Management*, Peter Drucker wrote that all companies are only looking at two basic functions. One is marketing and second is innovation. He further states that marketing and innovation produces results and rest are all costs. Market Orientated organizations have been benefited by superior performance as compared to a closed organization (Narver& Slater,1990). In the early stages of Market orientation as a thought process, marketing as a concept was deeply analyzed. (Harris, 1999), further the thinkers started to question if the market orientation was more an embedded feature than a standalone strategy. (Narver& Slater, 1990). Gradually the research gained traction when the effect of market orientation on business was measured in terms of performance as a recommended set of behaviours (Kohli&Jaworski,1990). Many researches in the past have spoken about a unique convergence of market orientation- that involves customers, competition, firm's ability to understand markets and market orientation is a organization wide phenomenon and not a mere concept. (Day &Nedungadi, 1994).

Various studies in the past have come to prove a significant relationship between market orientation and other dimensions that lead to better financial sustenance. Ramaseshan&Pang (2002) tested relationship between market orientation and the performance of new products. The results established that market information collection has positive effect on performance of products, especially new products. Having spent money in design and development, the firm aims to make the new products tick in the market place. In Korea, some researches were conducted on the market orientation of a firm and its export performance. Data collected from about 341 export firms proved a positive association between market orientation and export performance. (Kwon & Hu, 2000). In the financial sectors and brokerage firms, studies were conducted that explored the relationship between market orientation, service quality and profitability. A positive correlation was found among the three constructs indicating a seeming relevance to the aspect of sustainability through the process of market orientation. (Chang &Cheng, 1998).From the behavioural and group or clan aspects, Appiah-adu&Blankson (1998) studied closely the relationship between market orientation and organizational culture. The findings furnished revealed that, market, adhocracy and clan cultures are positively associated with the market orientation, whereas hierarchical culture is negatively associated.

### Revisiting Self-Help Groups

There have been researches conducted, especially in the area of Market orientation, but have more or less concentrated on large scale organizations, while ignoring the small scale entrepreneurial organizations (Hills, Hultman& Miles, 2008). Self-help groups were innovative economic experiments that were started in Bangladesh, only to soon spread over various other nations. In India NABARD – National Board for Agricultural and Rural Development pioneered the efforts of bringing together people in groups, creating a social capital effect, and using the same as a mean to deliver credit. Since 1992, SHG have been instrumental in meeting the objectives towards which it was formed. Previous two decades have witnessed phenomenal growth of SHG's. However, the last few years have seen a decline in the new group formations, the existing groups breaking away, lack of government enthusiasm, retreating banks from offering credit and multiple other scenarios. (Tankha, 2002). Many studies have cited the reasons for the issue of sustainability is that the focus has been too much on the credit linkages, through bank linkage and NGO affiliation program, and have ignored the crucial market linkages. Rangarajan Committee on Financial Inclusion (GOI,2008), stated that subsidy on the interest rates does more harm to the very genesis of SHG character, and it would be better if such efforts were redirected towards capacity building inputs and marketing support for the SHG's. In the past decades researches were conducted on the credit linkages and the impact of micro-credit on the socio-economic and empowerment dimensions. However, the sustainability of SHG's except for the credit and financial perspective has not been much traversed. When it comes to transaction especially credit, unlike the market goods and services- there involves a mutual relationship between a lender and burrower, happening in the context of uncertainty, and it stands to be completed only when the burrower makes a repayment. (Bhat, 1987).

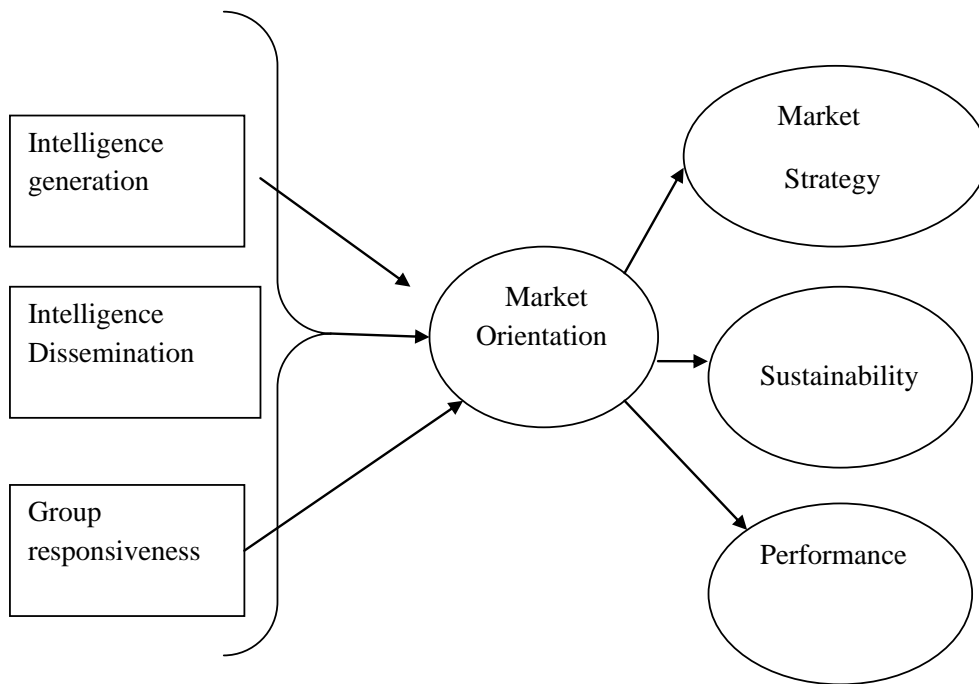
The problem of inadequate access to credit typically in the rural areas was observed by the government, which sought to resolve it by introducing specialized banks and rural development programs. (Vega,1984, Rajasekar,2005). Economic empowerment of micro-credit on the poor beneficiaries has been studied by many researchers in the past. (Mayoux, 2001).He had explored the ability of the groups to establish links or some form of connections that were critical in acquiring financial skills and social control. Further, the micro-credit groups have been thoroughly studied for the impact of the credit on their livelihoods and other empowerments. (Kabeer, 2001). Little literature is available on the

market orientation and marketing aspects especially in SHG context in order to improvise on the existing sustainability of the group. Financial underperformance and lack of organization has put these SHG onto numerous constraints, leading to very closure of the group in certain situations. While there is cost of creating a group, the closing of the same, leads to economic spillages. (Tankha, 2002). We aim to understand if the market orientation and marketing strategies can together lead to a positive relationship on financial performance and thereby sustainability of the groups. To sum it up, we have sufficient literature on the credit linkages but very little studies on the market linkages and capacity building. This paper provides a conceptual (Ananthi Sheshasaayee and Megala.R 2017) model to explore later by relevant data to recognize the role played by Market orientation if any on the SHG's sustainability.

#### **Aiming for an optimal market strategy**

Miles and Snow (1978) had conducted multiple experiments to understand the critical relationship between market orientation of companies and the level of market strategy implementations. The results displayed emphasised that the strategically proactive companies, were connecting well with their customers within the business environment. Walker and Ruekert, (1987), discuss on companies with lower market orientations, were unable to take up effective market strategies to deal with changing market forces. Specific strategies and its implementations were tested in various other contexts. (Narver, Park & Slater, 1992). Moreover, market value creation and value additions bring about a positive high spirited culture. The entities that possess lower market orientations have lower value chain that can entice customer to consume the products or services. (Dobni&Luffman, 2000). Market strategy can be seen as a strategic response variable in a model. (Kekre&Srinivasan, 1990). There is a relationship between performance and specific implementation of market strategies. Performance is a complex idea, which has to be measured and evaluated from multiple dimensions. There are essentially two types of performances of any organization to be measured for sustainability namely strategic performance and financial performance. While financial performance seems to be the core objective of every organization, nonetheless, the strategic performance is an interesting intermediary that is expected to widely contribute to the improved financial performance. (Cavusgil and Zou, 1994).

**Theoretical model**



***Market Orientation and its established relations.***

In most of the industries, we have been witnessing an increasing competition, which is intense and has turned out to be a dominant force to reckon. Companies and large organizations are falling prey to shrinking bottom lines and being nudged out of business due to the lack of market orientation. (Raftery et al., 1998).The marketing literature is expansive and most of the issues, particularly the trend of market orientation and its significance have been dealt with in most of the researches. Empirical studies have been conducted to bring about the relationship between market orientation and business performance or financial performance. And these researches have happened over varied industries and multiple contexts. The managers taken as key respondents have subscribed to the view that strongly suggests market orientation of a firm being positively linked with business performance. Yet some of the industries particularly the small and medium size, and the informal set ups have

not been studied on the impact of market orientation. To this extent, the previous literature on marketing can be claimed to be inconclusive. (Greenley, 1995; Han *et al.*, 1998)

There are prominent scales for measuring the market orientation. The constructs can be conceived into three categories viz. Intelligence generation, Intelligence dissemination, and group / organizational responsiveness. Market orientation is generally hypothesized to enhance performance of every organization, however, the degree or strength of relationship between market orientation and business performance can vary between environmental contexts. (Lusch and Laczniak, 1987). Nonetheless in the market orientation studies, there is also view point, corroborated by empirical findings that environmental conditions seldom moderates the impact of market orientation on firm's performance. (Jaworski and Kohli, 1993). Marketing orientation is being projected as an "Organization culture"; it is a hope, belief system that tends to emphasise the importance of market knowledge, its orientation. This as we see, plays a significant role in shaping the marketing strategies to gain competitive edge over others. As discussed earlier Narver and Slater (1990) pioneering research set the tone to actually measure the impact of market orientation on the performance. In our model, we are attempting to examine the relationship between the market orientation to market strategies – selection and adoption, performance- financial and sustainability, which are also viewed from the financial stand point.

### ***Market strategy and performance***

Generally a strategy in marketing parlance, deals with the segmentation, positioning, product design, differentiation and training. (Moen, 2000) It is no different when it comes to the SHG's as well. Market strategy or for that matter strategy is an attempt by an entity to develop an advantage with respect to market forces, which includes competitive intensity etc, in an industry. (Porter, 1986). Further, we will also need to understand performance. Not always are they financial. There are also non-financial performance that closely aide the financial performance of any group. Financial indicators can be measured by sales, profits, growth, market share, and return on investment. Return on assets etc. Whereas non-financial performance measures include – goal achievement, satisfaction, perceived success and perceived importance. It must be understood that, non-financial measure of performance are perhaps as important as the financial measure of performance. (Lages&Melewar, 1999).

### ***Sustainability and Performance***

SHG's today face a dilemma mostly connected to the self sustaining issue. When credits evaporate and support stops, can they sustain on their own has been a million dollar question. The SHG's have been faltering and groups seem to lack the spirit and drive to keep their business ticking, ultimately leading to the dissolution of the very group itself. (Tankha, Ajay, 2002) Generally sustainability is seen to be a product of five key issues viz. Environment, management, performance, marketing and consumers. At every level the sustainability idea must be taken into consideration and decisions to be taken that create, nurture and promote the chances for sustainable business practice. (Rajan, 2014). Sustainability and performance have different dimensions. However, both are intrinsically related to one another. Unsustainable performance has not been accepted. From the context of SHG, there are two types of performance - financial and social performance. Sustainability is the ability of a program to produce outputs that are valued sufficiently by the beneficiaries and other stake holders that the program receives enough resources and inputs to continue production. Sustainability is in no way an end in itself, it is only valued for what it brings to its client. (Brinkerhoff, 1991) Financial profitability and sustainability are complementary to one another. While the SHG's have been sufficiently connected to the credit channels through the banks and NGO's, whereas except for the SHG federations, SHG's are largely left to themselves to create their own connections and market linkages. When these linkages are not clearly defined and explored, that's when the sustainability falls in a no man's land.

### ***Conclusions and directions for further research***

The past literature has been scarce when it comes to marketing or market linkage creation with respect to Self Help Groups (SHG). Much has been discussed on the MFI and the need for sustenance through marketing of their financial products. But, unless the SHG's succeed, we cannot expect much sustenance towards MFI and Banks. Financial Inclusion is aimed to provide the power of credit to a common man, so that the potential to produce can be discovered. The model discussed as above must be taken forward and substantiated through empirical data and the model can also be confirmed through a Structural equation modelling-SEM approach. We can also try to find the influence of marketing strategies on the performance and sustainability, besides checking for the moderating nature of Market orientation dimension towards market strategies, performance and sustenance pack



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