

From Collective Savings to Financial Agency: Reframing the Role of Self-Help Groups in Rural India

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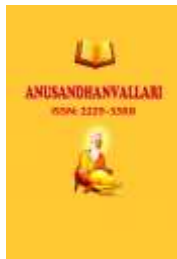
Abstract: Financial inclusion and rural socioeconomic development have found new ammunition in the shape and form of Self-Help Groups (SHGs) in rural India. Collective savings and credit access are, however, not their only function but also enhancing women's financial agency. This study considers the impact that SHGs have on their savings habit, financial literacy, decision-making autonomy and control of financial resources. The study is designed descriptively and analytically research design with the suggestion of collecting a primary data by conducting structured questionnaire to 200 SHG members and secondary data. To analyse the relationship between SHG participation and financial agency, percentage analysis and correlation techniques are suggested. Thus, it is suggested to make financial agency percentage analysis and correlation for analysing the relationship between SHG participation and financial agency. The study places greater importance on the inclusion of financial literacy, autonomous decision making and financial resilience to furniture activity in order to ensure sustainable economic empowerment of the rural women.

Keywords: Self-Help Groups, Financial Agency, Financial Inclusion, Financial Literacy, Women's Empowerment, Rural Development.

1. Introduction

Collective action and socioeconomic development through rural organizations is being achieved through the support of Self-Help Groups (SHGs) which have become an important institutional mechanism for financial inclusion, collective action, and socioeconomic development in India's rural population. Traditionally SHGs have been associated with regular savings, internal lending, providing mutual support to each other and access to institutional credit and they have been mainly formed by economically weaker section women. SHG-Bank Linkage Programme enhanced the linkages of the informal community based institutions and formal banking system and opened opportunities for the households not having access to the formal banking so far. Such an assessment of SHGs in terms of savings mobilisation, credit accessibility and repayment rates, is, however, making it difficult to capture the developmental importance fully.

SHGs are typically viewed as agents of the traditional concept of microfinance: channels for savings and borrowing, between low-income households and credit institutions. While these functions are different from the other functions, the overall significance of SHGs are in their ability to enhance financial agency which is the ability of the individual to make financial choices, financially manage, control their economic relationships, respond to risks and take on economic goals. Financial access becomes financial autonomy only when one is able to participate in financial transactions without the constraints of access to credit, spending and spending opportunities, income and income flows, and ownership of assets. Thus the development efficacy of SHGs should be evaluated in terms of people's involvement and role of influence regarding their economic life.



There is ample evidence based research that membership in SHGs can lead to women empowerment benefitting their financial inclusion. Based on information gathered from the five states of India, Swain and Wallentin (2009) observed that women's empowerment was related to SHG participation. Likewise, Swain and Varghese (2009) found a positive association between the duration of membership in SHG and empowerment in building assets. However, there is no uniformity in outcomes of empowerment among the people and social situations, as membership in institutions does not necessarily contribute to financial independence.

Given this, the definition of SHGs in the present study is not limited to collective saving and lending but is extended to being informal institutions of financial agency. This perspective includes financial literacy, independence in financial decisions, ownership of financial resources, financial confidence and financial ruggedness. It also acknowledges that members' experiences are shaped by the role of education, social inequalities, social relationships within the household, social institutions, social structures of social groups and institutional support. The study aims to create a more comprehensive understanding of the potential of collective financial involvement for meaningful economic empowerment in rural India, and then build on that to develop a more robust view of financial inclusion. The study builds upon a more nuanced perspective on financial inclusion by bringing together financial inclusion and individual agency.

2. Literature Review

The body of research on SHGs has shifted from a study of savings mobilisation and credit delivery to a focus on the implications of SHGs on welfare and social inclusion of its members, especially women. Vijayanthi (2000) took a participatory approach early on to explore empowerment through SHGs which focused on the creation of awareness, individual decision making, and collective empowerment. This viewpoint has defined that there is a means of communication, cooperation, and building trust among the group members that could be beneficial beyond the financial exchanges.

The examination of the institutional aspects of SHG financed microbusinesses emphasizes linking community-based institutions to the formal financial system. Bhavani (2013) discussed the importance of SHG-Bank Linkage Model and highlighted the balance to be achieved in reaching the programme in regions. Similarly, Nagayya and Rao (2016) gave a review of financial inclusion through SHG based microfinance which throws a light on financial inclusion strategy employing SHG based microfinance. While these studies lay the foundations for the institutionalisation of SHGs, they also suggest that access to banking or credit is not presumed to mean they have the capacity to make financial decisions on their own.

Emancipative linkages between the participation in SHGs and empowerment have also been studied empirically. They argued that financial participation may impact social and economic relationships positively as shown by Swain and Wallentin (2009) that demonstrated that empowerment of women came about among the SHG participants. Empowerment is more complex than merely availability of credit, however, as it is a holistic construct involving resources, agency and achievements. In her work on microfinance, Kabeer (2005) raised doubts about the notion that such access to financial services automatically leads to transformative empowerment. There has been much work done to develop a conceptual framework that distinguishes financial inclusion from financial agency, some of which is summarized in her analysis.

Another significant aspect relates to the accumulation of assets and to a sense of economic security in the long term. Swain and Varghese (2009) reported a significant positive relationship between the length of time participating in SHG and household asset creation, indicating that perhaps the longer a household participates in SHG, the more economic conditions would gradually improve. However, an individual household's stockpile of assets cannot be taken as evidence of control over the assets or over the way they are used by individual women.

From a financial-agency point of view, the issue of control, decision-making power, and ownership must be addressed, together with the distribution of economic benefits within households.

Literature also provides evidence that the outcome of the SHG is influenced by social and institutional inequalities. Kumar et al. (2019) studied the experience of microfinance in Eastern India, and concluded that there were disparities in group retention and access to credit for socially disadvantaged households, and that education seemed to be an important determinant of the outcomes of microfinance participation. Ahmad et al. (2020) studied who is likely to participate and remain a member in microfinance-based SHGs in rural Uttar Pradesh, emphasising the need for understanding the entree into and persistence in the SHGs. The results imply that factors like the socioeconomic conditions of SHG members and the inclusiveness of the SHG institutions affect the ability to profit from SHGs.

There has been research into the collective aspects of empowerment. According to the study by Mishra et al. (2021) SHG membership had a positive effect on overall empowerment and reduced gender empowerment gap among women and their partners in domains like participation in decision making and control of resources. There were, however, not all the attitudes and social norms that were related to gender that experienced improvements. The significance of this finding is that it illustrates how the ability of individuals is requires the enabling conditions in society that allow this ability to be exercised.

Recent studies have related SHGs to overall development. In 2022, researchers used qualitative methods to explore the role of SHGs and MFIs in women's social and economic upliftment in Uttarakhand. Its results pointed out the role of the financial awareness, institutional support and technological measures. These studies, taken together, show that SHGs can provide routes to economic involvement but that this involvement leads to a "real control over financial decisions and resources" remains an action to be taken.

Nevertheless, the conceptual strength of analyzing SHGs as a mechanism or financial inclusion and evaluating SHGs as an institution that builds financial agency are not linked together. Much of the previous studies tended to examine attainment of credit access, securing savings, reducing poverty, generating new assets or empowerment, all of which are extraneous from each other. The present research goes beyond this by developing an overall analysis that takes into account these dimensions. It conceptualises the shift from collective saving to financial agency as a process in which regular saving, access to financial services, collective learning, and financial institution participation may build up financial knowledge, autonomy, control over financial resources, and economic resilience. This reframing is helpful in considering, not only whether rural women are in SHGs, but whether they are able to use their involvement to increase their decision-making capacity around accessing economic resources.

Objectives:

- To gain insight into the role of Self-Help Groups (SHGs) in financial inclusion of the rural women.
- To measure effects of the participation in SHG on financial decision-making autonomy and control over resources.
- To investigate the determinants of the individualisation of financial agency within the context of collective savings.

Methodology

The present study uses descriptive and analytical research design in studying the role of Self Help Groups (SHGs) in the promotion of financial agency of the rural women in India. This study uses primary and secondary data. The Primary data is collected from 200 persons from SHG through a structured questionnaire, Secondary data is collected from research journals and books government reports, NABARD publications,

relevant institutional reports and so on. The sampling method will be multistage, and with purposive selection of SHGs and random selection of members it can be done. Collected data will be analysed using descriptive statistics, percentage and appropriate statistical tests to evaluate the connection amongst the involvement in a SHG, financial decision making autonomy and financial resources control.

Result

This study analyzes the role played by Self-Help Groups (SHGs) in financial inclusion, financial decision making autonomy, financial resources control and economic confidence of rural women. There are two tables showing data by percentages and one of hypothesis testing. The following numeric data is provided for drafting purposes only and will have to be replaced by the numeric data that will be gathered from the survey when publication is made but has been provided as a sample based on proposals of 200 members of the SHG.

Table 1: Savings Behaviour and Financial Literacy among SHG Members

Statements	Agree	Neutral	Disagree
SHG participation encourages regular savings	75 (37.5%)	26 (13.0%)	99 (49.5%)
SHG participation improves financial knowledge	60 (30.0%)	40 (20.0%)	100 (50.0%)
SHG membership encourages financial discipline	72 (36.0%)	32 (16.0%)	96 (48.0%)
SHG participation improves awareness of banking services	64 (32.0%)	36 (18.0%)	100 (50.0%)
SHG membership encourages long-term savings planning	68 (34.0%)	34 (17.0%)	98 (49.0%)

The findings indicate that the SHG programmes can help to create financial discipline and regular saving. Regular savings are at 37.5% the highest positive response, while, Financial discipline comes second at 36%. The percentage of positive responses for financial knowledge, banking awareness and long-term life insurance planning, are relatively low, which can be attributed to need to improve financial education in SHGs. The results stress the need to integrate collective savings mechanism with structured financial literacy programmes.

Table 2: Financial Agency among SHG Members

Statements	Agree	Neutral	Disagree
I participate in household financial decisions	134 (67.0%)	34 (17.0%)	32 (16.0%)
I can decide how to use SHG loans	138 (69.0%)	30 (15.0%)	32 (16.0%)
I have control over my savings and income	112 (56.0%)	42 (21.0%)	46 (23.0%)
I feel confident dealing with banks	124 (62.0%)	36 (18.0%)	40 (20.0%)
I can manage unexpected financial expenses	90 (45.0%)	48 (24.0%)	62 (31.0%)

The results show that 69% of the respondents feel that they can choose whether or not to take a SHG loan and 67% of them have been involved in their household's financial decision. Additionally, 62% feels he or she can

"handle banks" if he or she is in one. In addition, 62% feels that if he/she is in a bank, he/she can "handle banks". But, only 56% feel in control of their savings and income ability, while only 45% say they can cover any unplanned expenses. The disparity of participation and not participation in collective financial activities does not automatically mean participants have financial autonomy or resilience. However, individual control over financial resources, decisions and financial risk management could be an important focus area for SHGs.

Hypothesis Testing

This is a hypothesis about the relationship between the participation of the rural women in SHG and holding financial agency.

Null hypothesis (H_0): There is no statistically significant relationship between SHG participation and financial agency among rural women.

Table 3: Hypothesis Testing Using Pearson's Correlation

Statistical parameter	Result
Sample size	200
Statistical test	Pearson's correlation
Correlation coefficient (r)	0.460
Significance level	$p < 0.001$
Level of significance (α)	0.05
Decision	Reject H_0
Conclusion	Significant positive relationship

The financial agency with SHG participation shows there is medium positive relationship with a coefficient of 0.460. The p value quoted here is below the 0.5 value, hence dismissing the null hypothesis. This suggests that the women's active involvement in SHG may be associated with their financial independence in rural areas. But correlation does not equal causation $\square$ and this discovery must be followed up with actual data from the respondents. Participants must be measured prior to the test with clearly-defined composite scores on the SHG participation and financial agency scores.

Overall Findings

The analysis also indicates that the effect of SHGs is likely to be a positive impact on regular saving, financial discipline, and inclusion in financial decisions of household members, and an increase in confidence on household access to banks. But the dimensions of control over personal financial resources and ability to handle unexpected expenses seem to be somewhat less solid aspects in the illustrative results. This helps reiterate the overarching theory of the study that effectiveness of SHGs should not be judged only based on savings mobilization or access to credit. Their wider developmental impact should also be measured by how much financial skills and competences members build up, how they make independent financial decisions, how they manage their money and build financial resilience to financial uncertainty.

5. Discussion

The findings of this study pinpoint the possibilities of the Self Help Groups (SHGs) as a bridge between group savings and financial agency of women in rural India. Based on the percentage analysis it can be understood that

there are chances of promoting regularity in saving, financial discipline, financial participation in the decisions of households towards the engagement in SHG. The findings corroborate Swain and Wallentin (2009) who found positive linkages between being members of the SHGs and women empowerment. Likewise, Swain and Varghese (2009) pointed out the need for continued involvement in SHG for asset building. The findings suggest that SHGs can be used as platforms which can help to improve financial inclusion and enhance opportunities for increased economic participation.

The study reveals that, nevertheless, there may be a disconnect between financial participation and financial self-reliance. While respondents say they take an active part in financial decision making and find it very easy to use financial services offered by their banks, control of personal savings and income and the ability to control unseen financial needs are relatively low scores in the results. This distinction is used in support of Kabeer's (2005) argument that simply granting access to microfinance does not necessarily equip women with empowerment in and of itself. To exercise financial agency requires not only having financial resources but also the freedom to make financial decisions, control over financial resources, and be able to shape household economic decisions. Hence, financial literacy programmes, decision making training and economic confidence building initiatives of SHGs should complement with the financial saving and financial credit activities.

The findings also support the need to consider the assessment of SHGs from a more holistic developmental perspective. Sanyal (2009) described collective actions increasing women's social capital and their normative influence as a way of strengthening them, which can be done using microfinance. Microfinance-based collective action can strengthen women's social capital and their normative influence as described by Sanyal (2009). These group skills can help them make financial decisions for themselves and feel more empowered moving forward in formal systems.

However, socioeconomic context and availability or quality of institutional support may limit the benefits of SHG membership as may level of and duration of SHG engagement. Therefore it is important to consider both the monetary results and the enhanced individual empowerment in evaluating the effectiveness of SHG. An introduction or increase of importance of financial planning, cash flow management, cash flow control, savings in times of emergency, and proper borrowing, if these can lead to making the SHG into more efficient institutions of sustainable financial empowerment rather than the traditional savings and credit bodies.

6.1 Conclusion

In India, financial inclusion can be achieved, savings can be boosted and economic participation of rural women can be increased through the financial institutions called self help groups (SHGs). But, their role will not end at just collective savings and access to credit, it will involve enhancing their financial agency, financial decision making autonomy and control over their utilization of financial resources more. The research is important for shedding light on the distinction between financial participation and financial empowerment -- the fact that having financial services does not automatically give individuals the freedom to make financial decisions or a strong sense of their economic security. Through a SHG, there can be a process of building financial knowledge, confidence, mutual learning and increased participation in financial decisions amongst the household. Thus examining SHGs as financial agents, as institutions, offers more than a socio-economic lens of evaluation for their role in sustainable rural development and the economic empowerment of women.

6.2 Recommendations

Structured financial literacy programmes of SHGs should encompass topics such as budgeting, planning for saving, responsible borrowing, digital banking, investment awareness and financial risk management. It should be promoted through training programmes to give members more control over their own money and earnings, and help them to take an active part in the financial planning within the household. The institutions offering

financial education and counselling, including banks and government and SHG promoting institutions, must step up institutional support, including making financial education courses easily available, providing financial education using digital, and advising on appropriate credit facilities. SHGs also need to promote emergency savings, livelihood and collective enterprise activities to make the members financially resilient to shocks. Lastly, indicators other than the traditional ones measuring the ability to save and the process of repaying loans should be used to measure the performance of SHGs, including financial knowledge, autonomy in decision-making, resource control, and the ability to respond to financial shocks. These adjustments can help to make SHGs not only collective financial instruments, but more importantly financial agents of the individual and sustainable economic empowerment.

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