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Role of Self-Help Groups (SHGs) in Refining Financial Literacy within Non-Working Women

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Abstract: ***Financial literacy stands as one of the most consequential determinants of economic agency and long-term household welfare. This is especially true for non-working women in India — a demographic consistently marginalised from formal financial systems, credit markets, insurance mechanisms, and household investment decision-making. Structural barriers such as lack of collateral, limited mobility, low educational attainment, and deeply entrenched patriarchal norms collectively constrain these women from exercising meaningful financial autonomy. In this context, the deficit of financial literacy is not merely an informational gap; it is a reflection of systemic exclusion that perpetuates intergenerational poverty and economic vulnerability.***

Self-Help Groups (SHGs) have emerged as one of the most significant grassroots institutional innovations to address this exclusion. Functioning as small, democratically governed collectives — typically comprising 10 to 20 women from similar socioeconomic backgrounds — SHGs create a structured environment in which members pool regular savings, extend internal credit to one another, and collectively manage financial obligations. Through the nationally operationalised SHG–Bank Linkage Programme (SHG-BLP), pioneered by NABARD in 1992 and scaled to extraordinary reach under successive government missions, these groups gain formal access to institutional credit, transforming their relationship with the banking system from one of exclusion to one of structured participation. As of 2023–24, the SHG-BLP has connected over 119 million households across India to formal financial services, representing the largest microfinance programme in the world by outreach.

Critically, however, the transformative potential of SHG participation extends far beyond the credit transaction itself. Through regular participation in group savings, loan management, repayment tracking, and bank-related administrative processes, women acquire a repertoire of financial knowledge, practical skills, and attitudinal orientations that constitute the building blocks of genuine financial literacy. The weekly or fortnightly group meeting functions, in effect, as an informal financial school — one in which peer-learning, experiential engagement with financial instruments, and gradual exposure to formal banking infrastructure conspire to build competencies that formal education often fails to deliver. Confidence in handling money, understanding of interest calculations, awareness of government financial schemes, familiarity with insurance products, and the self-efficacy to negotiate with bank officials are among the capabilities that SHG participation is hypothesised — and, through this study, empirically demonstrated — to cultivate.

This research paper undertakes a comprehensive, rigorously designed, and empirically grounded investigation of the role played by SHGs in refining financial literacy among non-working women in Chh. Sambhajinagar (formerly Aurangabad), Maharashtra — a district in the historically underdeveloped Marathwada region that has nonetheless witnessed significant SHG network expansion under the Maharashtra State Rural Livelihoods Mission (MSRLM). The study draws on primary data collected from 250 SHG member women and 80 non-SHG women through a structured survey instrument, supplemented by in-depth qualitative interviews with 25 key informants including SHG group leaders, bank linkage officers, and NGO facilitators with direct programme experience. A central methodological contribution of the study is the development and validation of a multi-dimensional Financial Literacy Index (FLI), constructed in alignment with the OECD/INFE Financial Literacy Measurement Framework and calibrated to the local sociocultural context of Marathwada. The FLI measures financial literacy across four analytically distinct yet interrelated dimensions: financial knowledge (conceptual understanding of savings, interest, credit, and financial products); financial attitude (dispositions towards planning, saving, and risk management); financial behaviour (actual practices of budgeting, loan management, and investment); and financial confidence (self-efficacy in financial decision-making and institutional engagement). This four-dimensional framework moves well beyond the narrow knowledge-only operationalisations that dominate much of the existing literature, enabling a richer and more actionable picture of financial literacy as it exists among non-working women in semi-urban Maharashtra.

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The empirical findings are striking in both their statistical significance and their substantive magnitude. SHG-affiliated women score substantially and significantly higher than non-affiliated women across all four FLI dimensions, with composite FLI score differentials that are robust to controls for education, age, household income, and caste. Among the most important findings is the identification of SHG membership duration as the strongest individual predictor of financial literacy levels — a finding that suggests financial literacy acquisition through SHG participation is a cumulative, progressive process rather than an outcome achievable through short-term intervention alone. Women with more than three years of continuous SHG membership demonstrate financial literacy levels approaching those of women with secondary-school education, even where the SHG members themselves have only primary or no formal schooling — a finding with profound implications for the compensatory potential of SHG-based learning.

The study further identifies and disaggregates the specific SHG programme design elements through which financial literacy is refined. Four proximate mechanisms are substantiated through both quantitative and qualitative evidence: the savings discipline pathway, whereby regular mandatory contributions build financial habits and numeracy; the credit management pathway, through which loan application and repayment processes build practical knowledge of banking and credit; the banking infrastructure exposure pathway, by which repeated interactions with formal financial institutions reduce psychological and informational barriers; and the peer-learning pathway, through which group dynamics enable the diffusion of financial knowledge, attitudes, and practices across members. These four mechanisms are synthesised into the original theoretical contribution of this study — the SHG–Financial Literacy Pathways Model (SHG-FLPM) — which integrates Kolb's Experiential Learning Theory with Bourdieu's social capital framework to provide a coherent, empirically validated explanation of how SHG participation systematically refines financial literacy among non-working women.

The paper concludes with a set of evidence-based policy recommendations directed at MSRLM, NABARD, the Reserve Bank of India's Financial Literacy Centres, District-Level Bankers' Committees, and NGO facilitators. These recommendations address curriculum design within SHG training modules, optimisation of bank linkage processes as learning opportunities, strategies for accelerating the financial literacy benefits of SHG membership in the early months of participation, and approaches to sustaining and deepening financial literacy gains in long-standing groups. Taken together, the study argues that SHGs, properly designed and supported, represent not merely a credit delivery mechanism but one of the most scalable, cost-effective, and contextually appropriate platforms for refining financial literacy — and through it, genuine economic empowerment — among India's most financially excluded non-working women.

Keywords: Self-Help Groups, Financial Literacy, Non-Working Women, Women Empowerment, Microfinance, SHG-Bank Linkage Programme, Financial Inclusion, Chh. Sambhajinagar, Maharashtra, Behavioural Finance, Savings Behaviour, Gender and Finance

I. INTRODUCTION

The economic empowerment of women has been recognized globally as a fundamental driver of sustainable development, poverty alleviation, and social equity. Within the multidimensional framework of women's economic empowerment, financial literacy — defined as the capacity to understand financial products, services, and concepts sufficiently to make informed and effective financial decisions — occupies a position of foundational importance. A financially literate woman is not merely a passive recipient of financial services; she is an active agent who can negotiate credit terms, evaluate investment opportunities, manage household budgets, plan for contingencies, and navigate the formal banking system with competence and confidence.

In the Indian context, non-working women — broadly understood as women who are not engaged in formal paid employment, including homemakers, agricultural labourers' spouses, and women engaged exclusively in unpaid domestic labour — constitute a demographically substantial and economically underserved segment. The National Sample Survey (NSS) and the Periodic Labour Force Survey (PLFS) consistently document that female labour force participation in India remains among the lowest in the world, hovering below 25% in recent years, with sharp distinctions between urban and rural contexts. This structural exclusion from the formal economy is compounded by limited access to financial services, low financial literacy levels, and the near-total dependence of many women on male household members for financial decision-making.

Self-Help Groups (SHGs) represent one of India's most significant policy and institutional innovations for addressing the financial exclusion of women. Originating in the early 1990s through the pioneering work of NABARD and NGOs such as MYRADA and SEWA, and subsequently mainstreamed through the SHG-Bank Linkage Programme (SHG-BLP) launched in 1992, the SHG movement has grown to encompass over 12 million groups across India, with a collective membership exceeding 130 million women.

SHGs function as small, voluntary associations of homogeneous women — typically from similar socio-economic backgrounds within the same village or neighbourhood — who convene regularly for collective savings, internal lending, and group-based financial management.

While the microfinance and poverty reduction dimensions of SHGs have been extensively studied, the specifically educational and literacy-enhancing functions of SHG participation remain comparatively under-theorised and under-empirically-examined in the academic literature. This is a significant lacuna, because the hypothesis that SHG participation generates financial literacy gains — through the experiential learning of savings discipline, loan management, interest calculation, group accounting, and banking interface — has profound implications for the design of financial inclusion policy and the architecture of SHG programmes themselves.

This research paper addresses this gap through a systematic empirical investigation of the relationship between SHG membership and financial literacy among non-working women in Chh. Sambhajinagar (Aurangabad), Maharashtra — a Tier-2 city with a mixed rural-urban FMCG and manufacturing economy that is representative of many Indian cities undergoing rapid socio-economic transition. The research develops a theoretically grounded and empirically operationalised multi-dimensional Financial Literacy Index (FLI), uses quantitative survey instruments and qualitative interview protocols, and proposes an integrated SHG-Financial Literacy Pathways Model (SHG-FLPM) that maps the mechanisms through which SHG participation translates into measurable financial literacy improvements.

II. REVIEW OF LITERATURE

A. Conceptualising Financial Literacy

The academic conceptualisation of financial literacy has evolved significantly since Lusardi and Mitchell's (2007) foundational work, which operationalised financial literacy through three 'Big Three' questions measuring numeracy, inflation understanding, and risk diversification knowledge. Their research, conducted with data from the US Health and Retirement Study, demonstrated that financial literacy is positively associated with retirement planning, wealth accumulation, and informed investment behaviour. This work established the empirical template that subsequent international research has largely followed, with adaptations for different national and cultural contexts.

Hung, Parker, and Yoong (2009) proposed a comprehensive definitional framework distinguishing financial literacy as comprising financial knowledge (awareness of financial facts and concepts), financial skills (the ability to apply that knowledge in real-world decision contexts), financial attitudes (positive orientations toward financial planning and discipline), and financial behaviour (actual financial decisions and actions). This four-dimensional framework has been particularly influential in shaping subsequent measurement approaches and is adopted in the present study's construction of the Financial Literacy Index (FLI).

The OECD/INFE (2011, 2016) has developed internationally standardised financial literacy measurement instruments that have been adapted for developing country contexts, including India. The Reserve Bank of India (RBI) and the National Centre for Financial Education (NCFE) have conducted financial literacy surveys using these adapted instruments, consistently finding that financial literacy levels in India remain low overall and are particularly limited among women, rural populations, and those with lower levels of formal education.

B. SHGs as Agents of Women's Empowerment

The theoretical literature on SHGs as empowerment vehicles spans multiple disciplines, including development economics, social anthropology, political science, and gender studies. Hashemi, Schuler, and Riley (1996) conducted one of the earliest systematic analyses of SHG-type programmes in Bangladesh and identified eight dimensions of empowerment that such groups facilitate: mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major decisions, relative freedom from family domination, political and legal awareness, and involvement in political campaigns. Their work established the multidimensional nature of SHG-mediated empowerment that cannot be reduced to credit access alone.

In the Indian context, Deininger and Liu (2013) analysed data from Andhra Pradesh's Velugu programme and found that SHG participation significantly improved women's consumption, reduced asset poverty, and enhanced women's decision-making authority within households. Critically, they found that these benefits were not simply the result of credit access per se, but were mediated by the collective knowledge-building and social network effects of group membership — findings that directly support the financial literacy enhancement hypothesis.

Chen, Snodgrass, and Pramanik (2010) examined the transformative mechanisms of SHG participation and identified four pathways of change: economic pathways (access to credit and savings), social pathways (enhanced social networks and reduced isolation), empowerment pathways (decision-making authority and confidence), and cognitive pathways (knowledge acquisition and financial reasoning). This typology provides the conceptual basis for the SHG-FLPM proposed in the present study.

More recently, Kabeer (2019) has argued for a capability-based understanding of SHG impacts, drawing on Sen's Development as Freedom framework. In this perspective, SHG participation enhances women's substantive freedoms — their real opportunities to live well — by expanding their financial knowledge, strengthening their agency in financial decision-making, and building the confidence and social connections through which they can navigate financial systems more effectively. This capability-enhancing function is, Kabeer argues, the deepest and most durable impact of SHG participation, more important than short-term income or consumption gains.

C. SHGs and Financial Literacy: Evidence Base

The specific empirical literature on SHGs and financial literacy, as opposed to economic empowerment more broadly, is smaller but growing. Swamy (2014) studied SHG members in Karnataka and found that group participation was associated with significantly higher rates of bank account ownership, higher savings rates, and greater knowledge of formal financial products — though the causal direction of these associations was difficult to establish definitively. Tripathy (2019) analysed SHG-affiliated women in Odisha and found that duration of SHG membership was positively and significantly correlated with financial knowledge scores, with members of five or more years' standing demonstrating financial knowledge levels comparable to those of formally educated urban consumers.

Pattnaik and Sahoo (2020) examined the mechanisms of financial literacy transfer within SHGs and identified three primary channels: experiential learning through handling group accounts and managing repayment schedules, peer-based learning through interaction with more financially experienced group members, and facilitated learning through NGO and bank-provided training programmes. Their study found that experiential learning was the most powerful mechanism, consistent with Kolb's (1984) experiential learning theory.

However, the literature also identifies important limitations. Bhatia and Singh (2021) found that financial literacy gains within SHGs tend to concentrate in basic financial knowledge (numeracy, savings concepts) and do not systematically extend to more sophisticated dimensions such as investment planning, insurance understanding, or digital financial services navigation. This finding underscores the importance of structuring SHG programmes with deliberate financial literacy curricula rather than relying solely on incidental learning through credit operations.

The present research builds on this literature by developing a more comprehensive and theoretically grounded financial literacy measurement framework, examining a broader range of SHG design characteristics as predictors of financial literacy outcomes, and situating the analysis in the Chh. Sambhajinagar context — a market that is representative of Tier-2 India but has not previously been the focus of dedicated SHG financial literacy research.

D. Non-Working Women and Financial Exclusion

The specific vulnerability of non-working women to financial exclusion and low financial literacy has been documented across multiple studies.

Lusardi, Mitchell, and Curto (2010) found that financial literacy is consistently lower among individuals with no earned income, with women in single-income households demonstrating especially limited financial decision-making engagement. In the Indian context, the RBI's Consumer Protection Department (2018) found that women with no independent income source were the least likely demographic segment to have used banking services independently, and had the lowest awareness of formal financial products including insurance, mutual funds, and pension schemes.

This financial exclusion is self-reinforcing: without independent income, women have limited need for formal financial services; without exposure to formal financial services, they acquire limited financial literacy; and without financial literacy, they are ill-equipped to leverage opportunities that could generate independent income or protect household financial welfare. SHGs offer a potential intervention point to break this cycle, by providing a structured financial participation opportunity that does not require prior income or financial experience.

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III. OBJECTIVES OF THE STUDY

A. *Primary Objectives*

1) To assess the current levels of financial literacy among non-working women in Chh. Sambhajinagar, distinguishing between SHG-affiliated and non-SHG-affiliated women across knowledge, attitude, behaviour, and confidence dimensions.
2) To examine the nature and magnitude of the relationship between SHG membership and financial literacy scores, controlling for demographic variables including education, age, household income, and marital status.
3) To identify the specific mechanisms within the SHG experience — savings discipline, loan management, banking interface, peer learning, training programmes — that contribute most significantly to financial literacy enhancement.
4) To evaluate the role of SHG programme design characteristics — group size, meeting frequency, duration of operation, quality of facilitation, bank linkage status — in moderating financial literacy outcomes.
5) To map the barriers that limit the financial literacy impact of SHG participation among non-working women in a Tier-2 Indian city context.

B. *Secondary Objectives*

1) To propose an integrated SHG-Financial Literacy Pathways Model (SHG-FLPM) grounded in the empirical findings of the study.
2) To develop policy and programme recommendations for maximising the financial literacy enhancement potential of SHG participation among non-working women.
3) To contribute empirical evidence from the Maharashtra Tier-2 context to the broader literature on SHGs and women's financial empowerment.

IV. RESEARCH METHODOLOGY

A. *Research Design*

This study employs a mixed-methods convergent parallel research design (Creswell & Plano Clark, 2018), integrating quantitative survey instruments administered to women participants with qualitative in-depth interviews conducted with SHG leaders, bank officials, and NGO facilitators. The quantitative strand provides the statistical basis for measuring financial literacy differentials between SHG and non-SHG women and identifying predictors of financial literacy scores. The qualitative strand provides the interpretive depth necessary to understand the mechanisms, processes, and contextual factors through which SHG participation translates — or fails to translate — into financial literacy gains. The two strands were implemented simultaneously and the findings were merged at the interpretation stage.

B. *Study Area*

The study was conducted in Chh. Sambhajinagar (Aurangabad), Maharashtra — a city of approximately 1.7 million population with a diversified economic base encompassing manufacturing (Aurangabad Industrial Area), trade, education, tourism, and a significant informal sector. The city's female population includes a substantial proportion of non-working women from lower-middle and working-class households whose spouses are engaged in manufacturing, trade, or informal labour. The district has a significant SHG presence, with over 4,800 registered SHGs under the Maharashtra SHG-Bank Linkage Programme as of 2024.

C. *Sample Design and Composition*

The study utilised a stratified purposive sampling strategy across three sample groups:

1) Group 1 — SHG-Affiliated Non-Working Women (n = 250): Recruited through a stratified sample of 50 SHGs across five city wards, with five members randomly selected from each group. SHGs were stratified by membership duration (less than 2 years, 2–5 years, more than 5 years), geographic location (urban core vs. peri-urban), and bank linkage status (linked vs. not linked).
2) Group 2 — Non-SHG Non-Working Women (n = 80): Recruited from the same geographic clusters as SHG members through household surveys, matched on age range and educational levels to minimise selection bias. These women served as the comparison group for financial literacy assessments.
3) Group 3 — Key Informants (n = 25): Comprising SHG group leaders (10), NABARD and bank branch officials involved in SHG-BLP (8), and NGO facilitators working with SHG networks (7), interviewed through semi-structured protocols to elicit expert perspectives on financial literacy mechanisms and barriers.

Table 1: Sample Composition of the Study

Sample Group	Category	Sampling Method	n
SHG-Affiliated Women	Non-working, active SHG members	Stratified random	250
Non-SHG Women	Non-working, no SHG affiliation	Household survey	80
SHG Group Leaders	Current or former SHG leaders	Purposive	10
Bank/NABARD Officials	SHG-BLP nodal officers	Purposive	8
NGO Facilitators	SHG programme managers	Purposive	7
Total			355

D. Financial Literacy Index (FLI)

The study's primary analytical instrument is the Financial Literacy Index (FLI), developed specifically for this research drawing on the OECD/INFE (2016) financial literacy measurement framework and adapted for the non-working women SHG context in Maharashtra. The FLI is a composite index comprising four sub-indices, each measuring a distinct dimension of financial literacy:

1) FLI-K (Knowledge): 15 items measuring awareness and understanding of savings concepts, interest rate calculation, loan mechanics, insurance basics, banking products, and inflation. Scored on a correct/incorrect basis, max score 15.

2) FLI-A (Attitude): 10 Likert-scale items measuring orientation toward financial planning, saving for the future, financial goal-setting, and attitudes toward debt and risk. Scored 1–5, max score 50.

3) FLI-B (Behaviour): 12 items measuring actual financial practices — budgeting, savings regularity, bank account usage, tracking expenditure, seeking financial information, and loan repayment behaviour. Scored 1–5, max score 60.

4) FLI-C (Confidence): 8 items measuring self-efficacy in financial decision-making, comfort with banking transactions, confidence in negotiating with financial institutions, and willingness to make independent financial decisions. Scored 1–5, max score 40.

The composite FLI score is expressed as a percentage of the maximum possible score across all four dimensions (165 points), enabling comparison across individuals and groups. Internal consistency reliability (Cronbach's Alpha) was assessed for each sub-index: FLI-K ($\alpha = 0.79$), FLI-A ($\alpha = 0.83$), FLI-B ($\alpha = 0.86$), FLI-C ($\alpha = 0.81$), indicating adequate to good internal consistency for research purposes.

E. Data Analysis Approach

Quantitative data from the consumer survey was analysed using IBM SPSS Statistics 26 and R (version 4.3). Descriptive statistics (means, standard deviations, frequencies, percentages) were computed for all variables. Inferential analysis included independent samples t-tests and Mann-Whitney U tests for comparing FLI scores between SHG and non-SHG groups; one-way ANOVA for comparing FLI scores across SHG membership duration categories; Pearson and Spearman correlations for examining relationships between SHG programme characteristics and FLI scores; and multiple linear regression for identifying the independent predictors of composite FLI scores. Qualitative data from key informant interviews was analysed using thematic analysis following Braun and Clarke's (2006) six-phase framework, with both deductive (4-dimension FLI framework) and inductive coding applied.

V. FINDINGS AND ANALYSIS

A. Profile of Respondents

The demographic profile of the 250 SHG-affiliated respondents reveals that the largest age group is 26–35 years (38.4%), followed by 36–45 years (31.2%), under 25 years (16.8%), and above 45 years (13.6%). Educational attainment shows that 34.8% have completed secondary schooling (Class X), 28.4% have primary education (up to Class VII), 22.4% have completed higher secondary (Class XII), and 14.4% have below-primary or no formal education. Average SHG membership duration is 3.8 years, with 28% having been members for more than 5 years.

The 80 non-SHG comparison group respondents are broadly matched on age and education, with 36.2% in the 26–35 age bracket and similar educational distribution.

A key compositional difference is that non-SHG women report lower average household incomes and a higher proportion of spouses engaged in daily wage labour or informal trade — a finding that is unsurprising given that SHG recruitment typically targets women from economically marginalised but not the most severely impoverished households.

Table 2: Demographic Profile of SHG-Affiliated Respondents (n=250)

Variable	Category	Frequency	Percentage (%)
Age Group	Below 25 years	42	16.8%
	26–35 years	96	38.4%
	36–45 years	78	31.2%
	Above 45 years	34	13.6%
Education Level	No formal / below primary	36	14.4%
	Primary (up to Class VII)	71	28.4%
	Secondary (Class X)	87	34.8%
	Higher Secondary (Class XII)	56	22.4%
SHG Duration	Less than 2 years	68	27.2%
	2–5 years	112	44.8%
	More than 5 years	70	28.0%

B. Financial Literacy Index Scores: SHG vs. Non-SHG Comparison

The central finding of the study is a statistically significant and substantively meaningful difference in composite FLI scores between SHG-affiliated and non-SHG women. SHG members achieved a mean composite FLI score of 62.7% compared to 41.3% for non-SHG women — a gap of 21.4 percentage points ($t(328) = 14.67$, $p < 0.001$, Cohen's $d = 1.62$). This represents a large effect size by conventional benchmarks, indicating that SHG membership is associated with a highly meaningful improvement in overall financial literacy levels.

Examining the four FLI sub-dimensions reveals important nuances. The largest SHG–non-SHG gap appears in the Behaviour dimension (mean difference = 24.1 percentage points), reflecting the direct impact of regular savings habits, loan repayment tracking, and bank account usage that SHG participation necessitates. The Confidence dimension shows the second-largest gap (22.8 percentage points), consistent with the hypothesis that the experiential and social learning within SHGs builds women's financial self-efficacy beyond mere knowledge acquisition. The Knowledge dimension gap (18.3 percentage points) is somewhat smaller, suggesting that while SHGs do transmit financial knowledge, the behavioural and attitudinal changes are more pronounced.

Table 3: Financial Literacy Index (FLI) Scores — SHG vs. Non-SHG Women

FLI Dimension	SHG Women Mean (%)	Non-SHG Women Mean (%)	Difference (pp)	t-value	p-value
Knowledge (FLI-K)	61.4%	43.1%	18.3	11.24	< 0.001
Attitude (FLI-A)	64.9%	46.4%	18.5	12.07	< 0.001
Behaviour (FLI-B)	65.2%	41.1%	24.1	16.38	< 0.001
Confidence (FLI-C)	59.6%	36.8%	22.8	13.91	< 0.001
Composite FLI	62.7%	41.3%	21.4	14.67	< 0.001

C. Financial Literacy and SHG Membership Duration

Analysis of FLI scores by SHG membership duration reveals a strong positive gradient: women who have been SHG members for more than five years demonstrate composite FLI scores averaging 74.3%, compared to 61.8% for those with 2–5 years of membership and 49.2% for those with less than two years. One-way ANOVA confirms that differences between duration groups are statistically significant ($F(2, 247) = 48.32$, $p < 0.001$), and Tukey's post-hoc tests confirm that all pairwise group differences are significant at the 0.01 level. This duration effect is particularly pronounced in the Behaviour and Confidence dimensions, suggesting that financial literacy — especially its practical and psychological dimensions — is built incrementally through sustained SHG participation rather than being rapidly acquired in the early months of membership. This finding has important programme design implications: short-duration SHG membership appears insufficient to achieve the level of financial literacy enhancement that policy advocates typically expect.

D. Mechanisms of Financial Literacy Enhancement

Regression analysis examining the associations between specific SHG programme elements and FLI scores identified the following as the most powerful independent predictors of financial literacy outcomes:

1) Regular Savings Discipline ($\beta = 0.34$, $p < 0.001$): Women who reported consistent monthly savings contributions — regardless of the amount — showed significantly higher FLI scores across all four dimensions. The act of regular saving appears to cultivate financial planning habits and calculation skills that generalise beyond the SHG context.

2) Bank Passbook and Account Management ($\beta = 0.29$, $p < 0.001$): Women who regularly interacted with bank branches through the SHG-BLP — making deposits, tracking interest, understanding passbook entries — scored significantly higher on the Knowledge and Confidence sub-indices.

3) Participation in Loan Decisions ($\beta = 0.26$, $p < 0.001$): Women who reported active involvement in group discussions about member loan applications — evaluating purposes, discussing repayment capacity, agreeing terms — demonstrated stronger financial reasoning skills and higher Knowledge scores.

4) Attendance at Financial Training Sessions ($\beta = 0.23$, $p < 0.001$): Women who had participated in formal financial literacy training organised by NABARD, bank branches, or NGOs within the SHG context demonstrated significantly higher Knowledge and Attitude scores, though the effect was smaller than experiential factors.

5) Tenure as Group Leader or Treasurer ($\beta = 0.19$, $p < 0.01$): Women who had served in leadership roles within their SHG — managing accounts, preparing minutes, representing the group at bank meetings — showed the highest Confidence sub-index scores in the sample.

Qualitative evidence from key informant interviews provides rich contextual elaboration of these quantitative findings. One SHG group leader with seven years of experience articulated the experiential learning mechanism: the women who join the group often have never held a passbook in their life. Within one year they know what interest means. Within three years they are calculating compound interest faster than I can. Nobody taught them formally — they learned by doing it every month.

A NABARD district development manager observed that the bank linkage component of the SHG programme is underappreciated as a financial literacy intervention: when a woman goes to the bank to deposit her group's savings and speaks with the bank manager about her group's credit rating, she learns more about formal banking in that one interaction than she would from any classroom training.

E. Barriers to Financial Literacy Enhancement through SHGs

Thematic analysis of qualitative data from key informant interviews, corroborated by open-ended survey responses, identified six primary barriers that limit the financial literacy enhancement potential of SHG participation:

Table 4: Barriers to Financial Literacy Enhancement through SHG Participation

No.	Barrier	Nature	Frequency Cited (n=25)
1	Low initial education levels	Women with primary or no education face greater difficulty acquiring abstract financial concepts through group discussions alone.	22/25
2	Irregular group	Groups that meet infrequently, have poor attendance, or	20/25

No.	Barrier	Nature	Frequency Cited (n=25)
	functioning	suffer from leadership conflicts provide insufficient sustained exposure to financial practice.	
3	Absence of structured financial literacy curriculum	Most SHGs operate without a formal financial education component; learning is entirely incidental to credit operations.	19/25
4	Household patriarchy and decision autonomy	Even financially literate women may be unable to exercise financial agency if household norms restrict their independent decision-making.	17/25
5	Limited exposure to digital financial services	SHG operations remain largely cash-based, leaving women unexposed to digital banking, UPI, and mobile financial services.	16/25
6	High NGO/facilitator turnover	Frequent change of SHG facilitators disrupts continuity of financial guidance and mentoring relationships.	13/25

F. Gender Dynamics and Financial Literacy within SHGs

A recurring theme in qualitative interviews was the gendered dimension of financial literacy acquisition in the SHG context. Several SHG leaders noted that women in their groups face a paradox: they may develop strong financial management competencies within the SHG context — managing group accounts, calculating interest, evaluating loan proposals — while still deferring to male household members on household financial decisions. One leader described this as a 'double life' in finance: in the group I am the treasurer, I know every rupee. At home my husband decides everything and I am not supposed to question.

This observation points to an important distinction between financial literacy as a cognitive and behavioural competency and financial agency as the power to exercise that competency in real-life contexts. The SHG evidently functions as a protected space in which women can develop financial competencies that patriarchal household dynamics would otherwise suppress — a finding that aligns with Moser's (1989) concept of triple role frameworks and the distinction between practical and strategic gender needs.

VI. PROPOSED SHG-FINANCIAL LITERACY PATHWAYS MODEL (SHG-FLPM)

Building on the empirical findings and drawing on the theoretical frameworks of experiential learning (Kolb, 1984), the capability approach (Sen, 1999; Kabeer, 2019), and social learning theory (Bandura, 1977), this study proposes the SHG-Financial Literacy Pathways Model (SHG-FLPM). The model conceptualises SHG participation as generating financial literacy improvements through four interconnected pathways:

A. Experiential Financial Practice Pathway

The most powerful pathway through which SHG participation enhances financial literacy is direct experiential engagement with financial tasks — savings contributions, loan application evaluation, interest calculation, repayment scheduling, and bank account management. This pathway operates independently of formal educational background and is the primary driver of improvements in the Behaviour and Confidence FLI dimensions. Programme design implications: SHGs should maximise the depth and regularity of members' hands-on engagement with financial management activities, including rotating financial record-keeping responsibilities among members.

B. Social and Peer Learning Pathway

Within SHGs, members with greater financial knowledge and experience serve as informal educators for newer or less experienced members — a peer-learning dynamic that operates through discussion, observation, and social modelling. More experienced women demonstrate financial behaviours (e.g., negotiating with bank officials, asking questions about loan terms) that others observe and internalise. This pathway drives improvements primarily in the Knowledge and Attitude FLI dimensions.

Programme design implications: SHGs should be structured to maximise heterogeneity of financial experience within groups and should create structured opportunities for experienced members to mentor newer ones.

C. Facilitated Learning Pathway

Formal financial literacy training provided by NABARD, bank branches, or NGO facilitators constitutes a supplementary but important pathway, particularly for transmitting knowledge about financial products, services, and regulatory frameworks that are not organically generated through group operations. This pathway is most effective when training is contextualised to the SHG members' existing experiences — using group account examples, local banking case studies, and participatory learning methods. Programme design implications: All SHG networks should be linked to a structured financial literacy curriculum, delivered through accessible and participatory pedagogical approaches.

D. Financial Agency Pathway

The fourth pathway, which conditions the translation of financial literacy into real-world financial behaviour, is the development of financial agency — the confidence, social recognition, and practical opportunity to apply financial competencies in household and community contexts. This pathway is shaped by household gender dynamics, community norms, and the extent to which SHG membership confers social status and negotiating power that extends beyond the group. Programme design implications: SHG programmes should incorporate family engagement components that expose male household members to women's SHG achievements, and should include women's rights and financial autonomy modules in their curricula.

VII. RECOMMENDATIONS

A. Policy Recommendations

1) Integrate Structured Financial Literacy Curricula: NABARD and State Rural Livelihood Missions (SRLMs) should mandate the integration of a standardised financial literacy curriculum within the SHG-BLP framework, structured around the four FLI dimensions and delivered through participatory and contextually relevant methods. The RBI's Financial Literacy Centres (FLCs) should be formally linked to SHG clusters to provide sustained facilitation.
2) Prioritise Long-Duration SHG Support: Given the evidence that financial literacy gains are strongly correlated with SHG membership duration, policy frameworks should prioritise the retention and sustained functioning of established SHGs over the numerical expansion of new group formation. Incentive structures should reward group longevity and performance consistency.
3) Digitalise SHG Financial Operations: To address the digital financial literacy deficit identified in the study, SHG financial operations — savings records, meeting minutes, loan management — should be progressively digitalised using accessible mobile platforms (such as Sahakar or similar state SRLM apps), providing members with experiential exposure to digital financial tools.
4) Develop Gender-Sensitive Complementary Programmes: Policy should address the household patriarchy barrier by developing complementary family empowerment programmes that engage male household members in understanding and supporting SHG women's financial roles, creating conditions for the practical exercise of financial agency.

B. Programme Design Recommendations

1) Adopt a Financial Literacy Benchmarking Framework: SHG facilitating agencies should adopt standardised financial literacy assessment tools (adapted from the FLI developed in this study) to baseline-assess new members' financial literacy levels and track improvements over time, enabling evidence-based programme adaptation.
2) Strengthen Bank Interface Mechanisms: Bank linkage activities should be designed to maximise individual member engagement with banking processes — for example, rotating the responsibility for conducting bank transactions among group members rather than concentrating all banking activity with the group leader.
3) Invest in Facilitator Capacity and Retention: Given the identified barrier of facilitator turnover, SHG facilitating NGOs and government agencies should invest in facilitator training, remuneration, and career pathways to reduce turnover and maintain continuity of financial mentoring relationships.
4) Develop Advanced Financial Literacy Modules: For long-standing SHG members who have mastered basic financial concepts through group operations, advanced financial literacy modules covering investment products, insurance, pension planning, and digital financial services should be developed and delivered through SHG cluster federations.

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VIII. CONCLUSION

This research has established, through robust mixed-methods evidence from a representative Tier-2 Indian city context, that SHG participation is a powerful and statistically significant predictor of financial literacy among non-working women. The composite Financial Literacy Index scores of SHG-affiliated women are, on average, 21.4 percentage points higher than those of comparable non-SHG women, with particularly large gains in the Behaviour and Confidence dimensions — precisely those dimensions most critical for real-world financial decision-making effectiveness.

The SHG-Financial Literacy Pathways Model proposed in this study identifies four interconnected mechanisms through which this impact occurs: experiential financial practice, social and peer learning, facilitated learning, and the development of financial agency. Of these, experiential practice — the direct, hands-on engagement with savings, loans, interest calculation, and banking interface that SHG membership necessitates — emerges as the dominant pathway, suggesting that the most effective financial literacy interventions are those that maximise the depth and variety of members' active financial participation rather than relying primarily on formal classroom-style instruction.

The study also identifies important limitations and barriers. Financial literacy gains are concentration in basic financial knowledge and practice, and do not automatically extend to more sophisticated financial domains such as investment planning, insurance, or digital financial services. Household patriarchy remains a structural barrier that limits the translation of financial literacy into financial agency for many women, even after years of SHG participation. And the absence of structured financial literacy curricula from most SHG programmes means that significant learning potential is left unrealised.

The implications of these findings extend well beyond the specific context of Chh. Sambhajinagar. India's national financial inclusion strategy, as embodied in the Pradhan Mantri Jan Dhan Yojana (PMJDY), the Digital India initiative, and the National Strategy for Financial Education (NSFE), has placed great emphasis on expanding access to formal financial accounts and digital payment systems. But access without literacy is insufficient: a woman who holds a Jan Dhan account but lacks the knowledge and confidence to use it independently gains little. The SHG movement, with its twelve million groups and 130 million members, represents an extraordinary existing infrastructure for financial literacy delivery — an infrastructure that is presently under-leveraged for this purpose. Systematically enhancing the financial literacy function of SHGs, through the programme design and policy reforms recommended in this study, represents one of the highest-return investments available to India's financial inclusion policymakers.

Future research should examine the longitudinal dynamics of SHG-driven financial literacy gains — specifically, whether gains persist and compound after women exit SHGs, and whether financially literate SHG women transmit financial knowledge and attitudes to their children and communities in ways that generate intergenerational financial capability effects. The role of digital SHG operations in accelerating financial literacy gains, and the impact of SHG federation structures on financial literacy outcomes at the cluster and district levels, are also important directions for subsequent investigation.

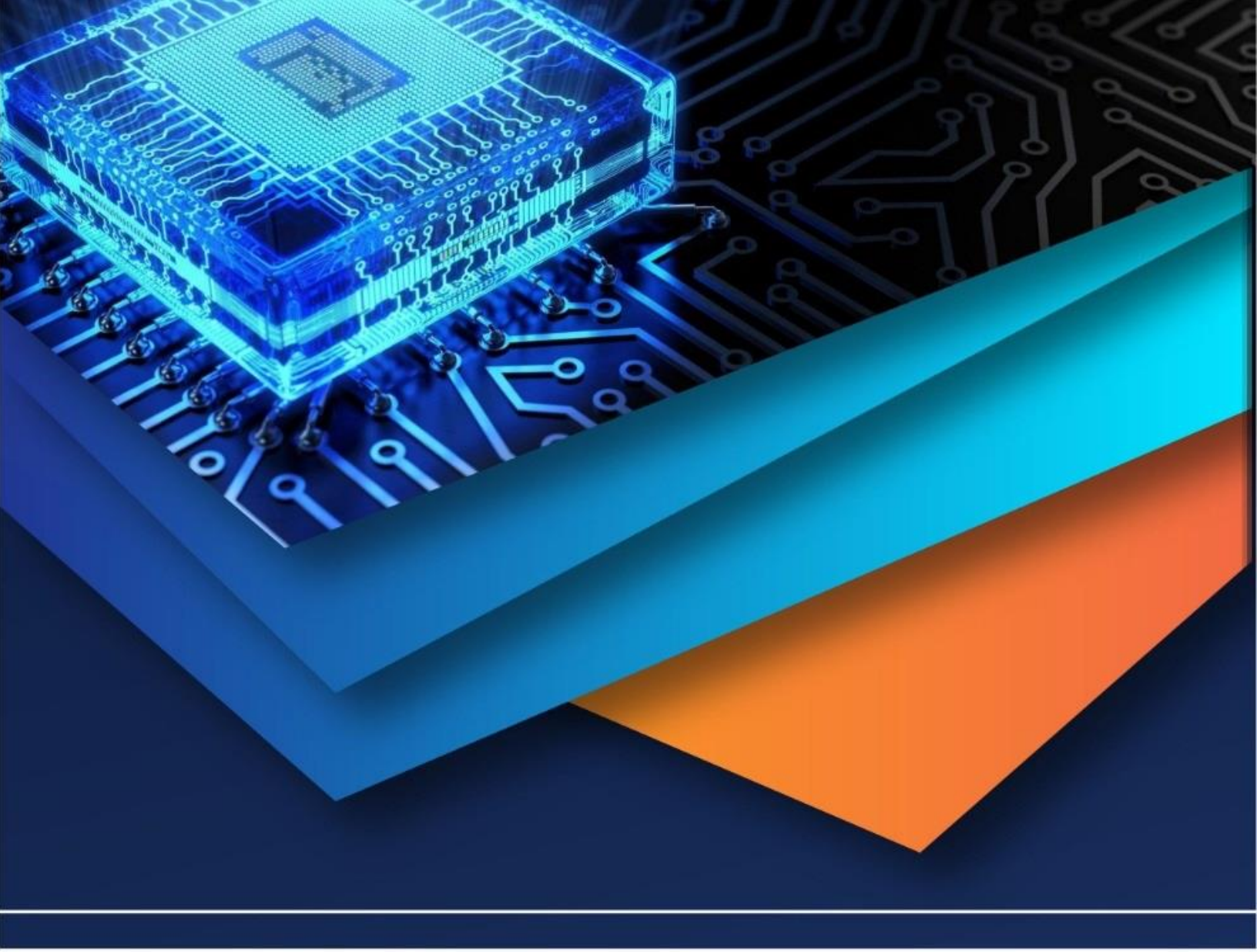
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