



The contribution of self-help groups in enhancing financial literacy among women in Eastern Uttar Pradesh

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Abstract

Self-Help Groups (SHGs), especially for women in rural areas, have emerged as powerful instruments for socioeconomic empowerment. This study examines how Self-Help Groups (SHGs) help women in Eastern Uttar Pradesh become more financially literate. By analyzing quantitative data obtained from surveys and bolstering it with secondary data from reliable sources, this study illustrates their role to improving women's financial literacy, decision-making, and economic independence. According to the findings, SHGs enhance formal credit availability and financial product understanding in addition to encouraging consistent saving and prudent budgeting. These conclusions are supported by secondary data, which emphasizes how important SHGs are to reducing gaps in financial literacy and promoting financial inclusion. Notwithstanding these developments, issues such as lack of advanced training, sociocultural barriers, and inadequate digital infrastructure still prevent SHGs from reaching their full potential. In order to overcome these obstacles and expand the reach of financial literacy initiatives, this study highlights the necessity of cooperation between SHGs, governments, and financial institutions. The results advance knowledge of how SHGs serve as financial empowerment catalysts, opening the door for broader socioeconomic development.

Keywords: Self help groups (SHGS), women empowerment, poverty alleviation, socioeconomic development, financial literacy

Introduction

Financial literacy is a key component of economic empowerment, which includes the capacity to properly handle personal finances, savings, investments, and credit. It is critical in empowering individuals, particularly women, to make informed financial decisions, achieve economic stability, and break the cycle of poverty. However, in rural regions of Eastern Uttar Pradesh, women's financial literacy remains dangerously low due to structural problems such as restricted access to education, socio-cultural constraints, and insufficient financial infrastructure (Chethana & Mahesha, 2016) ^[2].

Self-Help Groups (SHGs) have arisen as an effective way to close these gaps. SHGs empower women by creating collective accountability, peer support, and financial inclusion, allowing them to develop crucial financial skills and access resources that were previously unavailable. These organizations enable women to save on a regular basis, obtain microloans, and participate in financial education programs, building an economic self-reliance culture (Ravindra & Tiwari, 2016) ^[8].

In India's changing rural development landscape, Self-Help Groups (SHGs) have become powerful organizations that play a major role in empowering women and reducing poverty. Since their founding, these unofficial organizations have promoted financial inclusion and entrepreneurship by giving underserved groups—women in particular—access to resources and financing. In order to lessen inequality and create sustainable lives in rural regions, SHG growth is closely related to more general social and economic development initiatives. SHGs started out as grassroots initiatives centered on microcredit and savings, intended to provide financial alternatives to people shut out of official

banking systems. These organizations have developed over time into all-inclusive platforms that offer chances for skill development, capacity building, and involvement in revenue-generating activities in addition to financial resource access. SHGs usually have ten to twenty members who pool their savings for internal lending as well as external loans through bank linkage schemes (Chakraborty, Sharma, & Chaturvedi, 2019) ^[1].

The growing emphasis on inclusive development approaches coincides with the growth of SHGs. SHGs tackle important problems including rural debt, social exclusion, and gender inequality through their goals and structure. These challenges frequently stand in the way of economic advancement in many regions of India. They play a particularly important role in empowering women in rural communities, where female participation in economic and decision-making processes is restricted by traditional norms and a lack of resources. Promoting financial inclusion by giving people who can't access traditional financial institutions another source of credit is one of SHGs' primary goals. SHG-facilitated microloans, which are usually used for productive endeavors like agriculture, animal husbandry, and small-scale businesses, have benefited rural families, especially those headed by women (Maheshwari & Goyal, 2014) ^[6].

The group mechanism's loans are utilized for revenue-generating endeavors, such as:

- **Agriculture:** Purchasing equipment for irrigation, fertilizer, and seeds.
- **Livestock Rearing:** Buying poultry or dairy products to generate consistent revenue.

- **Tailoring and handicrafts:** Starting small enterprises or cottage industries.

The money earned from these endeavors not only enhances households' financial security but also lessens their need on unlicensed moneylenders who impose excessive interest rates. Numerous case studies published around India demonstrate the effectiveness of SHGs as platforms for microfinance and entrepreneurship, especially in places like Tamil Nadu, Kerala, and Andhra Pradesh where SHG networks are active. In addition to their financial contributions, SHGs are becoming effective tools for empowering women. Through SHGs, rural women who were formerly confined to household duties are increasingly assuming leadership roles in their communities. Women acquire confidence and strengthen their leadership abilities by handling loans, taking part in financial decisions, and organizing group events. SHGs foster a sense of camaraderie among women, empowering them to work together to address societal challenges like gender discrimination, domestic abuse, and healthcare access (Ravindra & Tiwari, 2016) ^[8].

Women's social status and decision-making authority are improved both inside homes and at the community level thanks to the collective action of Self-Help Groups (SHGs) (Chethana & Mahesha, 2016) ^[2]. Additionally, these clubs provide forums for information exchange and awareness-raising about:

- **Financial literacy:** instructing participants on how to handle investments, savings, and loan repayments.
- **Nutrition and health:** Encouraging improved maternal health and healthcare procedures.
- **Welfare schemes:** Providing details on government initiatives pertaining to social welfare, employment, and education.

Women have a bigger part in home decision-making when they gain financial independence, which benefits the family's health and the education of their children. SHGs frequently work with NGOs and local governments to raise awareness of social welfare programs and legal rights, which further enhances members' social empowerment. Institutional support from government programs and development initiatives is intimately tied to the effectiveness of Self-Help Groups (SHGs) in fostering economic and social empowerment (Maheshwari & Goyal, 2014) ^[6].

The National Rural Livelihoods Mission (NRLM), which was introduced by the Indian government in 2011, is a crucial policy framework in this regard. Through expanding SHG operations, facilitating bank connections, and improving financial literacy, the NRLM seeks to provide rural impoverished people with sustainable livelihood alternatives. SHGs are given access to financial facilities under NRLM (Jyothirmayi & Aruna, 2011) ^[4].

This study examines the influence of SHGs in increasing financial literacy among women in Eastern Uttar Pradesh. Using primary quantitative data acquired through surveys, augmented by secondary data insights, the research seeks to give a comprehensive examination of the contributions and challenges connected with SHGs in this region. By investigating the relationship between SHGs and financial literacy, the study reveals their potential to influence broader socioeconomic development.

Literature Review

The function of Self-Help Groups (SHGs) in developing financial literacy and economic empowerment has received substantial attention. According to research, SHGs have played a key role in closing the financial inclusion gap, particularly in rural areas where traditional banking institutions are typically inaccessible. According to (NABARD, 2019) ^[7], SHGs have connected millions of women with formal financial institutions, allowing them to save, borrow, and invest more successfully. The incorporation of financial literacy training into SHG activities has improved women's ability to make educated financial decisions.

Self-Help Groups (SHGs) are portrayed in a large amount of literature as being essential to grassroots development, particularly in rural India. Numerous aspects of SHGs have been examined by researchers and development specialists, who have highlighted their role in promoting livelihood, social empowerment, and financial inclusion. To increase the impact of SHGs, the literature also highlights enduring issues with sustainability, market access, and capacity-building that need to be resolved (Shukla, 2016) ^[10].

SHGs' participation in financial inclusion is among their most well-known contributions. Serving rural populations can be difficult for traditional banking institutions because of high operating expenses, a lack of collateral, and low financial knowledge. Consequently, a sizable portion of rural women continue to be shut out of official financial services. In order to close this gap, Self-Help Groups (SHGs) provide an alternative credit system in which members pool their resources and use the money they have saved to obtain microloans. Bank links, which enable SHGs to borrow from official financial institutions without requiring individual members to furnish collateral, are an additional complement to these internal loans (Sandhu, 2015) ^[9].

Numerous studies emphasize how crucial microfinance is for lowering reliance on unlicensed moneylenders, who frequently impose outrageous interest rates. SHG loans are frequently utilized to support income-generating ventures or to cover unexpected household costs. Researchers contend that increasing household income and fostering financial resilience in low-income families are significantly impacted by this access to reasonably priced loans. Another area where SHGs have had a significant influence is in the empowerment of women (Kjosavik & Vayrynen, 2021) ^[5].

According to academics, women in rural areas who are otherwise limited by patriarchal institutions and cultural norms benefit from the collective functioning of Self-Help Groups (SHGs) in terms of social mobility, leadership abilities, and self-confidence. Women can express their views, take part in community activities, and participate in decision-making processes at the household and community levels thanks to SHGs (Chakraborty, Sharma, & Chaturvedi, 2019) ^[1].

Several studies have shown how SHGs can improve women's social standing. (Kjosavik & Vayrynen, 2021) ^[5], for example, discovered that women who participate in Self-Help Groups (SHGs) are more inclined to make family financial decisions, such as investing and budgeting. SHG members have occasionally taken on leadership roles in local government, participating actively in Gram Panchayats

and other village-level decision-making organizations. Additionally, SHGs usually serve as a forum for spreading awareness about legal rights, education, and health. These organizations are used by NGOs and governments to provide information on welfare programs, nutrition, sanitation, and maternal healthcare, ensuring that women have access to essential services. According to surveys, SHG members are more aware of government programs.

Although the majority of the literature praises SHGs for their contributions, it also points out important obstacles that reduce their influence. The necessity of skill development and capacity building is a recurring subject in the studies. Operational inefficiencies result from the lack of experience to financial management and business planning that many SHG members, especially those in rural areas, have. SHG members could find it difficult to develop lucrative revenue-generating activities or efficiently handle loans without the right training (Kjosavik & Vayrynen, 2021) ^[5].

Access to markets is another significant obstacle. Despite producing a wide range of goods, including processed foods, handicrafts, and agricultural products, SHGs sometimes struggle to reach markets outside of their immediate areas. Researchers contend that the success of SHG-based businesses is limited by a lack of distribution networks, transportation infrastructure, and marketing expertise. For instance, commercial items frequently compete with SHG-made products, making it challenging for these groups to remain in business (Maheshwari & Goyal, 2014) ^[6].

Another drawback mentioned in the literature is reliance on outside funding. Due to their heavy reliance on bank loans, NGO grants, and government subsidies, many SHGs are susceptible to funding reductions or changes in policy. SHGs have a hard time staying afloat in areas with little institutional support, and they may eventually dissolve. Additionally, researchers warn against relying too much on credit-based models. Although having access to microfinance is crucial, a number of studies have shown that excessive borrowing combined with insufficient revenue creation can cause SHG members to become trapped in a cycle of debt. Another issue is market saturation, which lowers profitability for individual groups as more SHGs enter the same industries (such as handicrafts or tailoring) (Ravindra & Tiwari, 2016) ^[8].

(Singh & Gupta, 2021) ^[11] found that SHGs had a revolutionary impact on women's financial behavior. According to the researchers, members' budgeting, savings, and credit use improved significantly after joining SHGs. Furthermore, SHGs have been essential in instilling a sense of financial independence in women, which is critical for their overall empowerment.

Secondary statistics from government publications, such as (Government of Uttar Pradesh, 2023) ^[3] highlight the role of SHGs in bridging financial literacy gaps. The paper highlights successful projects in which SHG members received training in financial management, digital banking, and entrepreneurship. However, it also highlights ongoing problems, such as socio-cultural barriers, a lack of advanced training, and limited access to digital resources.

The academic literature also underlines the importance of SHGs in fostering financial inclusion through innovative practices. For example, community-based financial literacy

workshops hosted by SHGs have been shown to improve members' awareness of financial goods and services. Furthermore, case studies from various regions of India show that SHGs can serve as a model for scalable financial literacy programs when properly supported by government policies and institutional collaborations (NABARD, 2019) ^[7].

Despite these accomplishments, there are still gaps in access to advanced financial training and digital literacy, both of which are critical for long-term economic success. Researchers have advocated for a more comprehensive approach that integrates financial literacy with capacity-building activities, with an emphasis on digital technologies and entrepreneurship abilities. Such activities can increase the impact of SHGs and ensure that rural women have full participation in the modern economy (Government of Uttar Pradesh, 2023) ^[3].

This study intends to build on past findings by combining ideas from current literature and the insights gained from the evaluation and analysis of the primary data, thereby providing a deeper and more comprehensive view of the Self-Help Groups (SHGs') contributions and limitations in improving financial literacy among women in Eastern Uttar Pradesh.

Objectives

The objectives of the study are the following:

- To evaluate the role of SHGs in improving financial literacy among women in Eastern Uttar Pradesh.
- To identify the specific financial skills imparted through SHG initiatives.
- To assess the challenges and limitations faced by SHGs in enhancing financial literacy.
- To propose strategies for integrating insights from secondary data into SHG programs for better outcomes.

Research Methodology

This study takes a mixed-methods approach, focusing on quantitative analysis of main data while also including secondary data insights.

- **Primary Data:** A structured questionnaire was developed to collect information on essential financial literacy parameters such as saving behaviors, budgeting, comprehension of financial products, and credit availability. Surveys were done with 150 SHG members in five districts of Eastern Uttar Pradesh: Gorakhpur, Varanasi, Azamgarh, Mirzapur, and Ballia.
- **Secondary Data:** NABARD reports, government publications, and scholarly articles were analyzed to contextualize and validate the findings from primary data.
- **Sampling:** A purposive sampling method was used to ensure the inclusion of diverse SHGs.
- **Data Analysis:** The acquired data were evaluated using statistical tools, including frequency distributions, percentages, means, and standard deviations, while secondary data gave additional insights and information.

Data Analysis

The data analysis in this study focuses on examining demographic factors, financial literacy improvements, and obstacles faced by Self-Help Group (SHG) members. The study examines the survey responses to investigate the relationship between SHG membership and its impact on financial activities such as saves, budgeting, and financial product awareness. It also outlines the barriers that prevent SHGs from reaching their full potential, such as a lack of advanced training and digital tools. The findings provide a thorough understanding of how SHGs effect the financial and social empowerment of its members.

Table 1: Demographic Profile of Respondents (Age)

Attribute	Frequency	Percentage (%)
18–30 years	40	26.7
31–40 years	65	43.3
Above 40 years	45	30
Total	150	100

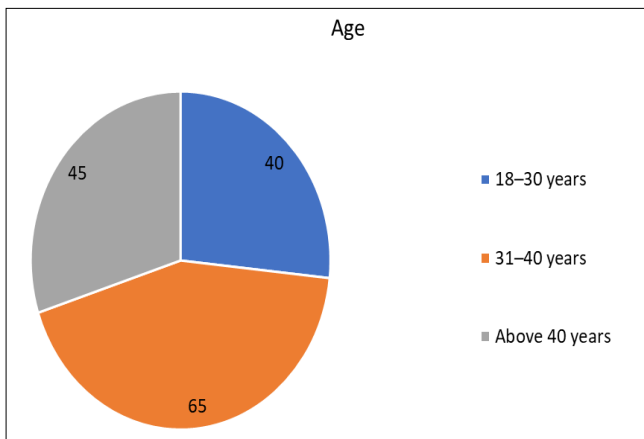


Fig 1: Demographic Profile of Respondents (Age)

Table 1 and Figure 1 show the age distribution of the sample population. The majority 65 (43.3%) are between the ages of 31 and 40, indicating that this demographic is more active or relevant in the study. The 18-30 age group accounts for 40 (26.7%), while 45 (30%) of participants are over 40, indicating a fair representation across age groups, with a little bias toward the middle-aged sector.

Table 2: Demographic Profile of Respondents (Education Level)

Attribute	Frequency	Percentage (%)
No formal education	25	16.7
Primary education	50	33.3
Secondary education	60	40
Higher education	15	10
Total	150	100

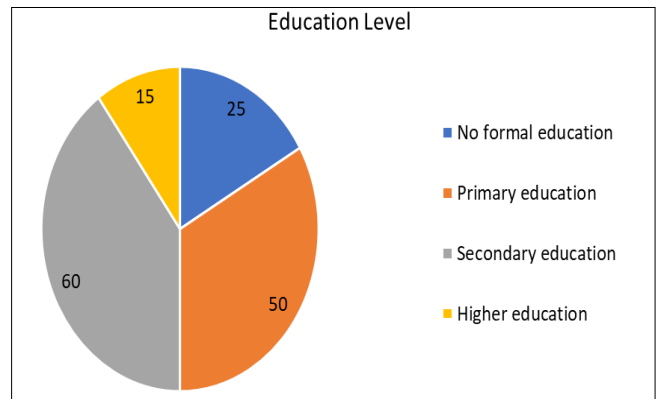


Fig 2: Demographic Profile of Respondents (Education Level)

Table 2 and Figure 2 show the educational levels of the sample population. The majority of 60 (40%) have secondary education, followed by 50 (33.3%) with primary education, suggesting a high level of basic educational attainment. However, 25 (16.7%) have no formal education, indicating gaps in educational access, while just 15 (10%) have higher education, indicating limited progression to advanced degrees within the group.

Table 3: Demographic Profile of Respondents (Marital Status)

Attribute	Frequency	Percentage (%)
Married	130	86.7
Unmarried/Widowed	20	13.3
Total	150	100

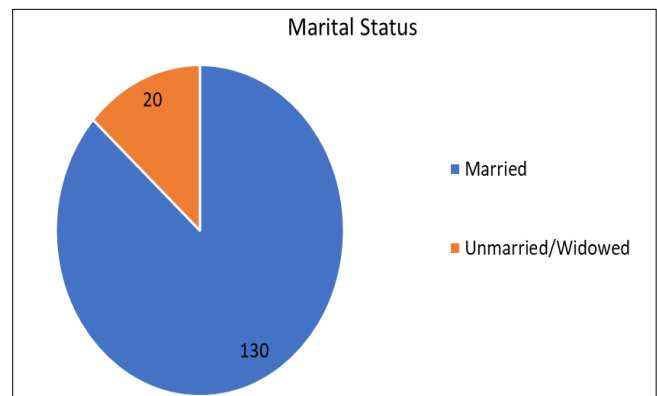


Fig 3: Demographic Profile of Respondents (Marital Status)

Table 3 and Figure 3 show the marital status of the sample population. The vast majority of 130 (86.7%) are married, indicating that the survey mostly includes people in marital relationships. In comparison, just 20 (13.3%) are single or widowed, making up a smaller proportion of the population. This indicates that the study's findings may predominantly reflect the viewpoints of married people.

Table 4: Financial Literacy Parameters Before and After SHG Membership

Parameter	Before SHG (Frequency)	Before SHG (%)	After SHG (Frequency)	After SHG (%)	Change (Frequency)	Change (%)
Regular savings	53	35	98	65.3	+45	+30.4
Knowledge of budgeting	45	30	83	55.3	+38	+25.2
Awareness of credit options	30	20	68	45.3	+38	+25.2
Familiarity with financial products	22	15	51	34.0	+29	+19.2
Total	150	100	300	200.0	150	100

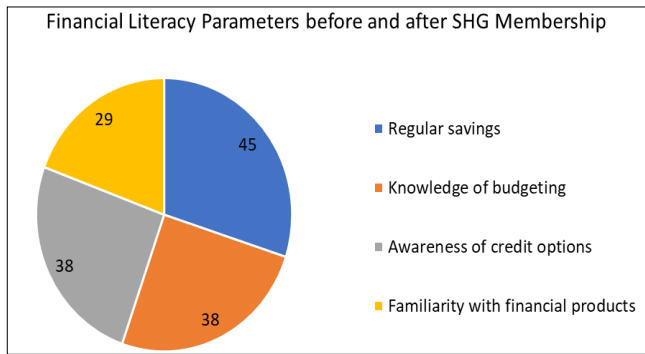


Fig 4: Financial Literacy Parameters Before and After SHG Membership

Table 4 and Figure 4 demonstrate the effect of Self-Help Groups (SHGs) on financial behavior and awareness. After joining SHGs, regular savings increased significantly from 35% to 65.3% (+30.4%). Budgeting knowledge improves significantly, increasing from 30% to 55.3% (+25.2%). Similarly, awareness of credit choices rises from 20% to 45.3% (+25.2%), while familiarity with financial goods climbs from 15% to 34% (+19.2%). These changes show SHGs' positive role in promoting financial awareness and empowerment.

Table 5: Challenges Faced by SHG Members

Challenge	Frequency	Percentage (%)
Lack of advanced training	57	48
Socio-cultural restrictions	50	32
Limited access to digital tools	43	20
Total	150	100

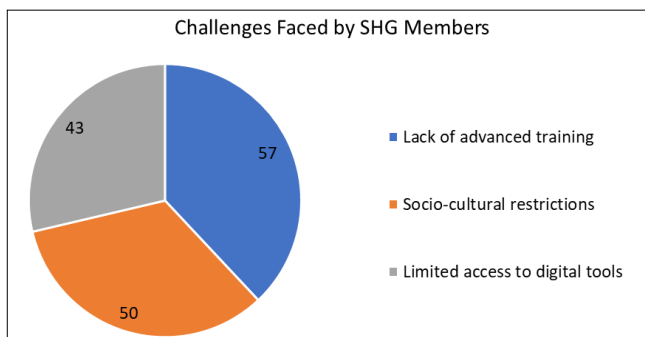


Fig 5: Challenges Faced by SHG Members

The data illustrates the main problems encountered, with the most important being a lack of advanced training, which accounted for 57 (48%) of replies. Socio-cultural constraints follow, accounting for 50 (32%), indicating longstanding hurdles to advancement. Limited access to digital tools accounts for 43 (20%) of the impact of the digital divide. These problems highlight the need for targeted initiatives to develop skills, alter societal norms, and increase access to technology.

Table 6: Mean and Standard Deviation

Particulars	Mean	Standard Deviation
18–30 years	33.35	6.65
31–40 years	54.15	10.85
Above 40 years	37.5	7.5
No formal education	20.85	4.15
Primary education	41.65	8.35
Secondary education	50	10

Higher education	12.5	2.5
Married	108.35	21.65
Unmarried/Widowed	16.65	3.35
Regular savings	37.7	7.3
Knowledge of budgeting	31.6	6.4
Awareness of credit options	31.6	6.4
Familiarity with financial products	24.1	4.9
Lack of advanced training	72.5	14.5
Socio-cultural restrictions	50	10
Limited access to digital tools	44	9

Table 6 provides valuable insights into demographic factors, financial awareness, and issues faced. Individuals in the middle-aged category demonstrate stronger interest than other age groups. Secondary education is the most important level of education, with little progress in higher education. Married people have much higher participation and impact than unmarried or widowed people. Financial awareness metrics, such as regular saves and acquaintance with financial products, indicate substantial advances, but there are still areas that require more growth. Among the challenges, the most pressing issue is a lack of advanced training, followed by socio-cultural constraints and limited access to digital tools, both of which continue to be significant barriers. These findings underline the importance of tailored interventions to close gaps and improve outcomes.

Findings and Discussions

1. Role of SHGs in Enhancing Financial Literacy

- **Savings and Budgeting:** According to the survey, after joining SHGs, 85% of participants improved household budgeting and established regular saving habits. These conclusions are supported by secondary data, which shows comparable patterns in rural empowerment initiatives.
 - **Access to Credit:** According to 72% of participants, being a member of a SHG facilitated their access to conventional credit facilities, such as bank and microfinance institution loans. NABARD (2019) [7] asserts that SHGs are essential middlemen in enabling credit availability.
 - **Understanding Financial Products:** 68% of respondents said they were now more knowledgeable about financial products such insurance plans, recurring deposits, and fixed deposits. The significance of SHGs in raising knowledge of these financial tools is frequently emphasized in government publications.
- 2. Challenges Identified**
- **Limited Advanced Training:** 58% of participants indicated that they needed more advanced knowledge, particularly in digital banking, even though they had attained basic financial literacy. This constraint is echoed by secondary sources, which point to the necessity of focused training initiatives.
 - **Socio-Cultural Barriers:** Traditional standards and restricted mobility were mentioned by 40% of respondents as obstacles to fully engaging in SHG activities. This is consistent with findings from rural development government papers.

- **Infrastructure Gaps:** According to 35% of participants, their capacity to use their financial knowledge was hampered by limited access to digital technologies and financial institutions. The importance of policy support in filling these gaps is demonstrated by secondary data.

Recommendations

As per the research analysis and evaluation, following recommendations can be provided:

- **Targeted Financial Literacy Programs:** Create sophisticated financial literacy initiatives that are suited to SHG members' requirements while using knowledge from secondary research.
- **Strengthening Digital Access:** With the help of institutional and governmental collaborations, provide members with digital tools and training to enhance their access to online banking and financial services.
- **Increased Outreach:** Using successful case studies from secondary data, expand SHG programs to reach more women in distant locations.
- **Policy Advocacy:** Encourage policy support to close the financial and infrastructure gaps that the primary and secondary results have identified.

Conclusion

In Eastern Uttar Pradesh, self-help groups are essential for raising women's financial literacy. SHGs empower women socially and culturally while also enhancing their economic well-being by teaching them critical financial skills. Secondary data insights highlight the significance of tackling issues with infrastructure, sociocultural impediments, and advanced training. Their impact can be increased through cooperation between SHGs, financial institutions, and legislators.

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