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Financial management and risk mitigation among women`s self-help group in Chhattisgarh state

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Abstract
Financial insecurity continues to affect rural women across India particularly in states such as Chhattisgarh where livelihoods rely heavily on agriculture forest-based activities, and informal employment. Women's Self-Help Groups (SHGs) promoted under the Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) and implemented in the state through the Bihan initiative have developed into grassroots financial institutions that promote savings, expand access to credit and strengthen risk-coping capacities. By 2024, Chhattisgarh had nearly 2.9 lakh SHGs comprising more than 34 lakh women with around 82% linked to formal banking systems. This study examines financial management practices and risk mitigation strategies among SHG women using secondary data drawn from government reports NABARD publications and scholarly studies. The analysis shows that SHG participation improves household savings behavior, encourages productive use of credit, reduces reliance on informal lenders and enhances resilience to shocks such as health emergencies, crop losses and income instability. Despite these gains, challenges remain in terms of inadequate loan sizes, limited insurance coverage and gaps in financial literacy. Strengthening financial education, expanding credit access and improving market linkages can further reinforce the economic resilience and empowerment of SHG women in Chhattisgarh.

Keywords: Chhattisgarh, financial inclusion, financial management, risk mitigation, self-help groups and women's empowerment

Introduction
Rural women in Chhattisgarh face a range of financial risks stemming from unstable incomes, climate variability, health emergencies and restricted access to institutional finance. Historically, many households depended on informal moneylenders charging extremely high interest rates often between 36 and 60% annually resulting in cycles of debt and financial insecurity. Within this context, Self-Help Groups (SHGs) have emerged as community-based financial platforms that promote savings, provide access to affordable credit and encourage collective risk sharing.

Through the Bihan program, SHGs have expanded rapidly across the state, including in tribal and remote regions where formal banking infrastructure was previously weak. The SHG model encourages financial discipline through regular savings contributions typically ranging from Rs. 50 to Rs. 200 per month combined with internal lending and bank linkage. Beyond financial services, SHGs function as social support systems, enabling women to respond collectively to economic shocks and household crises. This paper explores how SHG participation influences financial management practices and risk mitigation strategies among rural women in Chhattisgarh.

Methodology
Research Design
The study adopts a descriptive and analytical approach using secondary data to examine financial behavior and resilience among SHG women. Quantitative indicators are complemented with qualitative insights to provide a comprehensive understanding of financial management practices. Information for the study was compiled from DAY-NRLM and Bihan progress reports, NABARD's *Status of Microfinance in India* reports, Ministry of Rural Development publications, Peer-reviewed research on SHGs and rural finance.

Analytical Tools

The analysis employs Descriptive statistics to examine trends in savings, credit access and financial inclusion. Comparative analysis to assess changes before and after SHG membership. Thematic analysis to interpret risk mitigation practices. The study focuses on Savings patterns, Loan utilization, Financial inclusion levels, Risk coping mechanisms, Household financial stability of SHG`s groups of Chhattisgarh.

Results and Discussion

Expansion and Financial Inclusion of SHGs in Chhattisgarh

The growth of SHGs in Chhattisgarh reflects significant progress in financial inclusion. The number of SHGs increased from about 1.2 lakh in 2015 to nearly 2.9 lakh in 2024, while membership rose from 14 lakh to over 34 lakh women. Bank linkage improved substantially from 52% to 82%, and collective savings expanded from approximately Rs. 450 crores to Rs. 2,100 crores. These trends highlight a major shift toward formal financial participation among rural women. Access to institutional credit has also improved considerably. Prior to joining SHGs, only around 18% of women could obtain formal credit. Following membership, this figure rose to nearly 72%. At the same time, reliance on moneylenders declined from 64% to about 21%, underscoring the role of SHGs in reducing exploitative borrowing practices.

Financial Management Practices among SHG Women

Financial management within SHGs is characterized by regular savings, internal lending and careful use of credit. Even small monthly savings contributions help build a financial buffer that supports consumption needs and emergency expenditures. Collective savings practices foster accountability, transparency, and financial discipline among members. Internal lending remains a central feature of SHGs, enabling women to access loans at interest rates significantly lower than those charged by informal lenders. Approximately 35% of loans are invested in agriculture and livestock, 28% in small enterprises, 15% in health expenses, 10% in education and 12% in consumption needs. The predominance of productive borrowing indicates improved financial planning and a shift toward income-generating investments. Participation in SHGs also enhances financial literacy. Through group meetings and training sessions, members acquire skills in bookkeeping, budgeting and loan management. These competencies strengthen their capacity to manage household finances and make informed economic decisions.

Risk Mitigation Strategies Adopted by SHGs

SHGs function as informal risk-management institutions by promoting livelihood diversification, maintaining emergency funds, and facilitating access to social security schemes. Women engage in multiple income-generating activities such as dairy farming, poultry rearing, minor forest produce processing, and handicraft production. This diversification reduces dependence on a single income source and enhances resilience against crop failures and seasonal unemployment. Group savings and emergency funds provide immediate financial assistance during crises, including medical emergencies, natural disasters, or sudden income loss. Access to small, collateral free loans prevents distress sales of household assets. SHGs also support enrollment in insurance and social protection programs including life and accident insurance schemes. Although insurance coverage remains limited, SHGs play a vital role in increasing awareness and facilitating access to such safety nets.

Impact on Household Financial Stability

Membership in SHGs has led to notable improvements in household financial stability. Before joining SHGs, many households had negligible savings and limited capacity to manage emergencies. After participation, households report moderate to high savings levels and greater ability to cope with unexpected expenses. Improved access to formal credit and reduced reliance on moneylenders have alleviated financial stress and stabilized consumption patterns. Enhanced financial security also contributes to broader social benefits. SHG households demonstrate increased expenditure on education, healthcare, nutrition and reflecting a shift toward long-term human development and welfare.

Challenges in Financial Management and Risk Mitigation

Despite substantial progress several challenges persist. Loan amounts are often too small to support the expansion of micro-enterprises, limiting income growth. Financial literacy gaps remain pronounced in remote tribal areas, affecting effective credit utilization. Market access constraints reduce the profitability of SHG products, while low insurance penetration leaves households exposed to major shocks. Furthermore, climate variability poses increasing risks to agriculture dependent livelihoods.

Policy Implications

Strengthening financial management and risk mitigation among SHG women requires coordinated policy interventions. Expanding financial literacy and digital banking training can improve resource management. Increasing credit limits and introducing flexible loan products can support enterprise development. Strengthening market linkages through cooperatives, rural haats, and e-commerce platforms can enhance income sustainability. Expanding insurance coverage and promoting climate resilient livelihoods can further reduce vulnerability.

Conclusion

Self-Help Groups in Chhattisgarh have reshaped the financial landscape for rural women by fostering savings, improving access to credit, and strengthening risk-coping mechanisms. With nearly 34 lakh women participating, SHGs operate as community based financial systems that enhance household resilience and economic empowerment. While challenges such as limited credit, financial literacy gaps, and low insurance coverage remain, targeted policy support can amplify the role of SHGs in advancing inclusive and sustainable rural development.

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