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Self-Help Groups as Grassroots Governance Institutions: Pathways to Sustainable Livelihoods and Decent Work in Rural India

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Research Article

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Abstract

Informal economies dominate rural areas across developing countries, where jobs lack stability and access to formal labour markets remains limited. In India, Self-Help Groups (SHG) foster collective savings and enable women's participation in livelihood activities. While widely studied as microfinance institutions, less attention has been paid to their role in improving employment quality and local economic resilience. Recent development debates highlight Environmental, Social, and Governance (ESG) principles as markers of sustainable economic practice. However, these discussions largely focus on corporate organisations, overlooking community-based rural institutions.

This paper connects research on SHGs in rural enterprise with ESG-oriented development frameworks. Drawing on qualitative interviews with women-led SHGs and institutional analysis in rural Odisha, India, the study develops a conceptual framework linking SHG governance practices to ESG dimensions and improved rural livelihood outcomes. These groups evolve from microfinance collectives into social institutions where women challenge traditional roles and transition toward more stable livelihoods. Integrating SHGs into ESG discussions shifts attention from corporate actors to grassroots institutions supporting inclusive rural economic transformation. The findings have implications for policymakers and development practitioners designing inclusive sustainability strategies.

1.0 Introduction

Though informal work dominates rural economies across developing countries, unstable incomes, gender disparities, and weak linkages to formal markets continue to constrain economic transformation. Emerging from nonprofit initiatives such as MYRADA in the 1980s, Self-Help Groups (SHGs) initially focused on small loans for low-income households. SHGs have since expanded into multi-dimensional empowerment mechanisms for over 100 million women (Mahapatra, 2024; Singh, 2025). Over time, these groups expanded beyond lending to influence community leadership, entrepreneurship, and local governance.

Recent sustainable development debates increasingly emphasise Environmental, Social, and Governance (ESG) principles. ESG research largely focuses on corporations, emphasising investment ethics, disclosure, and regulatory compliance (Gray, 2006; Mattera and Alba Ruiz-Morales, 2020). Scholarship rarely examines how these principles operate within community-based economic institutions. Consequently, sustainability frameworks often overlook grassroots economic initiatives.

Self-help groups find their connection to ESG principles through their foundational elements. Organised around the Panchasutra philosophy, regular meetings, savings, internal lending, timely repayment, and transparent accounts, SHGs embed principles of collective governance (Venkatesu, 2016). Collective participation also challenges patriarchal norms and strengthens women's voices in household and community decisions (Bonny and Rajendran, 2013). SHGs increasingly support environmentally sustainable livelihoods such as climate-smart agriculture, artisanal production, and recycling (Diniz and BErMann, 2012).

This paper posits that SHGs should be reconceptualised as micro-level ESG frameworks embedded within the local economy. Characterised by democratic processes, joint liability, and pooled resources, women's self-help groups incentivise environmental stewardship, community empowerment, and features of good governance, which support improved livelihood opportunities and working conditions. Based on qualitative evidence from women-led SHGs in Odisha, India, a grounded conceptual framework is developed linking SHG governance structures to ESG dimensions and subsequently to improved livelihoods and community-level economic resilience. An ESG perspective shows how SHGs support transitions from informal work toward more stable and inclusive livelihoods.

This study makes three primary contributions. First, the study expands ESG frameworks beyond corporate governance by demonstrating how sustainability principles operate within community-based institutions. Second, the study provides empirical evidence on how SHGs influence employment quality and livelihood stabilisation through participatory governance. Third, the study offers policy insights on integrating SHGs into sustainability governance through improved transparency, digital monitoring, and environmentally sustainable livelihood diversification.

The study reconceptualises inclusive growth as an institutional process emerging from local governance practices within rural communities. For sustainable and responsible growth to occur, it does not have to emanate from the corporate boardrooms of multinational firms or the halls of global regulatory organisations. Sustainable growth can emerge where women collectively manage risk, accountability, and resource allocation. This study, therefore, seeks to bring together global sustainability frameworks with local institutional realities by reframing SHGs as local ESG laboratories, developing a multilevel explanatory model of how decentralised governance relates to employment stabilisation, contributing to Sustainable Development Goal 8 on decent work and economic growth.

2.0 Literature Review

2.1 Economic Transformation at the Local Level through Self-Help Groups

Research shows that SHGs support poverty reduction, financial inclusion, and women's livelihood opportunities. Early studies highlight their role in financial intermediation, savings mobilisation, and credit access (Fernandez, 2006; Singh et al., 2011). Later studies highlighted improvements in consumption smoothing, reduction of dependence on informal credit, and women's participation in local decision-making processes (Kumar et al., 2021). Much of the existing literature still only focuses on the results of financial inclusion. Most studies evaluate SHGs using indicators such as loan repayment, income growth, or empowerment.; however, the institutional potential of SHGs to reshape labour relations, stabilise the volatility of livelihoods, and provide employment with long-term value remains only partially understood (Balamurugan and Selvaraj, 2014). This study argues that the significance of SHGs is that they have become multidimensional tools of empowerment that promote entrepreneurship and

sustainable livelihoods. However, their role in stabilising employment and reshaping labour relations remains underexplored.

2.2 Decent Work and Community-Based Economies

The concept of ‘decent work’ promoted by the International Labour Organisation includes job stability, adequate remuneration, safety, and dignity. Rural employment insecurity is often linked to demand volatility, limited market access, and weak risk-sharing institutions (Touch et al., 2024). The literature on rural ‘decent work’ has mostly focused on macro-level interventions such as labour market reforms, skill-building programs, or public employment programs. Although such programs are vital for rural ‘decent work,’ they may overlook the significance of local-level collective institutions in facilitating transitions from wage dependence to more secure livelihoods (Nyathi, 2025). SHGs function as meso-level institutions that may bridge household vulnerability and local economic resilience. However, the relationship between SHG governance and ‘decent work’ is still theoretically unexplored and empirically fragmented.

2.3 Rethinking ESG Beyond Corporate Boundaries

The ESG frameworks are widely used to assess environmental sustainability, labour practices, and corporate accountability. The ESG model is often used to evaluate the environmental sustainability, labour practices, and corporate accountability of firms (Khamisu and Paluri, 2024). However, ESG applications remain largely limited to corporate reporting systems (Colak and Sarioglu, 2025; Gray, 2006).This study argues that SHGs operationalise ESG principles at the grassroots through participatory governance, women’s empowerment, and environmentally sustainable livelihoods. This perspective offers a wider view of the ESG model.

2.4 Identified Gaps in the Literature

The review recognises the following notable gaps in the literature:

1. 1. While SHG literature emphasises financial inclusion, institutional drivers of employment stability remain under-theorised.
2. 2. The contribution of collective, community-level institutions in facilitating the transition from the informal to the stable sector is underappreciated in the literature on decent work.
3. 3. The focus of the ESG literature remains primarily corporate-centric, with insufficient emphasis on the institutional factors in the grassroots sector of the informal rural economy. These gaps in the literature highlight the need for an integrated framework that brings together the literature on employment stability, ESG factors, and SHG governance structures.

2.5 Positioning of the Present Study

This study addresses these gaps by conceptualising SHGs as decentralised ESG institutions within rural economies. The study views ESG factors as operational policies implemented through grassroots institutional structures, as opposed to viewing ESG as a corporate compliance framework. It builds on

qualitative data from Odisha to develop a process-based conceptual model to enhance theoretical understanding of how SHG governance structures translate into livelihood stability and enhanced employment quality. The analysis shows how institutional coordination and risk-sharing mechanisms support transitions from informal vulnerability to more stable livelihoods. The study explains institutional channels linking SHG governance to employment stability and local economic resilience. In doing so, the research moves beyond corporate-centric explanations and situates ESG scholarship within community-level development processes in the informal rural economy.

Theoretical Framework

This study makes four main theoretical contributions.

- First, the study extends ESG theory beyond corporate governance by conceptualising SHGs as decentralised community-based ESG institutions.
- Second, it advances SHG scholarship by focusing on institutional governance mechanisms such as peer monitoring, pooled savings, and participatory decision-making.
- Third, the study develops an integrated framework linking SHG governance, ESG processes, and decent work outcomes.
- Fourth, it contributes to decent work scholarship by highlighting community-level institutions as mediators between informal employment and livelihood stability.

Taken together, these contributions build a novel multidisciplinary paradigm that reconfigures SHGs as structural governance structures that can enhance local economic resilience in the informal rural economy and operationalise ESG policies.

2.6 Identification of literature

Relevant literature was identified through keyword searches in major academic databases including Scopus and Web of Science. Search terms included “self-help groups,” “rural livelihoods,” “decent work,” “informal employment,” “environmental, social and governance,” “community governance,” and “inclusive growth.” The review focused on studies examining Self-Help Groups or similar collective rural institutions, livelihood stability, employment quality, and governance processes in development contexts.

Studies that focused exclusively on microfinance performance indicators without examining institutional or governance dimensions were excluded. Similarly, research addressing ESG frameworks solely in relation to corporate disclosure or reporting practices was not included in the review. The literature was analysed to identify conceptual gaps concerning the relationships between SHG governance structures, ESG processes, and employment stabilisation in informal rural economies. This analytical synthesis informed the development of the study’s conceptual framework linking grassroots institutional governance with livelihood stability and improved employment quality.

3.0 Conceptual Framework: Linking SHGs with Grassroots ESG Governance

This study proposes a process-based conceptual model that reconceptualises SHGs as decentralised institutional arrangements that integrate ESG practices within rural economies. Unlike conventional ESG frameworks that focus on corporate disclosure, compliance, and investor accountability, this model examines how ESG principles operate within grassroots community institutions (Ong et al., 2025; Riyazahmed, 2025). Within this framework, SHGs function as systems of collective governance characterised by resource mobilisation, participatory decision-making, and shared accountability. ESG mechanisms act as mediating processes linking institutional organisation with economic outcomes. Through these mechanisms, SHGs contribute to livelihood stabilisation, which subsequently facilitates the emergence of decent work outcomes such as employment continuity, income adequacy, and improved work status. The conceptual sequence proposed in this study is therefore:

Figure 1 illustrates this multilevel framework, where SHG institutional structures activate integrated ESG mechanisms that mediate livelihood stabilisation and generate broader development outcomes. Environmental practices enhance adaptive capacity and reduce exposure to environmental shocks. Social processes strengthen income security, collective agency, and social capital. Governance practices improve transparency, accountability, and coordinated decision-making. Together, these mechanisms gradually reduce livelihood instability and strengthen local economic resilience.

3.1 Institutional Structure of SHGs as an Active Structure

SHGs are characterised by participatory governance, pooled savings, peer monitoring, rotational leadership, and collective accountability. These institutional features foster networks of reciprocity, trust, and cooperation within rural communities (Kumar et al., 2021). Beyond functioning as financial intermediaries, SHGs operate as local governance institutions that regulate resource allocation, coordinate economic activities, and shape behavioural norms. Collective participation spreads economic risk among members, enhances coordination capacity, and reduces information asymmetries.

Proposition 1

(P1):

SHGs with stronger collective responsibility and participatory governance are better able to share risks among members and coordinate economic activities.

3.2 ESG Aspects as Integrated Institutional Systems

This concept sees ESG not as a corporate compliance indicator but as a collection of institutional practices integrated into grassroots communal institutions. Through daily governance practices, livelihood initiatives, and community-based economic organisations, SHGs operationalise ESG principles.

Environmental Dimension (E): Resource Efficiency and Sustainability

Local production methods, low-capital models and resource-efficient practices are often used by SHG-supported businesses. Embeddedness improves adaptive capacity and reduces sensitivity to environmental shocks. SHGs reduce market and environmental vulnerabilities by emphasising locally accessible inputs and a diversified livelihood portfolio (Diniz and BErMann, 2012).

Proposition 2

(P2):

In SHGs, resource-efficient and environmentally integrated livelihood activities help improve livelihood sustainability and reduce vulnerability.

Social Dimension (S): Empowerment and Income Security

SHGs diversify revenue and reduce reliance on irregular wage labour through collective savings, internal credit, skill exchange and enterprise coordination. Building social capital increases economic agency, resilience against income shocks, and bargaining power (Bonny and Rajendran, 2013).

Proposition 3

(P3):

Income diversification and increased social capital within SHGs reduce livelihood instability and increase job stability.

Governance Dimension (G): Institutional Accountability

Institutional trust is strengthened through democratic decision-making, transparent financial management, and peer monitoring mechanisms. Integrated economic transformation, such as the shift from precarious and informal labour to more stable semi-formal enterprise engagement, is possible through collective activities (Xheneti and Madden, 2025).

Proposition 4

(P4):

Integrated economic transformation from informal wage dependence to stable enterprise-based engagement is possible through institutional accountability and collective organisation within SHGs.

3.3 Livelihood stabilisation as a mediating mechanism

Livelihood stabilisation occurs as a result of the interplay of environmental, social and governance systems. Reduced income variability, increased occupational continuity, increased adaptive capacity and stronger financial buffers at the household level are signs of stabilisation (Yohe and Tol, 2002).

Proposition 5

(P5):

The relationship between improved decent employment outcomes and SHG-based ESG practices is mediated by livelihood stabilisation.

3.4 Outcomes of Decent Work

Decent work in rural areas extends beyond government employment contracts. Regular employment, adequate wages, safe working conditions, less reliance on exploitation and improved work status are part of this (Lavers and Tighe, 2016). When members stabilise their livelihoods, they can transition from subsistence-based labour to more predictable and structured economic activities.

3.5 System-level consequences of local economic resilience

When livelihood stabilisation occurs across interconnected SHG networks, its effects extend beyond individual households. Reduced income volatility, improved employment continuity, and stronger institutional coordination contribute to greater resilience within local economic systems. Local economic resilience refers to the ability of rural economies to withstand shocks, maintain productive activity, and adapt to changing conditions (Nath et al., 2025). Through internal credit circulation, coordinated enterprise activities, and reduced distress migration, SHGs strengthen this resilience.

Proposition 6

(P6):

Long-term gains in good employment outcomes within SHG networks strengthen local economic resilience and reduce systemic vulnerabilities.

3.6 Theoretical Contributions

Together, propositions P1–P6 describe the sequential and multilevel relationships illustrated in Fig. 1. The framework advances scholarship in four ways.

First, it extends ESG theory beyond corporate governance by conceptualising ESG as a decentralised institutional practice embedded within grassroots collective organisations.

Second, it contributes to SHG research by emphasising institutional governance mechanisms rather than focusing solely on financial inclusion outcomes.

Third, it introduces livelihood stabilisation as a mediating construct linking participatory governance with decent work outcomes.

Fourth, the model integrates micro-level institutional processes with system-level economic resilience, demonstrating how grassroots cooperation can reduce structural vulnerability within rural economies.

By linking governance theory, livelihood studies, and decent work scholarship, the framework positions SHGs as institutional drivers of inclusive and resilient rural economic transformation.

3.7 Operationalisation of Key Constructs

To facilitate empirical interpretation, the conceptual constructs proposed in the framework are operationalised through observable institutional and livelihood indicators. The institutional structure of SHGs is reflected in governance practices such as regular meetings, collective savings, peer monitoring, and participatory decision-making.

The ESG dimensions are identified through everyday institutional practices. The environmental dimension is reflected in the adoption of resource-efficient production activities and environmentally sustainable livelihood strategies. The social dimension is captured through collective savings mechanisms, skill exchange, income diversification, and strengthened social capital among members. Governance practices are observed through transparency in financial management, participatory decision-making processes, and peer accountability mechanisms.

Livelihood stabilisation is interpreted through reduced income volatility, improved occupational continuity, and enhanced financial security among SHG members. These processes collectively contribute to decent work outcomes such as more stable employment, improved income adequacy, and greater work dignity. At the system level, the accumulation of these outcomes across SHG networks contributes to enhanced local economic resilience within rural economies.

4.0 Methodology

This study adopts a qualitative multiple-case research design to examine how SHG institutional structures activate ESG practices and contribute to livelihood stabilisation and local economic resilience. Guided by the theoretical propositions (P1–P6), the study integrates semi-structured interviews, focus group discussions, field observations, and documentary analysis across selected SHGs in rural Odisha. The design emphasises process-oriented analysis aimed at identifying causal mechanisms linking participatory governance practices to livelihood and employment outcomes.

4.1 Research Design

This study employs a qualitative, theory-building research design to examine how SHG institutional structures in rural Odisha enable ESG processes that support livelihood stabilisation, decent work outcomes, and local economic resilience. The Conceptual Framework's Propositions P1 through P6 provide the foundation for the process-oriented approach that is employed by this study. These propositions provide the analytical lens guiding data collection, interpretation, and cross-case comparison.

In order to account for the variability between SHGs, which differ with regard to their involvement in diverse livelihood activities, socio-economic conditions, and institutional development, this study has employed a multiple-case embedded approach. In this regard, experiences of members, governance mechanisms, and enterprise activities have been considered as embedded analytical units, whereas each SHG constitutes the primary case unit of analysis.

As this study aims to explore institutional structures, management mechanisms, and behavioural processes, which cannot be fully captured through quantitative data, a qualitative approach is appropriate, which is supported by its ability to provide analytical generalisation through cross-case comparisons and proposition-based analysis.

4.2 Study Context: Odisha

An analysis of SHGs as grassroots-level ESG bodies reveals an important context, both theoretically and practically, for such an analysis. In fact, under the Rural Livelihoods Mission, which is state-led, Odisha has one of the largest SHG networks in India. This is set against a backdrop of socio-economic conditions that involve seasonal migration, informal employment, climate volatility, and agricultural uncertainty.

In this backdrop, which is inherently structurally weak, institutional arrangements take on great significance, especially with regard to ensuring livelihood stability. Participatory grassroots-level bodies have been known to act as important bridges between people and markets, especially when formal employment and social security arrangements are lacking.

In this regard, an analysis of SHGs in Odisha presents an important opportunity to examine how ESG-based institutional arrangements function, especially against the backdrop of a structurally weak rural economic system. In fact, it is important to examine how institutional coordination, risk-sharing, and mobilisation might be seen as active processes that shape livelihood stability and resilience under conditions that are extremely volatile. This is an important context through which to test the causal mechanisms underlying Propositions P1-P6, especially with regard to the role of participatory governance as it might mediate livelihood stability under conditions of structural insecurity.

4.3 Sampling Strategy

In order to select the SHGs that have the potential for providing analytically rich evidence on the institutional processes that the Propositions P1-P6 propose, the purposive sampling method was employed. For the purpose of the study, the following criteria for the selection of the SHGs were considered: the groups must have an operational history of at least three to five years, the groups must have an existing record of savings and internal borrowing, the groups must have been engaged in revenue-generating activities, and the groups must have existing governance systems. These criteria ensured that the selected groups possessed sufficient institutional maturity.

The groups selected for the study were engaged in diverse livelihood activities, including service-oriented work, small businesses, and agriculture. This diversity enabled the analysis to capture varied livelihood strategies and institutional practices. The study also examined differences between groups that had achieved greater institutional maturity and those that remained relatively vulnerable. Such variation helped in understanding the functioning of ESG processes across different organisational contexts. The sampling approach focused on identifying SHGs with sufficient institutional depth to provide meaningful insights into governance practices, livelihood stabilisation, and collective economic activities. The objective of the sampling strategy was not statistical representation but analytical depth, allowing the study to explore institutional mechanisms and variations across different groups.

4.4 Data Collection

Data collection followed a multimethod qualitative approach to ensure triangulation across multiple sources of evidence. The study examined 8 SHGs, involving 24 semi-structured interviews, 3 focus group discussions, and 6 key informant interviews with programme facilitators and local livelihood officials. Primary data collection was conducted through semi-structured interviews with members of the SHG and the group leaders. This helped to explore the nature of participation in governance, livelihood, and employment. In addition, key informant interviews were conducted with mission facilitators, cluster-level coordinators, and rural livelihood officials. These helped to understand the broader context in which the institution functioned.

Furthermore, focus group discussions were conducted to understand the nature of collective behaviour, decision-making, and perceptions of risk-sharing. Non-participant observations of the meetings of the SHGs and the enterprise activities helped to understand the nature of governance, accountability, and the functioning of the institution. Documentary evidence, including savings records, internal lending records, meetings, and enterprise records, was also employed to understand the nature of the functioning of the institution, including the financial and institutional continuity. Data collection continued until thematic saturation was reached, meaning that additional interviews did not generate substantially new analytical themes related to the study’s propositions.

The interview and discussion approaches were explicitly designed around thematic domains that corresponded to Propositions P1-P6. These thematic domains included governance, decision-making, collective risk-sharing, resource-use practices, income diversification, employment stability, and response to shocks. This ensured that the analysis remained aligned with the propositions, which facilitated the integration of the evidence into the broader conceptual framework.

4.5 Analytical Strategy

The first phase of the analytical strategy employed a detailed within-case process tracing method on each of the selected SHG groups. This analytical strategy was particularly helpful in reconstructing the causal links between the participatory governance structures and the observed outcomes in terms of livelihood stability and employment outcomes. In this context, the study employed the process tracing method to investigate how different institutional practices, such as savings mobilisation, peer

monitoring, loan prioritisation, leadership rotation, and collective deliberation, activated the ESG practices in the SHG group. In this context, the study paid close attention to the temporal sequencing between the stability of livelihood and the stability of employment and income outcomes. Using this analytical strategy, the study was able to transcend the limitations of correlation-based inferences and critically investigate the micro-foundations of the ways in which the institutional structures influenced the observed outcomes.

The second phase of the analytical strategy employed a cross-case synthesis method to assess the consistency and variation in the pattern of the observed outcomes in the SHG groups operating in different socio-economic contexts and livelihood activities. In this context, the study employed a cross-case synthesis strategy to assess the pattern of the observed outcomes in the SHG groups, considering different analytical parameters, such as the level of governance, the level of income diversification, the level of environmental embedding, and the level of collective coordination.

The research process followed an iterative approach, comprising three cycles. In the first cycle, open coding examined the themes emerging from the interviews, focus groups, observations, and documentation. In the second cycle, axial coding categorised the emerging themes into broader groups, which aligned with the Environmental, Social, and Governance factors, along with the mediating theme of livelihood stabilisation. In the third cycle, selective coding related the emerging themes to the propositions developed for the analysis, P1-P6. This provided an explicit link between the emerging themes and the theoretical underpinnings. An important aspect of the analysis was triangulation. For instance, the themes emerging from the semi-structured interviews, focus groups, observations, and documentation were triangulated. These included the observations of the Self-Help Group meetings, business activities, savings ledgers, loan books, etc. This triangulation strengthened construct validity and reduced single-source bias. Discrepancies between the emerging themes from the triangulation also provided opportunities for deeper analysis, reducing the risk of confirmation bias. While the analysis focused on the emerging themes, the emphasis was on the causal mechanisms, rather than the descriptive outcomes. For instance, rather than focusing on the outcomes related to the increase in income due to the Self-Help Group, the analysis examined the causal mechanism through which the Self-Help Group’s governance routines activated the Environmental, Social, and Governance factors, which in turn reduced the volatility in the livelihoods. Such an analysis, which focuses on the causal mechanism, is appropriate for the analysis that aims at theory building. Moreover, the analysis also enables the analytical generalisation of the results. By examining the institutional pathways through which the decentralised Environmental, Social, and Governance factors operate, the analysis provides an organised explanation for the working of the decentralised Environmental, Social, and Governance factors in the context of the rural, informal economy.

4.6 Validity and Analytical Rigour

Since our study is situated in qualitative, theory-building territory, we also use a few techniques to ensure our study is rigorous and credible. One technique is triangulation, where we gather information from multiple sources, including focus groups, semi-structured interviews, documentary analysis, and direct

observations of SHG meetings and business activities. This triangulation technique enhances construct validity while reducing the risk of any single data source introducing bias into our study.

Another technique we use is pattern verification, where we seek to confirm our observations across SHGs that operate in different livelihood situations and at varying stages of institutional maturity. This technique enhances our theoretical understanding while also verifying how universally these patterns tend to occur across SHGs. We also use a technique called member validation, where, whenever feasible, we seek to validate our interpretations with some of the study participants to ensure that our interpretations do not misrepresent the actual functioning of these institutions.

Finally, our study ensures analytical generalisation rather than statistical generalisation. This means that our study seeks to advance theoretical propositions about livelihood stabilisation and ESG institutionalisation at the grassroots level rather than seeking to advance generalisations about a larger population.

4.7 Ethical Considerations

The study was conducted in accordance with the ethical principles outlined in the qualitative field study. Informed consent was obtained from the individuals who participated in the study, and the participation was entirely voluntary. We also made it clear to the individuals about the purpose of the study and the ways in which the results could be used in future scholarly work, and that the participants could withdraw at any time without any consequences.

To ensure the privacy and security of the individuals and the SHG groups, the details of the individuals and the SHG groups were anonymised. We used a coding system to refer to the SHG and the individuals in the SHG. We also kept the financial details and the details of the inter-group governance confidential. Since the SHG is a collaborative organisation, the research team made sure that the study was conducted in an objective manner and did not interfere with the internal affairs of the SHG.

5.0 Findings and Analysis

This section presents the empirical findings by examining the institutional mechanisms operating within SHGs and their implications for livelihood stability, employment quality, and local economic resilience. The analysis is structured around the study propositions (P1–P6) to maintain alignment between the conceptual framework and the empirical observations. Rather than listing SHG activities, the analysis focuses on the mechanisms through which institutional structures facilitate ESG practices and contribute to livelihood stability, decent work, and rural economic resilience. Accordingly, the findings are organised around propositions P1–P6, with each subsection examining how governance practices and ESG processes influence employment conditions and local economic outcomes.

5.1 Putting ESG Into Practice with SHG Governance (P1)

Evidence from the cases indicates that SHGs function not merely as informal saving circles but as structured systems of participatory governance. Outcomes became more consistent where groups met regularly, maintained transparent financial records, and practised rotating leadership. Borrowing within the group, along with combined deposits, gave individuals stronger positions when dealing with nearby vendors while lowering their need for costly credit from unofficial sources. Notably, lending decisions shifted following illness, crop failure, or income drops - revealing informal support networks at work. Where group involvement ran high, record-keeping stayed consistent, gatherings occurred regularly, shaping a tighter organisational fabric.

These findings support **P1**, showing that collective responsibility and participatory governance improve institutional capacity to transfer risk and coordinate economic activity.

5.2 Sustainable Livelihoods and Environmental Practices (P2)

Most livelihood activities sponsored by SHGs were resource-efficient and local. Businesses relied on small-scale production systems, locally available raw materials, and a diverse portfolio that combined non-farm and agro-related industries. Members focused on low-input production strategies, crop diversification, and value addition to adapt to seasonal fluctuations. Exposure to market and environmental volatility was reduced by such built-in strategies. During seasonal shocks, groups with diverse entrepreneurial strategies reported fewer revenue constraints.

P2 is supported by these patterns, which show how resource-efficient and environmentally embedded livelihood strategies reduce vulnerability and improve sustainability.

5.3 Employment Stability, Income Diversification and Social Capital (P3)

According to the data, income diversification was facilitated through internal financing and group savings. Members worked in a variety of occupations such as food processing, tailoring, animal husbandry and small businesses. In difficult times, the availability of reasonably priced credit reduced the need for daily wage labour. Social capital acted as a factor of stability in addition to the financial mechanism. Peer networks enabled labour pooling, cooperative marketing and information sharing. Members reported that their bargaining power in labour and product markets improved.

These findings support **P3** by showing that increased social capital and diverse sources of income reduce livelihood instability and improve job stability.

5.4 Economic Transformation and Institutional Accountability (P4)

Institutional trust increased through open financial practices and group supervision. Groups that demonstrated regular documentation and leadership change were more likely to expand integrated

enterprises. The members moved from irregular wage employment to semi-formal small enterprises in several instances, with the help of SHG organisation and loans. However, this movement was not led by a single individual but was a collective process.

The study support P4, suggesting that institutional accountability and collective agency facilitate gradual transitions toward more stable enterprise-based economic activities.

5.5 Livelihood Stabilization as Mediator (P5)

In instances where stronger employment outcomes might have been expected, improvements were instead evidenced by gradual stability in daily life. Each case showed that adjustments related to ESG methods do not necessarily translate into clear employment benefits. The experiences shared indicated that stability in living conditions was the primary driver for improvements. Improvements were reflected in greater income predictability, improved household financial control, and reduced reliance on debt during periods of hardship.

Subsequently, stability was noted in jobs when earnings were from multiple sources. Variations in work patterns were noted more explicitly when leadership was firm and financial inflows were from various sources. This also supports P5, whereby employment results correlate with the implementation of ESG practices through stable jobs facilitated by SHGs. The connection is, however, through the support of livelihood stability, albeit indirectly, in terms of income support provided by the community groups. The evidence suggests that livelihood stability functions as a mediating mechanism linking SHG governance practices to improved employment outcomes. This means that when the SHG incorporates ESG practices, the results will be positive when there is stability in the livelihood of the individuals involved in the jobs.

5.6 Decent Work Supports Economically Stable Regions (P6)

Over time, mature SHGs demonstrate wider spillover effects within local economies. Evidence from the case studies indicates reductions in seasonal migration, stronger local lending networks, and increased participation in local markets. Improved coordination among small enterprises has strengthened local economic interactions and expanded market engagement.

Local spending patterns and cooperative marketing initiatives help retain financial circulation within the community. During environmental shocks and market fluctuations, SHG networks respond collectively through resource sharing, mutual support, and coordinated adjustments in livelihood strategies. These collective responses reduce vulnerability to sudden economic disruptions.

Through such mechanisms, SHGs transform spatial and economic isolation into forms of community-based resilience. This process does not rely heavily on external institutional intervention but emerges gradually through trust-building and long-term collective engagement.

Over time, improvements in employment quality and livelihood security contribute to broader regional economic stability. As working conditions improve and income sources diversify, communities become less vulnerable to structural risks associated with seasonal shocks, environmental stress, and unstable labour markets.

These findings support Proposition P6, demonstrating that improvements in decent work within SHG networks gradually contribute to broader local economic resilience. The evidence suggests that enhanced employment quality and livelihood security reduce structural vulnerability and strengthen long-term economic stability in rural regions.

5.7 Institutional Pathways Linking SHG Governance, ESG Practices & Livelihood Outcomes

The combined results show a multi-level, sequential institutional process that is consistent with the conceptual framework. Many scenarios demonstrate that collective responsibility and participatory governance within SHGs enable ESG practices embedded in regular institutional activities. Environmental resource practices, social capital building, and governance transparency are examples of ESG processes that act as mediating mechanisms between institutional engagement and economic outcomes.

By reducing income volatility, increasing adaptive capacity, and improving occupational continuity, the analysis shows how ESG practices support livelihood stability. In turn, stable livelihoods facilitate work regularity, income adequacy, and improved work status – all of which are essential components of decent work.

Local economic systems show improved coordination capacity, preserved economic multipliers, and less reliance on distressed migration as these changes are built into SHG networks. By creating system-level resilience, these combined effects reduce structural sensitivity to environmental, seasonal, and market shocks. The empirical findings support the following sequential institutional process:

Institutional Governance → ESG Practices → Livelihood Stabilisation → Decent Work Transitions → Local Economic Resilience.

Taken together, the results show that SHGs are decentralised ESG organisations that support structural rural economic development rather than acting solely as microfinance or empowerment sites.

6.0 Discussion

The findings provide theoretical insights into how grassroots institutional arrangements contribute to organised economic transformation in rural contexts. Rather than functioning solely as financial intermediaries or empowerment platforms, SHGs operate as decentralised governance mechanisms that embed ESG practices within informal rural economies. Through participatory decision-making, collective financial management, and shared livelihood strategies, these groups help stabilise livelihoods,

strengthen employment continuity, and enhance community resilience to economic and environmental shocks. The following sections discuss the broader theoretical implications of these findings.

6.1 ESG change beyond corporate frameworks

ESG analysis has traditionally been associated with firm-level practices linked to regulatory compliance, corporate reporting, and financial oversight (Dyck et al., 2019). The findings extend this perspective by demonstrating how ESG principles can also emerge within informal, community-based institutions. In the case of SHGs, environmental stewardship, social accountability, and governance transparency are embedded in everyday livelihood practices rather than formal reporting systems. This suggests that ESG processes can develop through collective norms, mutual monitoring, and shared resource management at the local level. By highlighting these grassroots practices, the study expands ESG analysis beyond corporate structures and situates it within decentralised rural economic systems.

6.2 Self-Help Groups Acting as Bridges in Local Systems

While previous research often associates SHGs with income generation, this study highlights their role in strengthening livelihood stability. The findings suggest that ESG-oriented governance practices do not immediately improve employment quality; rather, they gradually reduce income volatility and financial vulnerability, creating conditions that support more stable and reliable employment. This process-based explanation contributes to both SHG and decent work literature by identifying livelihood stability as a mediating mechanism, consistent with the sustainable livelihoods' framework (Scoones Ian, 1998).

6.3 Institutional Density and Collective Economic Coordination

The study also contributes to institutional theory by demonstrating how participatory governance within SHGs creates institutional density within local economic systems (Ostrom, 1990), characterised by strong coordination capacity, trust networks, and collective risk-sharing mechanisms. Rather than functioning as isolated micro-enterprises, SHGs operate as collective governance arenas that coordinate economic activity at the community level. These findings challenge individualistic models of rural entrepreneurship by showing that economic stability often emerges through collective institutional coordination rather than individual enterprise growth.

6.4 Linking Household Stability and System Resilience

The findings suggest that resilience within rural economies emerges through collective institutional practices rather than individual economic success, consistent with community resilience perspectives in development research (Adger, 2000). SHG networks facilitate the diffusion of livelihood strategies, strengthen interpersonal trust, and support shared learning among members. Over time, these interactions build adaptive capacity and reduce economic vulnerability within local communities. In this sense, resilience develops gradually through decentralised decision-making, mutual support, and repeated social interaction rather than through centralised planning or top-down interventions.

6.5 Contributions to Inclusive Growth Debates

By integrating ESG principles with participatory governance structures, the study connects institutional theory, rural development research, and employment stability debates. SHGs emerge as institutional intermediaries that link households with markets while supporting stable livelihood transitions. This process-based framework moves beyond descriptive impact assessments and highlights how collective institutional practices contribute to inclusive economic development.

The overall institutional pathway identified in this study is summarised in Fig. 2, which illustrates how participatory governance within SHGs enables embedded ESG practices that support livelihood stabilisation, facilitate transitions toward decent work, and strengthen local economic resilience.

This study makes three related theoretical contributions. First, it extends ESG analysis beyond firm-level governance by demonstrating how ESG principles can emerge within decentralised, community-based institutions operating in informal rural economies. Second, it contributes to SHG and rural development literature by identifying livelihood stabilisation as a mediating mechanism through which participatory governance gradually supports transitions toward more stable employment and improved working conditions. Third, the study advances institutional perspectives on rural economic transformation by conceptualising SHGs as collective governance platforms that generate local economic resilience through coordination, trust networks, and shared risk management.

6.6 Implications for Inclusive Growth and SDG 8

The findings highlight the potential of grassroots governance institutions to contribute to decent work and economic growth aligned with the goals of Sustainable Development Goal 8. Rather than relying solely on industrial expansion or formal labour market regulation, SHGs demonstrate how decentralised governance structures can support employment stability and income security, consistent with the decent work framework promoted by the International Labour Organisation. These results suggest that inclusive development policies should strengthen collective institutions as a structural component of rural economic transformation.

7.0 Implications for Policy and Practice

The findings highlight the role of SHGs not only as microcredit delivery mechanisms but also as decentralised institutions that support ESG-oriented rural development. By reducing livelihood volatility, improving access to credit and markets, and enabling transitions to more stable income activities, SHGs contribute to inclusive local economic systems. Policy implications emerging from the analysis can be grouped into three areas: strengthening institutional governance, promoting sustainable livelihood systems, and integrating SHGs into broader inclusive growth and ESG policy frameworks.

7.1 Institutional Governance

Policy initiatives should prioritise strengthening the institutional quality of SHGs rather than focusing solely on expanding their numbers. Effective governance practices such as regular meetings, transparent accounting, leadership rotation, and peer accountability mechanisms play an important role in improving coordination and collective risk-sharing. Capacity-building programmes should therefore emphasise governance training, transparent record-keeping, and participatory decision-making.

In addition, connecting SHGs through federations and cluster-level networks can strengthen their institutional capacity. Such collective platforms improve access to markets, enable shared marketing infrastructure, and support enterprise scaling. Strengthening these linkages enhances local economic coordination and contributes to greater system-level resilience in rural economies.

7.2 Sustainable Livelihoods

Livelihood development initiatives should promote resource-efficient and locally adapted production systems. Encouraging low-input and diversified livelihood activities can improve environmental sustainability while reducing vulnerability to market and climate-related shocks.

Income diversification is also essential for maintaining employment stability. Programmes that support value-chain integration, market linkages, and skills development can help SHG members transition from irregular wage labour to more stable enterprise-based livelihood activities.

7.3 ESG Policy Integration

Given their alignment with ESG principles, SHGs can be integrated into broader inclusive growth and sustainability policy frameworks. Recognising grassroots collective institutions as decentralised ESG actors expands the policy focus beyond corporate compliance mechanisms and highlights the role of community-based governance in long-term economic transformation.

Integrating SHG federations into sustainability monitoring frameworks could also help track their contributions to ESG outcomes and progress toward Sustainable Development Goal 8. Establishing simple impact indicators would improve transparency while enabling governments and development agencies to monitor grassroots contributions to inclusive economic development.

Overall, these implications suggest that SHGs should be viewed not only as microfinance institutions but also as decentralised governance platforms supporting ESG-based rural development.

8.0 Conclusion

This study reconceptualises SHGs as decentralised institutional structures through which ESG principles operate within informal rural economies. Moving beyond the conventional microfinance perspective, the study develops a conceptual framework to examine how participatory governance within SHGs contributes to livelihood stability, transitions toward decent work, and broader economic resilience. By extending ESG discourse beyond corporate settings, the findings demonstrate how community-based

institutions embed governance practices, social accountability, and sustainability within everyday economic activities.

The analysis shows that collective practices such as participation, resource pooling, and shared decision-making help reduce income vulnerability, strengthen coping capacity, and support more stable employment pathways. From an economic perspective, SHGs function as decentralised institutional mechanisms that reduce livelihood volatility, expand access to credit and markets, and facilitate transitions from subsistence activities toward more stable income-generating livelihoods.

The study contributes theoretically by linking SHG governance with ESG discourse while integrating livelihood stability and decent work into broader sustainability debates. Economic resilience is conceptualised as an outcome of decentralised governance practices, highlighting the role of collective institutions in supporting livelihood transitions in rural economies. From a policy perspective, the findings underscore the importance of strengthening local institutional ecosystems, promoting participatory governance, and building linkages between community organisations, markets, and public institutions.

The study applies analytical generalisation based on qualitative evidence from selected SHGs in Odisha. Future research may examine the long-term effects of institutional density on resilience outcomes, test the proposed framework across different regional contexts, and explore quantitative approaches to analyse livelihood stabilisation dynamics. Overall, the study positions SHGs as decentralised governance platforms capable of operationalising inclusive growth and contributing to resilient rural transformation aligned with Sustainable Development Goal 8.

Declarations

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9.2 Author Contributions:

Author 1 contributed to conceptualisation, investigation, methodology, and writing – original draft preparation. Author 2 contributed to investigation, data collection, and resources. Author 3 contributed to investigation, resources, and writing – review and editing. Author 4 contributed to supervision, methodological guidance, and writing – review and editing. All authors have read and approved the final version of the manuscript and agree to its submission for publication.

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9.4 Institutional Review Board Statement:

Not Applicable

9.5 Informed Consent Statement:

Not Applicable

9.6 Data Availability Statement:

The analysed data supporting the findings of this study are provided in the manuscript and can also be obtained from the corresponding author upon request.

9.7 Conflict of Interest:

The authors declare that they have no known competing financial interests or personal relationships that could have influenced the work reported in this paper. All authors are responsible for the content and interpretation presented in this study.

9.8 Clinical Trial Number:

Not Applicable

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Figures

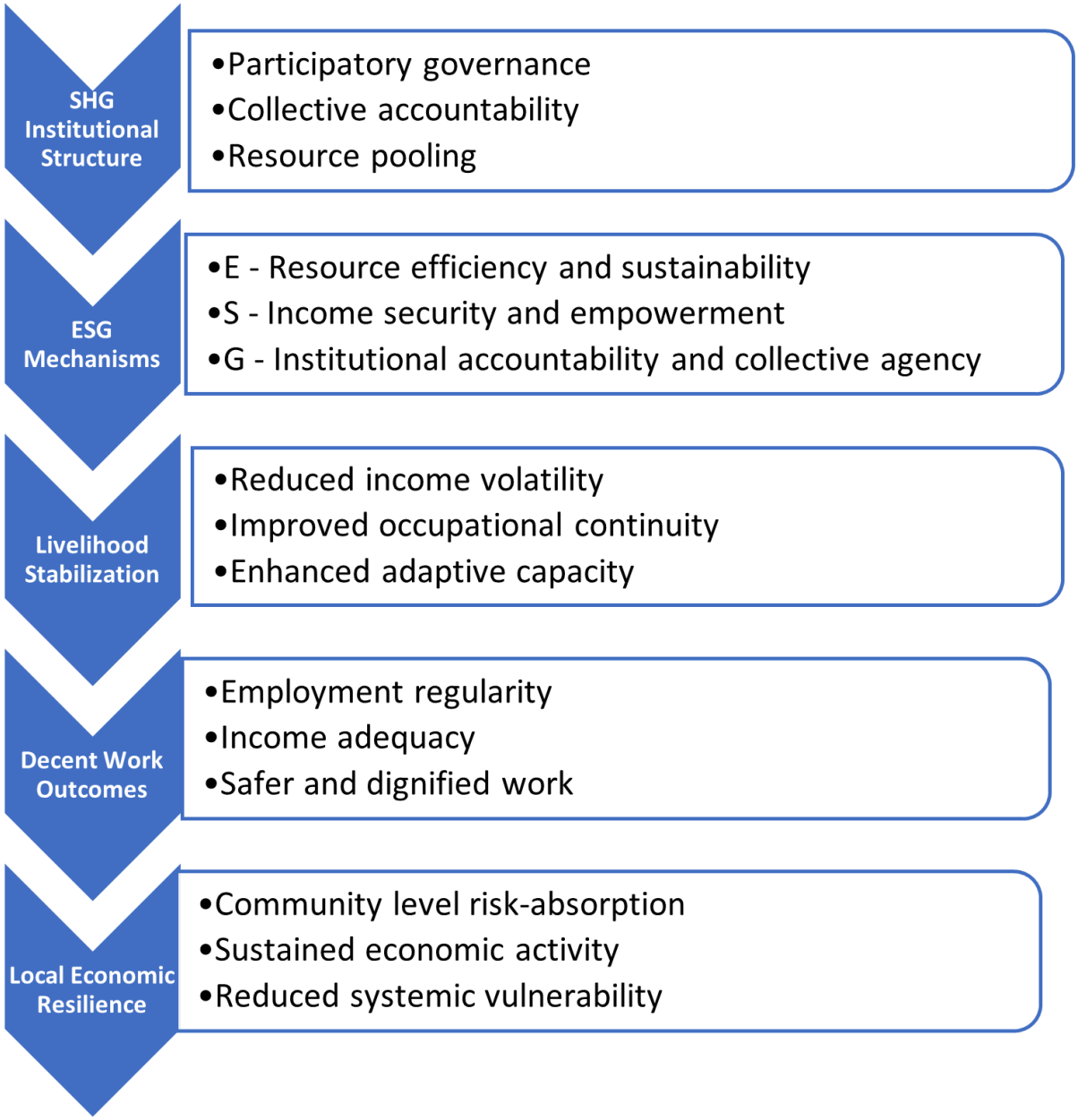


Figure 1

SHG–ESG framework linking institutional mechanisms to livelihood stabilization and decent work

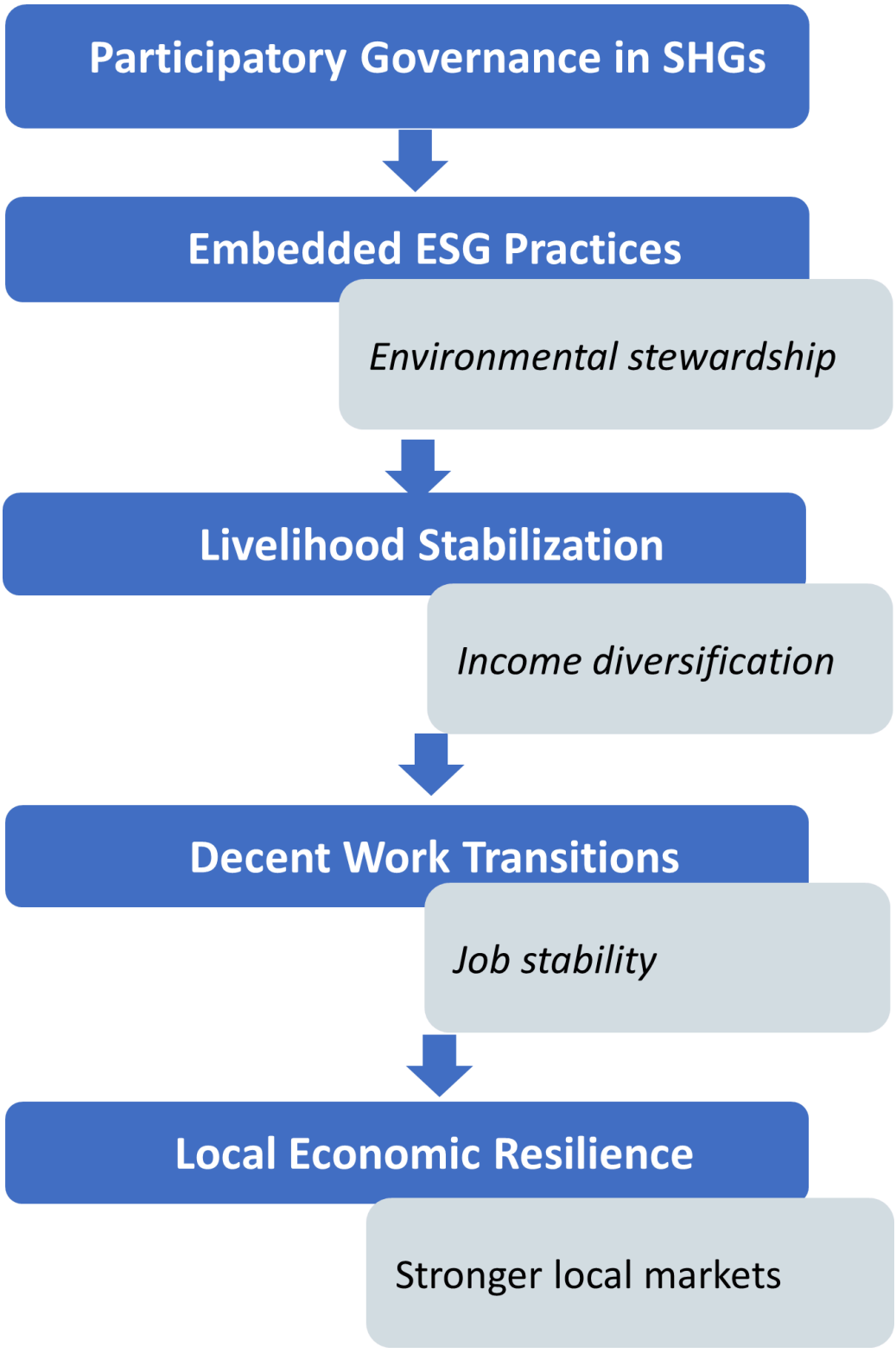


Figure 2

Institutional pathway linking SHG participatory governance, ESG practices, and rural economic resilience.