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Exploring the Synergetic Role of Group Cohesion and Group Efficiency in the Development of Women's Self-Help Groups

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Abstract: Women's Self-Help Groups (SHGs) are a powerful tool for financial inclusion and social empowerment in developing countries. However, not all groups grow at the same pace. Some thrive while others struggle. This study examines how group cohesion and group efficiency interact to influence the development of SHGs in the microfinance sector. It also looks at the role of loan size as a moderator and group efficiency as a mediator in this relationship. Data from 200 SHGs were analyzed using structural equation modeling in SmartPLS 4.0. The results show that cohesion and efficiency together strengthen group development. Collaborative decision-making, mutual support, and participatory culture improve communication, confidence, and help members achieve literacy and income goals. Larger loan sizes further enhance efficiency and strengthen these benefits. The study offers practical insights for policymakers and practitioners, highlighting that targeted interventions to build cohesion and efficiency can make SHGs more sustainable.

Index Terms - Group cohesion, group efficiency, group development, loan size, self-help groups

I. INTRODUCTION

Self-help group development is a critical aspect of microfinance initiatives, as it enables groups to effectively manage resources, make collective decisions, and achieve shared goals. Self-help groups are becoming an increasingly important tool for socioeconomic development, especially in underserved and rural areas. These volunteer groups, primarily made up of women, have had remarkable outcomes in empowering individuals, encouraging financial inclusion, and building communities. The microfinance concept has seen a significant increase as a means of providing loans in the nation for bottom-of-the-pyramid households. Microfinance is described as providing cost-effective credit services to the needy. Its target market is low-income households that are excluded from access to basic financial services (Nagayya & Appa Rao, 2016). The self-help group bank linkage program was a cost-effective way to reach low-income households and offer them financial services. NABARD conducted an action research project by linking 500 SHGs through a pilot study. It was the starting point of a self-help group in India. Unregistered group members who engage primarily in credit and savings activities are referred to as self-help group members. There are often 10 to 20 people in the group. Members regularly save money and lend it to other group members as needed (Nair, 2005). On 31st January 2023, an economic survey was presented by the Union Finance Minister in parliament, which made a special mention of women-led self-help groups. 12 million self-help groups were working in the country. The program covers 142 million families with Rs.47240 crore saving deposits. In the last ten years, the number of self-help group credits has grown at 10.8 percent CAGR. The government set the target of Rs 1lakh income for each self-help group by 2024 (Mahapatra, 2023).

Despite significant characteristics identified in previous research, most studies have focused on how cohesiveness and efficiency affect group development separately. However, a thorough comprehension of their combined impact and the moderating influence of loan size is still unidentified. This study addresses this knowledge gap by exploring the effects of group cohesiveness and group efficiency on women's self-help group development, with an emphasis on the mediating role of group efficiency and the moderating effect of loan amount.

II. Literature Analyses

The interdependence between efficiency and group cohesion is what makes collaborative efforts effective. This study looks into the reciprocal ties between cohesiveness, efficiency, and group developmental outcomes to see how these two pillars assist group development. Relevant literature was systematically reviewed, and important variables were identified. The accompanying table lists these items extracted from the literature to lay the foundations of relationship analysis and conceptual model construction.

Table 2.1: Construct Derived from The Literature

Construct	Variable	Literature Studied
Group Cohesion	Members cooperate & support	(Kumar et al., 2018), (Patil et al., 2020), (Rana & Bhardwaj, 2020),
	Participatory Culture	
	Shared Decision Making	
Group Efficiency	Adequate Workspace	(Jose & Chacko, 2017), (Kumar et al., 2018), (Nayak et al., 2020), (Das & Guha, 2019), (Halder et al., 2020), (D. S. Kumar, 2023)
	Easy Sell	
	Increasing Profitability	
Group Development	Effective Decision Making	(Rao & Rao, 2013), (Lavoori & Paramanik, 2014), (Mohapatra & Sahoo, 2016), (Goel & Madan, 2019), (Bansal & Singh, 2020), (Khan et al., 2023)
	Enhance communication	
	Improved Literacy	
	Rising Earnings	
Group Loan Size		(Duasa & Zainal, 2020), (Nayak et al., 2020), (Das & Guha, 2019),

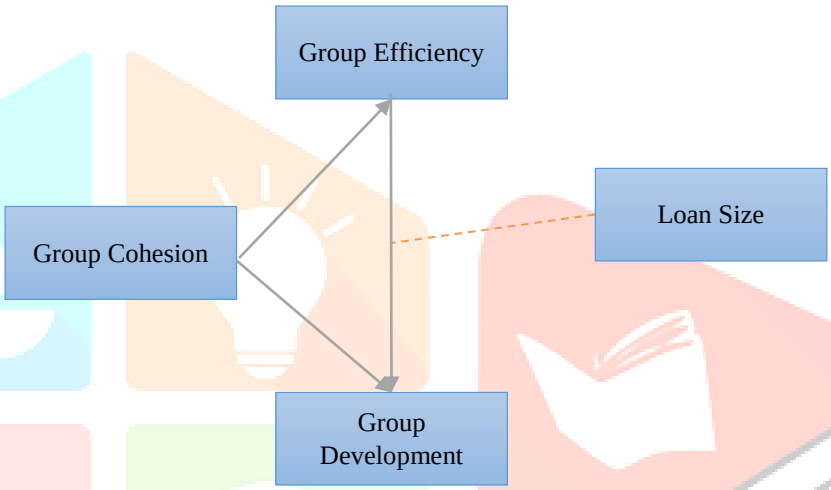
Source: Literature Review

The complex interactions between group cohesion, efficiency, loan size, and group development are highlighted in this literature overview. Fostering successful groups requires an understanding of these variables. Group cohesion is crucial in multiple areas, including business studies and organizational behavior. According to studies, financial literacy, loan frequency, and a sense of belonging are crucial elements of group cohesion (Rao & Rao, 2013). Furthermore, group cohesion is impacted by women's decision-making skills, yearly income, and loan size and amount (Lavoori & Paramanik, 2014). Group cohesion is also influenced by economic activity, age, savings, quantity borrowed, and frequency of borrowing (Das & Guha, 2019). Group efficiency is required for achieving group objectives. Studies emphasize the significance of variety within the group, group process and structure, and group efficacy (R. Kumar et al., 2018). For a group to function well, members must possess the following knowledge: self-reliance, financial performance, leadership, cooperation, cohesiveness, openness, attendance, and decision-making abilities (Kumar et al., 2018). Government programs, financial knowledge, and financial inclusion all improve group efficiency (Goel & Madan, 2019). Group efficiency is influenced by market connections, brand growth, appropriate loan activity plans, and simplified financing (Nayak et al., 2019). The dynamics of a group are significantly moderated by loan size. According to research, group cohesion is impacted by the size and number of loans (Lavoori & Paramanik, 2014). Group outcomes are also influenced by program duration, microcredit loan size, and per capita income (Duasa & Zainal, 2020). Cohesion and efficiency have a synergistic effect that is essential for collective success. Research shows that efficiency and cohesiveness within the group work together to improve performance (Barrick et al., 1998). To achieve synergistic effects, it is essential to possess competence in entrepreneurship, confidence, decision-making, social capital, financial independence, and economic independence (Bansal & Singh, 2020). Synergistic effects are also influenced by worker numbers, manufacturing activity, member education levels, and working conditions (D. S. Kumar, 2023). According to Khan et al. (2023), political, social, psychological, and economic empowerment further enhances the synergistic effects of cohesion and efficiency.

III. RESEARCH METHODOLOGY

Research methodology is a structured and scientific approach to research that includes instrumentation, procedure, sampling strategy, data gathering methods, data analysis methodologies, and study design. It seeks to assure objectivity, rigor, validity, dependability, and generalizability by minimizing bias and errors. Purposive sampling was used in this study to identify the self-help groups in Navsari, Gujarat, that were the most active and functioning. Based on their outstanding leadership, involvement in the community, and overall performance, 200 SHGs were selected, allowing for a detailed examination of the traits and dynamics of successful SHGs. A structured questionnaire was distributed to the leaders of 200 self-help groups to gather primary data. This primary technique of data collecting reduced biases, ensured firsthand information, and guaranteed data correctness and reliability. As a result, the data provided insightful information about the dynamics and development of SHGs in the area. Structural equation modeling was used to analyze the data gathered and to investigate the connections between group development, group cohesion, and group efficiency. The study used a quantitative approach to evaluate the goodness-of-fit, path coefficients, r-squared values, and validity and reliability of the measurement model as well as the structural model, using SmartPLS 4.0 software. This allowed for a thorough understanding of the interactions between these crucial constructs.

Figure 3.1: Proposed Research Model



Source: Proposed Research Model

The presented framework demonstrates the relationship between group cohesion, group efficiency, and group development (Figure 1). The model suggests that group cohesiveness and group efficiency have a direct impact on group development. This model reflects the mediating function of group efficiency between group cohesiveness and group development, providing a sophisticated understanding of SHG dynamics. According to the model's moderating effect of loan size, there is a relationship between group cohesiveness, group efficiency, and group development that is impacted by loan size.

IV. RESULTS & DISCUSSION

The statistical analyses carried out to investigate the connections between group cohesion, group development, group efficiency, and group loan size are presented in this part. Descriptive statistics were used to first assess the characteristics of the sample, followed by confirmatory factor analysis, which was used to validate the measurement model.

Table 4.1: Profile of Sampled Women's Self-help Groups

		Frequency	Percent
Age	20-29	16	8
	30-39	81	40.5
	40-49	76	38
	50-59	23	11.5
	60-69	4	2
	Total	200	100
Education	Below 10	24	12
	10	45	22.5
	12	85	42.5
	Graduate	32	16

	Postgraduate	14	7
	Total	200	100
Taluko	Chikhli	28	14
	Gandevi	48	24
	Jalalpore	15	7.5
	Khergam	19	9.5
	Navsari	33	16.5
	Vansda	57	28.5
	Total	200	100

Source: Author's calculation

The majority of people (40.5%) are between the ages of 30 and 39, while the second-largest group (38%) is between the ages of 40 and 49. This indicates that the age distribution of the population is concentrated in the middle-aged range. Eleven percent are between the ages of 50 and 59, while just eight percent are younger, between the ages of 20 and 29. The age group of 60-69 years represents a modest percentage (2%) of the total. With fewer younger and older people, this age profile is generally strongly biassed towards people in the middle-aged (30–49 years). The 12th grade is the most common level of education, with 42.5% of the 200 people who took the survey having completed it. Twenty-two percent have only completed the tenth grade, and sixteen percent have earned a bachelor's degree. Postgraduates make up a lesser percentage (7%) and 12% did not finish high school. According to this distribution, fewer people are pursuing higher education levels, with the majority having at least a higher secondary diploma. With 28.5% of the total population, Vansda has the largest representation among the talukas, followed by Gandevi with 24%. At 16.5%, 14%, and 9.5%, respectively, Navsari, Chikhli, and Khergam have moderate presence. At a mere 7.5% of the total, Jalalpore has the smallest group. This suggests that Vansda and Gandevi have a higher concentration of people in this category than other talukas.

Table 4.2: Construct Reliability and Convergent Validity

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Construct (Reflective)	Items	Outer Loadings	VIF	α	CR	AVE
Group Cohesion	Members cooperate & support	0.814	1.722	0.790	0.877	0.703
	Participatory Culture	0.838	1.519			
	Shared Decision Making	0.862	1.935			
Group Efficiency	Adequate Workspace	0.807	1.545	0.757	0.860	0.672
	Easy Sell	0.824	1.550			
	Increasing Profitability	0.828	1.481			
Group Development	Effective Decision Making	0.782	1.641	0.786	0.861	0.608
	Enhance communication	0.781	1.593			
	Improved Literacy	0.747	1.511			
	Rising Earnings	0.808	1.515			

Source: SmartPLS Output

This table provides the outcomes of a confirmatory factor analysis examining the reliability and validity of a measurement model. Three latent constructs of the model include group cohesion (members cooperate and support, participatory culture, shared decision-making), group efficiency (adequate workspace, easy sell, increasing profitability), and group development (effective decision-making, enhanced communication, improved literacy, rising earnings). The findings demonstrate low multicollinearity (VIF < 5), acceptable reliability (α = 0.757-0.790, CR = 0.860-0.877), adequate convergent validity (AVE = 0.608-0.703), and considerable outer loadings (0.747-0.862). These results point to a measuring model that fits the data well, confirming the validity and reliability of the constructs and offering a strong framework for further research.

Table 4.3: Cross Loadings

Items	Group Cohesion	Group Development	Group Efficiency
Members cooperate & support	0.814	0.415	0.409
Participatory Culture	0.838	0.549	0.497

Shared Decision Making	0.862	0.445	0.447
Effective Decision Making	0.460	0.782	0.421
Enhance communication	0.423	0.781	0.467
Improved Literacy	0.412	0.747	0.399
Rising Earnings	0.467	0.808	0.635
Adequate Workspace	0.393	0.484	0.807
Easy Sell	0.436	0.520	0.824
Increasing Profitability	0.495	0.542	0.828

Source: SmartPLS Output

Group cohesion, group development, and group efficiency are the three latent constructs for which the factor loadings of ten items are displayed in this table. The range of factor loadings, which show how strongly each item and its corresponding construct are related, is 0 to 1. Strong loadings within their construct (0.814-0.862) are observed for items linked to group cohesion (members cooperate & support, participatory culture, shared decision-making), suggesting a coherent group identity. Strong loadings within their construct (0.782-0.808) are seen for the group development items (effective decision-making, improved communication, improved literacy, and rising earnings), underscoring their significance for group development. Strong loadings inside their construct (0.807-0.828) highlight the importance of group efficiency elements (adequate workspace, easy sell, increasing profitability) in maximizing group performance.

Table 4.4: Fornell-Larcker Criterion

	Group Cohesion	Group Development	Group Efficiency
Group Cohesion	0.839		
Group Development	0.567	0.780	
Group Efficiency	0.542	0.630	0.820

Source: SmartPLS Output

By comparing each construct's square root of the Average Variance Extracted to its correlations with other constructs, the Fornell-Larcker Criterion table assesses the measurement model's discriminant validity. Based on the AVE square roots (0.839, 0.780, and 0.820) of the group cohesion, development, and efficiency, the results show that the groups have appropriate discriminant validity. This shows that these constructs are distinct.

Table 4.5: Heterotrait-Monotrait Criteria

	Group Cohesion	Group Developmen t	Group Efficiency
Group Cohesion			
Group Development	0.707		
Group Efficiency	0.690	0.797	

Source: SmartPLS Output

The Heterotrait-Monotrait (HTMT) ratio table analyses the discriminant validity of the measurement model by comparing the correlations across constructs to the correlations between indicators within the same construct. A value of less than 0.85 denotes sufficient discriminant validity. The outcomes demonstrate that the discriminant validity of group cohesion, group development, and group efficiency (HTMT ratios: 0.707, 0.690, and 0.797) is satisfactory. The measurement model's discriminant validity is strengthened by the HTMT ratios, which indicate that every construct accounts for distinct facets of group dynamics.

Table 4.6: Hypotheses Testing

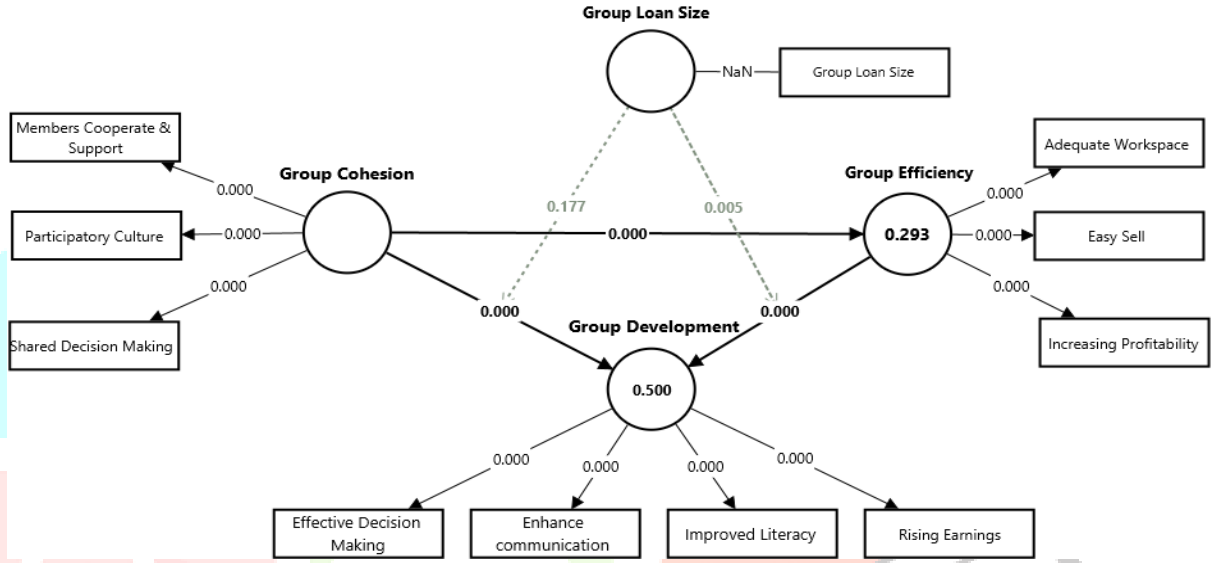
Hypothesis	Relationship	β	T statistics	P values	Decision
H_1	Group Cohesion -> Group Development	0.066	5.059	0.000	Supported
H_2	Group Cohesion -> Group Efficiency	0.049	11.114	0.000	Supported
H_3	Group Efficiency -> Group Development	0.060	7.614	0.000	Supported
H_4	Group Loan Size -> Group Development	0.049	2.038	0.042	Supported
H_5	Group Loan Size x Group Cohesion -> Group Development	0.073	1.350	0.177	Not Supported

H_6	Group Loan Size x Group Efficiency -> Group Development	0.070	2.801	0.005	Supported

Source: SmartPLS Output

The results of the hypothesis testing offer convincing evidence in support of the suggested connections between the constructs. Significant beta, t-statistics, and p-values are displayed in the table, which shows that group Efficiency (β = 0.049, p < 0.001) and Group Development (β = 0.066, p < 0.001) are positively impacted by group cohesion. Group Efficiency significantly impacts Group Development (β = 0.060, p < 0.001). Group Loan Size positively impacts Group Development in a substantial but lesser way (β = 0.049, p = 0.042). Group Development is not substantially impacted by the interaction between Group Loan Size and Group Cohesion (p = 0.177). Group Development, however, is affected by the interaction between Group Loan Size and Group Efficiency (β = 0.070, p = 0.005). These results validate the hypotheses, demonstrating that Cohesive groups promote growth and effectiveness. Development is fuelled by effective groupings. Greater loans only marginally advance development. Development is positively impacted by the combined effect of loan amount and efficiency. Strong results are indicated by the low p-values (< 0.05) and significant t-statistics (|O/STDEV| > 1.96).

Figure 4.1: Structural Model



Source: SmartPLS Output

The structural model produces important findings that offer strong support for the proposed connections between the various constructs. The path coefficients show that group cohesion has strong beneficial benefits on both group efficiency and group development group development has a significant relationship with both group loan size and group efficiency. Group efficiency has a positive impact on group loan size. These studies suggest that cohesive groups encourage development and efficiency. Developed groups are more efficient and receive larger loans. More loans are accessible to efficient groups.

The r-squared values show that the variable group cohesion, group efficiency, and group loan size explain 50% of the variance in group development. The significant results give essential insights for policymakers, practitioners, and researchers, informing methods to promote group dynamics, productivity, and financial inclusion.

V. Research Implications

Understanding group dynamics will be greatly impacted by this approach, especially when it comes to social groups, microfinance, and cooperative groups. It argues that the focus should be on enhancing group cohesion through participatory practices and shared decision-making for groups to function more effectively and better their outcomes (e.g., profitability, skill development). Even if it is advantageous, group loan size is less important for development unless the group has already established a strong base for cohesiveness and growth. These results suggest that when it comes to policy or intervention, external interventions that try to enhance group outcomes should prioritize creating internal group structures (cohesion and development) before providing funding. Programs that encourage group support structures and participatory decision-making are likely to show improvements in efficiency and group performance.

VI. Conclusion

The findings of the study prove the value of group dynamics in fostering development, efficacy, and financial inclusion. The measuring model demonstrated adequate validity and reliability, even though the structural model identified significant connections between components. Group cohesion in particular was discovered to be a crucial component of the group's development and efficacy, underscoring the importance of interpersonal relationships and collaborative environments. Group efficiency favors group development, highlighting the need for effective resource management and productivity-boosting strategies. The study's results also demonstrated the role that group loan size has in development, even though this role diminishes as group efficiency rises. This implies that policymakers and practitioners should prioritize group cohesion and efficiency above loan quantity

alone. Further study is required to completely comprehend the interaction effects between group loan size and efficiency and cohesion to maximize group development outcomes. For scholars, practitioners, and policymakers, the findings are highly significant for establishing social support networks and team-building exercises to foster group cohesiveness should be the main focus of interventions meant to enhance group dynamics and productivity, supporting strategies for increasing output and efficient use of resources, providing readily available financial services, including group loans, while accounting for the optimal loan amounts and fostering inclusive decision-making processes and collaborative environments. By addressing these concerns, stakeholders can create environments that support financial inclusion, efficiency, and group development. Future research should examine longitudinal research to examine the sustainable impacts of group development. The comparative analyses of different group dynamics models and interventions. Research on the effects of external factors on group formation, such as the status of the economy and governmental policies. Further, the noteworthy results offer major insights that influence evidence-based ways to improve group dynamics, productivity, and overall performance for policymakers, practitioners, and researchers.

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