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## Role of NRLM and NABARD in Promoting Self Help Groups in India

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### Abstract

Self Help Groups (SHGs) play a vital role in promoting rural livelihoods, financial inclusion, and women's empowerment in India. Supported by the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM) and the SHG–Bank Linkage Programme of NABARD, SHGs provide rural women households, with access to savings, credit, and income-generating opportunities. The SHG model has achieved wide outreach and strong financial performance. This study examines the growth and functioning of SHGs in India, focusing on the collaborative role of NRLM and NABARD. Based on secondary data from government reports, NABARD publications, and existing studies, the paper analyses the economic and social impact of SHGs on women and participation in community life.

**Keywords:** SHGs, Financial Inclusion, Collaboration, NABARD-NRLM, Rural Women.

### Introduction

Self Help Groups (SHGs) in India are small, voluntary groups of usually 10–20 people who come together to improve their economic and social conditions through savings, credit, and mutual support. They are a key pillar of programmes like NABARD's SHG–Bank Linkage and the National Rural Livelihoods Mission (NRLM) which promotes SHGs as the main vehicle for rural poverty reduction and women's empowerment. SHGs were formed because many rural poor, particularly women, had no access to formal banks and depended on moneylenders who charged very high interest and kept them in chronic debt. They were also created to provide a collective platform where people could regularly save small amounts, obtain collateral free loans, learn basic financial skills, and support each other in starting small income generating activities. SHGs play an important role in financial inclusion by linking poor households with banks, providing affordable credit, and encouraging regular savings, which strengthens economic security in rural areas

They are equally important for women's empowerment and social change, as participation in SHGs increases women's income, confidence, leadership, and voice in household and community decisions, helping to challenge traditional gender norms.

- **NABARD:** The National Bank for Agriculture and Rural Development (NABARD) is India's apex development financial institution for agriculture and rural development. It provides refinancing and support to banks and other institutions so they can lend to farmers, rural enterprises, and community-based groups such as SHGs. NABARD designs and promotes the SHG–Bank Linkage Programme, supports the formation and nurturing of SHGs, builds their financial literacy, and works with banks to improve credit flow to these groups.
- **NRLM:** The National Rural Livelihoods Mission (NRLM), also known as Deendayal Antyodaya Yojana – NRLM (DAY-NRLM), is a flagship Government of India programme under the Ministry of Rural Development. Its core objective is to reduce rural poverty by organizing poor households, especially women, into SHGs and higher-level federations and enabling them to access financial services, skills, and livelihood opportunities. NRLM focuses on building strong institutions for the poor, providing them with capacity-building, livelihood support, and linkages to markets and social services so they can achieve sustainable increases in income.

**NABARD and NRLM collaboration- NABARD and NRLM collaborate because both work with the same target group, mainly rural women SHGs, but from complementary angles: NABARD as a financial and capacity-building institution, and NRLM as a large-scale poverty-reduction and institution-building mission. Their collaboration aims to:**

- Harmonise SHG norms and processes so that groups supported by NRLM can smoothly access bank credit under NABARD-supported linkage models.
- Strengthen capacity building, skilling, and entrepreneurship training for mature women SHGs, so they can scale up into producer groups or producer companies.
- Deepen financial inclusion by improving SHG–bank linkage, promoting digital transactions, and using SHG members as business correspondents in rural areas.
- Support marketing, value addition, and climate-resilient livelihood activities so that SHG members can earn stable and sustainable incomes.

#### **Objective of the Study**

- The main objective is to examine how SHGs promoted under NRLM and supported by NABARD help rural women households, to reduce poverty, access credit, and improve their livelihoods.
- The research paper will also analyze their growth, and contribution to women's income as well as their wider impact on social status and rural development.

#### **Research Gap**

Very few secondary studies are available on the combined impact of NRLM and NABARD on the functioning of SHGs. There is limited research on how this combined support affects women's income, credit access, and social empowerment. Moreover, gaps exist in understanding the role of SHGs in rural development using recent government reports and secondary data. This study aims to fill these gaps by providing a comprehensive analysis based on available secondary sources.

### Facts of the Collaboration

**The Deendayal Antyodaya Yojana:** National Rural Livelihoods Mission (DAY-NRLM) is the Government of India's flagship programme to organize rural poor into SHGs and federations, aiming to cover around 7 crore rural poor households across the country. It focuses on building strong community institutions, enhancing skills, and providing SHG members with access to credit, markets, and livelihoods.

NABARD has been the pioneer of the SHG–Bank Linkage Programme since the early 1990s and continues to support SHGs through refinancing, capacity building, and promotional grants. Recent MoUs between NABARD and the Ministry of Rural Development under DAY-NRLM aim to harmonize NABARD's role as an enabler with NRLM's poverty reduction mandate, especially for women SHGs.

The collaboration between DAY-NRLM and NABARD has been formalized through a three year MoU signed in February 2024 to “support rural SHG women” and promote women led development in rural areas. Under this MoU, NRLM mobilizes poor households into SHGs and federations and coordinates State Rural Livelihood Missions. At the same time, NABARD designs suitable credit products, interest subvention mechanisms, and operational guidelines for banks to lend to SHGs at concessional rates, in line with the RBI's 7% interest framework for women SHGs in priority districts. The MoU also provides for the graduation of SHG clusters into producer organizations in the farm and non-farm sectors, the deployment of SHG women as Business Correspondents (BC Sakhis) through a not-for-profit BC company, and pilots for digital transactions at the SHG and federation levels to improve transparency and turnaround time. Let us understand more facts related to collaboration.

- National Rural Livelihoods Mission (DAY-NRLM) is the Government of India's flagship programme to organise rural poor into SHGs and federations, with a mandate to cover about 7 crore rural poor households across 600 districts, 6,000 blocks, 2.5 lakh gram panchayats and 6 lakh villages.
- As of 2025, DAY-NRLM has already mobilised around 10.05 crore rural women into more than 90.90 lakh SHGs across 7,145 blocks in 745 districts, demonstrating that the mission has exceeded its initial coverage targets. It focuses on building strong community institutions, enhancing skills, and providing SHG members with access to credit, markets, and diversified livelihoods through community resource persons such as Krishi Sakhis, Bank Sakhis and Bima Sakhis<sup>1</sup>.
- NABARD pioneered the SHG–Bank Linkage Programme in 1989 and continues to anchor it by providing refinance to banks, issuing policy guidelines, and supporting NGOs and government agencies in promoting SHGs. As per recent microfinance reviews, SHG–Bank Linkage now covers over 16 crore rural households, with more than 1.3 crore SHGs savings-linked to the banking system and SHG loans outstanding of about ₹4.09 lakh crore as on 31 March 2024, indicating the scale of formal credit accessed through this model. NABARD regularly publishes “Highlights of SHG–Bank Linkage Programme” and works with commercial banks, RRBs, and cooperatives to expand credit outreach to SHGs..

- Joint initiatives under this partnership include capacity-building, skilling and entrepreneurship training for “LakhpatiDidis”, marketing support for SHG products through physical outlets and e-commerce platforms, and convergence of NRLM with NABARD schemes such as Wadi and watershed development to promote climate-resilient agriculture for women SHGs. These interventions strengthen financial inclusion by deepening SHG–bank linkages, reducing borrowing costs through subsidised interest and refinance, and helping SHGs move from micro-credit groups to sustainable micro-enterprises and producer collectives that can compete in wider markets.

### **Growth of SHGs in India under NRLM and NABARD**

The SHG movement has expanded rapidly over the last three decades, from a few pilot groups in the late 1980s to millions of SHGs spread across almost every district of India. Under the SHG–Bank Linkage Programme, millions of groups now maintain savings accounts and outstanding loans with the banking system.

- The SHG movement has seen remarkable expansion over the last three decades, growing from a few hundred experimental groups in the early 1990s to one of the largest community-based financial networks in the world. Studies note that what began as an action research project to link about 500 groups with banks has evolved into a nationwide programme covering nearly all districts, blocks and gram panchayats.
- Under the SHG–Bank Linkage Programme, SHGs now collectively reach close to 100 million rural households, and the model is widely recognised as a cornerstone of India’s financial inclusion strategy.
- Recent government data indicate that, as of mid-2025, around 10 crore women are members of roughly 91 lakh SHGs across the country, with the overwhelming majority of groups being all-women collectives. Over time, cumulative bank loans to SHGs have reached several lakh crore rupees.
- Between 2013–14 and the early 2020s alone, SHGs leveraged bank credit of roughly 41 billion US dollars, reflecting the scale at which they now interact with the formal financial system. NRLM’s mandate is to achieve universal coverage of poor rural households through SHGs and their federations. At the same time, NABARD’s microfinance and refinance programmes ensure that these community institutions have continuing access to savings services, working-capital loans and livelihood-promotion support.
- In organisational terms, the SHG system follows a multi-tier structure that allows small groups to aggregate into larger, more powerful institutions. At the base are primary SHGs, usually consisting of 10–20 members from similar socio-economic backgrounds, who meet regularly, save, and provide internal loans. Several SHGs in a village come together to form a village organisation or cluster-level association, which in turn federates at higher levels, such as block- and district-level federations, creating a three-tier or four-tier architecture that can engage with banks, markets and government agencies on behalf of thousands of women.

- These federations play a crucial role in strengthening the sustainability and bargaining power of SHGs. They provide services like training and hand-holding, bookkeeping support, monitoring of group quality, negotiation with banks for bulk credit limits, collective procurement of inputs, and joint marketing or branding of SHG products. Many federations also manage community funds, oversee insurance and pension enrolment, and act as platforms for addressing social issues, thereby reducing administrative burdens on individual SHGs and enabling economies of scale.
- Under NRLM, this multi-tier structure is supported by a cadre-based approach that draws trained community professionals from experienced SHG members. These include bookkeepers, community resource persons, bank-mitras or bank sakhis who help with documentation and liaison with banks, and thematic cadres such as krishisakhis, pashusakhis, and poshansakhis working on agriculture, livestock and nutrition. By relying on community cadres rather than solely on external staff, NRLM and NABARD ensure that knowledge and leadership remain embedded within the SHG system, promoting ownership, cost-effectiveness, and long-term institutional sustainability.
- Membership in SHGs significantly improves women's access to credit, enabling them to invest in activities such as dairy farming, petty trade, tailoring, food processing, and small-scale agriculture. Studies show that many women report an increase in annual income after joining SHGs, with a sizable share starting new income-generating activities.
- Regular savings and internal lending help women reduce their dependence on moneylenders and use loans productively for micro-businesses, asset purchases, or working capital.
- SHGs have emerged as powerful platforms for changing how women are seen and how they see themselves, going far beyond economic benefits. Studies from different parts of India show that SHG membership improves women's confidence, self-esteem, and recognition as contributors to family and community life.
- Surveys comparing SHG and non-SHG women report significantly higher involvement of members in decisions on household expenditure, children's schooling, health-care, and asset purchase. In agriculture and livelihood activities as well, SHG women gain greater control over income use, crop or enterprise choices, and credit decisions, reflecting a shift from passive beneficiaries to active planners. Longer duration in SHGs is associated with a stronger voice, with members who have been in groups for many years showing the highest levels of autonomy and bargaining power.
- Membership in SHGs encourages women to step into public spaces, such as gram sabhas, village meetings, and local committees, where they were previously rarely present. Evidence from several studies shows that SHG women are more likely to attend gram sabhas, question officials on schemes, and even contest panchayat elections, with many emerging as ward members, sarpanches or influential community leaders. Collective campaigns led by SHGs on issues like liquor prohibition, dowry,

domestic violence, and sanitation have also increased their legitimacy as public decision-makers.

- Working in groups helps women form friendships and networks that cross caste and community lines, reducing social isolation. Regular meetings, joint savings and group enterprises create shared identities as “SHG women”, which can dilute rigid hierarchies and promote mutual support among different social groups. In many villages, SHGs have become platforms to challenge practices that restrict women’s mobility or voice, such as purdah and norms against travelling alone, thereby expanding their freedom to move, learn, and participate in public life.

### Findings and Analysis of the Study

The SHG movement, supported by NRLM and NABARD, has achieved significant progress but also faces clear gaps that require policy attention. This section can critically examine outreach, financial performance, institutional arrangements, and on-ground challenges, and then suggest directions for further strengthening the model.

- **Achievements:** Under DAY-NRLM, more than 10 crore rural women have been mobilised into nearly 91 lakh SHGs across almost all states and union territories, indicating unprecedented outreach to poor households. SHG–bank linkage has resulted in large volumes of collateral-free credit to women’s groups, with very high repayment rates (often above 95–98 per cent), which signals strong savings discipline, peer pressure, and responsible credit use. Beyond numbers, studies and official reviews show visible improvements in women’s income, asset creation, and resilience to shocks, as SHGs use loans for dairy, petty trade, agriculture, food processing and other micro-enterprises. Participation in groups has also enhanced women’s confidence, mobility, and bargaining power within households and communities, linking financial inclusion directly with social empowerment.
- **Institutional Support and Ecosystem:** A key strength of the SHG model under NRLM and NABARD is the dense ecosystem of supporting institutions. Ministries, State Rural Livelihood Missions, banks, NABARD, NGOs and panchayats jointly provide training, credit, livelihood promotion, and market linkages, reducing the isolation that poor women typically face. Convergence with schemes such as skill-development programmes, Start-up Village Entrepreneurship initiatives, and rural self-employment training institutes helps SHG members move from casual work to more stable enterprises. NABARD’s role in designing refinance schemes, interest-subvention mechanisms, and bank guidelines complements NRLM’s focus on mobilisation and institution-building. Multi-tier federations and community cadres (bank sakhis, krishisakhis, pashusakhis, etc.) have emerged as important intermediaries, translating government schemes into local action and ensuring that SHGs can engage effectively with banks and markets.
- **Persisting Challenges:** Despite impressive outreach, the quality and sustainability of SHGs vary widely across and within states. Some groups meet irregularly, have weak record-keeping, or depend heavily on one or two leaders, making them vulnerable to conflict or mismanagement once external support reduces. In several areas, bank

linkage is delayed or hampered by documentation requirements, staff attitudes, or political interference, discouraging members and keeping them dependent on informal lenders. Market and enterprise related constraints are another major concern. Many SHGrun activities remain small, saturated, or poorly linked to value chains, leading to thin profit margins and high vulnerability to price fluctuations. Where multiple loans are taken from SHGs, microfinance institutions, and informal lenders without adequate assessment or financial literacy, there is a risk of over indebtedness and repayment stress, particularly when crops fail or local markets are weak.

**A future oriented analysis should emphasize the need to deepen, not just expand, the SHG movement. Strengthening SHG and federation governance through regular training, standardized bookkeeping systems, and social audits can improve transparency and internal democracy. Investing in financial literacy and responsible borrowing practices will help members understand interest costs, compare loan options, and avoid debt traps.**

### Conclusion

Self Help Groups (SHGs), supported by NRLM and NABARD, have grown from small savings collectives into one of the world's largest community based financial networks, reaching crores of rural women and integrating them into the formal banking system. Their evolution from informal thrift groups to structured, multi-tier institutions has made them central to India's strategies for financial inclusion, poverty reduction, and grassroots democracy in rural areas.

Backed by DAY-NRLM's nationwide mobilization and NABARD's SHG–Bank Linkage Programme, SHGs now provide poor households with access to credit, skills, and livelihood opportunities at an unprecedented scale, while maintaining high repayment rates and strong group discipline. At the same time, they have transformed women's lives by enhancing income, decision making power, mobility, and political participation, turning "beneficiaries" into local leaders and change agents in their villages.

Going forward, sustaining and deepening these gains will require continuous capacity-building of SHGs and their federations, stronger market linkages and value-chain integration, and supportive policies on interest subvention, digital finance, and social protection so that groups remain viable and inclusive. With a robust ecosystem of NRLM, NABARD, banks, panchayats, NGOs, and community cadres working together, SHGs are well placed to move from micro-credit platforms to dynamic, member-owned institutions that drive women-led, climate-resilient, and equitable rural development in India.

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