



SHGs in India

For Prelims: [Lakhpati Didi Initiative](#), [PM SVANidhi](#), [MGNREGA](#), [Panchayati Raj Institutions](#), [SDGs](#), [MUDRA](#), [Government e Marketplace](#), [SHG-Bank Linkage Programme](#), [National Bank for Agriculture and Rural Development](#), [Deendayal Antyodaya Yojana - National Rural Livelihoods Mission](#).

For Mains: Role of SHGs and Lakhpati Didi initiative in women empowerment, Significance and challenges associated with SHGs, Steps needed to improve the working of SHGs.

[Source: PIB](#)

Why in News?

The **Ministry of Rural Development (MoRD)** and the **Ministry of Skill Development & Entrepreneurship (MSDE)** signed an **MoU** to strengthen the [Lakhpati Didi initiative](#) by empowering rural women from [Self Help Groups \(SHGs\)](#).

- The MoU aims to create **3 crore Lakhpati Didis** and future **Millionaire Didis** by aligning **rural aspirations** with **institutional skills**, offering **customized training** in emerging sectors, and **formal certification**.

What is the Lakhpati Didi Initiative?

- **About Lakhpati Didi:** A Lakhpati Didi is an **SHG member** earning **Rs 1 lakh or more annually** through **sustainable livelihood activities**. It is an **outcome of [Deendayal Antyodaya Yojana - National Rural Livelihoods Mission \(DAY-NRLM\)](#)** under the **Ministry of Rural Development**, not a separate scheme.
 - **As of June 2024, 1 crore Lakhpati Didis** have been created. The **Interim Budget 2024-25** raised the target from **2 crore to 3 crore women**.
- **Key Objectives:** It aims to **empower rural women** through **sustainable income generation**, **promote diversified livelihoods** (agriculture, handicrafts, services, etc.), and transform **SHG women into role models of economic self-reliance**.
 - Income must be **sustained over at least four agricultural seasons or business cycles**, i.e., **Rs 10,000+ per month on average**.
- **Implementation Strategy:**
 - **Diversified Livelihoods:** Focus on **agriculture, allied sectors, services**, and **small enterprises** for **multiple income sources**.
 - **Digital Tools & Training:** **Community Resource Persons (CRPs)** use **digital tools** to guide **SHGs in livelihood planning** supported by **structured skilling programs** in **financial literacy, market access**, and **compliance**.
 - **4-Pillar Support System:**
 - **Assets:** tools, equipment, and infrastructure.
 - **Skills:** training and hands-on knowledge.

- **Finance:** easy **bank linkage** and access to government schemes.
- **Market Access:** **branding, packaging, e-commerce**, and marketing support.
- **Convergence & Partnerships:** Collaboration with **government schemes** (like **Skill India**, **PM SVANidhi**, **MGNREGA**) and the **private sector** ensures **technical, financial, and institutional support** to scale up efforts.

What are Key Facts About Self Help Groups (SHGs)?

- **About SHGs:** SHGs are informal collectives of **10-20 members**, primarily **women**, formed to tackle shared challenges and enhance their **economic well-being**.
 - **Kudumbashree** in Kerala, **Mahila Arthik Vikas Mahamandal** in Maharashtra, and **Looms of Ladakh** are a few examples of success stories from SHGs.
- **Evolution:** The **SHG concept** originated from the **Grameen Bank** in Bangladesh, founded in **1975** by **Prof. Muhammad Yunus**, offering **collateral-free microloans** based on **trust and social capital**, mainly benefiting **women**.
 - In **India**, SHGs emerged during the **7th Five Year Plan (1985-90)** as a **poverty eradication** strategy.
 - **MYRADA (Mysore Resettlement and Development Agency)** initiated **SHG-bank linkage** in the **mid-1980s**, and the **Government of India** launched **Swarnjayanti Gram Swarozgar Yojana (SGSY)** in **1999**, focusing on SHG formation.
- **Functioning of SHGs:**
 - **Creation and Meetings:** SHGs are formed within communities with support from **NGOs** or **government agencies**, and members meet **regularly** to discuss issues, manage **savings**, and handle **loans**.
 - **Savings and Financing:** Members **regularly pool savings** into a group fund, which is used for **internal lending** to support needs like **businesses, medical emergencies, or education**.
 - **Operational Planning:** Decisions on savings, loans, and activities are made **collectively**, with one member handling **record-keeping** of finances and meetings.
 - **Bank Linkage:** SHGs build **bank linkages** to access larger loans and services, supported by **government schemes**, while their **savings and repayment history** enhance **creditworthiness**.
 - **Training and Support:** SHGs receive **training** in **financial literacy, entrepreneurship, and other skills** from **NGOs, government agencies, or banks**.
- **SHGs in India:** As of **June 2025**, **10 crore women** are part of **91 lakh SHGs**. By **February 2023**, **8.9 million SHGs** had availed loans worth **Rs 2.54 lakh crore**, and in **2023-24 (till Feb 2024)**, loans worth **Rs 1.7 lakh crore** were disbursed.
 - As per the **Economic Survey 2022-23**, SHGs maintain a **loan repayment rate of over 96%**, highlighting their **credit discipline and reliability**.

DEVELOPMENTAL GROUPS IN INDIA

Self-Help Groups (SHGs)

- Self-governed peer-controlled information group of people with similar socio-economic backgrounds and interests
 - Members allowed: 5-20 | Registration not required
 - SHGs use savings amounts for giving loans to members
- NABARD's SHG-Bank Linkage Programme (1992)** - To connect SHGs with formal banking institutions
- ~88% of SHGs in India have all-women members
- Success Stories:**
 - Self-Employed Women's Association (SEWA) since 1972
 - Kudumbashree (1998) in Kerala

Cooperative Societies

- People-centred** enterprises, owned, controlled, and run by and for their members.
 - Capital raised through shared contributions from members.
- Regulating Acts:**
 - Multi-State Co-operative Societies Act, 2002
 - State Cooperative Societies Acts
- 97th Constitutional Amendment (2011):**
 - Right to form cooperatives - a fundamental right (Article 19(1)(c))
 - Article 43B (DPSP) - Promotion of Cooperatives
 - Part IX-B titled "The Co-operative Societies" (Articles 243-ZH to 243-ZT).
- Examples:** AMUL, IFFCO and PACS

Non-Governmental Organisations (NGOs)

- Pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development
- Registered as:**
 - Societies:** Societies Registration Act, 1860
 - Trusts:** Indian Trusts Act, 1882
 - Companies:** Section 8 Companies Act, 2013
- Constitutional Provisions:**
 - Article 19(1)(c)**
 - Article 43**
 - Concurrent List mentions** Charities and charitable institutions
- Prominent NGOs:**
 - NGO Pratham:** Pioneered the **ASER report** to assess the learning levels of children in rural India.
 - Akshaya Patra Foundation:** Provided nutritious mid-day meals to school children.

FCRA mandates registration for all NGOs intending to receive foreign donations.

NGO-DARPAN Platform - An interface between NGOs and Government Bodies.



Drishti IAS

Why Are SHGs Important for Community Development and Women's Empowerment?

- Women's Empowerment:** SHGs, predominantly **female-led**, promote **financial independence**, **decision-making**, and **leadership skills** among women.
 - SHGs boost **social status**, **confidence**, and **political participation**, with many members becoming **Sarpanch/Pradhan**, while acting as **pressure groups** to ensure **Gram Panchayat** accountability.
 - SHGs ensure **employment**, foster **economic independence**, and improve **bank access**, empowering women in **decision-making** and in tackling **dowry**, **domestic violence**, and **alcoholism**.
- Financial Inclusion:** SHGs help **marginalized communities**, especially **women**, access **formal banking services**, promote **savings**, and offer **small loans at reasonable interest rates**, reducing reliance on **moneylenders**.
- Social Upliftment & Poverty Alleviation:** SHGs raise **awareness** about **health**, **education**,

and **government schemes**, and address **social issues** like **child marriage**, **domestic violence**, and **sanitation**.

- Through **microloans**, they support **income-generating activities** like **small businesses** and **farming**, helping break the **cycle of poverty** by promoting **self-employment**.
- **Strengthening Rural Economy:** SHGs promote **local entrepreneurship** and **agriculture-based livelihoods**, enhance **market linkages** and **bargaining power**, and encourage **unity** and **collective action** for **community welfare** (e.g., roads, schools).
 - They also serve as platforms for **skill development** and **vocational training**.
- **Sustainable Development & Governance:** SHGs promote **eco-friendly practices** like **organic farming** and **waste management**, and support **SDGs** such as **No Poverty (SDG 1)**, **Gender Equality (SDG 5)**, and **Decent Work & Economic Growth (SDG 8)**.
 - **Government programs** like **NRLM** use SHGs for effective delivery of **subsidies** and **welfare benefits**, while **banks** offer loans to SHGs under **priority sector lending**.

What are the Major Challenges Faced by SHGs?

- **Financial Challenges:** **Limited access to credit** due to lack of **collateral** or proper **documentation** hinders many SHGs from securing bank loans.
 - Some face challenges like **high dependence on subsidies**, **irregular savings**, and **repayment issues**, leading to **fund shortages** and **loan defaults**.
- **Managerial & Operational Issues:** Many SHGs face challenges like **lack of professional management** (poor **accounting**, **record-keeping**, and **governance**), **inefficient leadership** causing conflicts and **fund mismanagement**, and **overdependence on a few members**, limiting overall **effectiveness**.
- **Social & Cultural Barriers:** **Gender inequality** in some regions limits **women's participation** in SHGs due to **male dominance** while **caste and class divisions** create **internal conflicts**, reducing group **cohesion**.
 - A **lack of awareness** about **rights**, **government schemes**, and **financial literacy** hampers member empowerment.
- **Policy-Related Issues:** **Delayed bank linkages** due to **bureaucratic hurdles**, **political interference** from local leaders, and **inadequate government support** with implementation gaps in schemes like **NRLM** hinder SHG operations and autonomy.
- **Sustainability Concerns:** SHGs face challenges like **limited market linkages**, **lack of business skills**, and **competition from large businesses**, which reduce **profitability** and hamper **income-generating activities**.
 - Additional issues include **high dropout rates** due to migration or financial stress, and a **lack of innovation** in adapting beyond traditional activities.

What Steps can be Taken to Improve the Working of SHGs?

- **Strengthening Financial Support:** Ensure **easy credit access** by simplifying **SHG-Bank Linkage** procedures and encouraging **collateral-free, low-interest loans**.
 - Link SHGs with schemes like **NRLM** and **MUDRA**, and promote **revolving funds**. Introduce **micro-insurance** for **health**, **crops**, and **life** to mitigate risks.
- **Enhancing Income Opportunities:** Promote SHG products on **e-commerce platforms** like **Government e Marketplace (GeM)**, **Amazon**, and **Flipkart**; support **branding and packaging**; and ensure **fair pricing** through **SHG-run stores**, **exhibitions**, and **supermarket tie-ups**.
- **Corporate-SHG Linkages:** Form **corporate-SHG alliances** (e.g., **Google's Women Will**) to provide **mentorship**, **technology**, and **market access**, and mobilize **Corporate Social Responsibility (CSR)** funds for **capacity building** and **infrastructure development**.
- **Policy & Government Interventions:** Ensure **timely subsidy disbursement**, promote **SHG federation** into clusters for greater **bargaining power**, and offer **GST exemptions** or **subsidies** for SHG products.
- **Social Empowerment & Inclusivity:** Promote **gender sensitivity** through workshops,

ensure **inclusion of marginalized groups** (SC/ST, landless, disabled), and collaborate with **NGOs** to raise awareness on **sanitation, maternal health, and child education**.

- **Reducing Regional Disparities:** Launch targeted programs to **expand SHGs** in **underserved regions** (especially **Northern and Eastern India**) and offer **policy incentives** for **financial institutions** and **development organizations** to boost engagement.

SHG-Bank Linkage Programme

- **About:** [SHG-Bank Linkage Programme \(SHG-BLP\)](#) is a **flagship initiative** launched by [NABARD \(National Bank for Agriculture and Rural Development\)](#) in **1992** to connect **SHGs** with **formal banking systems**.
- **Objective:** It aims to promote **financial inclusion** for the **rural poor**, especially **women**, by linking **SHGs** with **banks** for **savings, credit**, and other **financial services**, reducing reliance on **high-interest informal moneylenders**.
- **Working:** SHGs open **bank savings accounts** and, after **6 months of regular savings**, become eligible for **collateral-free loans** at **reasonable interest rates**.
- **Models of Linkage:**
 - **Model I: Banks** directly form, manage, and finance SHGs, handling savings and loan disbursement.
 - **Model II: SHGs are formed by NGOs or agencies**, but **financed directly by banks**; these agencies also provide training and support.
 - **Model III: NGOs act as financial intermediaries**, forming SHGs and linking them to banks, especially in areas with limited banking access.
- **Loan Types:** **Loan types** include **microcredit** for income generation, **revolving funds** as seed money (e.g., under **NRLM**), and **term loans** for scaling up SHG enterprises.

Conclusion

The **Lakshpati Didi Initiative** and **SHG movement** are transforming **rural India** by empowering women **economically** and **socially**. While challenges like **financial access** and **market linkages** persist, **strategic interventions** in **skilling, credit access**, and **policy support** can amplify their impact, making **SHGs pivotal** to achieving **inclusive growth** and **Viksit Bharat by 2047**.

Drishti Mains Question:

What are the key challenges faced by SHGs in India? Suggest policy measures to enhance their sustainability and scalability.

UPSC Civil Services Examination Previous Year Questions (PYQs)

Prelims

Q. How does the National Rural Livelihood Mission seek to improve livelihood options of rural poor? (2012)

1. By setting up a large number of new manufacturing industries and agribusiness centres in rural areas
2. By strengthening 'self-help groups' and providing skill development
3. By supplying seeds, fertilizers, diesel pump-sets and micro-irrigation equipment free of cost to farmers

Select the correct answer using the codes given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (b)

Mains

Q. Discuss the contribution of civil society groups for women's effective and meaningful participation and representation in state legislatures in India. (2023)

Q. Can the vicious cycle of gender inequality, poverty and malnutrition be broken through microfinancing of women SHGs? Explain with examples. (2021)

Q. "Micro-Finance as an anti-poverty vaccine, is aimed at asset creation and income security of the rural poor in India". Evaluate the role of the Self Help Groups in achieving the twin objectives along with empowering women in rural India. (2020)

Q. "The emergence of Self Help Groups (SHGs) in contemporary times points to the slow but steady withdrawal of the State from developmental activities". Examine the role of the SHGs in developmental activities and the measures taken by the Government of India to promote the SHGs. (2017)

Q. The Self-Help Group (SHG) Bank Linkage Programme (SBLP), which is India's own innovation, has proved to be one of the most effective poverty alleviation and women empowerment programmes. Elucidate. (2015)

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