



A DESCRIPTIVE ANALYSIS OF VILLAGE ORGANIZATIONS AND CLUSTER-LEVEL FEDERATIONS UNDER SHG-BLP IN INDIA

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Abstract: This study is based on secondary data. The data for the study have been obtained from the reports of the DAY-NRLM website. Data were compiled from the compiled report of all MPR indicator reports for the year 2024-25. The main objective of this study is to examine the outreach of the Community Investment Fund (CIF) support to Self-Help Groups (SHGs), with a focus on financial inclusion and livelihood promotion. The findings show that a large number of SHGs have achieved operational maturity, with over 3.7 million groups operating for more than six months. Out of these groups, 1.23 million SHGs have received CIF of ₹618,809.65 lakh. The distribution of CIF has seen greater coverage among socially disadvantaged groups such as SCs and STs. The study further found that SHG interventions have positively impacted over 4.6 million households through livelihood support.

Index Terms - SHG Federations, VO, CLF, CIF.

INTRODUCTION

Self-Help Groups (SHGs) have emerged as an essential component of India's rural development strategy (Tankha, 2012). SHGs are becoming more important, particularly when it comes to women's empowerment, livelihood security, and financial inclusion. SHGs are a composite structure comprising Village Organizations (VOs), Cluster-Level Federations (CLFs), and higher-level federations. These federations have been formally established through the National Policy under DAY-NRLM (Ministry of Rural Development, 2011; Kabeer, 2005).

Federations do not only consist of SHGs, but are designed as community-driven institutions that perform functions of governance, financial intermediation, and service delivery (NABARD, 2012). These federations use instruments such as the Community Investment Fund (CIF), Village Revolving Fund (VRF), and Startup Grants to strengthen the financial ecosystem and reduce dependence on external agencies (Kramer et al., 2025).

Despite their centrality in NRLM designs such as CIF and VRF and startup grants, empirical research on the functioning of federations is scarce (Shylendra, 2018). Most of the studies conducted focus on SHG coverage or credit linkages at the national level, which results in less examination of federation-level institutional functioning (NABARD, 2022).

REVIEW OF LITERATURE

This section includes the studies that are related to the said research. This section comprises section

Early work by Reddy & Manak (2005) identified SHGs as a keystone of microfinance in India but acknowledged sustainability challenges at scale. Subsequent studies emphasized the role of federations in addressing these challenges by aggregating demand, improving governance, and facilitating access to larger financial resources (APMAS and EDA Rural Systems, 2006).

MoRD (2011) Documentation on NRLM highlights federations as the backbone of community-managed finance, noting that CIF routed through federations improves fund utilization and repayment discipline. NIRD (2014) further emphasizes that federation capacity, particularly in accounting, auditing, and leadership. Leadership is critical for preventing fund erosion.

(Reddy & Malik, 2011) in their review of the SHG-Bank Linkage Programme, argue that federated SHG systems outperform standalone groups in terms of sustainability and institutional resilience. However, they also note uneven federation development across states, underscoring the need for national-level descriptive assessments.

CONCEPTUAL AND THEORETICAL FRAMEWORK

This section includes theories that are related to the study, and based on that, researchers make a conceptual framework for the study. Theories that are included here are institutional theory, decentralization and community governance theory, and social capital theory.

Institutional theory states that development outcomes depend on the quality of the institutions' rules, implementation mechanisms, and governance structures (North, 1990). Under NRLM, SHG federations reflect the institutionalization processes required for the management of public and community funds, with indicators such as financial management, accountability, collective decision-making, audits, bank accounts, and trained bookkeepers.

The decentralization theory states that delegating authority to local institutions improves efficiency and accountability (Ostrom, 1990). NRLM's management of CIF and other funds through community-level institutions at the community level rather than at the central level reflects the decentralization theory.

The social capital theory states that trust, networks, and shared norms facilitate collective action (Putnam et al., 1993). Federations extend social capital beyond individual SHGs by enabling peer monitoring and collective bargaining. This theoretical perspective explains why federations are positioned as financial intermediaries rather than merely administrative institutions.

OBJECTIVES OF THE STUDY

1. To examine the institutional outreach of SHG federations in India.
2. To analyse the financial formalization and governance capacity of Village Organizations and Cluster-Level Federations.

DATA AND METHODOLOGY

The study is based on secondary. Administrative data on the promotion and functioning of SHG federations and livelihood interventions under DAY-NRLM in India. The analysis is purely descriptive, using tabulation, proportions, and comparative interpretation. No causal inference or econometric techniques are employed.

DESCRIPTIVE ANALYSIS OF RF AND CIF

This section includes data and their interpretation regarding RF and CIFs. Section-wise analysis has been done. This section includes an explanation about RF and CIF support to SHGs, Social Category-wise Distribution of RF and CIF, Average RF and CIF Support per SHG, and Repeat Financing and Repayment Performance of the SHGs.

Table 1: Coverage of Revolving Fund among SHGs in the year 2024–25

Sr. No	Indicator	Number
1	New SHGs (older than 3 months)	2,460,884
2	New SHGs with bank accounts	2,326,896
3	New SHGs provided RF	2,448,950
4	Other SHGs with bank accounts	1,682,204
5	Other SHGs eligible for RF	1,193,513
6	Other SHGs provided RF	766,938
7	Total SHGs provided RF	3,215,888

8	Total RF amount (₹ lakh)	315,052.46
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Source: Data compiled from NRLM websites

Table 1 shows that RF coverage among newly promoted SHGs is nearly universal, as the number of SHGs receiving RF, 2,448,950, closely corresponds to those eligible. Additionally, a high proportion of new SHGs have opened bank accounts, accounting for 94.5%, reflecting strong financial inclusion at the initial stage. In contrast, among existing SHGs, although a large number have bank accounts, only about 64.3% of eligible SHGs receive RF, indicating comparatively lower coverage.

Table 2: Distribution of RF across Social Categories in the year of 2024-25

Sr. No	Category	SHGs	Amount (₹ lakh)
1	SC	523,838	73,693.67
2	ST	379,740	50,973.79
3	Minority	195,620	27,374.42
4	Other	1,179,471	163,010.58
5	PWD	22,747	3,122.26
6	Total	3,215,888	315,052.46

Source: Data compiled from NRLM websites

Table 2 shows that the “Others” category accounts for the largest share of SHG and RF allocations at Rs 1,179,471 and Rs 163,010.58, respectively. Scheduled Caste (SC) and Scheduled Tribe (ST) SHGs also account for a significant share of the SHG and RF allocations. These groups reflect targeted inclusion of weaker social groups.

Table 3: Average RF Allocation

Sr.No	Indicator	Value
1	Total RF amount (₹ lakh)	315,052.46
2	Total SHGs supported	3,215,888
3	Average RF per SHG (₹ lakh)	0.098

Source: Data compiled from NRLM websites

Table 3 shows that the average RF support per SHG is approximately ₹0.098 lakh (₹9,800). This proportion of RF per SHG indicates that it primarily functions for the stabilization of SHGs, aimed at strengthening internal financing and group cohesion rather than supporting large-scale investment activities.

Table 4: Coverage of CIF among SHGs

Sr. No	Indicator	Number
1	SHGs older than 6 months	3,723,217
2	SHGs provided CIF (Total)	1,235,926
3	CIF provided directly by SRLM	617,963
4	CIF provided through VOs	653,773
5	Total CIF amount (₹ lakh)	618,809.65

Source: Data compiled from NRLM websites

The data shows that 3,723,217 SHGs have been active for more than six months, indicating a strong, stable SHG system. Out of these, 1,235,926 SHGs have received CIF funds. This fund is seen to be distributed almost equally between 617,963 SRLMs and 653,773 VOs. This data suggests a balanced and decentralized approach. A total CIF of ₹618,809.65 lakh has been disbursed. This fund is seen to provide significant financial support to strengthen livelihoods and promote financial inclusion.

Table 5: Distribution of CIF across Social Categories

Sr. No	Category	SHGs	Amount (₹ lakh)
1	SC	302,472	154,299.73
2	ST	183,733	109,892.92
3	Minority	98,883	39,492.99
4	Other	686,648	315,123.99
5	PWD	12,045	8,232.04
6	Total	1,235,926	618,809.65

Source: Data compiled from NRLM websites

The category-wise distribution shows that the highest SHG and CIF amount is found concentrated in the 'Other' category. 686,648 SHGs have been found to have received ₹315,123.99 lakh. This is followed by 302,472 SHGs of SC category having received ₹154,299.73 lakh, while 183,733 SHGs of ST category have received ₹109,892.92 lakh. 98,883 SHGs of minority category have received ₹39,492.99 lakh and 12,045 SHGs of PWD have received ₹8,232.04 lakh. Thus, overall, a total of 1,235,926 SHGs have received ₹618,809.65 lakh.

Table 6: Average CIF Allocation

Sr. No	Indicator	Value
1	Total CIF amount (₹ lakh)	618,809.65
2	Total SHGs supported	1,235,926
3	Average CIF per SHG (₹ lakh)	0.50

Source: Data compiled from NRLM websites

Table 6 indicates the average CIF per SHG. The data shows that a total of ₹618,809.65 lakh CIF amount has been distributed among 1,235,926 SHGs. On an average, ₹50,000 CIF has been distributed per SHG.

Table 7: Second Dose CIF and Repayment

Sr. No	Indicator	Number
1	SHGs receiving second dose CIF (Total)	117,299
2	SHGs repaying CIF	265,490
3	Households covered under livelihoods	4,611,792

Source: Data compiled from NRLM websites

Table 7 shows data about second dose CIF and repayment. Total 117,299 SHGs are seen receiving the second dose of CIF. The second dose of this fund is given to well performing groups that demonstrate consistent financial support and encouragement. A total of 265,490 SHGs are actively paying CIF, which is seen to reflect positive payment habits and financial discipline. Furthermore, 4,611,792 households have been covered under livelihood activities, highlighting the wide outreach and socio-economic impact of SHG interventions.

FINDINGS AND CONCLUSIONS OF THE STUDY

Data analysis shows that priority has been given to SHGs of Scheduled Tribes in financial assistance. SHGs have emerged as the primary channel for VO and CIF disbursement, reflecting the strengthening of community-based institutional frameworks. CIF disbursement suggests better financial discipline in members of SHGs and in the SHGs. Furthermore, SHG lending shows a clear linkage with livelihood promotion, which is important for effective utilization of financial assistance for income-generating activities.

This study emphasizes the need to focus on social inclusion to strengthen community institutions, transition from RF to CIF, and sustain SHG-based financial systems. The repayment patterns and the incentives for the use of credit on livelihood activities should be monitored to improve the overall effectiveness of SHG lending. Overall, the findings confirm that RF and CIF interventions play a significant role in promoting financial inclusion, institutional development, and livelihood enhancement in SHGs. The emphasis on marginalized communities and decentralized fiscal governance is seen as consistent with the broader goals of rural development policies.

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