

SHG Federation Models — Beyond the Savings Group

Primary savings and credit function. Women meet fortnightly or monthly. They save, they lend to each other, they maintain accounts. This is where the relationship begins. But an isolated SHG has no collective voice beyond its own members. One group of fifteen women cannot negotia...

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B practice-note Women Empowerment

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Level 2 — The Village Organisation or Primary Federation (8–15 SHGs, 120–300 women)

The VO/primary federation is the level at which real institutional capacity begins to form. At this level:

- Accounts are professionally maintained (a paid bookkeeper becomes viable)
- Bank credit can be accessed directly — credit lines at the VO level that are on-lent to member SHGs
- Collective purchasing of agricultural inputs, seeds, or materials becomes cost-effective
- Individual member problems (domestic violence, entitlement denial, land dispute) can be raised at the group rather than being left to the individual
- Government schemes can be tracked and claimed collectively — one VO secretary can track ICDS entitlements for 300 women; fifteen individual SHGs cannot

Level 3 — The Cluster or Block Federation (20–40 VOs) This is where market power, policy advocacy, and institutional sustainability converge. At the block federation level:

- An FPO (Farmer Producer Organisation) or cooperative can be established with adequate member base
- Market linkage is negotiable — a federation with 5,000 member households can negotiate with buyers, processors, and government procurement agencies
- Block-level government departments (BDO, education, health, agriculture) can be engaged meaningfully
- Staff — a professional CEO, manager, or programme officer — becomes sustainable with federation-level revenues
- Legal advocacy for member rights becomes organisationally possible

The Kudumbashree model in Kerala — the most comprehensively evaluated SHG federation system in India — has reached this third level across the whole state: 2.98 lakh neighbourhood groups, federated into area development societies, federated into community development

societies, with each CDS linked to the local body government. The outcomes documented over its 27-year history include: women managing government contracts for infrastructure and services; women-led enterprises in IT, electronics, construction, and catering; direct convergence with Panchayati Raj institutions; and documented reductions in poverty indicators across member households.

Odisha's Mission Shakti has the infrastructure for all three levels — SHGs, RLCC (Revenue Level Cooperative Committees), and district-level federations — but the depth of functioning varies enormously. Many VOs and higher federations exist structurally but have weak governance, dormant accounts, and limited actual function. This gap between structural existence and functional reality is where NGOs have their clearest role.

What the Evidence Shows Federations Produce

The evidence on SHG federation outcomes is substantially clearer than the evidence on individual SHG outcomes.

Financial outcomes: A study of NRLM-linked SHG federations across five eastern Indian states found that districts with higher SHG membership were associated with significantly higher odds of women delivering in institutional facilities (OR: 1.53), taking iron supplements, and participating in household decisions. These are spillover effects — not just for SHG members but for surrounding communities in high-federation-density districts. The mechanism appears to be norm change at scale: in villages where most women are in SHGs that federate, the social expectation of women's participation and voice shifts.

Economic outcomes at the VO level: Bihar's JEEViKA programme — the largest government SHG programme outside Andhra Pradesh and Kerala — documented that SHG members in mature VOs had 23% higher per capita consumption than comparable non-members. The effect was concentrated in VOs that had been functioning for more than three years, confirming the consistent finding that federation outcomes compound over time rather than arriving in the first year.

What federation adds beyond individual SHG: The most important finding from the literature: the income, empowerment, and health outcomes produced by SHG membership are significantly larger in contexts where SHGs are genuinely federated. An SHG member who belongs to a functioning VO, which belongs to a block federation, produces different outcomes than an SHG member in an isolated group — even controlling for the quality of her individual SHG. The institutional density matters.

The caution: The research also consistently finds that weak federations — those that exist structurally but don't hold regular meetings, have dormant accounts, and have no meaningful

function — produce no additional outcomes over individual SHGs. The structure is not the outcome. The function is the outcome.

Five Things That Determine Whether a Federation Functions

Based on the Kudumbashree research, the JEEViKA documentation, and the broader Indian federation literature, five factors consistently distinguish functioning from dormant federations.

1. A paid, capable full-time secretary or manager

The single most consistent predictor of federation functioning is whether there is a person whose full-time job is to maintain accounts, coordinate meetings, follow up on cases, and manage relationships with banks and government departments.

A VO with fifteen SHGs and 225 members cannot be managed by a volunteer doing it in addition to her household and agricultural work. The accounting alone — tracking savings, loans, interest, bank reconciliation — requires several hours per week. The member support function — helping women access government schemes, following up on pending cases, resolving disputes — requires active attention.

The resources for a VO secretary are available: the VO's own credit operations generate interest income, and with 225+ members each contributing small monthly amounts to the federation, the salary is affordable. The design question is whether the federation has been structured to generate this revenue and allocate it appropriately.

For NGO field staff: If you are supporting a federation that does not have a functioning, paid secretary, this is the priority. Help the VO board understand why it is worth paying for. Help them structure the accounts to generate sufficient revenue. Identify and train the right person for the role.

2. Regular, purposeful meetings with functional agendas

A VO that meets monthly and conducts "general discussion" is not a functional federation. A VO that meets monthly with an agenda covering: last month's loan repayments by member SHGs; new applications; cases requiring support; scheme linkage updates; market linkage for the current season — is one.

The Kudumbashree CDS meetings follow a structured agenda that includes specific case review, financial review, and planning. The discipline of the agenda is what makes meetings productive, which is what makes members attend, which is what creates the institutional legitimacy for the CDS to actually influence local governance.

For NGO field staff: Spend one session with the VO secretary developing a standard meeting agenda. Print it. Use it for three consecutive meetings. Assess whether meetings become more purposeful and attendance improves. If yes, continue. The agenda is not bureaucracy — it is the mechanism that makes meetings worth attending.

3. Credit function that works at the federation level

One of the most important functions of a VO is credit intermediation — accessing loans from banks at the VO level and on-lending to member SHGs at appropriate rates, which on-lend to individual members. This structure produces several benefits: better rates than informal moneylenders; credit available at scale larger than any individual SHG can manage; and institutional credit history that enables the VO to access larger credit lines over time.

In Odisha, the bank linkage programme has been relatively successful — Mission Shakti SHGs have relatively high bank account coverage. The gap is typically at the VO level: whether VOs are accessing bulk credit lines and managing the on-lending function effectively.

The credit cycle needs to be managed with clean accounts and reliable repayment tracking. This is where the paid secretary earns their salary. A VO with clean accounts and reliable repayment builds the credit history that enables access to ₹5 lakh, then ₹15 lakh credit lines — the scale at which livelihoods investment becomes possible.

For NGO field staff: Audit the VO's credit operations: what is the current outstanding loan? What is the repayment rate? Which SHGs are in default? What is the VO's credit rating with its bank? This audit tells you whether the credit function is working. If repayment rates are below 90%, the credit function needs attention before anything else.

4. At least one concrete collective economic activity

Federations that remain purely financial institutions — savings and credit without any collective economic activity — have limited ability to generate the revenues that sustain the institution and the motivation that sustains member engagement.

The activity can be modest: a collective input purchase that saved member farmers 15% on fertiliser. A bulk sale of surplus vegetables to an institutional buyer that got 20% better prices than the daily mandi. A health camp organised by the VO that brought in government medical services and generated goodwill. A collective application to a government scheme that enrolled 30 member households who had previously been excluded.

The activity doesn't need to be transformative. It needs to be visible and attributable to the federation — something members can point to and say "the VO did this."

For NGO field staff: If the VO you're working with hasn't done a single collective economic activity in its existence, this is where to start. Identify the lowest-hanging fruit: what do member

SHG women need collectively? Agricultural inputs? Market access for a product they make? Help with a government scheme application? Pick one. Do it. Document it. Present the outcome at the next VO meeting.

5. Genuine member understanding of rights and governance

Federation governance — who elects whom, how decisions are made, what the board can decide vs. what requires member approval, how accounts are audited — is rarely understood by most VO members. This creates vulnerability: federations where a small number of office-holders make all decisions, where accounts are not transparent, and where members don't know their rights tend to become captured by those individuals over time.

Mission Shakti guidelines specify clear governance norms: elections by member SHGs, transparent accounts, annual general meetings, right to audit. In practice, many VOs operate with de facto control by one or two individuals because members don't know the governance rules well enough to demand compliance.

For NGO field staff: A one-day governance orientation for VO board members — what their roles are, how decisions should be made, how accounts should be shared with all member SHGs — is a high-value investment that protects against capture and disillusionment. This should happen annually, not once.

The Specific Odisha Context: Mission Shakti and ORMAS

Odisha's federation infrastructure operates through two parallel systems:

Mission Shakti / ORMAS (Odisha Rural and Urban Livelihoods Mission): The state system for SHG formation and livelihoods. Mission Shakti SHGs federate into Revenue Level Cooperative Committees (RLCCs) — one per revenue village — which federate into block-level Mission Shakti federations. The system has government staffing at the block level (Community Coordinator, Livelihood Specialist) and district level.

DAY-NRLM / Aajeevika: The central government's National Rural Livelihoods Mission, which overlaps with Mission Shakti in rural areas. DAY-NRLM provides Community Investment Fund (CIF) and Revolving Fund (RF) to SHGs and VOs to capitalise their credit operations. Under DAY-NRLM, mature SHGs (6+ months of consistent savings and meetings, graded as mature by the block office) qualify for a ₹10,000 RF and up to ₹2.5 lakh CIF. VOs that demonstrate functioning governance and accounts qualify for larger institutional credit.

For NGO field staff: Understand which system your programme is working within. If you're in a rural block, the relevant government counterparts are the Block Programme Officer (Mission

Shakti) and the Block Mission Manager (DAY-NRLM). If you're in an urban area, Mission Shakti's urban arm is the relevant counterpart. The government has resources available — RF, CIF, livelihood grants — that federations often don't access because they don't know they're eligible or because their accounts and governance don't meet the grading criteria.

What NGOs Should Actually Do

The right frame: NGOs supporting SHG federations are not building institutions — the institutions exist. They are strengthening institutions that exist but don't yet function adequately. This is a facilitation role, not a creation role.

Avoid the most common mistake: Running the federation on behalf of its members. When an NGO programme officer becomes the de facto manager of a VO — maintaining accounts, making calls, attending meetings as the primary decision-maker — the federation functions for the duration of the programme and collapses after. The goal is always to build the capacity of federation members to run the institution themselves.

What good facilitation looks like:

- Sitting with the VO secretary to review accounts together, not reviewing accounts and telling her what to do
- Attending VO board meetings as an observer, not as a speaker unless invited
- Helping the VO board understand which government grants they're eligible for, then supporting them to apply — not applying on their behalf
- When a member SHG has a conflict with the VO, facilitating a resolution process rather than adjudicating
- Documenting what the VO achieves and sharing it with them — nothing builds institutional confidence like seeing your own impact data

Specific high-value activities for NGOs:

1. Governance training — annual orientation for VO board on rights, roles, accounts, elections
2. Bank relationship support — accompanying VO secretary to the bank for the first bulk credit application
3. Market linkage facilitation — identifying one buyer, one government procurement scheme, or one institutional customer for the first collective economic activity
4. Account audit facilitation — helping the VO structure its annual account audit and present it to member SHGs transparently
5. Government scheme navigation — identifying which DAY-NRLM or Mission Shakti benefits the VO qualifies for and supporting the application

A Note on Women's Agency Within Federations

The evidence on SHG empowerment outcomes is honest about what federations do and don't change. They significantly improve income control, decision-making autonomy over credit and household expenditure, and active participation in community affairs. They do not automatically change gender norms — husbands' attitudes toward domestic violence, for example, are largely unchanged by wives' SHG membership.

This means that the empowerment work within federations needs to go beyond the financial. Federations that add legal literacy sessions (what rights do women have in land ownership? in domestic violence law? in panchayat representation?), collective norm change discussions, and connections to legal aid services produce different outcomes than those focused purely on savings and credit.

Mission Shakti has begun to integrate this broader agenda — linking SHGs to the women's rights and GBV awareness components of state programmes. NGOs can accelerate this by adding structured legal literacy and rights sessions to the VO meeting cycle, using the ready-built institutional platform rather than creating separate attendance.

Related Knowledge Commons content: Women Empowerment Sector Primer (Sector 02) · Practice Note: SHGs as Supply Chain Actors — the Odisha Millet Mission Model · Practice Note: Women's Political Leadership — Supporting Elected Representatives

Evidence Grade: B — Multi-study. This Practice Note draws on the Kumar et al. WEAI study of SHG impacts across five eastern states, Kudumbashree evaluation literature, JEEViKA programme documentation, and DAY-NRLM programme research from 3ie. Last reviewed: April 2026.

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