



# Unlocking Business Growth for Rural Entrepreneurs: For the Women, By the Women

Prayaas Enterprise Credit Through  
Women-Led Community Institutions

March 2026

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## Foreword

It is with great pride that I present this report, **“Unlocking Business Growth for Rural Entrepreneurs: For the Women, By the Women – Prayaas Enterprise Credit Through Women-Led Community Institutions.”** This initiative marks a significant step toward reimagining enterprise finance in India by placing women not only as beneficiaries but also as leaders of a more inclusive financial ecosystem.

At the Small Industries Development Bank of India (SIDBI), we are committed to creating innovative solutions that expand access to credit for underserved communities. The Prayaas Individual Enterprise Scheme (IES) addresses a critical financing gap for women in the “missing middle,” a segment of entrepreneurs whose businesses are too large for microfinance yet remain underserved by formal banking. By leveraging women-led Community-Based Organisations (CBOs) as last-mile credit partners, the program has demonstrated that community-led institutions can deliver enterprise loans with exceptional efficiency, strong governance, and high repayment discipline.

Our partnership with Women’s World Banking (WWB) has been instrumental in designing innovative distribution systems that harness the leadership of women-led collectives. These CBO leaders have proven their capability and effectiveness, while also introducing a transformative model for delivering credit to rural women. This approach has enabled us to tap into a vibrant ecosystem of entrepreneurial women who are ready for growth capital and eager to drive economic transformation in their communities.

The pilot successfully disbursed loans through CBOs, maintaining near zero delinquency, which underscores the strength and reliability of this model. CBOs can henceforth manage the entire loan lifecycle independently, positioning them as key players in advancing enterprise growth while complementing national initiatives such as Lakhpati Didi, Pradhan Mantri MUDRA Yojana, and Udyam Assist.

Women entrepreneurs in rural India are now poised to scale their businesses, contributing significantly to job creation, household income growth, and rural economic development. Prayaas IES demonstrates a working model for programs that combine women-led grassroots leadership with tailored financial solutions and capacity building. This model provides a replicable pathway for other financial services providers (FSPs) to adopt and expand similar initiatives that reach and serve rural women entrepreneurs, ultimately creating a stronger ecosystem for inclusive finance.

This report offers practical insights and a roadmap to rethink women’s credit delivery. By investing in women as entrepreneurs and enablers of finance, India can accelerate its journey toward a more inclusive, resilient, and community-driven economy.

**Manoj Mittal**

**Chairman and Managing Director**

**Small Industries Development Bank of India (SIDBI)**

*“Women entrepreneurs are an ambitious and determined group, and the rural women of Maharashtra are no exception. All they need is access to timely capital and strong mentoring support to unlock their potential. Across our villages, there are vibrant enterprises creating unique, natural, and high-quality products that are ready to reach not only all of India but global markets as well. Through this partnership with Women’s World Banking and SIDBI, we have empowered Community Managed Resource Centre to emerge as trusted credit distribution channels, and their potential to drive economic growth and transformation is truly immense.”*

**Ms. Rajlaxmi Shah (IAS)**

**CEO**

**Mahila Arthik Vikas Mahamandal (MAVIM)**

*“Maharashtra’s rural women entrepreneurs are demonstrating remarkable ambition and resilience, building businesses that contribute to both household incomes and the state’s economic vibrancy. What they need most is accessible, affordable capital and the right support to take their enterprises to the next level. Over the years, our partnership with Women’s World Banking has deepened, and their deep understanding of Maharashtra’s rural ecosystem has helped uncover powerful opportunities for women’s economic empowerment. Through initiatives like Prayaas IES, we are equipping women-led Community Managed Resource Centre to act as trusted credit distribution channels, fuelling the growth of thousands of businesses. Today, many women entrepreneurs are not only scaling their operations but are also exploring new market access opportunities, showcasing the transformative power of investing in women-led enterprises.”*

**Mr. Nilesh Sagar (IAS)**

**CEO**

**UMED - Maharashtra State Rural Livelihood Mission (MSRLM)**

*“Jeevika has long been at the forefront of innovation in Self-Help Groups (SHGs) and livelihood promotion for rural women in Bihar. The Prayaas partnership with Women’s World Banking and SIDBI has demonstrated that this ecosystem can go far beyond supporting livelihoods and can serve as a powerful channel for delivering financial services to the last mile. By equipping women-led Cluster-Level Federations (CLF) to become trusted credit distribution partners, we are deepening financial inclusion*

*and unlocking economic empowerment for thousands of women entrepreneurs. Encouraged by the success of this initiative, we are working toward replicating the model across the state to strengthen Bihar’s SHG movement and accelerate enterprise growth for rural women.”*

**Mr. Himanshu Sharma (IAS)**

**CEO**

**JEEVIKA - Bihar’s State Rural Livelihood Mission**

*“Rural women entrepreneurs in Assam are steadily building enterprises rooted in local markets, traditional skills, and emerging opportunities. The Prayaas partnership with Women’s World Banking and SIDBI demonstrates how our Self-Help Group ecosystem can evolve beyond collective savings and credit to support individual enterprise growth at scale. By enabling women-led Community Managed Resource Centre to serve as trusted credit distribution partners, we are strengthening the last mile of financial inclusion and creating pathways for rural women to expand their businesses with confidence. This model offers a sustainable approach to enterprise finance that aligns closely with Assam’s development priorities and the long-term empowerment of rural women.”*

**Mr. Kuntal Moni Sarmah Bordoloi (IAS)**

**Mission Director**

**Assam State Rural Livelihood Mission (ASRLM)**

*“Rural women entrepreneurs are difficult for lenders to discover because the majority of these operate from home, away from the main street, have limited credit history, and sparse financial records. So, when financial services are delivered through channels where trust already exists, onboarding, product adoption, and consistent engagement are simplified. Thus, the design of the Individual Enterprise Scheme (IES) was anchored in delivering timely, seamless loans through the Community-Based Organizations, a trusted local community, and ensuring their productive use in helping women grow their businesses. As a graduation credit product, IES created pathways for women to build credit histories and strengthen their eligibility for future formal loans.”*

**Kalpana Ajayan**

**Regional Head South Asia**

**Women’s World Banking (WWB)**

## Acknowledgment

Women's World Banking extends its deepest gratitude to the many partners and stakeholders who have made the Prayaas Individual Enterprise Scheme (IES) a reality.

We are thankful to the Small Industries Development Bank of India (SIDBI) for its visionary leadership in designing and scaling an innovative credit delivery model that places women at the center of financial inclusion. We also sincerely appreciate the commitment of our state partners, the Jeevika (Bihar's State Rural Livelihood Mission), UMED - Maharashtra State Rural Livelihood Mission (MSRLM), Mahila Arthik Vikas Mahamandal (MAVIM) and Assam State Rural Livelihood Mission (ASRLM), for their leadership and dedication in strengthening women-led community institutions, which have been instrumental in building a strong foundation for this initiative.

Our heartfelt thanks go to the women-led Community-Based Organisations (CBOs) and Community Resource Persons (CRPs) who have shown exceptional leadership in managing credit delivery at the grassroots level. Their dedication and deep engagement with their communities have created a trusted pathway for rural women entrepreneurs to access the capital they need to grow and succeed.

Most importantly, we recognize the women entrepreneurs who are the driving force of this program. Their resilience, ambition, and determination to create better futures for their families and communities inspire our work and show the transformative potential of financial inclusion.

We are deeply grateful to HSBC, MetLife Foundation, and VISA Foundation for their generous support and commitment to advancing women's financial inclusion, which has allowed us to pilot and scale this innovative model.

This report reflects a collective effort and a shared vision. Together, we have demonstrated that community-led and women-centered solutions can transform the way financial services are delivered, creating pathways to sustainable growth and economic empowerment for millions of rural women in India.



## Executive summary

Rural women entrepreneurs from India's Self-Help Group (SHG) ecosystem are ready to move beyond group-based microcredit and access higher-value, individual enterprise loans in the ₹50,000-₹5 lakh (US\$ 600-6,000) range to expand their businesses. Despite this readiness, they remain financially underserved. Banks and financial institutions find it challenging to operationalize such loans due to constraints like a lack of formal documentation, negligible collateral, and thin credit histories. There is also a product mismatch – there are limited products tailored to women's business realities and growth cycles.

Women microentrepreneurs deeply value trust and transparency. When financial services are delivered through familiar, trusted channels, it simplifies onboarding, product adoption, and consistent engagement. This underscores the need to reimagine the credit ecosystem from the supply side – by enabling women's transition to higher-value enterprise growth capital through delivery models that are both trusted and scalable.

To address this gap, the Small Industries Development Bank of India (SIDBI), in partnership with Women's World Banking (WWB), Mahila Arthik Vikas Mahamandal (MAVIM), and the State Rural Livelihood Missions (SRLMs) of Maharashtra, Bihar, and Assam, rolled out the Prayaas Individual Enterprise Scheme (IES). The objective was to provide affordable, collateral-free individual loans for SHG women's businesses in a viable, scalable, and trusted manner.

The project leveraged Community-Based Organisations (CBOs) – women-led institutions within the SRLM ecosystem – as distribution partners. Built on networks that already manage group credit and government grants, the model enabled credit delivery “by the women, for the women.”

Being guided by someone from their own community helped borrowers build confidence, trust, and comfort in accessing formal credit, often for the first time.

The scale of the opportunity is significant. Based on National Rural Livelihood Mission data and Women's World Banking's research, there are approximately 29.5 million SHG women anchored within Model CBOs, of which an estimated 7.39 million are women entrepreneurs. Among them, 64% (4.73 million) require individual loans in the ₹50,000-₹5 lakh (US\$ 600-6,000) range. With an average ticket size of ₹1.15 lakh (US\$ 1,400), this represents a ₹65,800 crore (US\$ 7.7 billion) lending opportunity.

Across India, over 9,400 Model CBOs already demonstrate the institutional maturity required to manage such partnerships. Collectively, they form a ready last-mile distribution network for individual enterprise credit. Each CBO can process 200-250 loans annually, disbursing ₹2-3 crore (US\$ 240,000-360,000) in credit and earning ₹3-4 lakh (US\$ 3,500-4,700) in commission income – making the model commercially viable for both lenders and CBOs.

Between May 2024 and December 2025, as the Scheme was regularised by SIDBI and expanded to Maharashtra, Bihar, and Assam, 44 CBOs were onboarded as lending partner institutions, with ₹66 crore (US\$ 7.8 million) in sanctioned limits. During this period, 4,158 loan applications were sourced, of which 2,130 were sanctioned, reflecting an approval rate of nearly 51%. A total of 1,986 loans were disbursed, amounting to ₹29.9 crore (US\$ 3.5 million), with an average ticket size of ₹1.5 lakh (US\$ 1,800). Notably, 80% of loans were sanctioned within two weeks.

Borrower quality and portfolio performance remained strong. Thirty-eight percent of borrowers were new to formal credit, while

among those with a credit history, 62% had CIBIL scores above 750. Portfolio health remains robust, with delinquency at just 0.16%.

Loans were primarily used for business expansion – 23% for inventory purchase, 27% to improve or expand shopfronts, and 50% to add new equipment, machinery, or product lines. Notably, 38% of borrowers expressed intent to seek larger loans (up to ₹5 lakh / US\$ 6,000) within a year, signalling clear graduation potential.

Credit delivery under Prayaas IES was complemented by business and financial management workshops delivered through the SRLM ecosystem. These workshops – covering enterprise growth, digital bookkeeping, and e-commerce readiness – helped women strengthen business productivity, improve loan utilisation, and enhance repayment capacity.

The model also created sustainable incentives for CBOs. Each CBO earned a 2% commission and 1% processing fee, averaging ₹3.5 lakh (US\$ 4,200) in annual income. Operational efficiency was high, with nearly 80% of loans sanctioned within two weeks.

Early evidence from the Prayaas IES initial phase demonstrates a viable, low-risk pathway for financial institutions to expand their rural portfolios. Women entrepreneurs showed strong repayment discipline, while 88% of borrowers found the product relevant to their needs, 72% valued the quick processing, and 65% rated the process as easy to access.

### Recommendations:

- **Partner with CBOs for last-mile credit delivery**

Financial institutions should formally integrate CBOs into their rural distribution networks. Dedicated partnership cells within banks can identify eligible CBOs

using tools such as WWB's CBO Partnership Checklist and fast-track onboarding through simplified digital agreements and verified grading reports from the LoKOS platform.

- **Invest in CBO and CRP capacity building**

Train Community Resource Persons (CRPs) in loan origination, customer assessment, and credit documentation using locally relevant case studies. Introduce digital MIS dashboards and structured feedback loops so CBOs can track origination quality, portfolio performance, and rejection reasons to continuously improve onboarding and underwriting.

- **Digitize the credit process for efficiency**

Scale the use of e-signatures, UPI-based repayment modules, and automated borrower communication tools to reduce operational friction. Integrate demographic and enterprise data from SRLM systems (such as LoKOS) into underwriting workflows to improve decision-making and reduce turnaround time.

- **Develop gender-responsive credit products**

Design term loans combined with flexible working capital lines that align with women's seasonal cash flows and enterprise cycles. Embed short financial literacy or non-financial service modules – and, where relevant, insurance products – into onboarding to enhance credit productivity and resilience.

- **Establish continuous feedback and review mechanisms**

Institutionalize quarterly reviews with SRLMs, CBOs, and lending partners to track performance, address operational challenges, and co-create solutions. Dedicated helpdesks for CBOs can provide ongoing operational support and ensure consistency and compliance as partnerships scale.

SIDBI's Prayaas IES demonstrates that when credit flows through trusted, women-led community institutions such as CBOs, it reaches the right borrowers, supports rural enterprise growth, and builds a customer base ready to graduate to higher-value capital. Aligned with the Reserve Bank of India's National Strategy for Financial Inclusion, the Prayaas IES model offers a replicable blueprint for inclusive, scalable, and gender-intentional enterprise finance in rural India.



*Terminology note:*

*Community-Based Organisations (CBOs) is used as a generic term to refer to women-led federated institutions within the National Rural Livelihood Mission (NRLM) ecosystem. These institutions take different forms across states – such as Cluster Level Federations (CLFs) in Bihar, Community Managed Resource Centres (CMRCs) in Maharashtra, and Panchayat Level Federations (PLFs) in Tamil Nadu. In this report, the term CLF is used when referring specifically to certain Prayaas IES implementation geographies, while CBO is used when discussing the model in a broader and replicable context.*

*National Strategy for Financial Inclusion 2025-30 was recently released by the Reserve Bank of India. It lays down five strategic objectives, termed Panch-Jyoti, towards elevating the state of financial inclusion in the country and a menu of 47 action points to achieve them.*

## Introduction

Micro, Small and Medium Enterprises (MSMEs) are engines of inclusive economic growth and innovation. In India, the MSME sector employs over 110 million<sup>1</sup> people, contributes nearly one-third<sup>2</sup> to the GDP, and accounts for almost half<sup>3</sup> of the country's exports.

Women-owned enterprises in India are predominantly nano or micro in scale. There are approximately 73.3 million<sup>4</sup> nano and micro enterprises (NMEs), of which 26.2% – around 19.2 million – are women-led.

Among all MSMEs, about 35 million are Udyam-registered<sup>5</sup>, reflecting a formalisation rate of 46.7%. Applying this proportion to women-led enterprises suggests that nearly 8.96 million women-led NMEs are now formally visible or semi-formal through Udyam registration – a critical step toward accessing institutional finance and becoming eligible for formal credit through regulated lenders such as Non-Banking Financial Companies (NBFCs).

Despite their growing participation in entrepreneurship, 43% of women entrepreneurs report unmet credit demand, reflecting a persistent financing gap. Further, 87.6% of women entrepreneurs have a savings account, but only 33% have a bank loan or a line of credit, and 28.7% use banks to finance working capital.

Overall, women-led enterprises face a credit gap of 70.37%<sup>6</sup>, underscoring the need for targeted financial and non-financial interventions to strengthen their access to formal finance. Approximately 3.85 million of these enterprises actively seek credit, creating a market opportunity worth nearly ₹75,000 crore. These are primarily small-value loans, with most women entrepreneurs seeking financing in the ₹5–20 lakh (US\$ 6,000–24,000) range.

The credit needs of women-owned NMEs are significant, but existing schemes do not fully cater to their needs. For banks, operationalizing credit access for this customer segment is challenging.



<sup>1</sup> Annual Survey of Unincorporated Sector Enterprises (ASUSE, 2021-22).

<sup>2</sup> SIDBI, 2025: [https://www.sidbi.in/uploads/Understanding\\_Indian\\_MSME\\_sector\\_Progress\\_and\\_Challenges\\_13\\_05\\_25\\_Final.pdf](https://www.sidbi.in/uploads/Understanding_Indian_MSME_sector_Progress_and_Challenges_13_05_25_Final.pdf)

<sup>3</sup> Ministry of Micro, Small, and Medium Enterprises, 2024: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2087361>

<sup>4</sup> Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2021-22.

<sup>5</sup> In 2020, the Government of India launched the Udyam portal, which is a registration system for Micro, Small and Medium Enterprises in the country.

<sup>6</sup> International Finance Corporation

## Nano women entrepreneurs credit needs are underserved

India has 19.2 million women-led nano and microenterprises (NMEs), of which 8.96 million are formally registered. About 3.85 million seek credit, creating an opportunity worth ₹75,000 crore. These are mostly small loans with demand in the ₹5-20 lakh (US\$ 6,000-24,000) range.

### Women own 26.2% of Indian NMEs.



87.6% have a savings account



43% of women entrepreneurs report credit demand



33% have a bank loan or line of credit



Overall, women-led enterprises face a credit gap of 70.37%



28.7% use banks to finance working capital

*Enterprise data is from the ASUSE 2021-22 survey; Credit demand data is from the CGAP 2025 survey. Credit gap data is from the International Finance Corporation.*

Ticket size	Share (%)	Avg. loan size (₹)	Market size (₹ Cr)	Market size (\$ million)
< ₹ 1 Lakh	81.23%	₹21,486	₹6,723	US\$ 807
₹ 1-2 Lakh	7.04%	₹1,30,313	₹3,534	US\$ 424
₹ 2-5 Lakh	6.62%	₹2,96,666	₹7,567	US\$ 908
₹ 5-10 Lakh	2.38%	₹6,61,025	₹6,065	US\$ 728
₹ 10-20 Lakh	1.20%	₹13,74,947	₹6,322	US\$ 758
< ₹ 20 Lakh	1.53%	₹76,12,529	₹44,817	US\$ 5,380
<b>Total</b>	<b>100%</b>		₹75,028.10 cr	US\$ 9,000 million

## Why are women's NMEs credit needs unaddressed?



### New entrepreneurs

They are first-time business owners lacking training



### Lack of collateral

As "thin-file" customers, they lack a traditional credit score



### Digital footprint amiss

They are more prone to lacking digital financial footprints



### Access to growth capital

They are likely to be trapped in low-revenue businesses



### Time poverty

Caregiving responsibilities make running businesses challenging



### Product mismatch

Financial systems are not designed to serve women effectively

## Supportive schemes exist, yet women entrepreneurs lack growth capital

Despite well-intentioned government schemes, women entrepreneurs struggle to access growth capital and remain trapped in low-income-generating businesses. Their entrepreneurship is often characterized by small-scale, home-based ventures such as running local shops or producing household goods. They juggle high caregiving and household responsibilities with limited support systems and sociocultural constraints. Their businesses are typically in industries with lower barriers to entry, such as beauty or tailoring, reflecting resource limitations rather than a lack of ambition or vision; they lack exposure to what truly works in the market.

Limited start-up capital is one of the most significant constraints for women-led NMEs. Government schemes such as the Pradhan Mantri MUDRA Yojana (PMMY) have played a pivotal role in introducing women at the base of the pyramid to formal credit, enabling millions of first-time borrowers to access small-ticket financing.

Many entrepreneurs are now graduating to the next rung of enterprise growth. PMMY data indicate a positive shift in women's credit patterns. In 2015–16, women borrowers were largely concentrated in the smallest loan tier, with 84% of their accounts in the Shishu (lower-ticket size) category and 15% in Kishore (mid-ticket size). By 2022, the share of women in the Kishore category had increased to 27%, while Shishu accounts had declined to 71%.

**This trend<sup>7</sup> signals a healthy transition toward higher-value borrowing, reflecting women's growing credit appetite, enterprise expansion, and readiness for formal finance beyond microcredit.**

However, the “missing middle” persists – a segment of women entrepreneurs who have outgrown microfinance but remain underserved by mainstream financial institutions. Women are new entrepreneurs lacking digital financial footprints and traditional credit scores, and financial systems are not inherently designed to serve them effectively. Even digital lenders are unable to reach and serve this segment. Consider that the women MSME portfolio – as a percentage of the overall NBFC portfolio<sup>8</sup> – is less than 15%. Addressing this financing gap, particularly for loans in the ₹5–20 lakh (US\$ 6,000–24,000) range, is critical to helping women move from microenterprises to sustainable small businesses.

To estimate the size of the credit market, we analysed the distribution of women-led enterprise loans across ticket-size bands using ASUSE lending data and applied this distribution to the 3.85 million women entrepreneurs estimated to be demanding credit.

Focusing on the ₹5–20 lakh (US\$ 6,000–24,000) ticket-size segment reveals a significant opportunity. This segment – representing approximately four percent of women-led non-farm microenterprise – corresponds to an estimated 0.137 million borrowers. Together, they account for a total market potential of ₹12,388 crore (US\$ 1,460 million).

<sup>7</sup> Impact Assessment of Pradhan Mantri Mudra Yojana (PMMY) 2023: [Assessment of PMMY\\_Final Report.pdf](#)

<sup>8</sup> Women's World Banking projected data.

# The comprehensive case of women entrepreneurs within the Self-Help Group (SHG) ecosystem

**Rural women entrepreneurs are difficult for lenders to discover because the majority of these operate from home, away from the main street, have limited credit history, and sparse financial records.** Nearly 42% Self-Help Group (SHG) women's enterprises have no formal registration or papers, and while about 25% use physical registers, they do not maintain formal books, often depending on informal notes or mental records. Women also have lower digital transaction footprints; while 55% said they use Unified Payments Interface (UPI), 35% use it themselves to send, and 42% to receive money, without availing the benefits of being a UPI merchant.

Additionally, serving SHG women's individual credit needs is challenging. While there are multiple bank schemes, our research found there was limited awareness about them and the application process on the ground. As women are primary caregivers, and therefore time-starved, they lack experience with extensive formal banking and find the loan application process cumbersome. Banking processes are often lengthy and require extensive documentation, which can make women feel burdened and unwelcome. Many also perceive banking as opaque; in our research, women borrowers reported that sanctioned loan amounts were up to 40% lower than the amounts they had requested, and that bank staff were not accessible to clarify this gap.

**Women within the SHG ecosystem, who run successful enterprises, are ready for larger capital, and they deeply value trust and transparency. So, when financial services are delivered through channels where trust already exists, it simplifies onboarding, adoption of products, and consistent engagement.**

To enable their transition to higher-value, individual enterprise growth capital, the credit ecosystem must be reimagined from the supply side to tap into this customer segment.

The SHG ecosystem hosts the largest number of women-led NMEs in India, offering banks a powerful window to reach and serve them. These women are already collectivized within a trusted, community-based structure – by women, for women – that effectively manages group credit and government grant distribution.

Our research shows a strong demand for individual credit among SHG women entrepreneurs. In Maharashtra, 30% of SHG women are ready for formal loans exceeding ₹1 lakh (US\$ 1,190), and 13% even require more than ₹2 lakh (US\$ 2,380), indicating a clear readiness for business growth.

**The challenge now lies clear before us: how might we provide affordable individual credit for SHG women's businesses with limited credit history, negligible collateral, and lacking formal documentation in a viable and scalable manner?**

“

*Excessive documentation and delays (sometimes over two months) discourage women from applying for individual business loans.*

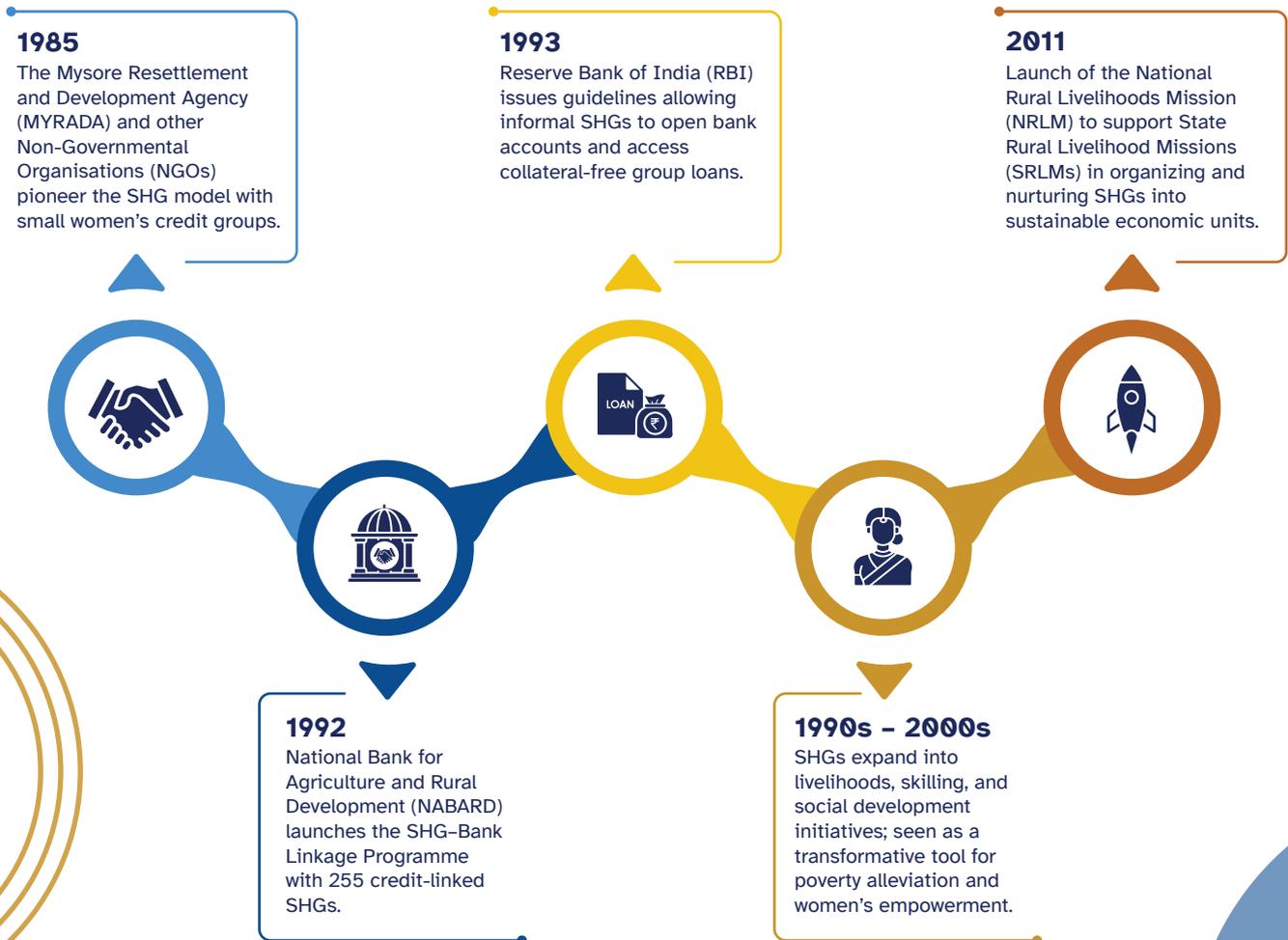
- Rajmani Devi, President, Armaan Jeevika CLF, Patna, Bihar

<sup>9</sup> Women's World Banking's research of 883 SHG women enterprises in Maharashtra, 2024

<sup>10</sup> Women's World Banking's research of SHG Women Enterprises in Maharashtra, N=883, 2024

## A timeline of India's SHG movement

As of January 2025, the SHG ecosystem in India has mobilized over 100.5 million women into 9.09 million SHGs. A cumulative ₹48,290 crore (US\$ 5.82 billion) has been provided as capitalisation support through Revolving Funds and Community Investment Funds. SHGs have also received ₹9,89,000 crore (approximately US\$ 119 billion) in total bank credit, demonstrating the scale and impact of the SHG movement across rural India.



<sup>11</sup> Ministry of Rural Development, 2025: [https://sansad.in/getFile/loksabhaquestions/annex/184/AU1229\\_s0jBBH.pdf?source=pqals](https://sansad.in/getFile/loksabhaquestions/annex/184/AU1229_s0jBBH.pdf?source=pqals)

# Unlocking affordable credit for SHG women enterprises via Community-Based Organisations: Program design

The Small Industries Development Bank of India (SIDBI) launched the Prayaas scheme in 2018, aimed at enabling low-cost credit for microentrepreneurs and microenterprises, essentially the “missing middle” segment. The scheme is facilitated through partnerships with financial (such as Business Correspondents, Microfinance Institutions, Non-Banking Financial Companies, fintech, etc.) and non-financial intermediaries (such as corporates, aggregators). Women are the primary beneficiaries of the program.

SIDBI, as the apex financial institution for the MSME sector, intended to innovate a distribution model that could catalyse even deeper penetration of affordable credit with a focus on women. This paved the way for the Prayaas Individual Enterprise Scheme (IES), designed to embed affordable credit within existing local community ecosystems, targeted at rural women entrepreneurs.

Women’s World Banking and SIDBI partnered with State Rural Livelihood Missions — Jeevika (Bihar Rural Livelihood Promotion Society), UMED, Maharashtra State Rural Livelihood Mission (MSRLM), Mahila Arthik Vikas Mahamandal (MAVIM), and Assam State Rural Livelihood Mission (ASRLM) — to design and test a scalable, gender-intentional credit distribution leveraging Community-Based Organisations (CBOs), which are run by women, as a conduit to make the Prayaas loans available to individual women-led enterprises nurtured within the SHG ecosystem.

## SIDBI’s Prayaas originated to address the missing middle in access to enterprise credit

In 2018, SIDBI launched the Prayaas scheme to bridge the persistent credit gap faced by India’s “missing middle” – microentrepreneurs who are too large for microfinance but too small or informal for mainstream banking channels. The scheme offers affordable individual enterprise loans through partner financial institutions, with interest rates ranging from 12% to 18% and ticket sizes between ₹50,000 and ₹5 lakh (US\$ 600 - 6,000). These loans require no collateral and rely on basic identifiers such as bank account details and Aadhaar. The process is fully digital – via online portals and app-based borrowing – to ensure seamless access and faster turnaround times.

As of September 2025, Prayaas has disbursed a total of ₹6,000 crore (US\$ 7 billion) across 3.01 lakh loans, with an average loan size of ₹2.10 lakh (US\$ 2,500). Notably, more than 84% of all loans sanctioned under Prayaas have been extended to women.



The Prayaas IES loan journey operates through a three-tier federated structure – from Self-Help Groups (SHGs) to Village Organisations (VOs) to Community-Based Organisations (CBOs). SHGs hold granular, member-level insights on repayment discipline and financial behavior, which are aggregated and validated at the VO and CBO levels. This structure – where borrower intelligence flows bottom-up and fund flows top-down – is central to this credit distribution system.

Each SHG maintains member-wise lending records through registers, passbooks, and meeting notes, which are regularly shared with the VO. Every month, VOs grade SHGs and compile lending reports across multiple credit products such as MUDRA, One-Stop Facility, and Startup Village Entrepreneurship Programme, creating performance summaries for individual borrowers. CBOs, in turn, consolidate this intelligence and leverage their institutional capacity – including IT infrastructure, human resource systems, financial records, and office setups – to underwrite or facilitate loans. This robust, bottom-up intelligence stream enables lenders to assess borrower risk more confidently and make informed credit decisions.

### NRLM’s 3-tier structure for rural collectives

The National Rural Livelihoods Mission (NRLM) uses a three-tiered structure to empower rural communities and improve their overall performance.



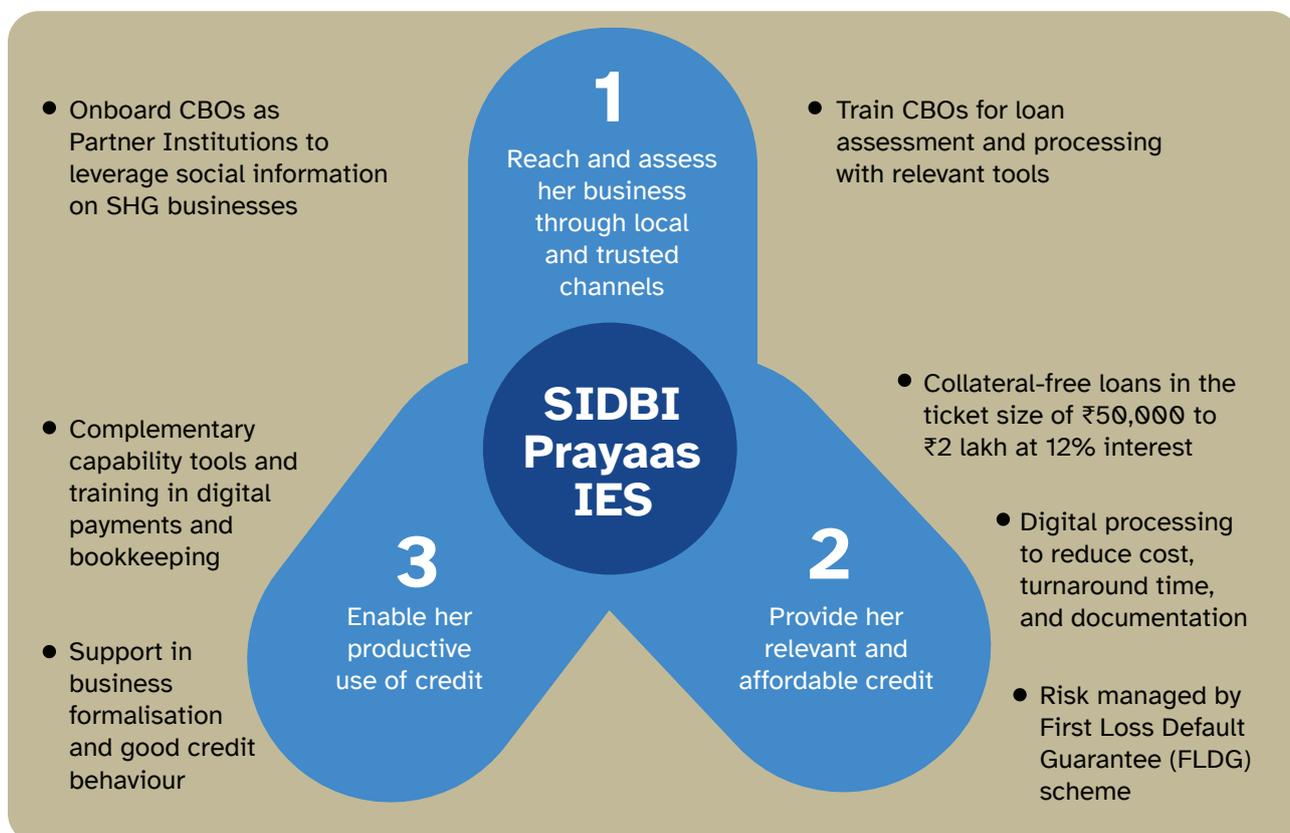
# Prayaas Individual Enterprise Scheme (IES) for SHG women entrepreneurs: Solution design

For rural women entrepreneurs, affordable credit means access to assured, appropriate, and growth-oriented capital that enables enterprise expansion and economic empowerment. Thus, the design of the SIDBI IES scheme was anchored in delivering timely, seamless loans through the CBO, a trusted local community, and ensuring their productive use in helping women grow their businesses.

The new IES scheme targeted the “missing middle” – women who have surpassed SHG-level loans of ₹25,000–₹50,000 (US\$300-600) but are unable to access bigger ticket sizes. The IES solution offered collateral-free loans in the ₹50,000 - ₹2 lakh (US\$600-2,400) range with minimal documentation, digital disbursal, and faster turnaround times. The loan process was embedded within the existing CBO ecosystem to test last-mile delivery at scale and sustainability.

**The delivery of credit through a familiar channel, and digitally, ensured that women entrepreneurs could be guided by one of their own, which built trust and comfort in accessing loans. CBOs could identify “creditworthy” customers as they possess knowledge of local businesses. In the absence of formal credit history for most applicants, the transaction records of members for internal and group lending act as an important assessment factor. This innovation has been instrumental in driving the success of the program.**

As a graduation credit product, IES created pathways for women to build credit histories and strengthen their eligibility for future formal loans. By positioning CBOs as partner institutions for loan sourcing and servicing, the program made credit delivery more viable and efficient and demonstrated the potential of CBOs to emerge as credible rural financial intermediaries.



CBOs manage the entire loan journey – from sourcing to customer onboarding and servicing – with the help from the community cadre, who are women from the SHG ecosystem itself. The cadre has deep connections with the SHG women credit customers which simplifies how loans are managed on the ground and how they are supported through the loan lifecycle.

- 1 Women entrepreneurs are first made aware of the Prayaas loans through programs and marketing tools within the CBO, VO, and SHG ecosystem.
- 2 Interested women reach out to the cadre who assess the entrepreneur, collect primary data and documents for application, and carries out a credit assessment check in terms of business, current financials, growth plans, and potential repayment capacity. This assessment is used to gauge whether the business profile is suitable and if a bureau check is acceptable.
- 3 Each application goes through a maker-checker process. The checker is an official from the CBO (could be a manager or a master bookkeeper) who checks the application and eligibility, uses other inputs or recommendations through referral checks with the SHG or VO, and finally pushes the application onto the Prayaas portal.
- 4 Finally, SIDBI's decision engine runs its algorithm, and the final credit decisioning is done based on the underwriting policy criteria.

While mentoring and training enable CBOs to eventually manage loan processing independently, their motivation also lies in the commercial value of the model: CBOs earn a 2% commission and 1% processing fee per loan and could generate approximately ₹3.5 lakh annually (US\$ 4,200). This financial viability serves their business objectives in a sustainable manner and keeps their skin in the game.

The process has resulted in a 51% loan approval rate with most applications processed within two weeks. Any delays were because of documentation gaps, staff shortages, or disbursement thresholds. The assessments have also resulted in good quality borrowers, both new to first formal credit and those with credit histories: 38% of the borrowers in the program were new to formal credit, and 62% with prior CIBIL history scored >750.

Encouragingly, the SIDBI Prayaas book has 0.16% delinquencies reported to date. **Ultimately, through structured onboarding and training, CBOs can independently facilitate loan origination for banks.**



# Nurturing women-managed Community-Based Organisations (CBOs) into effective lending partners for banks

## Part 1 - Identifying and onboarding eligible Model CBOs

CBOs are among the most prominent women-led collectives in rural India. These are registered entities overseen by SRLMs, maintain thorough financial discipline, and operate across a range of functions, including managing funds for health, livelihoods, skill-building, agriculture, non-agricultural enterprises, and broader community development.

SRLMs provide CBOs with community investment funds, which flows via VO to offer loans to SHG women. CBOs themselves also offer interest-bearing loans to SHGs and serve as vital facilitators of SHG-bank linkages. They have processes in place to manage and track their lending, and a large community cadre to manage the loan lifecycle.

**These federations are particularly rich in social intelligence of the last mile, which can be layered atop financial information, thus becoming critical underwriting conduits for SIDBI's lending process.**

### A tiered evaluation and approval mechanism is used to identify women SHG members who qualify for a loan.

- 1 At the SHG level, women members initiate the process by expressing a loan demand. The SHG formally resolve within group and recommends the individual member demand to the VO based on the member's credit worthiness, business, and past repayment history. This essentially, the first layer of evaluation.
- 2 The VO plays the role of a 'checker'; it reviews and evaluates all individual loan proposals from SHGs and provides formal recommendations based on the SHG group repayment history and participation.
- 3 The CBO serves as the 'authorizer'. It conducts a core committee review of all VO-recommended proposals on a regular basis. The CBO recommendation proposal flows to the Prayaas portal. The credit decisioning is, ultimately, made by SIDBI.
- 4 Upon the sanction of applications, SIDBI releases funds to CBO which, in turn, disburses the sanctioned amount to the individual SHG members. On the due date, the individual member transfers her payment to the CBO via UPI or bank transfer, and the CBO repays the collected amount to SIDBI.

“

*CLFs are not there for loan disbursement alone. Our ultimate responsibility is the financial, social, and emotional development of our SHG members. So, we ensure that women are provided with all the support needed so that they are able to avail loans to grow their businesses and repay those loans without difficulties.*

- Uttam Jeevika CLF, Musahari, Bihar

## Part 2 – Providing structured training and support to CBOs

### Eligible “Model” CBOs can be identified and onboarded for loan processing.

A Model CBO is a well-functioning, financially sustainable community institution that federates SHGs and serves as a learning and demonstration hub for other CBOs. It provides guidance, capacity building, and financial services, and supports higher-order development goals such as nutrition, health, water and sanitation, and gender, showcasing effective governance and service delivery for rural communities.



Under the program, 44 Model CBOs were onboarded across Assam, Bihar, and Maharashtra. These CBOs, each with 40-60 community cadres, had experience ranging from four to 15 years, and most had between 5,000 and 10,000 SHG members. The majority of these CBOs were adept at managing Community Investment Funds (CIF) and operated through elected leadership with an accountability process in place.

### Grading parameters by NRLM to become model CBO



SRLMs in each state supervise and grade CBOs based on a central framework, which is designed by the National Rural Livelihood Mission. This framework uses grading parameters including Bookkeeping and Accounting (30%), Maintenance of Records (20%), Community Investment Fund (CIF) and Monetary Operations (16%), Internal Control (12%), Statutory Audit (8%), Procurement (8%), and Reporting (6%). This comprehensive scoring system ensures that only those CBOs with strong governance and operational discipline are elevated to Model CBOs. Each quarter, the SRLM staff rates CBOs based on these parameters, while Model CBOs are identified through an annual grading carried out by an external auditor.

Similarly, SIDBI's due diligence of CBOs focuses on strong fund management capacity, robust governance processes, efficient utilisation and rotation of CIF, balance sheet health, elected executive committees, and overall strength of the community cadre.

Eligible CBOs must meet five criteria: be a registered entity, be operational for more than three years, maintain a balance sheet above ₹30 lakh (US\$ 36,000), be graded 'A' by SRLM, and have access to computer and internet infrastructure. In addition, all CBOs underwent an independent third-party rating process (in SIDBI's case, the third party being MCRIL) during the proposal submission stage to assess their institutional readiness.

In this program, 44 CBOs out of the 49 that were identified were onboarded as lending partners till December 2025. The five CBOs that were put on hold were because of poor record-keeping, incomplete statutory compliance, poor financial management, and a lack of IT and office infrastructure.

However, with targeted support, all CBOs can step up to become credible partner institutions at scale, such as by addressing compliance, financial management, record-keeping, staff strength, and infrastructure support. Ultimately, when CBOs are equipped with the right tools and guidance, they can become eligible partner institutions to disburse loans at scale.

### **Advisory checklist for lenders onboarding CBOs**

This checklist serves as a practical guide for financial institutions to screen and evaluate the institutional capacity of CBOs before engaging them as lending partners.

- **Statutory compliance:** CBOs conduct regular board meetings, maintain records of all proceedings, and adhere to all relevant legal and regulatory requirements. Statutory documents, including filings with the Registrar and legal registrations, must be up to date and readily accessible.
- **Maintenance of records:** CBOs must keep complete KYC records (Aadhaar, PAN, Voter ID) of all board members at the office. The CBO's bye-laws and latest audited financial statements should also be readily available. Minutes of subcommittee meetings and related records should be properly filed and updated.
- **MIS management:** A clear database of CBO members and affiliated SHGs should be maintained, including formation dates and member counts. Records of all office staff and community cadre should be available and periodically updated. Digital tools should be adopted where feasible.
- **Financial management:** CBOs should demonstrate efficient fund utilisation with minimal idle funds. Financial records – including ledgers, repayment schedules, cash balances, and Community Investment Fund or Community Enterprise Fund (CIF/CEF) fund disbursement logs – should be regularly maintained. Records must also capture SHG Bank Linkage or Business Correspondent operations (if any), details of overdue accounts or NPAs, and the use of any grants or external funds.

## Structured training and support can cultivate CBOs to become effective lending partners.

To make CBOs effective loan distributors for SIDBI, we trained and supported CBO functionaries for approximately six to eight months using a mix of digital tools, in-person training, and field monitoring. This training enabled them to reach and source loans to eligible women entrepreneurs, assess their businesses, fulfill loan applications and verification, service and collect loans, and manage the CBO's portfolio. During their training, various tools were incorporated including manuals, videos, guides, document checklists, colloquial application forms, and collection registers.

### CBO training and support timeline



(May 2024 to December 2025)

# The activation of a Prayaas IES loan

## Business run by a women entrepreneur

### 01 Mobilisation and applicant screening

- Mobilize potential women borrowers from SHG Groups
- Conduct orientation sessions on the Prayaas loan product and eligibility criteria
- Receive and verify loan applications and supporting documents

- Undertake field visits to validate the borrower's business activity
- Assess loan requirements and evaluate repayment capacity

### 02 Due diligence and assessment

### 03 Credit committee recommendation and sanction

- Convene CBO Credit Committee meetings to review and approve applications
- Upload recommended applications on the Prayaas portal for SIDBI's sanction
- Track sanction status and respond to any queries from SIDBI

- Coordinate with SRLM or CRP teams for post-approval support
- Ensure loan agreements are signed, and documents are archived digitally
- Disburse funds to borrowers' bank accounts and confirm receipt

### 04 Disbursement and documentation

### 05 Post disbursement and monitoring

- Orient borrowers on repayment schedules and UPI-based payments.
- Provide regular handholding support and monitor enterprise use of funds
- Send EMI reminders and follow up on timely repayments
- Maintain MIS/Filing of loan records and loan tracking data



## **Relevant credit products like Prayaas IES loans, delivered through trusted channels, work for women entrepreneurs, at scale**

Rural women entrepreneurs struggle in sourcing credit due to multiple reasons, including high costs, cumbersome access, long turnarounds, inadequate loan amounts, and heavy documentation. Prayaas IES was designed to address these very challenges. Our research shows that 83%<sup>12</sup> of women chose the Prayaas loan because of its lower rate of interest, making it a more affordable financing option compared to other available credit products.

The average sanctioned loan amount<sup>13</sup> for the project was ₹1.39 lakh (US\$ 1,635), which women predominantly utilised as working capital for their businesses. Specifically, 23% of the women entrepreneurs used the funds to purchase<sup>14</sup> future needs.

Testimonials further revealed that the women borrowers used the credit to restock inventory, upgrade tools, or add small infrastructure such as storage sheds for their businesses, which made a tangible difference in their operations. According to our survey, Prayaas loans are expected to increase incomes by nearly 10% by enhancing business growth and offering greater financial stability and formality.

Most importantly, all women<sup>15</sup> said they wanted higher loan amounts, up to ₹5 lakh (US\$ 6,000), to scale their business and improve profitability. 38% of Prayaas customers reported<sup>16</sup> additional funds requirement after a year of seeking this credit. This is a clear indication that SHG women entrepreneurs are ready to receive growth capital; it is now upon the financial institutions to build relevant products for women borrowers that can support them to expand their enterprises.

## **CBOs face two broad challenges in the loan process as they expand their role from managing group-based credit to facilitating individual loans.**

One, managing loan operations amid competing SRLM-led priorities – such as livelihood promotion, community development, capacity building, credit linkage, and internal fund disbursement – can be challenging. Two, as operations grow in scale but systems remain limited, CBOs may face difficulty in handling end-to-end loan lifecycle efficiently because much of their record-keeping is still manual, with limited access to reliable digital infrastructure.

As CBOs evolve into formal loan distribution partners, maintaining consistency, compliance, and quality across larger portfolios will require both efficient digital systems and continuous capacity building. SIDBI is investing in comprehensive digitalization to enhance CBO efficiency and ease operational load by introducing a direct digital collection module, allowing borrowers to make seamless repayments through various digital options, and implementing e-signatures for partnership agreements to simplify documentation. Additionally, communication modules are being deployed to proactively inform customers across the loan lifecycle, improving transparency and borrower engagement.

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<sup>12</sup> Women's World Banking's survey of 151 SHG women entrepreneurs in Bihar and Maharashtra who applied for Prayaas loans, 2024

<sup>13</sup> Prayaas Portfolio Data, September 2024

<sup>14</sup> Women's World Banking's focused group discussions with 49 women customers in Bihar and Maharashtra

<sup>15</sup> Women's World Banking's survey of 294 Prayaas women customers in Bihar and Maharashtra

<sup>16</sup> Women's World Banking's focused group discussions with 61 women customers in Bihar and Maharashtra

# Enabling the productive use of credit through embedded business and financial management skills

**Access to credit alone is not sufficient for women entrepreneurs to grow and sustain their businesses. When credit is complemented with relevant business and financial management skills, women are better able to utilise loans productively and graduate to the next level of enterprise growth.**

This is particularly important for SHG women entrepreneurs, many of whom are first-time business owners with limited formal training or prior experience in enterprise management. Beyond initial technical training to start an activity, women require more nuanced skills – such as money management, recordkeeping, registrations, digital payments, and basic marketing – to strengthen and expand their businesses.

Survey findings reinforce this need.

- While 61% of SHG women reported owning smartphones, their usage was largely limited to communication rather than business purposes.
- When asked about digital skills that could help them become better entrepreneurs, 68% identified digital payments, 62% digital bookkeeping, and 40% marketing.

## Embedding business and financial management skills within the Prayaas IES credit journey

To enhance the productive use of credit under the Prayaas IES, Women's World Banking designed a Digital Capacity Building Toolkit to strengthen women entrepreneurs' financial and digital capabilities. The intervention was delivered in a phygital format, combining in-person workshops by Community Resource Persons (CRPs) with digital content accessible on smartphones.

### The toolkit comprised two components:

#### Toolkit for trainers



This included a digital flipbook outlining steps for enterprise growth (from 1x to 5x), with a focus on digital bookkeeping, digital payments, and good credit behaviour, along with links to short instructional videos hosted on SIDBI's YouTube channel.



#### Toolkit for customers



This included a physical leaflet highlighting five key steps for business growth, QR codes linking to videos, and a Prayaas IES Certified Customer certificate awarded upon completion.



### CRPs used the toolkit on their phones to train borrowers through three short modules:

#### Digital bookkeeping

Download app *Mera Bills* and complete two sample entries

#### Digital payments

*View UPI video* and make a ₹1 test transaction

#### Good credit behaviour

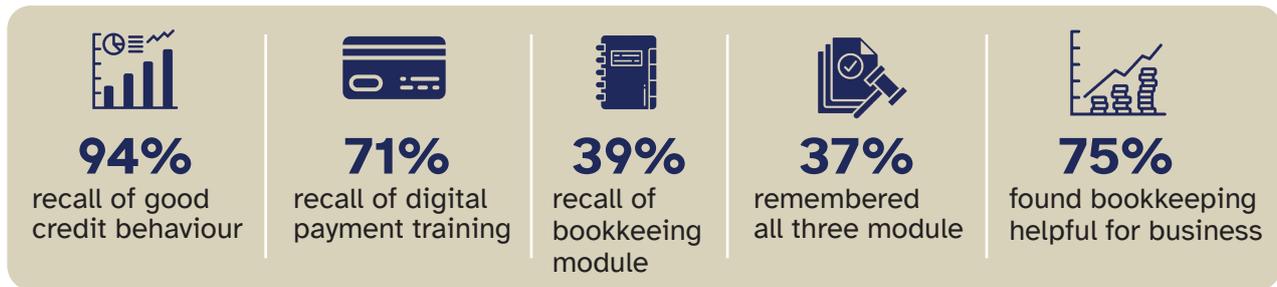
Learn about *repayment* and responsible borrowing

## Learning outcomes through the Knowledge-Attitude-Practice (KAP) lens

The intervention was evaluated using the Knowledge-Attitude-Practice (KAP) framework, which measures progressive change across three layers: awareness of tools and concepts (knowledge), willingness to adopt new behaviours (attitude), and observable behavioural change (practice).

Given the recent rollout, early effects were most visible at the knowledge level, with attitudinal and behavioural shifts expected to emerge gradually as women gain confidence and routine familiarity.

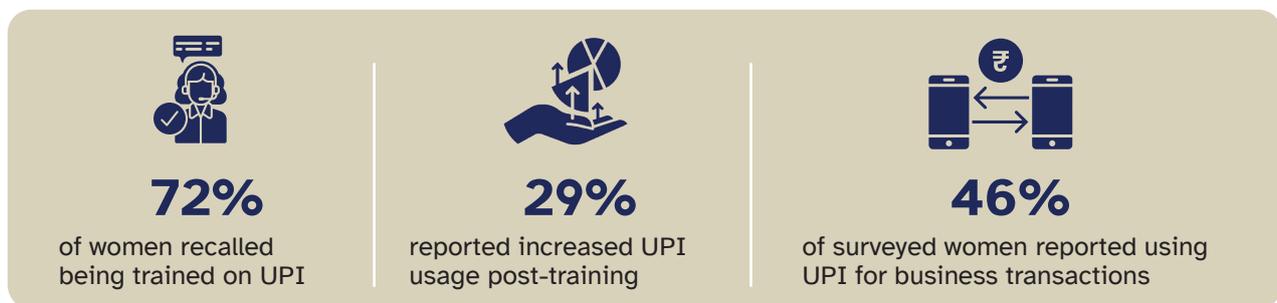
### Training recall was high overall:



Early adoption patterns show that digital bookkeeping requires sustained reinforcement. Only 7 of 60 women reported using digital bookkeeping regularly. Key barriers included lack of time (35%), small business size (35%), and limited training exposure (20%). These findings suggest that bookkeeping adoption is most effective when approached as a staged journey – from informal to semi-formal, then to formal non-digital, and finally to digital – supported by hands-on training, simple interfaces, and clear linkages to tangible benefits such as credit access and market opportunities.

### Faster uptake of digital payments

In contrast, training on digital payments resulted in quicker and more visible behavioural change.



Adoption was higher among women who owned their own smartphones (35%) compared to those using shared devices (20%). Notably, all respondents who recalled digital payments training found it useful, and 60% reported using UPI to repay their Prayaas EMIs – demonstrating early shifts in financial behaviour.

Profiles of adopters highlight clear patterns. Women using UPI were more likely to have secondary education (63%) compared to those with only primary schooling (41%). Most had PAN cards in their own name, maintained some form of business records, and managed their finances independently.

### Key insights and learning

- Embedding training within the loan journey significantly improves relevance and recall. Tools that deliver quick, visible benefits – such as digital payments – see faster adoption than more abstract practices like bookkeeping.
- Women who are digitally literate, own smartphones, and have prior exposure to business documentation are more likely to translate knowledge into action.
- Simple, visual, and practical content formats are particularly effective for women with limited formal education.

## Recommendations to strengthen women's loan productivity

Digital payments and good credit behaviour training should be formalised within the SRLM system by integrating the toolkit into SRLM and Rural Self-Employment Training Institute curriculum and delivering it consistently through CRPs and CBOs.

Periodic refreshers are essential; WhatsApp-based nudges, short videos, and reminders can help sustain engagement over time.

Creating more practice opportunities – such as encouraging EMI payments through UPI and reinforcing habits with monthly prompts – can accelerate behavioural change.

Bookkeeping adoption will require higher-touch support, including follow-up visits, group demonstrations, and continued mentoring through SIDBI's Promotion and Development Initiatives teams.



# Scaling IES: Unlocking an opportunity worth nearly ₹65,800 crore (US\$ 7.7 billion)

India's SHG ecosystem represents a vast and largely untapped opportunity for individual enterprise lending. Rural women entrepreneurs are increasingly ready to transition from group-based to individual loans ranging from ₹50,000–₹5 lakh (US\$ 600–6,000) to expand their enterprises – a segment currently underserved by mainstream financial institutions.

## Potential market



**29.5 million**

Total SHG Members under Model CBOs

**7.39 million**  
estimated entrepreneurs



**4.73 million**  
require loans

This translates into a ₹**65,800 crore** (US\$ 7.7 billion) lending opportunity with 4.73 million (64%) rural women requiring individual loans averaging ₹1.15 lakh (US\$ 1,400) in 2025.

## Key findings



Community-led institutions like CBOs organize, monitor, and service individual loans effectively.



CBO partnerships allow more ecosystem players to expand and utilise this distribution template, unlocking significant business opportunity.

Across India, there are **9,496 Model CBOs** with institutional maturity needed to manage partnerships and handling: ₹**30 lakh** (US\$ 36,000) in credit annually.

## Institutional partnership opportunity

**52%**

portfolio data revealed good approval rate for IES loans.

**0.16%**

delinquency rate among portfolio lower than SHG group loans.

A strong majority of users found the **loan relevant (88%), fast to process (72%), and easy to access (65%).**

These results demonstrate a viable, low-risk, scalable pathway for financial institutions to expand rural portfolios. Women are ready, CBO network is ready, and financial institutions now have a scalable pathway to serve them.

# Recommendations for scaling credit delivery through grassroots women's collectives

Rural women entrepreneurs from India's SHG ecosystem are ready and willing to access larger credit amounts to grow their businesses. Despite their potential, rural women entrepreneurs continue to remain financially underserved. Banks struggle to operationalize individual loans for SHG women due to several constraints – including lack of formal documentation, limited credit history, and absence of collateral – all of which make underwriting difficult. Moreover, financial products are often not designed to match women's business realities and growth needs.

SIDBI's Prayaas loan has proven to be a relevant product for this segment. However, for such credit to be viable and sustainable, it must be delivered through trusted community-based structures. CBOs, which already operate under the SRLM framework as distributors of internal and grant funds, present a promising model. They combine deep local knowledge with strong trust-based networks and can be capacitated to evolve into effective loan distributors for financial institutions, bridging the last-mile delivery gap.

Building on learnings from the pilot, the following recommendations outline strategies to scale this model and strengthen an integrated, gender-intentional credit ecosystem for rural women.

## For lending institutions

### 1. Collaborate with SRLMs to leverage CBOs as credit distribution partners



The SRLM ecosystem has evolved from SHG-driven credit to facilitating individual lending. There are over 32,000 CBOs across India, of which [9,413 out of 32,000] have been groomed as Model CBOs demonstrating strong governance, financial management, and digital readiness. These CBOs are now well-positioned to partner with banks, fintechs, and insurance providers to enable last-mile financial access for women while creating sustainable income streams for themselves. Banks should establish dedicated teams to identify, onboard, and formalise partnerships with eligible CBOs.

Women's World Banking has developed a standardised CBO Partnership Checklist (table no ) which FSPs can use to initiate the process. To accelerate onboarding at scale, institutions should focus on reducing paperwork and turnaround times – for instance, by adopting e-signatures for partnership agreements and utilizing verified CBO grading reports from LokOS platform instead of external ratings.

## 2. Utilise CBO's social intelligence and experience, and support them to strengthen loan origination



FSPs need to see CBOs as an extension of their last-mile channels and accordingly train and provide tools to the CBO functionaries and CRPs to deliver access and enrollment of financial products and non-financial services. This requires them to invest in:

- Training CRPs of CBOs on loan origination and application filling, leveraging their local knowledge of businesses, cash flows, and growth potential.
- Consuming demographic and enterprise data of SHGs (e.g., from platforms like LokOS) into customer onboarding and credit approvals to lower operational burdens for both lenders and borrowers.
- Design and provide monetary incentive to CRPs and CBO functionaries to cover their operational expenses, thereby supporting the long-term self-sustenance of the CBOs.
- Providing dashboards and MIS tools to track and evaluate CBO-wise origination and portfolio quality. Share clear feedback on loan rejections with CRPs and SRLMs to enable course correction and improved onboarding. This helps close the learning loop and enhances assessment quality.
- Conducting quarterly reviews with implementation partners to monitor progress and maintain agility. Establishing dedicated helpdesks for CBOs and integrate CRPs as a structured part of operations to strengthen confidence, compliance, and problem-solving at the field level.

## 3. Evolve credit and other financial products for rural women entrepreneurs



Rural women entrepreneurs from the SHG ecosystem are growing their businesses and are ready to engage with the wider financial ecosystem for products and services. As their businesses grow, they are looking for relevant products to build resilience. This is an untapped opportunity for banks, lenders, fintechs, and insurance companies. They could:

- Design contextual credit products tailored to seasonal cycles and sector-specific needs – combining term loans with flexible working capital lines – to match women micro-entrepreneurs' diverse growth trajectories.
- Leverage digital platforms and ensure fully digitized repayment systems for efficiency and transparency. Automate borrower communication and keep it proactive and transparent at each stage of the loan lifecycle to nurture financial discipline and trust.
- Offer non-financial services training to women entrepreneurs, including digital bookkeeping, business formalisation, merchant payments, and e-commerce integration, to enhance productive credit use and business sustainability. Embed insurance – such as health or EMI protection – in the credit offering to improve product relevance.

## For State Rural Livelihood Missions (SRLM)



### 1. Prioritise CBO readiness for lending partnerships:

To build a culture of credit readiness across CBOs, there is a need to address asymmetry across CBOs in terms of documentation, timeliness of annual financial audits, and other governance-related processes. SRLMs can systematically address these constraints through structured approach that enhances institutional readiness, streamlines documentation, and reporting, and builds capabilities through targeted training and peer learning. The SRLMs could:

- Share a standardised banking partnership checklist with SRLM district teams and reinforce it through regular meetings. This will also include ensuring the availability of CBO grading reports, audited statements and financial reports from LokOS platform to support faster partnership approvals.
- Ensure timely financial audits and grading for all CBOs to structure the program more efficiently.



### 2. Institutionalise capacity building for CBO and SHG women

As the program expands across more states and CBOs, SRLMs need to institutionalize capacity building to ensure efficient individual credit delivery, maintain strong portfolio quality, and achieve better enterprise outcomes for women entrepreneurs. The core challenge is transitioning CBOs and CRPs from managing small-scale internal lending to handling formal, individual credit assessment and operations delivered by Financial Institutions (FIs). This requires two key actions for SRLMs:

#### 1 Strengthen CBO operational expertise:

- Embed mandatory, comprehensive training on formal individual loan lifecycle management and FI partnership requirements into SRLM modules for all CBO
- Consider deploying dedicated staff attached to CBOs to specifically manage lending operations.

#### 2 Enhance SHG women's financial readiness:

- Formalise the CRPs' role in building the non-financial capacities of women borrowers. This includes training on bookkeeping, digital payments, and good credit behaviour, delivered through simple, recurring engagement methods.



### 3. Enhance operational effectiveness

To build lender confidence towards scaling of credit programs, robust data management and portfolio review and monitoring framework at SRLM end along with a collaborative approach with lending institutions for repayment related challenges would play a key role. SRLMs can:

- Supervise and build the capacity of CBOs. Conduct quarterly portfolio review meetings between SRLMs and the District Financial Inclusion Mission team to drive continuous feedback and improve portfolio monitoring. Establish a structured monthly review mechanism to identify and address repayment challenges promptly, ensuring effective support to partner lending institutions.
- Use digital repository of enterprise-level information on SHG members captured in LokOS to support efficient credit-readiness assessments and better targeting for credit schemes, including Prayaas.

## For National Rural Livelihood Mission (NRLM)



### 1. Share knowledge from successful SRLMs to cultivate an ecosystem

The NRLM should actively identify and share the success stories of SRLMs that have effectively implemented this model. Documenting their practical steps and results will make it easier for other SRLMs to learn and adopt the approach. Furthermore, NRLM should directly encourage other lenders, such as public and commercial banks, to participate. By bringing these key players into the conversation, NRLM can help build a stronger ecosystem for financing rural women enterprises.



### 2. Create a credit risk fund for CBOs

To mitigate the risks that lending institutions face when lending through CBOs, establishing a dedicated credit risk fund is essential. This fund would act as a safety net for banks, covering a portion of the losses in case of loan defaults by enterprises financed through CBOs. By reducing the financial risk for banks, this guaranteed risk fund would encourage them to extend more credit to women led enterprises, even in cases where the perceived risk is higher. This is particularly important in the context of lending through CBOs, where the borrowers are often first-time or low-income entrepreneurs.

## Abbreviations

<b>ASRLM</b>	Assam State Rural Livelihood Mission
<b>CEF</b>	Community Enterprise Fund
<b>CIF</b>	Community Investment Fund
<b>CBO</b>	Community-Based Organisations
<b>CRP</b>	Community Resource Person
<b>FSP</b>	Financial Services Provider
<b>GDP</b>	Gross Domestic Product
<b>GST</b>	Goods and Services Tax
<b>IAS</b>	Indian Administrative Service
<b>IES</b>	Individual Enterprise Scheme
<b>JEEVIKA</b>	Bihar's State Rural Livelihoods Mission
<b>KAP</b>	Knowledge–Attitude–Practice framework
<b>KYC</b>	Know Your Customer
<b>LokOS</b>	National Rural Livelihood Mission's MIS platform
<b>MCRIL</b>	Micro-Credit Ratings International Limited
<b>MFI</b>	Microfinance Institutions
<b>MIS</b>	Management Information System
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>MUDRA</b>	Micro Units Development and Refinance Agency
<b>NBFC</b>	Non-Banking Financial Company
<b>NME</b>	Nano and Micro Enterprise
<b>NPA</b>	Non-Performing Asset
<b>NRLM</b>	National Rural Livelihood Mission
<b>PAN</b>	Permanent Account Number
<b>RBI</b>	Reserve Bank of India
<b>RSETI</b>	Rural Self-Employment Training Institute
<b>SHG</b>	Self-Help Group
<b>SIDBI</b>	Small Industries Development Bank of India
<b>SRLM</b>	State Rural Livelihood Mission
<b>UMED MSRLM</b>	Maharashtra State Rural Livelihood Mission
<b>UPI</b>	Unified Payments Interface
<b>VO</b>	Village Organisation
<b>WASH</b>	Water, Sanitation, and Hygiene
<b>WWB</b>	Women's World Banking

## Annexure

### Case study: the journey of reena devi from being an SHG member to an individual entrepreneur

Reena Devi, 41, from Patna, Bihar, has been part of the Saras Self-Help Group (SHG) for seven years. That is when her entrepreneurial journey began – when she started saving regularly with support from her SHG and opened her first bank account, marking her entry into formal finance.

Over the years, Reena has overcome multiple challenges to build a thriving clothing retail business. She lives with her husband and three daughters, using her income to support her children’s education and to help cover household expenses. Her husband runs a small garage that supplements the family income.

*Devi’s financial and entrepreneurial journey was not linear.*

Initially, Reena took an SHG loan of ₹20,000 (US\$240) for a family emergency and then another ₹50,000 (US\$ 600) to help her husband set up his garage. Encouraged by her SHG peers, she took a third loan of ₹1 lakh (US\$1,200) (₹50,000 (US\$ 600) from the SHG and ₹50,000 (US\$ 600) from a bank linkage group loan) to start her own business – a fancy shop – but it failed to take off.

Still, she remained resilient. Determined to repay her dues, Reena worked in Delhi for nearly two years to pay her EMIs and close the loan. When she returned to Patna, she decided to start afresh. She availed an SHG loan of ₹50,000 (US\$ 600) to open a small cloth shop. With guidance from her CRP, she later took a CBO loan of ₹50,000 (US\$ 600) to add tailoring services to her business – expanding her income sources and customer base.

Most recently, she availed a Prayaas Individual Enterprise Scheme (IES) loan of ₹1.5 lakh (US\$ 1,800) to build up her stock and meet rising festive season demand. She has repaid two installments and plans to take a higher loan in the next cycle to scale her business further.

*A story of confidence and consistency*

Reena’s journey shows that women entrepreneurs are diligent repayers and deeply motivated to grow. With the right combination of community-based support, entrepreneurial guidance, and relevant financial products, women-owned small businesses can be set on sustainable growth trajectories.

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*Many in my family and community discouraged me from taking loans, saying it would cause problems when I could not repay. I never listened because I believed in myself. Now, the same people admire my success – and my sister-in-law has followed in my footsteps to open her own shop.*

– Reena Devi, SHG entrepreneur, Bihar

# Notes



# Women's World Banking