Q9

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

UPSC Civil Services Mains 2015 · GS II · 12 marks · Development Processes and NGOs

Development processes and the development industry - the role of NGOs, SHGs, various groups and associations, donors, charities, institutional and other stakeholders.

Core demand of the question

- Elucidate how the Self Help Group-Bank Linkage Programme, India's own innovation, has been an effective poverty-alleviation and women-empowerment programme

Revision summary

NABARD's SHG-Bank Linkage Programme (from 1992) is an Indian savings-first model using bank branches and peer groups.

It alleviates poverty by replacing moneylender debt, funding tiny livelihoods, and cutting distress sales.

It empowers women through named credit, meetings, federations and local politics.

Scale and repayment in nurtured groups are the evidence of effectiveness.

Paper groups, male capture of loans, and missing markets are the limits, not a reason to deny the innovation.

Introduction

The Self Help Group-Bank Linkage Programme, pioneered by NABARD from 1992, joins a small savings group to a bank without a moneylender or a heavy microfinance company in the middle. It is India's own design, not a copy of a foreign Grameen statute. Elucidation must show the credit path and why that path has reduced poverty and shifted women's voice, without claiming that every district is a success story.

Body

What SBLP is

- A typical SHG is a group of about ten to twenty poor persons, mostly women, who save a small fixed sum, lend inside the group, and keep a simple book.
- After a period of thrift, a commercial bank, regional rural bank or cooperative gives a loan to the group as a whole, often without physical collateral, on the strength of the group's savings and peer pressure.
- NABARD refinances, trains, and publishes status reports; RBI treats well-run SHG credit as part of priority-sector outreach.

• The model grew under SGSY and then under the National Rural Livelihoods Mission, which uses SHGs as the building block of women's federations.

• It is an Indian innovation because it used existing bank branches and social collateral, rather than creating a new army of private microfinance agents as the first step.

Poverty alleviation

• Smooth savings and emergency loans cut the distress sale of land, cattle and jewellery, which is how rural poverty becomes permanent.

• Group loans fund petty trade, livestock, sewing and food processing; the increment is small, but it is repeated and it sits inside the household that was previously only a wage taker.

• Banks reach hamlets they would not serve with individual KYC-poor clients; the SHG is a joint liability and a living credit history.

• Compared with the Andhra-style microfinance stress of 2010, SBLP's slower, savings-first logic has produced fewer coercive recovery scandals, which matters for the poor as much as the interest rate.

• Poverty here is not only the Planning Commission line; it is also risk, dignity, and the ability to keep a child in school when a crop fails.

Women empowerment

• Money in the woman's name, even if the goat is family property, changes bargaining inside the house and reduces some forms of hidden female dis-saving.

• Weekly meetings teach bookkeeping, speaking in public, and walking into a bank; those are political skills, not only financial ones.

• SHG federations have been used for PDS watch, sanitation, and panchayat questions; several States have seen SHG women contest and win local seats.

• Health, nutrition and domestic-violence discussion enter the same circle that began as a savings club, which is social empowerment attached to credit.

• **Limits remain:** male capture of the loan, unpaid care work, and caste exclusion from some groups; elucidation must record those shadows.

Why it has "proved" effective, with caveats

• **Scale is the proof:** tens of millions of groups and a large outstanding bank loan book make SBLP the biggest savings-led microfinance network in the country.

• Repayment in well-nurtured groups has been high enough for banks to stay in the product, which is the market test of a poverty programme that uses public-sector banks.

• Effectiveness is weaker where NGOs never formed the group properly, where NRLM meetings are only on paper, or where banks park targets without hand-holding.

• SHG-2 and livelihood federations try to move from credit to enterprise; without markets and skills, a loan can become debt.

• The programme is therefore one of the most effective public-private social innovations in rural finance, not a magic end to poverty.

Flow diagram

Women SHG savings -> Bank linkage NABARD
Bank linkage NABARD -> Credit without moneylender
Credit without moneylender -> Poverty risk reduced
Women SHG savings -> Voice books panchayat
Voice books panchayat -> Women empowerment

Conclusion

SBLP works because it links women's thrift to a bank branch through social collateral. It has eased credit rationing, reduced some distress, and given women a public voice. It remains effective where groups are real and banks are patient, and it fails where the SHG exists only for a target.

Facts & figures

NABARD SHG-Bank Linkage (1992)
Started as a pilot linking informal women's savings groups to banks; became the national SBLP.

Typical SHG size
About 10-20 members, regular savings, internal lending, then a bank loan to the group.

Priority-sector linkage
RBI framework treats qualifying SHG loans as part of banks' priority-sector and financial-inclusion work.

NRLM / Aajeevika
National Rural Livelihoods Mission uses SHGs and federations as the core vehicle for women's livelihood support, succeeding SGSY in that space.

SHG-2
Second-generation NABARD push to deepen savings, audit, and livelihood credit beyond a one-time small loan.