Q16

'The emergence of Self Help Groups(SHGs) in contemporary times points to the slow but steady withdrawal of the state from developmental activities'. Examine the role of the SHGs in developmental activities and the measures taken by the Government of India to promote the SHGs. (250 words).

UPSC Civil Services Mains 2017 · GS II · 15 marks · Governance and Policy

Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

Core demand of the question

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

Revision summary

SHGs pool savings, access bank credit, and run livelihoods and social campaigns.

They are often the last mile of State missions, not a proof that the State has left development.

NABARD's SHG-Bank Linkage Programme (1992) and DAY-NRLM are the main Union measures.

Interest subvention, priority-sector credit and Jan Dhan support the same architecture.

The quote is half true about changing instruments and false if it means the State may exit public goods.

Introduction

Self Help Groups are small, mostly women's savings-and-credit circles that then take up livelihoods, health, and local public-goods work. Their rise after the 1990s NABARD bank-linkage programme is real. The claim that this rise means the State is withdrawing from development is only half true. SHGs often work as the last mile of State schemes, not as a substitute for the State.

Body

Role of SHGs in developmental activities

- **Thrift and credit:** members save, lend internally, and then borrow from banks as a group. That role cuts the moneylender and builds a credit history for women who had no collateral.
- **Livelihoods:** groups run micro-enterprises, farm aggregation, livestock, and non-farm work. Under the National Rural Livelihoods Mission they are meant to be the organisational unit of poverty reduction, not a hobby circle.

• **Human development:** SHGs have been used for immunisation, sanitation, nutrition (including links with anganwadis), and school attendance, which is social development through peer pressure and local knowledge.

• **Governance:** federations of SHGs sit in gram sabha processes, monitor wages under MGNREGA, and sometimes bid for local contracts. That is voice, which is a developmental outcome.

• **Disaster and inclusion:** groups have channelled relief, bank accounts, and insurance to members faster than a distant block office. They fail when capture by local elites or one caste occurs, or when credit becomes over-indebtedness without a market.

Does emergence mean State withdrawal?

• **The slogan of withdrawal mixes two stories. One is liberalisation:** the State stepped back from some production and subsidy channels. The other is a new public-management story: the State delivers through groups, banks, and missions instead of only through departments.

• Bank linkage, refinance, interest subvention, and NRLM salaries are State money and State design. An SHG that exists because a mission paid a community resource person is not evidence of exit; it is evidence of a changed instrument.

• Where the State has truly thinned - understaffed health centres, weak agricultural extension - SHGs cannot replace doctors or irrigation. Treating groups as a full developmental State is a category error.

• **The better examination is complementary:** SHGs socialise credit and women's agency; the State still owes infrastructure, law, and counter-cyclical welfare (food, work, health).

• If "withdrawal" means less licence-raj production, the statement has a grain of truth. If it means the State may stop funding poverty work because SHGs exist, the statement is false and dangerous.

Measures taken by the Government of India

• **NABARD's SHG-Bank Linkage Programme (from 1992) is the parent financial measure:** groups, then savings, then bank credit without traditional collateral.

• Swarnjayanti Gram Swarozgar Yojana and then NRLM (2011), later DAY-NRLM, made SHGs and their federations the core of rural livelihood policy, with community professionals, revolving funds, and interest subvention.

• Rashtriya Mahila Kosh, and earlier RMK-type micro-credit, plus SIDBI and MUDRA channels, widened non-farm credit around the SHG and related micro units.

• Priority-sector tagging of SHG loans, Business Correspondents, and Jan Dhan accounts made the bankable last mile possible.

• Women-centred missions (National Rural Health Mission community processes, Swachh Bharat local mobilisation, and State Kudumbashree-type models supported in national learning) used SHGs as implementation partners.

• Legal and regulatory easing for mutually aided cooperatives and for bank agents helped federations operate, though a full SHG law is not the main Union instrument; mission guidelines are.

Examine, then judge the quote

• SHGs are a developmental actor in credit, livelihoods and social norms.

• Their emergence is largely a State-promoted strategy. That is reconfiguration of the State, not a quiet goodbye.

Flow diagram

SHG savings credit -> Livelihoods NRLM

SHG savings credit -> Health sanitation education

GoI measures -> NABARD bank linkage

GoI measures -> DAY-NRLM subvention

NABARD bank linkage -> SHG savings credit

DAY-NRLM subvention -> Livelihoods NRLM

Conclusion

SHGs matter in development as savings-credit groups, livelihood platforms, and local monitors, especially for rural women. The Government of India promoted them through NABARD linkage, NRLM/DAY-NRLM, interest subvention and bank inclusion. Their rise does not prove a steady withdrawal of the State; it shows the State working through groups. Withdrawal is a risk only if missions replace, rather than complement, public goods.

Facts & figures

SHG-Bank Linkage Programme

NABARD-led from 1992; groups save, then borrow from banks as a collective without classic collateral.

DAY-NRLM

Deendayal Antyodaya Yojana-National Rural Livelihoods Mission: SHGs and federations as the unit of rural poverty reduction.

Interest subvention

Union and State support to cheapen SHG bank credit for eligible groups, especially women.

Priority sector lending

Bank loans to SHGs count toward priority-sector targets, which is a regulatory promotion tool.

Kudumbashree lesson

Kerala's network is a State-promoted SHG-federation model often cited in national livelihood design.