Q17

"Micro-Finance as an anti-poverty vaccine, is aimed at asset creation and income security of the rural poor in India". Evaluate the role of Self-Help Groups in achieving the twin objectives along with empowering women in rural India.

UPSC Civil Services Mains 2020 · GS II · 15 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

- "Micro-Finance as an anti-poverty vaccine, is aimed at asset creation and income security of the rural poor in India". Evaluate the role of the Self Help Group in achieving this dual objective along with empowering women
- Honour the official stem. Use SHG-Bank Linkage, NABARD, NRLM, and limits of micro-credit as vaccine
- Keep the evaluation within a 15-mark length

Revision summary

Micro-finance in India runs largely through women's SHGs linked to banks (NABARD) and NRLM federations.

Assets appear when loans fund earning livestock or tools with support services, not when they fund distress consumption.

Income security comes from savings, cheaper emergency credit and diversification, not from a mythical micro-enterprise alone.

Women gain voice and mobility; patriarchal capture and extra labour limit empowerment.

The vaccine metaphor fails if SHGs are only a recovery channel without MGNREGA, markets and insurance.

Introduction

- **Micro-finance is sold as a small-dose vaccine:** a little credit, regularly, to stop the infection of moneylender poverty. In India the Self-Help Group, especially of women, is the main vessel. The dual official aim is asset creation and income security. Evaluation has to ask whether SHGs actually build assets and stable income, and whether they empower women or only enrol them.

Body

The model

- An SHG is a small affinity group that saves, lends internally, then links to a bank under NABARD's SHG-Bank Linkage Programme from the 1990s.
- DAY-NRLM federates groups, adds livelihoods support, and uses the group as a pipe for bank credit and some government schemes.

- Micro-finance institutions and Bank-BC models sit beside SHGs; the stem's vaccine image is really the SHG-led, women-centred stream.

Asset creation - how far

- Group loans fund milch animals, sewing machines, small trade stock, and housing repairs - real assets when the asset earns and is not distress-sold.
- NRLM's focus on livelihoods, producer groups, and some value-chain work is the asset logic beyond a pure consumption loan.
- **Failure mode:** credit without veterinary care, market access, or land rights produces a debt-financed goat that dies, not an asset. Vaccine without a cold chain.

Income security - how far

- Regular saving, emergency internal loans, and bank linkage reduce the moneylender's peak interest, which is income protection even before a new enterprise exists.
- Diversified household activity (farm plus petty trade) is more security than a single micro-enterprise myth.
- **Failure mode:** multiple borrowing from SHG, MFI, and gold loan, as Andhra Pradesh 2010 warned, can destroy security; COVID-19 repayment stress in 2020 repeated the lesson.
- Income is still seasonal and informal; SHG credit is not a substitute for MGNREGA, PDS, or a living agricultural price.

Women empowerment - the third, necessary test

- Voice in the group, mobility to the bank, and a passbook in a woman's name are political assets inside the household.
- Elected panchayat seats and SHG leadership often overlap; that is empowerment as public identity.
- **Limits:** male capture of the loan, added unpaid labour, and violence around repayment; empowerment is not automatic in a patriarchal property regime.
- Financial inclusion without property rights and without time-saving infrastructure (water, fuel) can be 'empowerment' as extra work.

Evaluation against the vaccine metaphor

- Vaccines prevent; they do not replace food and sanitation. SHGs prevent some exclusion and some usury; they do not vaccinate against agrarian crisis or missing public health.
- Where NRLM quality is high, the dual objective plus women's voice is a documented success in many blocks.
- Where groups exist only to absorb a target, micro-finance is a revolving debt, not a vaccine.
- **Recommendation:** pair SHG credit with livelihood support, insurance, and men's accountability for joint assets; cap coercive recovery.

Flow diagram

SHG savings and bank link savings and bank link -> Asset creation

SHG savings and bank link -> Income security

SHG savings and bank link -> Women voice and mobility

Over-debt and male capture -> Asset creation

Over-debt and male capture -> Income security

Over-debt and male capture -> Women voice and mobility

Conclusion

- **SHGs have been India's most scalable micro-finance vessel for rural women:** they can create small assets, buffer income shocks, and shift household voice. They achieve the dual objective only when credit meets livelihoods and public goods. As an anti-poverty vaccine they are a dose, not the immune system of the rural economy.

Facts & figures

SHG-Bank Linkage Programme

NABARD-led architecture that made the SHG a bank customer rather than only an NGO circle.

DAY-NRLM

Deendayal Antyodaya Yojana-National Rural Livelihoods Mission; federates SHGs and adds livelihoods support.

Andhra micro-finance crisis, 2010

Over-lending and coercive recovery; the warning against vaccine-as-miracle.

Priority-sector SHG credit

RBI/NABARD framing that pushed banks toward group loans.

73rd Amendment overlap

SHG leaders in reserved panchayat seats - empowerment beyond the passbook.