Society & Social Justice · GS - II

“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.

EXAM YEAR	PAPER	SUBJECT
2020	GS - II	Society & Social Justice

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Microfinance; Self-Help Groups; savings and credit; asset creation; livelihood diversification; women’s empowerment; financial inclusion; SHG-Bank Linkage Programme; credit risks; capacity-building

Model Answer

Introduction

Microfinance provides small loans, savings facilities and other financial services to people who may lack access to conventional banking. Self-Help Groups (SHGs), particularly women's groups, have become important instruments for financial inclusion and rural development.

Role in asset creation and income security

- **Access to credit:** SHGs pool members' savings and facilitate loans for livestock, small businesses, agriculture and household needs.
- **Productive assets:** Credit can finance dairy animals, agricultural equipment, shops and other income-generating assets.
- **Livelihood diversification:** Members can develop enterprises in food processing, handicrafts, tailoring and local services.

- **Reduced dependence on informal lenders:** Affordable institutional credit can reduce reliance on exploitative moneylenders.
- **Financial discipline:** Regular savings, collective decisions and repayment practices promote financial management.
- **Institutional linkage:** The SHG-Bank Linkage Programme and initiatives under the Deendayal Antyodaya Yojana–National Rural Livelihoods Mission support access to finance and livelihood opportunities.

Women’s empowerment

- **Economic autonomy:** Women gain greater control over savings, credit and productive activities.
- **Collective bargaining:** Group solidarity improves their ability to negotiate with banks, markets and public authorities.
- **Social participation:** SHGs can facilitate awareness of health, education, sanitation and legal rights.
- **Political agency:** Participation in collective institutions may increase women's confidence and engagement in Gram Sabhas and local governance.

Challenges

High interest rates in some lending arrangements, multiple borrowing, inadequate market access and weak business skills can undermine outcomes. Social norms may also restrict women's control over borrowed funds.

Way forward

Strengthen financial literacy, affordable credit, enterprise training, digital access and market linkages. Improve monitoring to prevent over-indebtedness and ensure that women retain meaningful control over income.

Conclusion

SHGs can advance asset creation, income security and women's empowerment, but credit alone cannot eliminate poverty. Sustainable outcomes require skills, market opportunities, social support and effective institutional partnerships.

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