

NEXT IAS

**DAILY EDITORIAL
ANALYSIS**

TOPIC

**INDIA'S RURAL MODELS:
SHAPING DEVELOPMENT DIPLOMACY**

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INDIA'S RURAL MODELS: SHAPING DEVELOPMENT DIPLOMACY

Context

- India's rural development trajectory has **undergone a structural shift** from **welfare-oriented schemes to community-driven institutional models**.
- Flagship programmes like the **DAY-NRLM** have transformed rural livelihoods in India and increasingly influencing **India's development diplomacy**, particularly in the **Global South**.

Need of Rural Development

- Rural development is a **national priority** in India, as **nearly two-thirds of the population resides in rural areas**.
- It includes poverty alleviation, employment generation, bridging rural-urban disparities, agricultural development and food security, infrastructure development, social justice, women empowerment, reducing migration and urban pressure, strengthening local governance, and achieving sustainable development goals (SDGs).

About DAY-NRLM

- It is a flagship programme of the **Ministry of Rural Development**, aimed at **alleviating rural poverty** by promoting **self-employment and sustainable livelihoods**, primarily through **women-led Self-Help Groups (SHGs)**.

India's Rural Development Model

- **Community-Centric Institutional Architecture:** National Rural Livelihood Mission (NRLM) is implemented through a **three-tier structure** i.e. Self-Help Groups (SHGs), Village Organizations (VOs), and Cluster-Level Federations (CLFs).
 - ♦ NRLM has mobilised **over 9 million SHGs covering nearly 100 million households**, making it one of the **largest grassroots institutional platforms globally**.
 - ♦ It ensures **participatory governance, accountability, and sustainability**.
- **Women-Led Development:** Majority of SHG members are women; over **50 million women linked to formal banking systems**; and emergence of **Banking Correspondent Sakhis**.
 - ♦ NRLM has significantly improved **women's financial inclusion, agency, and labour force participation**.
- **Financial Inclusion and Livelihood Diversification:** Strong **SHG-Bank linkage programme**; credit access of **₹12 lakh crore (approx.)**; and promotion of micro-enterprises, skill development, and agriculture-based livelihoods.
 - ♦ NRLM contributes to **income enhancement, savings mobilisation, and poverty reduction**.
- **Cost-Effective and Scalable Model:** Unlike capital-intensive models, NRLM relies on **social capital (trust-based lending), community cadres, and decentralised governance**.
 - ♦ It makes it highly **replicable in resource-constrained settings**.

Key Outcomes: India's Rural Transformation

- NRLM operates in **700+ districts**; facilitated **large-scale credit access and enterprise creation**; and strengthened **grassroots governance institutions**.
- It helped reduce **poverty intensity**, improvement in **livelihood security**, and increased **social capital and collective action**.

India's Model: From Domestic Success to Global Influence

- **Exporting the SHG Model:** NRLM's design is being studied by countries such as Ethiopia, Kenya, Tanzania, Rwanda, and Malawi etc.
 - ♦ These countries are interested in **women-led collectives, microfinance-based livelihoods, and decentralised institutional frameworks**.
 - ♦ NRLM's success lies in its **adaptability to informal economies**, common across the Global South.

- **Shift in Development Paradigm:** Traditionally, development models were **top-down**, based on **Western frameworks**.
 - ♦ India's approach represents **South-South cooperation, peer learning and contextual innovation**.
 - ♦ NRLM demonstrates that **locally evolved solutions can be globally relevant**.

India's Development Diplomacy

- **From Aid to Knowledge Sharing:** India is increasingly exporting institutional frameworks (SHGs), capacity-building models, and governance practices.
 - ♦ It marks a shift from **financial aid to institutional transfer**.
- **Building Long-Term Partnerships:** NRLM enables training programmes, study visits, and technical collaborations.
 - ♦ Such engagement creates **enduring linkages between governments and communities**.
- **Strategic Advantages for India:** Enhances **soft power**, strengthens **Global South leadership**, and opens avenues in digital governance, financial inclusion, and rural entrepreneurship.

Challenges in Scaling the Model Globally

- **Contextual Differences Across Countries:** Variations in social structures (caste vs tribe dynamics), gender norms, and community cohesion.
 - ♦ The **SHG model** relies heavily on **trust, social capital, and collective behaviour**, which may not exist uniformly.
- **Weak Institutional Capacity:** NRLM success depends on strong state machinery, decentralised governance (PRIs), and dedicated mission structures.
 - ♦ Many developing countries lack administrative depth, and local governance systems.
- **Financial Ecosystem Constraints:** India has a mature banking network, SHG–Bank linkage system, and financial inclusion ecosystem.
- **Scalability vs Effectiveness Trade-off:** Rapid scaling may dilute group cohesion, credit discipline, and programme quality.
- **Capacity Building and Human Resources:** NRLM depends on Community Resource Persons (CRPs), and trained grassroots cadres.
- **Market Linkages and Economic Integration:** SHGs require access to markets, value chains, and digital platforms.
- **Digital and Technological Gaps:** Increasing reliance on digital payments, MIS systems, and financial technology.
- **Sustainability Concerns:** Long-term sustainability depends on economic viability, and institutional maturity.

Conclusion & Way Forward

- India's rural development models, particularly NRLM, represent a paradigm shift from **scheme-based welfare to institution-based empowerment**.
- Their growing acceptance in Africa and other developing regions underscores India's emergence as a **norm-setter in development practice**.
- India needs to create a **Global Rural Livelihoods Knowledge Platform**, expand **capacity-building and fellowship programmes**, promote **digital public infrastructure integration**, strengthen **value chains and market access**, and encourage **pilot projects in Africa under South-South cooperation**.
- By exporting **ideas, institutions, and lived experiences**, India is redefining development diplomacy in the 21st century.

Source: TH

Daily Mains Practice Question

[Q] Discuss how India's rural development experience can contribute to shaping a new paradigm of development diplomacy in the Global South.