

## **REGIONAL DISPARITIES IN NON-PERFORMING ASSETS OF SELF- HELP GROUPS: ANALYSING THE NRLM-BANK LINKAGE PROGRAMME IN REGIONS OF UTTAR PRADESH**

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### **Introduction**

The National Rural Livelihood Mission Bank Linkage Programme connects the self-help organisations to banking facilities to facilitate better and easier access to financial commodities for the rural poor and to promote financial inclusion in the nation. The establishment of a link between banks and self-help organisations will facilitate the flow of cash from other sources, including the government, to boost the expansion of these groups. The primary goal of the bank linkage programme was to encourage responsible fund management and financial literacy among self-help group participants.

Revolving funds (RF) and community investment funds (CIF) are the two financial options that the NRLM-BLP offers self-help organisations and its federations to assist them in meeting capitalization requirements. The organisations regularly receive this funding to cover their living expenses and the costs of funding their sources of income. It needs to be ensured that the self-help groups can complete their credit requirements when they are needed in this situation. It is mandatory that they are actively monitored, guided, and supported. The mission's primary objective is to assist self-help groups in raising around Rs. 10 lakhs over the time period of five to eight years to ensure the sustainability as a source of income of the members.

Non-performing assets, or NPAs, are one of the difficulties NRLM and BLP deal with. Loans, advances, or principal and interest payments that have been due by ninety days or more are known as non-performing assets (NPAs). Considering that they impair banks' capacity to manage their finances and the efficacy of government initiatives to advance financial inclusion, non-performing assets (NPAs) pose a serious threat to the government and also the banking industry.

The main cause of non-performing assets (NPAs) in NRLM and BLP is the inadequate financial literacy of the beneficiaries. Due to their ignorance of the intricacies of loans and

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interest rates, people frequently err when interpreting the terms and circumstances of loans. They might thus miss loan payments, which would categorise the loans as non-performing asset (NPA). The presence of inappropriate monitoring and follow-up measures by banks is another factor that leads to nonperforming assets (NPAs). Due diligence is sometimes neglected by banks before lending money to Self-Help Groups (SHGs), which results in loans going to unviable or low-payback groups. Furthermore, banks may fail to monitor loan repayment or offer SHGs enough financial management support, which could lead to non-performing assets (NPAs).

The approaches to address the NPA problem in NRLM and BLP should be duly considered. The participants may initially engage in financial literacy courses. Recipients of these programmes might learn the fundamentals of loans, interest, and loan repayment. SHGs should be provided financial management training to help members manage their money well and make timely loan repayments. SHG loans need to be authorised only following extensive investigation. This can be obtained by thoroughly examining the viability and possibilities for repayment of the SHG. Banks should also assist SHGs in handling their money and keep a close eye on loan repayments.

The government may offer incentives to financial institutions to encourage financial inclusion in rural areas. This can be achieved by offering tax breaks and similar financial rewards to banks who lend money to self-help groups in rural regions. To assist SHGs in meeting their financial responsibilities, the government may also offer financial assistance. In case the SHG defaults, the government can establish a credit guarantee fund to protect banks from losses, knowing that their losses will be reimbursed in the event of default, banks would be willing to lend money to SHGs in rural regions.

NPAs in NRLM and BLP are a serious problem that must be addressed. To address the problem of NPAs, certain steps could be taken which include rewarding banks, supporting SHGs, promoting financial knowledge, and conducting efficient due diligence. The government can improve the standard of living for rural households and encourage financial inclusion by implementing these initiatives.

### **SOCIO-ECONOMIC PROFILE OF EASTERN AND WESTERN UTTAR PRADESH**

Uttar Pradesh is state wherein 16.17% of India's population resides. After Tamil Nadu and Maharashtra, which are ranked first and second, respectively, it is acknowledged as the third largest economy in our country. Rs. 21.74 trillion was the nominal GDP for the fiscal year 2022-2023. The state's contribution to the GDP ranks fourth and it is 28th in terms of GDP per capita in 2022-2023. In terms of total contribution throughout the years 2021-2022, the services sector contributed the most (49%), the agricultural sector (26%)

and the industrial sector (25%). The population is majorly dependent on agriculture. The most important agricultural goods are potatoes, wheat, rice, oil seeds and pulses. Uttar Pradesh is among the prominent horticulture states of India. Uttar Pradesh is divided into the four areas which are Eastern, Western, Central and Bundelkhand. Northern India's Uttar Pradesh (UP) is a sizeable state with a diversified socioeconomic makeup.

Western UP is more urbanised and industrialised than the Eastern UP, which is often thought to be more rural and agrarian. With many small farmers and landless labourers, agriculture dominates the economy of Eastern UP. In this region, rice, wheat, sugarcane, and potatoes are the principal crops. Dairy production is considerable in Eastern UP as well. In contrast, the economy of Western UP is more varied and includes a mix of manufacturing, services, and agriculture. Particularly in places like Varanasi, the area is renowned for its textile industry. Paper, chemicals, and sugar are among additional significant businesses in Western region. Additionally, the area is home to various academic and research organisations that support the knowledge-based economy. Both regions experience issues with socioeconomic indices like poverty, unemployment, and poor literacy rates. Infant mortality rates, for instance, are greater in Eastern UP than in Western UP. The literacy rates for women are also lower in Eastern UP. Self-help organizations assist women participate more actively in political parties, increase their financial literacy, gain understanding of administrative tools, participate more actively in decision-making, and increase their mobility. As per the World Bank Reports, between 2011 and 2017, there was a 20.4% increase in various forms of self-employment; as of May 2021, there were about 75 million members in India's 6.9 million self-help organizations.

#### **LITERATURE REVIEW**

- F S. K. Randhawa and T. Kaur highlighted in their paper "A Study of Non-Performing Assets of Loans Outstanding Under SHG-Bank Linkage Programme in India" (2020), that the primary causes of non-performing assets (NPAs) in the SHG-Bank Linkage Programme are members' social expenditures, the government's expectation that loans will be waived, the banks' inadequate follow-up and monitoring, and the low amount of the loan. They recommended effective group mentoring when loans were granted, that governments and political parties refrain from offering loan waivers, that banks properly grade SHGs, and that large loan amounts be given in order to lower non-performing assets (NPAs).
- F Mahajan Ruchika (2017) explained the microfinance institutions and challenges they face. This study also focused on strategy implementation for overcoming various challenges. These challenges are inability to generate funds, financial illiteracy, lack

of information, and weak governance. Working on these strategies can surely give the positive results and will help the society for accessing the finance.

- F Dey Sanjeeb Kumar (2015) emphasized on the MFIs problems and shortcomings. It also focused on the present context along with the sustainable development through microfinance. The study suggests various measures to MFIs for solving the problems. These measures include field supervision, proper regulation, alternative source of funds and transparency of interest rates. These measure can result into development, growth and diversification of rural economy.
- F SHG-Bank Linkage (BLP) growth was somewhat uneven across the six regions by L. Manohar (2015) in his work titled "Growth of SHG-Bank Linkage Comparative Study of Six Regions in India." The areas of the South outperformed the remaining five regions in consideration of deposits per SHG, disbursement of loans per SHG, and the loan outstanding amount per SHG throughout the study period that spanned from 2007-08 to 2013-14. In comparison to the other regions, he also noted that the Northeast was the least developed.
- F Manoj P. K. highlighted the scope of improvement for Kerala with regard to amount of loan disbursed to Self-Help Groups (SHGs), and consequently to minimise the number and amount of outstanding loans to SHGs. This was reported in his paper, "Financial Inclusion Through Microfinance: A Study with A Focus on The Exposure of Commercial Banks in Kerala (2015)." By itself, this tactic might encourage SHGs to make larger investments, which would increase employment and output and, eventually, accelerate and more fairly distribute economic development.
- F T. Das in his work highlights that while the amount of bank savings balances and bank loans to SHGs were lower in NER than in SR, the recovery percentage to total SHG demand was lower and the share of non-performing assets to total loans outstanding was higher in NER. These findings were reported in his paper titled "An Analysis of Non-Performing Assets and Recovery Performance of Self-Help Group Bank Linkage Programme- Unique Preference to North Eastern Region of India (2013)." As a result, SHGs-BLP had not made any progress at all in the North-Eastern Region of India (NER) due to larger non-performing assets (NPAs) and a lower recovery rate.
- F Nasir Sibghatulla (2013) concentrated on the problems and difficulties related to microfinance in India. The paper covers the significant influence that MFIs have had in reducing poverty and raising the living standards of the impoverished. It also says that MFIs should give top emphasis to regulatory concerns, geographical imbalances, appropriate management, and language obstacles. If these problems are resolved,

thousands of impoverished people's living conditions will rise to a new level.

### **METHODOLOGY**

Secondary sources have been used for the purpose of data collection for the study. The National Rural Livelihoods Mission-Bank Linkage Programme official website provides studies, publications, and journals relating to the topic that would facilitate to compile the secondary data. The authors have made interpretations from the data available and their further calculations. Percentage method and compounded annual growth rate (CAGR) have been used to determine the status non-performing assets in Eastern and Western Uttar Pradesh.

### **RESEARCH OBJECTIVES**

- F To study about the status of self-help groups in Eastern and Western Uttar Pradesh
- F To compare the condition of non-performing assets in Eastern and Western Uttar Pradesh
- F To examine the trends of non-performing assets under bank-linkage programme in relation to growth of Self-Help groups under National Rural Livelihood Mission in Eastern and Western Uttar Pradesh

### **SIGNIFICANCE OF THE STUDY**

The current paper is focused on finding out the status of non-performing assets and also about the comparative decline rate of non-performing assets in Eastern and Western Uttar Pradesh. The findings will provide us an impetus in formulating effective policies to decrease the percentage of non-performing assets arising from the accounts under bank-linkage programme and making efforts to provide adequate training facilities to the self-help group members.

### **DATA ANALYSIS AND INTERPRETATION**

Uttar Pradesh has a total of 6,90,276 self-help groups out of which 6,04,387 are new self-help groups, 72,799 are revived and 13,090 were established before National Rural Livelihood Mission (NRLM). These self-help groups in Uttar Pradesh have a total 72,38,201 members. The self-help groups in eastern Uttar Pradesh are comparatively more in number than that of the western Uttar Pradesh. The eastern Uttar Pradesh has a total of 2,92,288 self-help groups out of which 250,054 are new, 7,023 are revived and 35,211 were established before NRLM, having a total of 31,36,712 members. The total number of self-help groups in western Uttar Pradesh 2,12,108 comprising of 2,00,421 new self-help groups, 16,27 are revived and 10,660 were pre-NRLM self-help groups. The self-help groups in western Uttar Pradesh have 22,23,958 members. Therefore, the eastern Uttar Pradesh accounts for 42.35% of self-

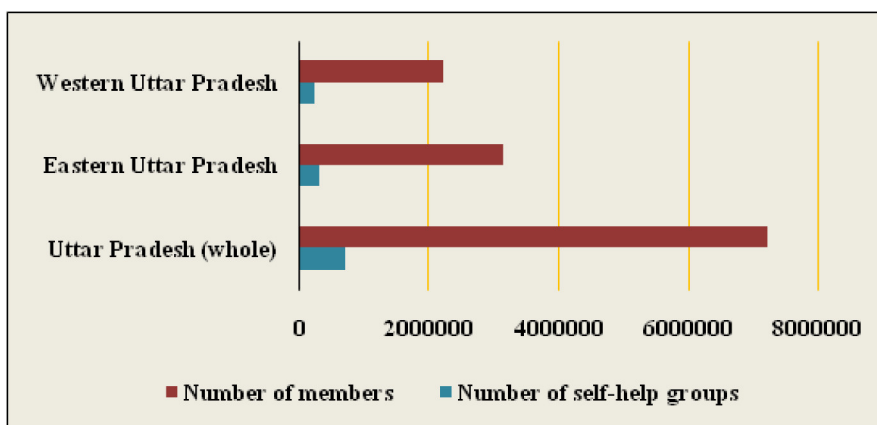
help groups and 43.33% members while western Uttar Pradesh has 30.73% of self-help groups and members both as to that of the entire Uttar Pradesh.

**Table 1: Number of Self-Help Groups and Members**

Division	Number of self-help groups	Number of members
Uttar Pradesh	690276	7238201
Eastern Uttar Pradesh	292288	3136712
Western Uttar Pradesh	212108	2223958

(Source: NRLM Website and Authors' Interpretations)

**Fig. 1: Graphical Representation of Number of Self-help Groups and Members**



(Source: NRLM Website and Authors' Interpretations)

**Table 2: Delinquency Report of Eastern Uttar Pradesh 2017-18 to 2022-23**

Delinquency Report (Eastern Uttar Pradesh)						
Year	Outstanding		Non- Performing Assets		% of Non-Performing Assets	
	No. of Accounts	Amount (Rs. in Lakhs)	No. of Accounts	Amount (Rs. in Lakhs)	No. of Accounts(%)	Amount(%)
2017-18	16520	5853.39	1346	639.46	8.15	10.92
2018-19	19295	6677.19	1603	724.09	8.31	10.84
2019-20	23079	7021.2	2305	942.24	9.98	13.42
2020-21	29555	9681.22	1172	454.95	3.97	4.7
2021-22	38928	14892.21	2866	1531.49	7.36	10.28
2022-23	65421	46717.92	1422	688.58	2.18	1.48

(Source: NRLM Website and Authors' Interpretations)

**Table 3: Delinquency Report of Western Uttar Pradesh 2017-18 to 2022-23**

Delinquency Report(Western Uttar Pradesh)						
Year	Outstanding		Non-Performing Assets		% of Non-Performing Assets	
	No. of Accounts	Amount (Rs. in Lakhs)	No. of Accounts	Amount (Rs. in Lakhs)	No. of Accounts (%)	Amount (%)
2017-18	7333	3197.53	636	383.8	8.68	12.01
2018-19	10456	4204.87	838	508.51	8.02	12.09
2019-20	21645	9089.31	2121	1172.9	9.79	12.91
2020-21	27888	12673.92	2459	1483.46	8.82	11.71
2021-22	28191	15394.66	3407	2673.87	12.09	17.37
2022-23	48832	23865.47	3341	2191.52	6.84	9.19

(Source: NRLM Website and Authors' Interpretations)

The percentage of the non-performing assets in respect to the outstanding was calculated using the percentage method for the given years individually and after that compounded annual growth rate method was used to find the change in the percentage of non-performing assets over the years from 2017 to 2023.

**Compounded Annual Growth Rate (CAGR) =  $\left(\frac{FV}{IV}\right)^{1/n} - 1 \times 100$**

where:

FV=Final value

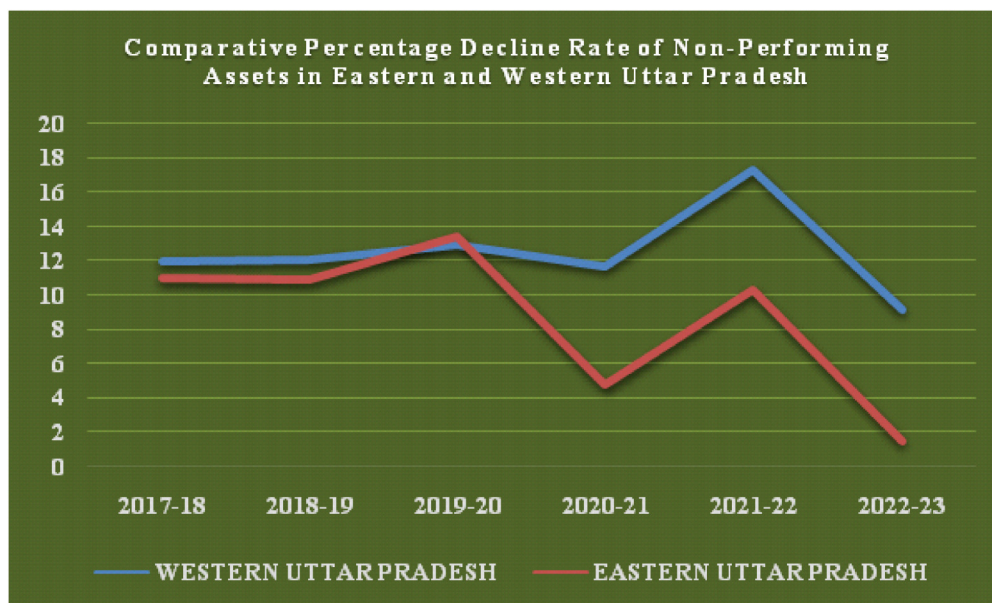
IV= Initial value

n=Number of years

CAGR of non-performing assets in Eastern Uttar Pradesh	-28.33%
CAGR of non-performing assets in Western Uttar Pradesh	-4.36%

The non-performing assets have reduced comparatively at a higher rate in eastern Uttar Pradesh than in western Uttar Pradesh which is evident from the above interpretation. The compounded annual growth rate for eastern Uttar Pradesh is a negative value of 28.33% which shows a decline in the value while in western Uttar Pradesh it is a negative value of 4.36% which again shows a decline but a comparatively lesser decline rate.

**Fig. 2: Graphical Representation of comparative decline rate of non-performing assets in Eastern and Western Uttar Pradesh**



(Source: NRLM Website and Authors' Interpretations)

The graphical representation of the percentage rate of decline of NPAs clearly shows a declining trend for both Eastern and Western Uttar Pradesh. It can be inferred from the above figure that the rate of decline in non-performing assets of Eastern Uttar Pradesh is much greater than that of the Western Uttar Pradesh. The percentage of non-performing assets of Eastern is highest for 2019-20 i.e. 13.42% and for that of Western Uttar Pradesh is 17.37% in 2021-22. The movement of the line graph is similar for the years 2020-21 to 2022-23, yet the rate of decline varies for both as there is a drastic fall in the percentage of NPAs of Eastern Uttar Pradesh in comparison to Western Uttar Pradesh.

### **FINDINGS AND SUGGESTIONS**

The findings highlight that the number of self-help groups are more in Eastern Uttar Pradesh than in Western Uttar Pradesh and accordingly the similar is the situation for the members. The findings show a constant upsurge in the number of self-help groups in both Eastern and Western regions of the state. The decline percentage rate of non-performing assets is greater in Eastern Uttar Pradesh as to that of Western Uttar Pradesh. The Compounded Annual Growth Rate shows that the decline percentage of non-performing assets of Eastern region was around 15.39% better than the Western region of the state. Although Eastern region of the state is comparatively less developed than the Western region, yet it has a tremendous improvement in lowering the percentage of non-performing



assets alongwith a rise in the number of self-help groups and its members.

It is hence advisable that there should be a proper check on the credit facility being provided to the self-help groups so that the percentage of non-performing assets is always at a very low level which consequently shows the better performance of the self-help groups. This could further be ensured through effective grading system for the self-help groups, adequate training facilities to the members and providing them better opportunities to work towards income generating activities. The rural women in particular must be motivated and educated to come forward together and establish such groups for their financial independence and contribution towards the economic growth of the country.

#### **SCOPE FOR FURTHER STUDY**

The study was based on secondary sources available on the official website of NRLM and NABARD. The study analyses the non-performing assets for the Eastern and Western regions of Uttar Pradesh. There is scope for further studies wherein other regions of the state could be analysed alongwith the different banks that are providing microfinance facilities to the self-help groups. The data may be collected through primary sources if needed for further investigation in future studies.

#### **CONCLUSION**

The self-help groups have become a major driving forces for the economic growth in our country's rural communities. It turns into a pivot for economic independence and assistance of rural women. These communities have managed to break free from the shackles of unofficial financial intermediaries such as mahajans, native bankers, landlords, traders, and so on because group members can now obtain bank loans at lower interest rates to establish revenue-generating ventures and finance self-help organisations. It becomes mandatory for the banks to keep a track of the disbursement amount and outstanding amount to control the percentage of non-performing assets created due to the higher difference between these amounts. It should be ensured by the respective officials that the self-help groups are involved into some income generating activities and not merely accumulation and channelizing of funds through bank linkage programme for personal consumption. Thus it can be inferred that the self-help groups in the Eastern region are performing really well and are able to repay off their debts timely resulting in lower percentage of non-performing assets. Therefore, the same should be practiced by other regions of the state and all self-help groups so that there exists maximum contribution towards the economic growth and development of the country from the rural marginalized section.

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