



A Study on Growth of Microfinancing through Self- Help Groups under National Rural Livelihoods Mission- Bank Linkage Programme (NRLM-BLP) in Eastern Uttar Pradesh

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ABSTRACT

Microfinancing through self-help groups has given a boost to the financial inclusion in the country. The rural poor were usually deprived of the access to financial services. The objective of financial inclusion has been fulfilled due to accessibility of microfinancing facility by these rural poor households. Microfinancing through self-help groups is managed through NRLM-BLP i.e. National Rural Livelihoods Mission- Bank Linkage Programme. The study focuses on the growth of microfinancing facilities being accessed by the members of the self-help groups by the bank linkage programme. The self-help groups have evolved to be the most widely successful community based organizations that not merely inculcate the savings habit among people but also provide them with an opportunity to facilitate income generating activities. The paper studies the growth of microfinancing through self-help groups in eastern Uttar Pradesh considering the credit facility availed and the self-help group bank-linkage (SHG-BLP). Financial inclusion aims to give the people deprived of banking services a wide range of financial products through different possible channels to improve their livelihood.

Keywords: microfinancing, self-help groups, financial inclusion, National Rural Livelihood Mission, Bank Linkage Programme, Eastern Uttar Pradesh

Introduction

Microfinance is a financial service that provides small loans, savings accounts, and other basic financial services to low-income individuals who typically have little or no access to traditional banking services. Microfinance has gained popularity in recent years, especially in developing countries, as it is seen as a means of alleviating poverty and promoting economic growth. Microfinance institutions (MFIs) provide these services to people who may not be able to access them otherwise due to a lack of collateral or credit history. They usually operate on a not-for-profit basis, and the loans they provide are often targeted at small businesses or self-employed individuals who are unable to obtain financing from traditional banks. One of the key features of microfinance is the use of group lending, where a small group of individuals collectively take responsibility for repaying the loan. This approach helps to mitigate the risk of default, as members of the group often have social ties and are accountable to one another. Microfinance has been lauded for its ability to empower individuals and communities by providing them with the means to improve their economic situations. By offering access to credit and other financial services, microfinance can help people start or expand their businesses, which can lead to increased income and employment opportunities. Additionally, microfinance can also promote financial literacy and financial inclusion by educating people about money management and helping them to establish savings habits. Overall, microfinance has the potential to be a powerful tool for poverty alleviation and economic growth. However, it must be implemented in a responsible and sustainable way to ensure that it benefits the people it aims to serve.

An increasingly common strategy for reducing poverty in developing nations is microfinance delivered through self-help groups (SHGs). Small, unofficial groups of people called self-help groups get together to borrow money and save money, typically with the intention of beginning a small business. These groups often consist of women who have little access to conventional financial institutions, and the loans are frequently quite small, ranging from just a few hundreds to a few thousands. One of the main advantages of microfinance through self-help organisations is that it gives people access to financing that they would not otherwise have.

Many poor people lack the collateral that is sometimes required by formal banks and lending institutions. SHGs, on the other hand, depend on social collateral, or the trust and responsibility that members share with one another. SHG members are able to lend to one another at cheaper interest rates than what moneylenders generally provide since they pool their savings. Moreover, microfinance provided by SHGs can support women's emancipation. Women are frequently excluded from financial decision-making in developing nations and are not seen favourably by formal lending institutions. Women can develop their confidence, learn about personal finance, and have a role in how the group's savings are spent by joining a self-help group.

Self-help groups allow women to share experiences and offer one another support, which acts as a support system for them. The general economic development of communities has also been demonstrated to benefit from microfinance provided through self-help groups. Giving people access to credit

enables them to launch small enterprises and earn money, which in turn generates employment and propels economic growth. This can have a cascading impact because SHG member-founded businesses frequently make purchases from other nearby companies, so boosting the local economy.

Self-help group microfinance has been demonstrated to have advantages for social advancement in addition to economic ones. Self-help groups give people a place to meet and talk about problems that are important to them, like gender equality, health, and education. SHGs can contribute to the strengthening of social relationships and the development of social capital by encouraging a feeling of community and cooperation. Notwithstanding the advantages of microfinance provided by self-help organisations, there are obstacles that must be overcome. This calls for efficient management, training, and monitoring in addition to the creation of a policy making environment.

The NRLM-Bank Linkage Programme is an initiative of the Government of India aimed at promoting financial inclusion and empowering rural women. The programme is implemented by the National Rural Livelihoods Mission (NRLM) in partnership with banks and other financial institutions. The programme seeks to provide access to credit and other financial services to women living in rural areas who are often excluded from formal financial systems. Under the programme, NRLM promotes the formation of Self-Help Groups (SHGs) comprising of women, who can then access credit from banks. The programme has been successful in promoting financial inclusion and empowering rural women by providing them with access to credit and other financial services. By forming SHGs, women are able to pool their resources and access credit on more favourable terms than they would be able to individually. The programme also provides training and support to SHGs, helping to improve their financial literacy and business skills. It has been instrumental in promoting financial inclusion and empowering rural women in India. By providing access to credit and other financial services, the programme has helped to improve the economic status of women and their families. The programme has also helped to build the capacity of financial institutions and promote the development of rural financial markets.

The Eastern part of Uttar Pradesh, which is made up of 27 districts, is the subject of the current paper. Between 23°51' and 28°30' N and 81°31' and 84°39' E is the eastern part of Uttar Pradesh. The eastern part of Uttar Pradesh borders Nepal in the north, Bihar in the east, Chattisgarh and Madhya Pradesh in the south, and numerous other districts of Uttar Pradesh in the west. The weather in Uttar Pradesh is typically subtropical humid with a dry winter, with some semi-arid areas in the east. Eastern Uttar Pradesh's rain-fed agriculture is characterised by small, marginal landholdings that are vulnerable to recurrent flooding, droughts, and soil salinity. Wheat and rice make up the majority of the cropping system. Although being a backward region, Eastern Uttar Pradesh is anticipated to have a thriving agricultural sector and agro-based industrial activities. On average, there are 59.65 kilometres of metallic road for every 100 square kilometres. According to the level of development, the districts of Varanasi, Ambedkar Nagar, Deoria, Mau, and Sant Ravidas Nagar are among the highly developed places, which are characterised by highly fertile soil, irrigation systems, and an advanced industrial sector. The remaining regions are shown as poorly developed regions, while Jaunpur, Ghazipur, Ayodhya, Ballia, Chandauli, Pratapgarh, Sultanpur, Azamgarh, and Allahabad are designated as moderately developed regions.

The years of pandemic provided a chance for the women in Self Help Groups (SHGs) to come together, shed their individual identities, and work together to manage crises. According to the Economic Report 2022–23 a few named self-help groups that performed well amidst the crisis were the Patrakar Didis of Jharkhand who led from the front in producing masks (with cultural variations such as Gamusa Masks in Assam), sanitizers, and protective gear, raising awareness about the pandemic, delivering necessities (for example, floating supermarkets in Kerala), operating community kitchens (for example, Purna Canteens in Uttar Pradesh), and supporting farm livelihoods (for example, Pashu Sakhis for animal health care (in UP, Bihar, Chhattisgarh), the management of the bank rush for Covid-relief DBT cash transfers by Bank Sakhis). The Economic Survey was presented to Parliament by Smt. Nirmala Sitharaman, Federal Minister for Finance & Corporate Affairs. The survey notes that the creation of masks by SHGs has been a notable contribution, enabling communities in isolated rural areas to access and utilise masks while also offering crucial protection against the Covid-19 virus. As of January 4th, 2023, SHGs working under the DAY-NRLM programme had produced more than 16.9 crore masks.

Despite its benefits, microfinance has also faced criticism in some quarters. Some argue that the high interest rates charged by MFIs can be exploitative and can exacerbate the poverty of already vulnerable communities. Others suggest that microfinance should not be seen as a panacea for poverty alleviation and that it should be complemented by other measures, such as improved education and healthcare. Furthermore, there is a chance that SHGs will become unduly reliant on outside funding, which will jeopardise their viability and independence.

Review of Literature

- Mani, N. (2015) in his publication, 'Financial Inclusion in India - Policies and Programmes', covers a wide range of initiatives taken by Government of India, Reserve Bank of India, and other institutions, institution group-wise, and presents the historical background with a focus on financial inclusion. Microfinance and SHGs, mutual funds, pension funds, Pradhan Mantri Jan Dhan Yojana, and role of technology in financial inclusion are covered in considerable depth, apart from the brick-and-mortar banking architecture in the country. Exclusion of large segments of the society from financial services adversely affects the overall economic growth of the country. Apart from rural areas, there is a significant degree of financial exclusion in urban areas as well among the weaker sections and informal sector workers. The cost of financial exclusion is recognised to be enormous for the society as well as for individuals, particularly in terms of inability to realise the full potential of people due to financial constraints. The challenge is to introduce innovations in risk assessment, reduce transaction costs, devise new credit delivery channels, and use information technology to make financial inclusion a viable model. Looking to the immense potential lying ahead, rapid progress of financial inclusion efforts is envisaged through the concerted efforts of all stakeholders.
- Raja Reddy, K. et al. (2015) in their article, 'Quality and Sustainability of Self-Help Groups in Bihar and Odisha - a Comparative Analysis', examined the performance of SHG-Bank Linkage Programme in Bihar and Odisha through field studies spread over eight districts, four from

each State. The number of SHGs savings linked with banks is almost double in Odisha when compared to Bihar. The government and NGOs are the major SHPIs (self-help promotional institutions) in both the States. With regard to access to bank linkage and impact, the SHGs in Odisha seem to have fared better as compared to Bihar SHGs. The most urgent need is to focus on consolidating the efforts to improve the quality of the SHGs, and strengthening the SHG federation system in line with the NRLM (National Rural Livelihood Mission) implementation strategy.

- Suguna (2006) also remarked that the emergence of SHGs as silent revolution in the spread of rural credit for rural development
- Reddy (2005) observes that the state of SHGs identifies key areas of weakness which undermine the sustainability of SHG movement. He identifies the major areas such as financial management, governance and human resource ranges from weak to average quality for a majority of SHGs.
- Pattanaik (2003) emphasized the role of SHGs for socio-economic development of women in particular and society as a whole.

Research Objectives

- To study about the growth of self-help groups in Eastern Uttar Pradesh
- To study about the growth of microfinance through Self-Help Groups in Eastern Uttar Pradesh
- To study about the outstanding amount with respect to disbursement amount in Eastern Uttar Pradesh
- To find out the districts with lowest outstanding amount and highest outstanding amount.

Research Methodology

The data for the study and analysis has been obtained through secondary sources. The secondary data has been collected through various reports, publications and journals related to the topic available at the official website of National Rural Livelihoods Mission-Bank Linkage Programme. The interpretations have been made using percentage method for finding out the districts with highest and lowest outstanding amount. The data for the purpose of study has been taken for a period of five years i.e. 2017-18 to 2021-22.

Data Analysis and Interpretation

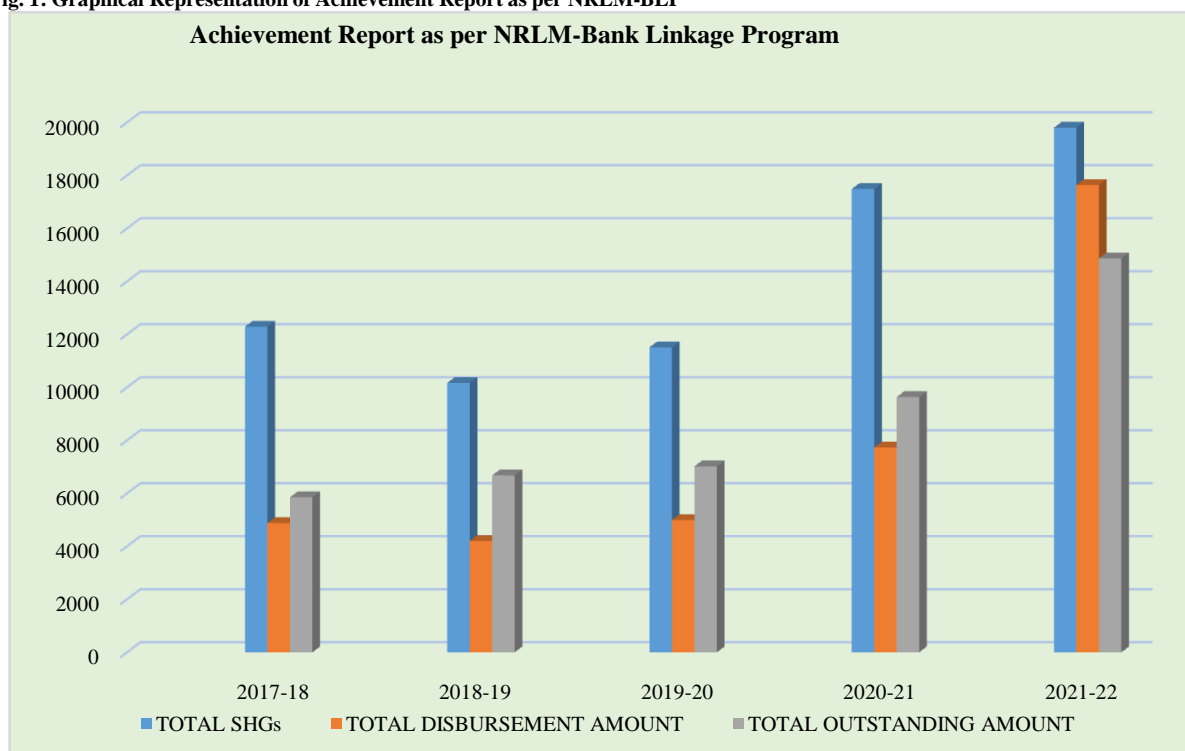
The self-help groups in Eastern Uttar Pradesh as per the achievement report have grown from 12290 in 2017-18 to 19801 in 2021-22. The disbursement amount as per the achievement report published by National Rural Livelihoods Mission has increased to Rs. 17639.84 in 2021-22 from Rs. 4879.16 in 2017-18. The outstanding amount as well has increased from Rs. 5851.42 in 2017-18 to 14867.07 in 2021-22 (Table 1).

Although there is an increase in the outstanding amount but in relation to the disbursement amount, this increase does not show a negative variation which would again result in lesser value of non-performing assets in relation to microfinance being availed by the self-help groups in Eastern Uttar Pradesh.

Table 1 – Achievement Report as per NRLM-BLP

YEAR	TOTAL SHGs	TOTAL DISBURSEMENT AMOUNT (Rupees in Lakhs)	TOTAL OUTSTANDING AMOUNT (Rupees in Lakhs)
2017-18	12290	4879.16	5851.42
2018-19	10170	4204.33	6676.8
2019-20	11512	4995.91	7020.49
2020-21	17488	7730.8	9636.17
2021-22	19801	17639.84	14867.07

(Source: NRLM Website and Author's Interpretation)

Fig. 1: Graphical Representation of Achievement Report as per NRLM-BLP

(Source: NRLM Website and Author's Interpretations)

Accordingly, calculating the difference between the disbursement amount from 2017-18 to 2021-22 we see an overall increase of Rs. 12760.68 lakhs while the outstanding amount has increased by Rs. 9015.65 lakhs from 2017-18 to 2021-22 which is comparatively lower. Therefore, it is evident from the available data and the authors' interpretations that the amount there are lesser non-performing assets in Eastern Uttar Pradesh as the majority districts are repaying the outstanding amount. Further analysis shows that since the period of 2019-20 and 2020-21 has been the peak Covid-19 period there have been less disbursements and also less outstanding amount as the Government of India had provided various relief packages and moratorium period to pay off the debts. The period of 2021-22 shows a drastic increase in both the disbursement amount and outstanding amount as under the relief packages more amount was made available and accessible to the self-help groups for their proper functioning and accordingly there was higher outstanding amount for this year which could probably have been recovered in the next year i.e. 2022-23. The maximum amount for collateral-free loans for women's SHGs has doubled from Rs. 10 lakh to Rs. 20 lakh under the Pradhan Mantri Garib Kalyan Yojana (PMGKY). 6.85 crore families and 63 lakh women's SHGs are anticipated to gain from this. Village Organizations (VOs) in Covid hotspot regions and for vulnerable populations were able to receive an additional Vulnerability Reduction Fund of Rs. 1.5 lakh under the aegis of National Rural Livelihood Mission-Bank Linkage Programme (NRLM-BLP).

Table 2: District- Wise Disbursement Amount and Outstanding Amount as per the Achievement Report 2021-22

District	Disbursement Amount		Difference Amount (%)
	(%)	Outstanding Amount (%)	(Disbursement- Outstanding)
AMBEDKAR NAGAR	100	100	0
AMETHI	83.91	100	-16.09
AYODHYA	100	59.76	40.24
AZAMGARH	35.2	100	-64.8
BAHRAICH	49.73	100	-50.27
BALLIA	100	100	0
BALRAMPUR	9.6	16.4	-6.8
BASTI	100	100	0
CHANDAULI	39.36	100	-60.64
DEORIA	90.7	100	-9.3
GHAZIPUR	83.63	100	-16.37
GONDA	14.99	76.01	-61.02

GORAKHPUR	90.94	100	-9.06
JAUNPUR	43.7	81.79	-38.09
KAUSHAMBI	100	100	0
KUSHI NAGAR	77.02	72.16	4.86
MAHARAJGANJ	95.71	100	-4.29
MAU	100	100	0
MIRZAPUR	18.56	100	-81.44
PRATAPGARH	90.19	100	-9.81
PRAYAGRAJ	96.54	100	-3.46
SANT KABEER NAGAR	100	100	0
SHRAVASTI	12.03	19.59	-7.56
SIDDHARTH NAGAR	53	76.4	-23.4
SONBHADRA	33.8	34.48	-0.68
SULTANPUR	66.53	61.24	5.29
VARANASI	75.88	93.54	-17.66

Source: NRLM Website and Author's Interpretations

The above table (Table 2) provides us with a fair picture of the outstanding amount in the districts of Eastern Uttar Pradesh for the year 2021-22. Talking about the district that has the highest difference between disbursement amount percentage and outstanding amount percentage is Mirzapur i.e. it shows a negative balance of 81.44% clearly showing that the outstanding is greater than the disbursement amount. It is evident from the table that Ayodhya has the lowest difference between the disbursement amount and the outstanding amount i.e. it shows a positive balance of 40.24% depicting that the outstanding amount is lesser than the disbursement amount. Therefore, it can be concluded that the self-help groups in Ayodhya are the most efficient in repaying off the debts while the self-help groups in Mirzapur need to take necessary steps in improving their efficiency and correcting the negative balance which is drastically high in comparison to other districts for the year 2021-22.

Findings and Suggestions

The study shows that the number of self-help groups as per the achievement report has shown a positive growth by 7511. The disbursement amount and the outstanding amount have also shown a positive growth but the difference between both does not result in higher difference over the years. The districts of Mirzapur and Ayodhya show the highest and lowest percentage difference between disbursement and outstanding amount respectively for the year 2021-22.

It is therefore suggested that proper grading system of Self-help groups for the purpose of disbursement should be done so that the ones that are comparatively inefficient could be provided financial assistance based on their performance. There should be proper training and development facility for the members of the self-help groups so that they are motivated and involved into income generating activities thereby reducing the outstanding amount. It should be understood that higher negative difference between disbursement amount and outstanding amount will gradually result in higher non-performing assets. Thus, efforts should be made to minimize the differences either through more of income generating activities or through more of savings by the members of the self-help groups.

Scope for Further Study

The author has analysed only the achievement status of the districts of the Eastern Uttar Pradesh in absolute amount. There is scope for further study based on the achievement percentage of these districts based on the targeted value and the achieved value. The author has analysed the districts with highest outstanding amount and lowest amount for only one year i.e. 2021-22, while in further studies the change over the years starting from 2017-18 can be taken into consideration.

Conclusion

Microfinance delivered through self-help groups has the potential to be a formidable tool for reducing poverty and fostering economic growth in underdeveloped nations. SHGs can contribute to bettering the lives of individuals and communities through facilitating access to credit, empowering women, promoting economic growth, and encouraging social development. To be effective, this strategy must, however, address the problems with sustainability and create favourable laws and programmes that encourage SHG growth. It must be ensured that the self-help groups are not merely avail the credits under the microfinancing facility but also use it for the purpose of income generating activities so that the loans are repayed out of their income and not through the family income or their minimal savings.

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