



Economic pressures on ordinary families in Uttar Pradesh: Causes and solutions

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Abstract

This paper examines the financial problems faced by ordinary households in Uttar Pradesh. It discusses the gap between banking access and actual financial well-being, the rise of consumption debt, income instability, and limited social security. The paper argues that while government schemes have expanded banking reach, common people still struggle due to low financial literacy, informal borrowing, and emergency expenses. Solutions include strengthening cooperative banking, expanding insurance coverage, improving financial education, and linking skill development to employment. The paper provides a simple framework for understanding and addressing household financial distress.

Keywords: Household finance, financial inclusion, Uttar Pradesh, consumption debt, cooperative banking

Introduction

Money matters touch every family. In Uttar Pradesh, India's most populous state with over 24 crore people, common people face many financial difficulties. They worry about rising expenses, managing loans, paying for medical emergencies, and saving for the future. Despite banks reaching more villages and government schemes expanding, financial peace of mind remains distant for many.

The financial problems of ordinary people have drawn attention from policymakers and researchers alike. According to the State Finance Commission, the average debt burden on each resident of Uttar Pradesh now stands at approximately ₹37,500, reflecting the mounting financial pressure on households. This per capita debt has accumulated as the state's total liabilities have risen from about ₹6 lakh crore in 2019-20 to an estimated ₹9 lakh crore in 2025-26. While government officials argue that borrowing is necessary to fund infrastructure and welfare projects, critics contend that ordinary people carry the burden without visible improvements in their daily lives.

At the same time, there are signs of progress. The state government's Economic Review 2026 indicates that multidimensional poverty in Uttar Pradesh has declined sharply from 42.59% in 2013-14 to 17.40% in 2022-23, meaning approximately 5.94 crore people have moved out of poverty. This suggests that while financial challenges persist, targeted interventions are making a difference.

This paper tries to understand the current financial situation of common households in Uttar Pradesh. It looks at the problems ordinary families face and explores what can be done. The focus is on Uttar Pradesh, but the issues connect to national trends.

Major Financial Challenges Faced by Common People

Common households in Uttar Pradesh face several interconnected financial problems. These challenges can be understood through the following key issues:

1. Rising Debt Burden on Households

The most visible sign of financial distress is the growing debt burden. Recent estimates show that every person in Uttar Pradesh effectively carries a debt of about ₹37,500 when the state's total liabilities are divided by population.

This does not even include personal loans that individuals take from banks, moneylenders, or family and friends.

The state's total outstanding debt has risen steadily over the past five years. According to official figures, Uttar Pradesh's debt has grown from approximately ₹6 lakh crore to nearly ₹9 lakh crore, marking a 50% increase in half a decade. Critics argue that this mounting debt eventually affects common people through reduced government spending on welfare or increased pressure to generate revenue.

2. Low Credit-Deposit Ratio

Another indicator of financial distress is the Credit-Deposit (CD) ratio. This ratio shows how much of the money deposited in banks is being lent out as credit. In Uttar Pradesh, the CD ratio currently stands at around 59%, which is significantly lower than the national average of approximately 80%.

A low CD ratio means that while people are depositing money in banks, the same money is not returning to them as loans for productive purposes. In fact, when a state has a lower CD ratio, its domestic savings tend to flow to more prosperous and industrialized states or economies. This deprives local households and businesses of much-needed credit for agriculture, small businesses, and emergencies.

3. Heavy Reliance on Informal Credit

Despite expanded banking access, many households still depend on informal sources for credit. Moneylenders remain active because they offer what banks cannot: immediate cash, minimal paperwork, and flexible repayment. If a family faces a medical emergency at midnight, the moneylender comes home. The bank opens at ten in the morning and asks for documents. Speed matters in crisis.

Informal lenders typically charge very high interest rates often 3-5% per month, which translates to 36-60% per year. On a loan of ₹50,000, interest alone can be ₹25,000 annually. Many families find themselves paying interest year after year without ever reducing the principal amount.

4. Consumption Debt Rather Than Productive Debt

Traditionally, people borrowed to buy land, build houses, or start businesses. This is productive debt because it creates assets and generates future income. Today, much borrowing

is different. People take loans for marriages, festivals, mobile phones, and daily expenses. This is consumption debt. It does not create future income. It only shifts today's expense to tomorrow.

Marriages are a major example. In Uttar Pradesh, wedding expenses often exceed annual income by many times. The Chief Minister's Mass Marriage Scheme has recently enhanced financial assistance from ₹51,000 to ₹1.01 lakh per beneficiary, recognizing the burden that marriage costs place on poor families. Yet even with this support, many families borrow heavily and then spend years repaying. The wedding is one day. The debt lasts a decade.

5. Medical Emergencies as Debt Triggers

Medical emergencies are perhaps the biggest cause of household financial distress. A sudden illness, hospital stay, or operation can cost lakhs of rupees. Without adequate insurance, families sell assets or borrow at high interest. One hospitalization can push a family from stability to distress.

The government has taken steps to address this. The PM RAHAT scheme provides cashless treatment up to ₹1.5 lakh for accident victims. However, coverage for other medical emergencies remains limited, leaving many households exposed.

6. Income Instability

Behind the debt problem lies income instability. Most Uttar Pradesh families depend on farming or casual work. Both are uncertain. Farming depends on rain and market prices. Casual labourers get work when available, not on fixed schedules. Even small shop assistants and drivers have jobs but no guaranteed monthly income, no pension, no health insurance. If they fall sick, income stops and expenses rise simultaneously.

This instability makes financial planning nearly impossible. How do you save when you don't know what you will earn next month? The formal financial system assumes stable income, but for many families, stability is a luxury.

7. Limited Insurance Coverage

Insurance is essential for protecting against emergencies, yet coverage remains low. While schemes like Pradhan Mantri Jeevan Jyoti Bima Yojana (life insurance) and Pradhan Mantri Suraksha Bima Yojana (accident insurance) provide coverage at very low cost, enrolment is not universal. Many families remain uncovered, meaning any emergency becomes a financial catastrophe.

The government provides pensions to vulnerable groups. Under old age and farmer pension schemes, about 67.50 lakh beneficiaries receive ₹1,000 per month. More than 11 lakh divyangjan (disabled) beneficiaries also receive pensions. Yet these amounts, while helpful, are modest compared to actual needs.

Table 1: Key Indicators of Household Financial Distress in Uttar Pradesh

Indicator	Current Status	Comparison
Average debt per person	₹37,500	Increased from ₹6 lakh crore to ₹9 lakh crore state debt (5 years)
Credit-Deposit Ratio	59%	National average: ~80%
Population moved out of poverty (2013-23)	5.94 crore people	Poverty declined from 42.59% to 17.40%
Old age/farmer pension beneficiaries	67.50 lakh	Monthly pension: ₹1,000
Divyang pension beneficiaries	11+ lakh	Increased from ₹300 to ₹1,000/month since 2017
Mass marriage scheme assistance	₹1.01 lakh per beneficiary	Increased from ₹51,000
Banking transactions by BC Sakhi scheme	₹40,000 crore	₹109 crore commission earned by women
Power generation capacity	18,136 MW	Increased from 7,159 MW
Revenue cases resolved	34 lakhs out of 44 lakhs	Improved administrative efficiency

Source: Compiled from government reports and news sources (2025 -26)

Government Measures and Solutions

Both central and state governments have launched numerous schemes to address household financial challenges. Understanding these helps identify what is working and what needs improvement.

1. Expanding Banking Access

The Jan Dhan Yojana has opened crores of bank accounts. Today, most Uttar Pradesh families have a bank account, which is the essential first step toward formal finance. The BC Sakhi scheme has been particularly successful, with women facilitators helping rural households conduct over ₹40,000 crore in banking transactions and earning ₹109 crore in commission.

2. Strengthening Cooperative Banking: The Multipurpose Primary Agricultural Cooperative Societies (MPACS) initiative aims to connect every village with cooperative banking services. Cooperatives are closer to people, trusted, and more flexible than commercial banks. Strengthening them with better governance and digital systems can improve credit access for small farmers.

3. Expanding Insurance Coverage: Schemes like PM-JAY (health insurance), PMJJBY (life insurance), and PMSBY (accident insurance) provide coverage at minimal cost. The government should focus on enrolling every eligible household automatically, especially BPL families. The PM RAHAT scheme for accident victims is a good model that could be extended to cover other medical emergencies.

4. Social Welfare and Pension Schemes: The 2026-27 Uttar Pradesh budget allocates substantial funds for social welfare. Under old age and farmer pension schemes, ₹8,950 crore has been proposed for 67.50 lakh beneficiaries. The Divyang Pension Scheme has been increased from ₹300 to ₹1,000 per month, with ₹1,470 crore allocated for over 11 lakh beneficiaries.

5. Women Empowerment Initiatives: Women-focused schemes have shown remarkable results. The BC Sakhi scheme has facilitated over ₹40,000 crore in banking transactions. The Vidyut Sakhi initiative has enabled women to execute ₹2,867 crore worth of electricity-related work. The government has also allocated ₹200

crore for the Women Entrepreneur Credit Card Scheme to provide easier loan access.

The Lakhpati Didi scheme helps women's groups build sustainable livelihoods, with a target of 6 crore women earning at least ₹1 lakh annually. More than 204 THR plants and 2,000 Inspiration Cafes are now run by women's self-help groups, generating significant income and employment.

6. Youth Employment and Skill Development: The 2026-27 budget promises employment for 10 lakh young people. The Chief Minister Yuva Udyami Yojana provides loans up to ₹5 lakh without interest and without collateral. Meritorious students will benefit from a ₹400 crore allocation for scooter distribution, while ₹2,374 crore has been set aside for free tablets and smartphones.

The government is also investing in emerging technologies, allocating ₹225 crore for Artificial Intelligence initiatives and establishing an AI Mission under the "Tech Yuva-Samarth Yuva" scheme.

7. Infrastructure Development: Infrastructure receives 25% of the total budget, with significant allocations for the Ganga Expressway, Jewar International Airport expansion, and development of seven smart cities. Power generation capacity has increased from 7,159 MW to 18,136 MW, ensuring rural areas receive 18-20 hours of electricity daily.

Practical Solutions for Lasting Improvement

While government schemes are helpful, lasting solutions require addressing root causes. Here is a simple framework for what more can be done:

- 1. Make Banking Work for the Poor:** Bank accounts are necessary but not sufficient. We need to make them useful by designing loan products with flexible repayments that match irregular income, training bank correspondents to provide real service, and simplifying paperwork for small loans.
- 2. Strengthen Cooperatives and Local Institutions:** Cooperatives like MPACS have shown promise. They should be strengthened with better governance, trained staff, digital systems for transparency, and focus on productive credit rather than consumption.
- 3. Expand Insurance Rapidly:** Medical emergencies are the biggest debt trigger. Expanding health insurance should be priority number one. This means enrolling every BPL family automatically, creating simple emergency loan schemes for uncovered expenses, and educating people about insurance benefits.
- 4. Teach Financial Literacy from an Early Age:** Having tools without knowing how to use them is wasteful. Financial education should start in school, continue through self-help groups and cooperatives, and include mass media campaigns on avoiding debt traps and recognizing fraud.
- 5. Link Skills to Actual Jobs:** Skill training without jobs is useless. Programs must train for actual local jobs,

connect trainees to employers before training ends, and support entrepreneurship with credit and mentorship.

6. Protect Against Emergencies

Every family face emergency. A safety net can prevent emergencies from becoming catastrophes. This means expanding accident coverage, creating interest-free medical advance schemes, strengthening public hospitals, and supporting community-based emergency funds.

7. Coordinate Better Across Departments

Families need integrated support. Government must work together by creating district-level convergence committees, sharing data across departments, assigning single coordinators for each village, and measuring household-level outcomes, not just scheme outputs.

Conclusion

The financial problems of ordinary people in Uttar Pradesh are real and pressing. The average debt burden of ₹37,500 per person, low credit-deposit ratio of 59%, and continued reliance on informal credit all point to underlying vulnerability. Despite impressive progress in banking access and poverty reduction with 5.94 crore people moving out of poverty in the last decade most families remain at risk.

The good news is that solutions exist. Government schemes like BC Sakhi have demonstrated what is possible, with women facilitating over ₹40,000 crore in banking transactions. Pension schemes support 67.50 lakh elderly and disabled beneficiaries. Infrastructure development and power generation improvements are creating conditions for economic growth.

The next challenge is harder but more important: translating these achievements into genuine financial well-being for every family. This requires making formal finance fit poor people's lives flexible loans, accessible insurance, useful bank accounts. It requires linking skills to jobs, not just training for training's sake. It requires coordination across departments and schemes. And it requires financial education so people can use tools effectively.

Uttar Pradesh has shown it can achieve big things. The real measure of progress will be whether ordinary families can sleep peacefully, free from the worry of debt and the fear of emergencies they cannot afford.

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