

ANALYTICAL STUDY ON NPA LEVEL IN SHG-BANK LINKAGE PROGRAMME

Dr. Vishwa Deuskar

Assistant Professor,
Department of Accountancy, Taxation and Law,
JG College of Commerce, Drive-in-road, Gurukul, Ahmedabad-380059, Gujarat
Email: vishwadeuskar@gmail.com

Abstract:

Microfinance is the most visible and reliable mechanism for any country to ease financial system for the low income people and small entrepreneurs. Grameen model and Self-Help Group has attracted people to achieve financial objects of the country. In India NABARD has started SHG-Bank Linkage Programme to provide financial needs for small business and entrepreneur projects. The financial institution provides loans to SHGs in small amount of loan prescribed in guidelines. It has been working very efficiently and effectively in all the regions of India. This programme has also helped the people to achieve self-reliance through self generating economic activities. At the same time it has also faced number of challenges such as geographic imbalance, lack of knowledge of people, covid, low rate of recovery etc. Amongst all the challenges low rate of recovery is the biggest issue which increases the NPAs of the financial institutions. This paper tries to focus on NPA situation in different regions of India in SHG-Bank Linkage programme. NPA rates are also determined in commercial banks, Regional Rural Banks and Co-operative banks.

Keywords: Self-Help Group – Bank Linkage Programme, Non-Performing Assets, self-reliance

1. INTRODUCTION:

Access to financial market is the important key for economic growth of any country. Microfinance is the simple and effective way for the economy, through which low-income people can easily access the financial source. Grameen model and Self-Help Group model has grab the attention of financial authorities to reduce poverty in country. In India NABARD has promoted microfinance through SHG-Bank Linkage programme. This programme has reached 14.2 crore households through more than 119 lakhs SHGs with deposits more than Rs. 47,240 crore till 2022. In this programme financial institutions are playing vital role, which helps to increase the outreach of this programme. It has fulfilled the main objectives of low-income people. It has achieved the objectives of SHGs in India. NABARD has started this programme in the year 1992. This programme has played an important role in building women empowerment, self-reliance, and social capital. There are so many NGOs who are have engaged in this activity. This activity was predominant in southern region as it was initialized by kudumbshree but now it has reached in all the regions of India.

All projects have some constrains. A SHG-Bank linkage programme is associated with credit and loan disbursement, there is high risk of repayment of loan. The amount of loan is small but at the same time it is very important to maintain its repayment procedure. The financial institutions must bear huge loss if NPA arises. It is also very important to maintain financial strength amongst the financial institution and control NPA level amongst them.

2. REVIEW OF LITERATURE:

(Das, 2013) has analyzed the NPA and performance of SHG- Bank Linkage programme for North eastern region of India. He found that there is a significant increase in loan disbursement in north-eastern region. He has also concluded that the recovery rate is lower in this region. He has concluded that the SHG-Bank Linkage programme in North-eastern region had not achieved. There is high disparity in NER and SR in loan distribution and savings.

(Chawla & Sharma, 2022) has concluded that with the help of SHG-BLP the role of money lender has reduced but the recovery rate of loans still needs more attention. They have studied ten-year trend of SHG-Bank Linkage programme where they have studied loan disbursement, cumulative performance, NPA and Rate of Recovery. They have also concluded that there is no significant difference between different categories of selected banks with respect to recovery rate.

(Muduli & Sharma, 2022) have analyzed the loan repayment dynamics of Self-Help Groups in India. Author found that there is a high ratio of NPA in central, northern and north-eastern region. They have also found that states with higher SHGs density, per capita income, road and railway connectivity, and lower infant mortality

rate have lower SHGs' NPAs. For the analysis they have used Moran I Test with different variables. They have also concluded that if there is a higher saving by SHG, it helps more credit generation. (Das M. , 2021) has analysed the trend of NPA on outstanding loans towards SHGs. For the study author has used various parameters i.e. loan disbursement by financial institutions, loan outstanding and Gross NPA. It has concluded that amongst six regions, southern region has put maximum positive impact on borrowings and its recovery. There is no uniformity amongst the regions in India.

3. RESEARCH METHODOLOGY:

Research methodology is the most important part of the study. It provides information about the hierarchy of the study.

3.1 Objectives of the study:

1. To evaluate SHG-Bank Linkage Programme with reference to Non-Performing Asset.
2. To analyze region-wise NPA level in SHG-Bank Linkage Programme.

3.2 Method of Data collection: The collection of data is done based on secondary source. It includes financial reports and reliable websites

3.3 Period of the study: The study includes five-year analysis of selected companies. The data from 2017-2018 to 2021-2022 will be taken.

3.4 Analysis Technique: Table and charts have been considered for the study.

3.5 Limitations of the Study:

1. The data is secondary in nature which have been used from websites as the accuracy of data is concerned.
2. The present study has been undertaken for five years i.e., 2017-18 to 2021-22.
3. This study is limited with two aspects i.e., region-wise loan o/s and NPA proportion. The result may differ by using other factors and statistical tools.

4. DATA ANALYSIS AND INTERPRETATION:

Table:1: :Region-wise NPA Level: (in Lakhs)

Year	Northern	Nort-East	Eastern	Central	Western	Southern	All India
2017-18	19216.31	17435.04	83752.01	53393.04	31854.73	257154.38	462805.51
2018-19	20607.80	27500.92	85786.01	61315.44	30574.16	226616.72	452401.05
2019-20	21206.67	26914.18	101495.28	56612.66	33564.66	292376.97	532170.42
2020-21	17133	28366	115889	52551	32917	242064	488921
2021-22	18094	27452	118239	63650	38566	308310	574371.42

(NABARD, 2017-2018;2018-2019;2019-2020;2020-2021;2021-2022)

Interpretation:

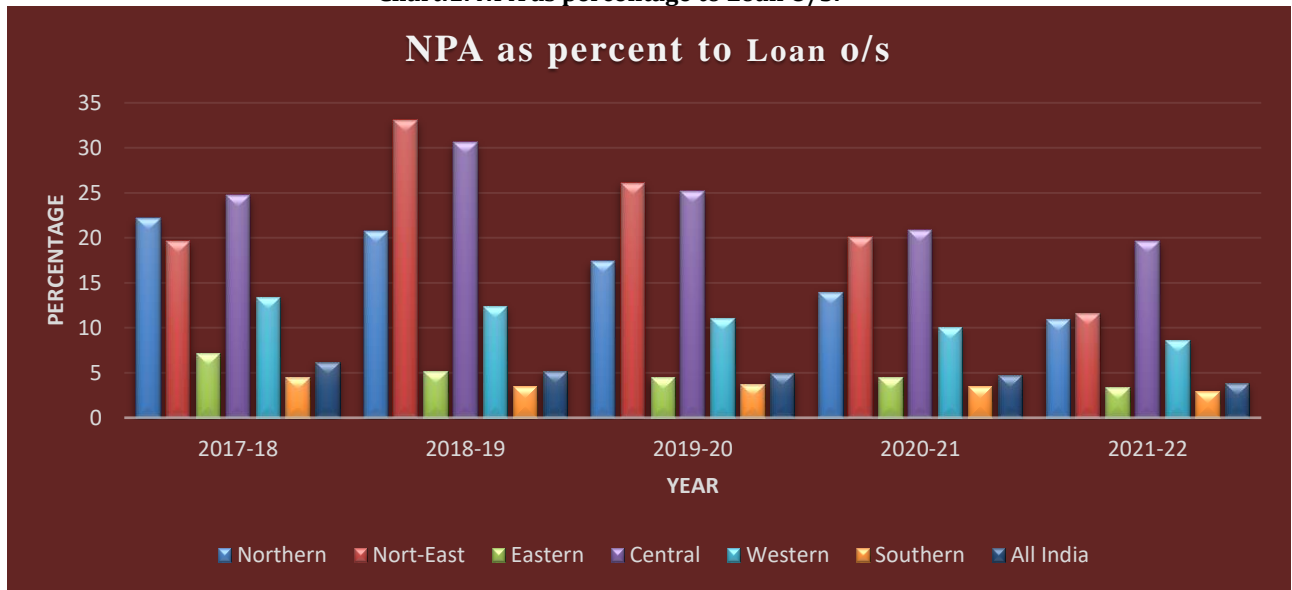
Table:1 shows the NPA status region-wise. SHG-BLP is studied based on region-wise NPA level position. There is an increase in absolute level of NPA during 2020-21 in all India level. There is a significant decrease in NPA during 2020-21. During 2020-21 out of 35 states & UTs reporting data, 26 have showed decrease in their NPA position. The eastern region shows continuous increase in pay back capacity which results in decrement in NPA. The southern region shows highest NPA position though there is highest lending to SHGs for empowerment.

Table:2: Region-wise NPA Level (%) -NPA as percent to Loan o/s

Year	Northern	Nort-East	Eastern	Central	Western	Southern	All India
2017-18	22.12	19.58	7.17	24.70	13.43	4.46	6.12
2018-19	20.74	33.08	5.19	30.59	12.39	3.53	5.18
2019-20	17.35	26.08	4.46	25.15	11.07	3.76	4.92
2020-21	13.93	20.07	4.47	20.83	10.01	3.52	4.73
2021-22	10.94	11.62	3.35	19.57	8.58	2.96	3.80

(NABARD, 2017-2018;2018-2019;2019-2020;2020-2021;2021-2022)

Chart:1: NPA as percentage to Loan O/S:



Interpretation:

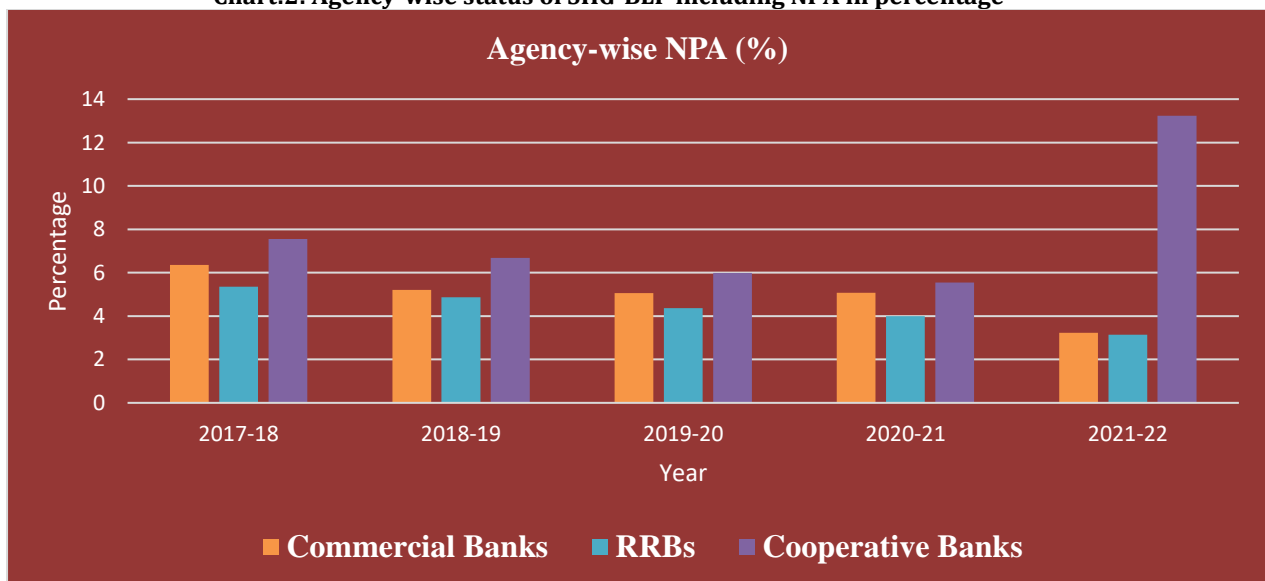
Table:2 describes the NPA portion with Loan outstanding. It shows overall decrease in loan outstanding during 2021-22 from 4.7% to 3.8%. There is a declined in eastern region from 5.19% to 4.46%. For NPA concern southern region has the maximum loan disbursement and maximum credit linkage which results high increase in NPA throughout the years. Wester and central region show moderate growth of NPA which shows controlled position in SHG-BLP. FY: 2017-18 shows highest increase in NPA level all over India level.

Table:3: Agency-wise status of SHG-BLP including NPA in percentage:

Agency	2017-18	2018-19	2019-20	2020-21	2021-22
Commercial Banks	6.36	5.21	5.06	5.07	3.23
RRBs	5.35	4.87	4.37	3.99	3.14
Cooperative Banks	7.56	6.69	5.99	5.55	13.23

(NABARD, 2017-2018;2018-2019;2019-2020;2020-2021;2021-2022)

Chart:2: Agency-wise status of SHG-BLP including NPA in percentage



Interpretation:

The financial institutions play an important role in SHG-Bank Linkage programme. The credits are disbursed by banks and other institutions. The above table and chart show the proportion of NPA in SHG-BLP for self-help group. Co-operative banks show highest level of NPA in loan outstanding. It is analyzed that commercial banks

<https://www.gapinterdisciplinaries.org/>

are working efficiently and effectively as there is a significant decrease in their NPA level continuously throughout the years. RRBs have maintained moderate control on loan disbursement and collection.

5. CONCLUSION:

According to data we can see that there is continuous decrease in NPA but in 2021-22 it has started growing. All financial agencies are working efficiently to control their NPA and have created strong standards for loan repayment and instalment policies. Commercial banks are playing actively in SHG- Bank Linkage Programme. They have reduced their NPA by using well managed policy and ethical way. Co-operative banks have to work more precisely and strongly to recover their debts from people. All over the SHG-Bank Linkage programme has a very well-managed policy for NPA. All regions are working in sustainable way according to their loan disbursement and credit linkage. The main cause of NPA is the lack of peer pressure and least concern of other members.

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