A STUDY ON PERFORMANCE OF NPAS AND LOAN OUTSTANDINGS OF SHG LINKAGE PROGRAMME IN INDIA

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ABSTRACT
Microfinance is defined as “the means by which poor people convert small sums of money into large sums”. (Rutherford 1999). It is the provision of financial services to poor people in poor countries who lack to access commercial banking system. They are many types of microfinance institutions; local organization that provide a small number of donor-based loans and multimillion dollar loans.

This paper tries to highlight the performance of outstanding loans, the amount of loans disbursed and the non performance assets with regard to banking and financial institutions. This paper will give a bird’s eye view about the microfinance industry with reference to non performance assets and the region wise performance of the NPAs. This will enlighten the people and enormous effort taken for the self help group linkage programme in India.

INTRODUCTION
Microfinance is the financial service done to the rural people. In recent times, microfinance is evolving at a great extent around the globe. This has evolved to a large extent after the evolution created by Noble Prize Winner Mohammad Yunus. This has taken up the attention in India by developing the microfinance sector for developing the poor people. This has paved way to introduce Microfinance Bill in 2007.

Definition
Microfinance is the offer of financial & non-financial services to people excluded from the traditional banking system. The services are adapted to the needs of the target populations.

Models of Microfinance:

1. Grameen Bank Model:
The Grameen System dominates in Bangladesh. This system was pioneered by Mohammad Yunus in 1976 and has grown rapidly. The members organize into groups of five members which are in turn organized into centres of around five to seven groups. The members make regular Savings.

2. Self Help Group Model:
The members form a group of around twenty members. The group formulation process may be facilitiated by an NGO or by the MFI or bank itself.
3. **Joint Liability Groups:**
It is an informal group comprising preferably of 4 to 10 individuals coming together for the purpose of availing bank loan either singly or through the group mechanism against mutual guarantee. The member should offer a joint undertaking to the bank that enables them to avail loans.

This paper tries to analyze the specific model named Joint Liability Model of microfinance in India. The paper also tries find out the outlook of JLG’ Model of microfinance.

**EVOLUTION OF MICROFINANCE**

The concept of microfinance dates back to centuries.

- 1462: An Italian monk created the first official pawn shop to counter usury practices.
- 1515: Pope Leon X authorized pawn shops to charge interest to cover the operating costs.
- In 18th Century, Irish Loan Fund system was initiated which provided small loans to poor farmers who have no collateral.
- In 19th Century, the emergence of larger and formal savings in Germany encouraged the upbringing of microfinance.
- In 1865, the cooperative movement expanded rapidly in Germany and in other countries.
- In 1895, Indonesian People’s Credit Banks became the largest microfinance system in Indonesia.
- In 20th Century, The rural finance system was introduced in Latin America.
- In 1950-1970, Efforts were made to expand credit.
- In 1970s the concept of microcredit came into existence as Dr Mohammad Yonus was declared as the noble prize winner.
- In 1990s the term micro credit was replaced by micro finance.

**History of Microfinance in India**

- The emergence of microfinance institutions in India emerged after 1970s.
- In 1973, The Self Employed Womens Association (SEWA) of Gujarat formed a bank named Mahila SEWA Cooperative Bank to access financial services.
- The Grameen bank formed by Mohammad Yonus in 1970s which won the Noble Prize which is now been taken as a role model in some of the institutions in India.
- In 1997, The global micro credit summit was undertaken.
- The microfinance institutions in India were registered as NGOs in 1996-1997.
- From 2002, these institutions moved from NGO to profit motive.
- The banking companies which emerged in 2010 were the main cause for upgrading of microfinance institutions.
- The Government introduced the Microfinance Sector Development and Regulation Bill on 20th March 2007 in the Lok Sabha.
MECHANISM OF MICROFINANCE

Chart 1: Chart showing mechanism of microfinance Institutions

CURRENT STATUS OF MICROFINANCE INDUSTRY
• 10,000 MFIs manage a global portfolio of US$30 Billions
• In a range from 150 US$ to 7,000 US$, the average loan size is US$ 450
• 150 Mio micro-credit active clients
• 300 Mio micro-saving active clients
• 50 Mio micro-insurance active clients

ANDHRA PRADESH CRISIS
➢ Series of suicides in AP ➢ Criticism toward MFIs from all over the world
➢ Allegations: Inappropriately high profits, coercive money collection practices, and over lending to the destitute

AP Government passing the AP Microfinance Ordinance 2010
➢ Impact of the Ordinance - drastic drop in loan repayments. As of January 2011, the MFIs collections had fallen from 99% to less than 20% of loan amount.
➢ CMF interviewed 4 MFI Heads from AP MFIs in July 2011
   - Medium sized MFI-109 branches reduced its number of branches to 84. This particular NBFC was also looking at individual lending options in order to sustain its business.
   - Medium sized MFI-Brought down its microfinance operation by 56%. This particular NBFC started focusing on diversifying its portfolio to other states right after the AP ordinance came out.
   - Small sized MFI- Was planning to open new branches in 2010-plan was discarded. Portfolio decreased by 30% after the crisis.
   - Small Sized MFI- Completely shut down its microfinance operation right after the crisis in October 2010 and switched to cooperative banking.
REGULATION OF MICROFINANCE BILL

- Microfinance Institutions (Development and Regulation) Bill 2012 has been introduced by the Government.
- MFIs would now by regulation be required to register with the Reserve Bank of India (RBI).
- The RBI has already released specific guidelines regarding the eligibility of MFIs for priority sector lending. Some RBI recommendations include:
  - A maximum client annual household income of Rs. 1,20,000 for urban areas and Rs. 60,000 for rural areas.
  - The total indebtedness of the borrower does not exceed Rs 50,000 and that the loan does not exceed Rs 35,000 for the 1st cycle and Rs 50,000 for next cycles.
  - MFIs will further be required to ensure that they cut down on consumer loans as at least 75% of loans be given for income generating purposes only.
  - To protect clients from over-borrowing, the RBI recommends that not more than two MFIs lend to each client.
  - MFIs should not disburse loans at a margin of more than 12% while an overall cap of 26% has to be maintained.

SELF HELP GROUP BANK LINKAGE PROGRAMME IN INDIA

The self help group linkage programme has transformed into a large extent. It has been recognized as a decentralized and cost effective and fastest growing microfinance initiative in the world with over 103 million poor households to various sustainable microfinance from the banking industry. The linkage with banks has provided the members of the groups for pooling the thrift of savings and access to credit from banking system.

The Government of India and State Government has also recognized the potential of the SHG Movement in development of poor. There was only 500 SHGs to banks in 1992 and by 2012 this has reached upto 8 million. At present the linkage programme has brought livelihood support to the poor. Many international financing agencies has turned to India to see the tremendous growth of the SHG Bank linkage programme.

OBJECTIVES OF THE STUDY

- To study the savings with banks by SHG.
- To study the No of loans disbursed to SHG.
- To know the loan outstanding of SHG.
- To analyze the loan issued to SHG by Banks.
- To analyze the agency wise NPA of bank loans to SHG.
- To know current status of loan outstanding.

RESEARCH METHODOLOGY

**Method of Data Collection**

- **Secondary Data:**
  The data is collected based on NABARD Reports.

**Tools Used**

- Loan outstanding
- Performance of NPAs
- Loans Disbursed.
DATA ANALYSIS

SAVINGS OF SHGS IN BANKS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>6198.71</td>
</tr>
<tr>
<td>2010-11</td>
<td>7016.30</td>
</tr>
<tr>
<td>2011-12</td>
<td>6551.41</td>
</tr>
</tbody>
</table>

Source: NABARD Report

Table 1: Table showing the savings of SHG in Banks

![Chart showing the savings of SHG in Banks](image)

Source: NABARD Report

Chart 2: Chart showing the savings of SHG in Banks

Interpretation:

The savings for the current year 2011-12 has decreased.

ANALYSIS LOAN DISBURSED TO SHGS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>14453.3</td>
</tr>
<tr>
<td>2010-11</td>
<td>14547.73</td>
</tr>
<tr>
<td>2011-12</td>
<td>16534.77</td>
</tr>
</tbody>
</table>

Source: NABARD Report
Table 2: Table showing the loan disbursed to SHGS

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>28038.28</td>
</tr>
<tr>
<td>2010-11</td>
<td>31221.17</td>
</tr>
<tr>
<td>2011-12</td>
<td>36340.00</td>
</tr>
</tbody>
</table>

Source: NABARD Report

Chart 3: Chart showing the loans disbursed to SHG

Interpretation:
The total outstanding for the current year is high comparing to 2010-11.

ANALYSIS OF LOAN OUTSTANDING

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>28038.28</td>
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<td>31221.17</td>
</tr>
<tr>
<td>2011-12</td>
<td>36340.00</td>
</tr>
</tbody>
</table>

Source: NABARD Report

Table 4: Table showing the loan outstanding
Source: NABARD Report

**Chart 4:** Chart showing the loan outstanding

**Interpretation:**

The loan outstanding is high in 2011-12 compared to 2010-11.

**BANK LOANS DISBURSED DURING 2011-12**

![Chart showing banks loans disbursed during 2011-12](image)

Source: NABARD Report

**Chart 5:** Chart showing banks loans disbursed during 2011-12

**Interpretation:**

The loan disbursed is high in Southern region followed by Eastern Region.

**ANALYSIS OF AGENCY WISE OF NPAs OF BANK LOAN TO SHG**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PUBLIC SECTOR</th>
<th>PRIVATE SECTOR</th>
<th>RRBS</th>
<th>COOP BANKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>513.53</td>
<td>23.93</td>
<td>218.53</td>
<td>67.04</td>
</tr>
<tr>
<td>2010-11</td>
<td>1019.90</td>
<td>47.09</td>
<td>272.82</td>
<td>134.30</td>
</tr>
<tr>
<td>2011-12</td>
<td>1581.05</td>
<td>74.37</td>
<td>426.34</td>
<td>130.97</td>
</tr>
</tbody>
</table>

Source: NABARD Report
Table 5: Table showing analysis of agency wise NPA of bank loan

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PUBLIC SECTOR</th>
<th>PRIVATE SECTOR</th>
<th>RRBS</th>
<th>COOP BANKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>2.6</td>
<td>5.44</td>
<td>3.56</td>
<td>3.88</td>
</tr>
<tr>
<td>2010-11</td>
<td>4.76</td>
<td>10.10</td>
<td>3.67</td>
<td>7.04</td>
</tr>
<tr>
<td>2011-12</td>
<td>6.48</td>
<td>5.30</td>
<td>4.95</td>
<td>6.84</td>
</tr>
</tbody>
</table>

Source: NABARD Report

Chart 6: Chart showing analysis of NPAs of Banks

Interpretation:
The NPA of public sector is more rather than in other agencies
Table 6: Table showing percentage of NPAs to Loan outstanding

![Table showing percentage of NPAs to Loan outstanding](image)

Source: NABARD Report

Chart 7: Chart showing percentage of NPA to loan outstanding

**Interpretation:**
The percentage of NPA to loan outstanding has ups and downs.
REGIONWISE NPA POSITION AGAINST LOAN TO SHGS

Source: NABARD Report
Chart 8: Chart showing the region wise NPA position against loan to SHGs.

Interpretation:
The NPA is very high for the current year in the southern region.

FINDINGS

- The savings of Self help Group in 2012 is 6551.41
- The loans disbursed has raised subsequently from 2010-11 to 2011-12.
- The loan outstanding has increased from 31221.17 in 2010-11 to 36340.00 in 2011-12.
- The loan disbursed in southern region is 77%
- The NPA is high in public sector commercial banks.
- The percentage of NPA is high in 2012.
- The southern region has the highest amount of NPA in 2012.

SUGGESTIONS

- The savings of self help group should be further increased.
- The outstanding amount of loan should be reduced.
- The loan disbursed in other regions must be concentrated and increased further.
- The NPA of commercial banks should be reduced.
- The NPA performance is at an alarming rate in the year 2012 which should be carefully investigated.
- The NPA of southern region should be reduced.
CONCLUSION

The concept of self help group linkage programme has paved a way to establish a link between the banks and financial institutions has grown at a large extent. It has been observed that this has been a major support for the self help groups and the survival of microfinance industry to uplift the poor.

The analysis of loan disbursed, outstanding amount of loans and the non performance assets will be greatly helpful for the upbringing of the industry as a whole. This would benefit many microfinance instutions and the banks in India to reduce their NPAs of banks. The region wise analysis will also help the industry to identify the problems of NPA and loan outstanding to make the microfinance industry as an effective one for the poor to develop the economy.

REFERENCES

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3. www.google.com
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