

A Study on Evaluation of Non-Performing Assets under Self Help Groups Bank Linkage Model

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Abstract:

This paper examines and evaluates the NPA's under SHG bank linkage model. There was a myth among the people that the financial markets are not related to the life of economically weaker sections of the society, this statement was justified by the exclusion of EWS from the formal financial institutions and have to depend on informal sector. But the myth was disproved by the term microfinance in India. It includes the EWS of the society in the financial policy of government of India. One approach to microfinance that has gained prominence in recent years is the SHGs-BLM. Over the last ten years, SHGs-BLM has become the dominant mode of microfinance in India, and has been successful in encouraging momentous savings and high repayment rates. In recent times there has been an improvement of situation of NPAs and recovery rate and simultaneously the self-help group have been benefited. In this paper the researchers made an attempt to evaluate the NPA's under the SHG bank linkage model".

Keywords: Microfinance, Non-Performing Assets, Self Help Group Bank linkage Model, Recovery Rate

Introduction

Self Help Group (SHG) is the phenomenal expansion of the organized banking system in India, The existing banking policies, systems and procedures were not ideally designed to enable the poor to be a part of the formal banking system. The Self Help Group [SHG] was evolved as the core strategy that could be used by the banking system in India for increasing access of the poor to the formal banking system. The National Bank for Agriculture and Rural Development (NABARD) initiated a search for alternative policies, systems and procedures, savings, loan products, other complementary services, and new delivery mechanisms that would fulfil the requirements of the poor, especially of the women. The prime objective of SHG-Bank linkage program was to provide the poor with enhanced access to the banking sectors, these poor are land less labourers, artisans, marginal farmers and people like hawkers and small vendors.

Bank Linkage Model, the SHGs are small and participative groups of poor people, who pool their thrift regularly and use it to make small interest bearing loans. Subsequently they graduate to access bank credit to their resources for lending to their members in need of financial assistance for meeting their credit needs.

SHG – Bank linkage Model:

There are three models of linking SHG and Banks in India:

- Model I - provide all assistance directly to SHGs without any intervention facilitation by any NGOs.
- Model II – provide all assistance directly to SHGs with facilitation by NGOs and other formal agencies.
- Model III – provide all assistance through NGOs as facilitator and financing agency.

As the credit increases through different models NPA is also increasing every year, Hence an attempt was made by the researchers to analyse the growth of NPA under SHG bank linkage model.

Research gap

Several studies have been undertaken by many researchers on the topics like SHG- Bank Linkage Programme in India, problem of NPAs, sustainable development process, critically evaluate the SHG – Bank Linkage Programme, Microfinance in India, Managing the Risk of NPA in the Small Scale industries in India, but no researcher have undertaken a study about the Evaluation of NPAs under the self-help group bank linkage model. Hence the study was taken by the researchers to analyse the NPAs under the self-help group bank linkage model.

Objective of the study

- To analyse the non-performing assets under the self-help group's bank linkage model.
- To examine the extent of NPA's in the public and private sector banks.

Statement of the problem

The rural people, agricultural labourers, peasants in particular, who rely on wages as a means of livelihood, find considerable fluctuations in their earnings in day to day life. Credit is required for such people for smooth consumption over time to cover their needs in period of low income by borrowing. These people have almost been excluded from these financial services either because they are not available or simply because they are not considered creditworthy. In the view that the poor do not have any resources, do not save, they cannot invest in view of immediate consumption needs and they are ignorant of the basic principles of sound money management they were excluded from the financial markets, but the SHGs provides access to credit to the needy people in the society, as the credit increases through different models NPA is also increasing every year, Hence an attempt was made by the researchers to analyse the growth of NPA under SHG bank linkage model.

Hypothesis

F-test hypothesis

Null Hypo (H_0)	There is no difference Between the variance of Gross advances of the public sector Banks and the Private sector banks.
Alternative Hypo (H_1)	There is difference Between the variance of Gross advances of the public sector Banks and the Private sector banks
Null Hypo (H_0)	There is no difference Between the variance of Gross Non-performing Assets of the public sector Banks and the Private sector banks.
Alternative Hypo (H_1)	There is difference Between the variance of Gross Non-performing Assets of the public sector Banks and the Private sector banks
Null Hypo (H_0)	There is no difference Between the variance of Gross Non-performing Assets as total per cent of the public sector Banks and the Private sector banks.
Alternative Hypo (H_1)	There is difference Between the variance of Gross Non-performing Assets as total per cent of the public sector Banks and the Private sector banks
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Null Hypo (H_0)	There is no difference Between the variance of Gross Non-performing Assets as total per cent of the public sector Banks and the Private sector banks.
Alternative Hypo	There is difference Between the variance of Gross Non-performing

(H ₁)	Assets as total per cent of the public sector Banks and the Private sector banks
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Methodology

The present study on the evaluation of Non-Performing assets under the Self help group bank linkage model is highly based on the secondary data, the data required for this study has been collected from the sources like RBI website and NABARD. The period covered for the study is five years. The collected data were analysed with the help of the statistical tool F-Test.

Results and discussions

Variations between the gross advances of public & private sector banks (priority sector)

Table-1 Gross Advances

Year	Gross Advances (PUBLIC SECTOR)	Gross Advances (PRIVATE SECTOR)
2017	19,599.15	6,520.04
2016	18,737.48	5,619.77
2015	16,859.54	4,427.62
2014	15,192.98	3,830.55
2013	12,790.00	3,157.00
F Test value - 0.258722		

Source: Secondary Data form the RBI website.

Null Hypo (H ₀)	There is no difference Between the variance of Gross advances of the public sector Banks and the Private sector banks.
Alternative Hypo (H ₁)	There is difference Between the variance of Gross advances of the public sector Banks and the Private sector banks

The above table shows the variances of gross advances of the public and the private sector banks, the calculated F-value is 0.258722 is less than the table value, Hence the null hypothesis is accepted and there is no difference between the Gross advances of the public and the private sector Banks.

Variations between the gross NPA's of public & private sector banks

TABLE-2 Gross NPA's

Year	Gross NPAs (PUBLIC SECTOR)	Gross NPAs (PRIVATE SECTOR)
2017	1,542.76	132.93
2016	1,281.16	101.39
2015	936.85	72.11
2014	791.92	60.55
2013	669.00	52.00
F Test value - 0.025135		

Source: Secondary Data form the RBI website.

Null Hypo (H ₀)	There is no difference Between the variance of Gross Non-performing Aassets of the public sector Banks and the Private sector banks.
Alternative Hypo (H ₁)	There is difference Between the variance of Gross Non-performing Aassets of the public sector Banks and the Private sector banks

The above table shows the variances of gross Non- Performing Assets of the public and the private sector banks, the calculated F-value is 0.025135 is less than the table value, Hence the null hypothesis is accepted and there is no difference between the Gross Non-Performing assets of the public and the private sector Banks.

Variations between the gross NPA's of total in public & private sector banks (in percentage)

TABLE-3 Gross Non-Performing Assets

Year	Gross NPAs (PUBLIC SECTOR)	Gross NPAs (PRIVATE SECTOR)
2017	24.1	18.0
2016	25.5	21.0
2015	35.7	22.8
2014	36.5	26.6
2013	42.9	26.0
F Test value - 0.079974		

Source: Secondary Data form the RBI website.

Null Hypo (H ₀)	There is no difference Between the variance of Gross Non-performing Assets of the public sector Banks and the Private sector banks.
Alternative Hypo (H ₁)	There is a difference Between the variance of Gross Non-performing Aassets of public sector Banks and the Private sector banks

The above table shows the variances of gross Non- Performing Assets of the public and the private sector banks, the calculated F-value is 0.079974 is less than the table value, Hence the null hypothesis is accepted and there is no difference between the Gross Non-Performing assets of the public and the private sector Banks.

Variations between the gross advances of public & private sector banks (non priority sector)

TABLE-4 Gross advances

Year	Gross Advances (PUBLIC SECTOR)	Gross Advances (PRIVATE SECTOR)
2017	31,823.09	14,528.76
2016	32,084.08	12,297.04
2015	31,593.15	9,945.77
2014	30,711.60	8,286.76
2013	27,769.00	7,309.00
F Test value - 0.568269		

Source: Secondary Data form the RBI website.

Null Hypo (H ₀)	There is no difference Between the variance of Gross advances of the public sector Banks and the Private sector banks.
Alternative Hypo (H ₁)	There is difference Between the variance of Gross advances of the public sector Banks and the Private sector banks

Interpretation

The table shows the variances of gross advances of the public and the private sector banks the calculated F-value is 0.568269 is less than the table value, Hence the null hypothesis is accepted and there is no difference between the Gross advances of the public and the private sector Banks.

Variations between the gross npa's of public & private sector banks

TABLE-5 Gross NON-Performing Assets

Year	Gross NPAs (PUBLIC SECTOR)	Gross NPAs (PRIVATE SECTOR)
2017	4,867.80	605.49
2016	3,739.52	382.41
2015	1,690.60	243.65
2014	1,375.47	166.89
2013	890.00	148.00
F Test value - 0.011738		

Source: Secondary Data form the RBI website.

Null Hypo (H ₀)	There is no difference Between the variance of Gross Non-performing Aassets of the public sector Banks and the Private sector banks.
Alternative Hypo (H ₁)	There is difference Between the variance of Gross Non-performing Aassets of the public sector Banks and the Private sector banks

Interpretation

The table shows the variances of gross Non- Performing Assets of the public and the private sector banks, the calculated F-value is 0.011738 is less than the table value, Hence the null hypothesis is accepted and there is no difference between the Gross Non-Performing assets of the public and the private sector Banks.

Variations between the gross NPA's of public & private sector banks (in percentage)

TABLE-6 Gross Non-Performing Assets

Year	Gross NPAs (PUBLIC SECTOR)	Gross NPAs (PRIVATE SECTOR)
2017	75.9	82.0
2016	74.5	79.0
2015	64.3	77.2
2014	63.5	73.4
2013	57.1	74.0
F Test value - 0.079974		

Source: Secondary Data form the RBI website.

Null Hypo (H ₀)	There is no difference Between the variance of Gross Non-performing Aassets of the public sector Banks and the Private sector banks.
Alternative Hypo (H ₁)	There is difference Between the variance of Gross Non-performing Aassets of the public sector Banks and the Private sector banks

The table shows the variances of two aspects that is the gross Non- Performing Assets of the public and the private sector banks, the calculated F-value is 0.079974 is less than the table value, Hence the null hypothesis is accepted and there is no difference between the Gross Non-Performing assets of the public and the private sector Banks.

Conclusion

The growth & development of the banking sector is very important for improvement & advancement of the nation. Banks are one of the most important pillars of any financial system of a country. Microfinance has been proven to be a good strategy for alleviating poverty, unemployment & empowering people through various schemes & the banking institutions play vital role in meeting the financial needs of the poor. The SHG bank linkage programme has helped the poor in raising their standard of living. The present study

shows that there has been continuous increase in the non-performing assets in both public & private banks associated with the SHG bank linkage programme, however it is necessary that there should be full repayment of loans taken by the SHG members at regular intervals, otherwise it may create an imbalance in the demand & supply of money. Thus the bank should pay attention to reduce the NPA's under this scheme as the sustainability of the SBLM is important for the poor to get rid of the debt traps.

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