



RECOVERY PERFORMANCE OF SHG- BANK LINKAGE PROGRAMME

(A STUDY OF RAJASTHAN STATE)

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Abstract:

Poor people do not have access to the financial market nor do they have enough collateral due to which they also depend on money lenders. By which they are exploited. Self Help Group was started for freedom from exploitation. SBLP was started by NABARD in 1992 in collaboration with NABARD based on the model NGO Bank Government Department and Works for the prosperity of rural women in collaboration with the Government Department and NABARD. Where SBLP has increased rural development and women empowerment, this growth is incomparable. But where these groups focus on their economic development, they do not repay the bank loans on time and the next loan is given by the banks before recovery, which leads to increase in the NPA level and lower recovery rate.

Key words: SHG-BLP, NPA, Recovery Performance

Introduction

The Self Help Group - Bank Linkage Program (SBLP) has been in existence for 29 years now in Rajasthan. The programme was seeded on the magnification of SK Kalia Committee. As the number of SHGs has increased, so have the types of activities and innovations designed around them by the promoting agencies. Within the larger SHG movement, the program to link SHG to banks is a multi-million dollar innovation that has been SHG's mainstay in development. In recent years SHG promotions have been conducted mainly by state agencies but also by other players such as private banks and their agents. The SHG model was essentially a savings-led and savings-linked credit model, located as a

complementary channel to the provision of credit, not as a channel for mainstream banking products. The rationale for the bankers' interest was mainly due to the possibility of externalization of small loan transaction costs and the assurance of recovery by peer pressure among the group members.

Methodology of the study:

The Present study is mainly based on secondary data. The secondary data were collected from published books, journals, research papers, magazines, daily newspaper, Internet. The study is qualitative in nature.

Recovery Performance of selected Banks

Recovery performance is the inability of borrowers to repay the loan as a result of crop failure for various reasons, the unwillingness of borrowers to repay the loan as a grant or political patronage, and institutional and policy problems. Whereas Recovery rate, commonly used in credit risk management, refers to the amount recovered when a loan defaults. In other words, the recovery rate is the amount, expressed as a percentage, recovered from a loan when the borrower is unable to settle the full outstanding amount. A higher rate is always desirable. Although the rate is typically used for debt defaults, it can also be used for account receivables defaults. In the following table recovery rate for loan outstanding, loan disbursed, cumulative loan disbursed, gross NPA against SHGs, amount recovered and recovery rate have been computed for selected categories of banks. To calculate recovery rate amount recovered is divided by amount loaned.

$$\text{Recovery Rate} = \frac{\text{Amount Recovered}}{\text{Amount Loaned}}$$

Recovery Performance of selected Banks

Commercial Banks						
	Loan O/S Amount	Loan Disbursed Amount	Cumm. Loan Disbursed Amount	Amount of Gross NPA against SHGs	Amount Recovered (Previous O/S- Current O/S-NPA)	Recovery Rate (Amount Recovered/ Loan Amount)
2011	22162	5975.7	29307.94	1169.8	-3167.51	-10.81
2012	45866	6789.7	36097.68	2560	-26263	-72.76
2013	40133	11017	47114.72	4057.8	1674.47	3.55
2014	41552	11701	58815.72	5502.9	-6921.37	-11.77
2015	89371	19888	78703.24	6077.9	-53897.5	-68.48
2016	39502	23139	101842.4	10172	39697.16	38.98
2017	31043	27200	129042.7	7677.1	782.47	0.61
2018	28582	22927	151969.3	5501.1	-3039.97	-2.00
2019	37750	33660	185629	4170.1	-13338.4	-7.19
2020	52119	41410	227039.5	4733.2	-19102.1	-8.41
2021	55681	40822.4	267861.8	3626.5	-7188.76	-2.68

Recovery Rate for the commercial banks was found negative mostly during the study period. Loan outstanding amount for Public Sector Commercial Banks was Rs. 68776.2 lakhs in year 2015 that has been reduced to Rs. 23694.2 lakhs in year 2021. Loan disbursed amount was Rs. 1824.1 lakhs in year 2015 and that increased to Rs. 12008.5 lakhs in year 2021. Cumulative loan disbursed amount was Rs. 1824.1 in year 2015 and rose to Rs. 20869.5 in year 2021. Amount of Gross NPA against SHGs was Rs. 5610.86 lakhs in year 2015 that declined to Rs. 3367.97 lakhs in year 2021. Amount Recovered (Previous O/S-Current O/S-NPA) was Rs. 39322.29 lakhs in year 2016 but regret to mention here that it declined by huge margin to (-) Rs. 2897.07 lakhs in year 2021. Recovery Rate (Amount Recovered/ Loan Amount) was 12.46 in year 2016 but it went negative (-) 0.14 in year 2021.

Loan outstanding amount for Private Sector Commercial Banks was Rs. 20595.1 lakhs in year 2015 that has been rose to Rs. 31986.7 lakhs in year 2021. Loan disbursed amount was Rs. 18063.4 lakhs in year 2015 and that increased to Rs. 28813.8 lakhs in year 2021. Cumulative loan disbursed amount was Rs. 18063.4 in year 2015 and rose to Rs. 61363.2 in year 2021. Amount of Gross NPA against SHGs was Rs. 467.02 lakhs in year 2015 that declined to Rs. 258.56 lakhs in year 2021. Amount Recovered (Previous O/S-Current O/S-NPA) was Rs. 374.95 lakhs in year 2015 but regret to mention here that it declined by huge margin to (-) Rs. 4291.86 lakhs in year 2021. Recovery Rate (Amount Recovered/ Loan Amount) was 0.01 in year 2016 but it went negative (-) 0.07 in year 2021.

RRBs						
	Loan O/S Amount	Loan Disbursed Amount	Cumm. Loan Disbursed Amount	Amount of Gross NPA against SHGs	Amount Recovered (Previous O/S-Current O/S-NPA)	Recovery Rate (Amount Recovered/ Loan Amount)
2011	11371	5544.2	17806.66	891.12	-6117.87	-34.36
2012	13668	6053.5	23860.17	460.71	-2756.98	-11.55
2013	12226	4702.9	28563.06	1546.7	-105.19	-0.37
2014	11799	3002.7	31565.75	482.8	-55.68	-0.18
2015	11118	2744.2	34309.93	1727.5	-1046.86	-3.05
2016	9859.5	2841.6	37151.5	4042.2	-2783.41	-7.49
2017	9902.5	11647	48798.84	3348.8	-3391.79	-6.95
2018	10807	8239	57037.85	3264.4	-4169.33	-7.31
2019	11076	8555.8	65593.66	2968.9	-3237.53	-4.94
2020	13107	16430	82023.98	2374.8	-4406.12	-5.37
2021	20055	26507.6	108531.6	998.6	-7946.01	-7.32

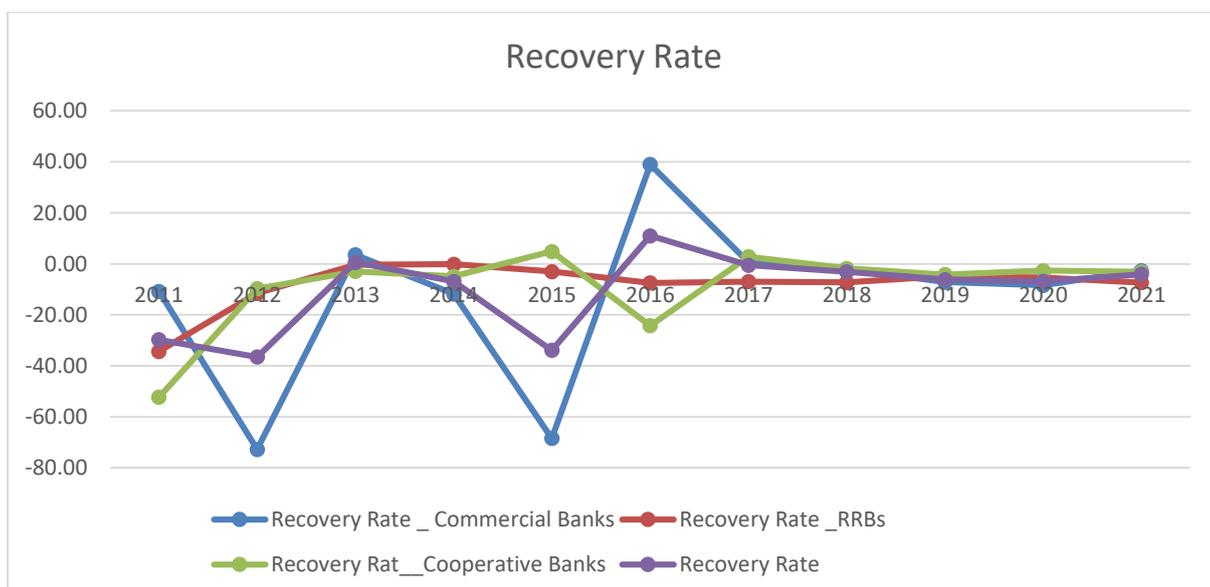
Loan outstanding amount for RRBs was Rs. 11118 lakhs in year 2015 that has been raised to Rs. 20055 lakhs in year 2021. Loan disbursed amount was Rs. 2744.2 lakhs in year 2015 and that increased to Rs. 26507.6 lakhs in year 2021. Cumulative loan disbursed amount was Rs. 34309.93 in year 2015 and rose to Rs. 108531.6 in year 2021. Amount of Gross NPA against SHGs was Rs. 1727.5 lakhs in year 2015 that decreased to Rs. 998.6 lakhs in year 2021. Amount Recovered (Previous O/S-Current O/S-NPA) was Rs. (-) 1046.86 lakhs in year 2015 but regret to mention here that it declined by huge margin to (-) Rs. 7946.01 lakhs in year 2021. Recovery Rate (Amount Recovered/ Loan Amount) was (-) 3.05 in year 2015 and it went more negative (-) 7.32 in year 2021.

Cooperative Banks						
	Loan O/S Amount	Loan Disbursed Amount	Cumm. Loan Disbursed Amount	Amount of Gross NPA against SHGs	Amount Recovered (Previous O/S-Current O/S-NPA)	Recovery Rate (Amount Recovered/ Loan Amount)
2011	11006	8295.4	21021.6	1720	-10997.3	-52.31
2012	11958	5430.1	26451.72	1615.7	-2566.98	-9.70
2013	10935	5368.5	31820.17	1958.9	-936.44	-2.94
2014	10878	4756.1	36576.28	1843.6	-1786.9	-4.89
2015	7529.5	6289.1	42865.38	1256.6	2092.33	4.88
2016	15821	6196.5	49061.88	3622	-11913.9	-24.28
2017	12009	1803.1	50864.97	2401.3	1410.73	2.77
2018	10300	1428.3	52293.27	2649.1	-939.77	-1.80
2019	9718.4	1603.1	53896.4	2848.1	-2266.32	-4.20
2020	6880.3	1005.8	54902.15	4285	-1446.9	-2.64
2021	5496.8	24668.5	79570.64	3878.5	-2494.97	-3.14

Loan outstanding amount for cooperative banks was Rs. 7529.5 lakhs in year 2015 that has been raised to Rs. 5496.8 lakhs in year 2021. Loan disbursed amount was Rs. 6289.1 lakhs in year 2015 and that increased to Rs. 24668.5 lakhs in year 2021. Cumulative loan disbursed amount was Rs. 42865.38 in year 2015 and rose to Rs. 79570.64 in year 2021. Amount of Gross NPA against SHGs was Rs. 1256.6 lakhs in year 2015 that increased to Rs. 3878.5 lakhs in year 2021. Amount Recovered (Previous O/S-Current O/S-NPA) was Rs. 2092.33 lakhs in year 2015 but regret to mention here that it declined by huge margin to (-) Rs. 2494.97 lakhs in year 2021. Recovery Rate (Amount Recovered/ Loan Amount) was 4.88 in year 2015 and it went more negative (-) 3.14 in year 2021.

Total						
	Loan O/S Amount	Loan Disbursed Amount	Cumm. Loan Disbursed Amount	Amount of Gross NPA against SHGs	Amount Recovered (Previous O/S- Current O/S-NPA)	Recovery Rate (Amount Recovered/ Loan Amount)
2010	28038.3	48321	48321			
2011	44540	19815	68136.2	3780.9	-20282.6	-29.77
2012	71490	18273	86409.57	4636.3	-31586.5	-36.55
2013	63294	21088	107498	7563.4	632.4	0.59
2014	64229	19460	126957.8	7829.4	-8763.95	-6.90
2015	108019	28921	155878.6	9062	-52852	-33.91
2016	65183	32177	188055.7	22190	20646.11	10.98
2017	52954	40651	228706.5	13427	-1198.35	-0.52
2018	49689	32594	261300.5	11415	-8149.31	-3.12
2019	58544	43819	305119	9987.1	-18842.3	-6.18
2020	72106	58847	363965.6	11393	-24955.1	-6.86
2021	81233	68356.5	432322.1	8503.5	-17629.7	-4.08

Loan outstanding amount for all type of selected banks as a whole was Rs. 108019 lakhs in year 2015 that has been declined to Rs. 81233 lakhs in year 2021. Loan disbursed amount was Rs. 28921 lakhs in year 2015 and that increased to Rs. 68356.5 lakhs in year 2021. Cumulative loan disbursed amount was Rs. 155878.6 in year 2015 and rose to Rs. 432322.1 in year 2021. Amount of Gross NPA against SHGs was Rs. 9062 lakhs in year 2015 that increased to Rs. 8503.5 lakhs in year 2021. Amount Recovered (Previous O/S-Current O/S-NPA) was Rs. -52852 lakhs in year 2015 but regret to mention here that it declined by huge margin to (-) Rs. 17629.7 lakhs in year 2021. Recovery Rate (Amount Recovered/ Loan Amount) was -33.91 in year 2015 and it went more negative (-) 4.08 in year 2021.



In these tables above, Recovery Performance of selected Banks is shown. During these years, on an average Loan O/S Amount, Loan Disbursed Amount, Cumm. Loan Disbursed Amount, Amount of Gross NPA against SHGs is found highest for commercial banks. Recovery rate is comparatively way better for RRBs. However recovery rate for all selected categories of banks was found negative mostly during the study period.

• **Hypothesis for Recovery Performance among selected Banks:**

H₀: Recovery rate do not differ significantly for different categories of selected banks

H_a: Recovery rate differ significantly for different categories of selected banks

Descriptives						
Recovery Rate						
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Commercial Banks	11	-12.8145	31.77829	9.58152	-34.1635	8.5344
RRBs	11	-8.0809	9.32649	2.81204	-14.3465	-1.8153
Cooperative Banks	11	-8.9318	16.26083	4.90282	-19.8560	1.9924
Total	33	-9.9424	20.73092	3.60879	-17.2933	-2.5916
ANOVA						
Recovery Rate						
	Sum of Squares	Df	Mean Square	F	Sig.	
Between Groups	140.092	2	70.046	.154	.858	
Within Groups	13612.579	30	453.753			
Total	13752.671	32				

It is clear from table above that Recovery rate do not differ significantly for different type of banks; since the p value is >0.05 and null hypothesis is accepted. Recovery Rate for all categories of banks was negative mostly during the study period.

CONCLUSION

Self Help Group- Bank Linkage Programme has been effective in increasing loan accessibility of SHG members. The steep decline in the extent of reliance on money lenders is a welcome trend as it saves the SHG members from the exploitations of money lending institutions significantly. This exhibits the strength of the SHG Bank Linkage Programme in the loan accessibility of the SHG members from institutional sources and freedom from the clutches of money lenders who charge excessive interest rates. It is observed that the role of money lenders has been considerably reduced after Bank Linkage Programme Commercial Banks has reduced the NPA rate over the years, but given the level of NPA the recovery rate remains a matter of concern.

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