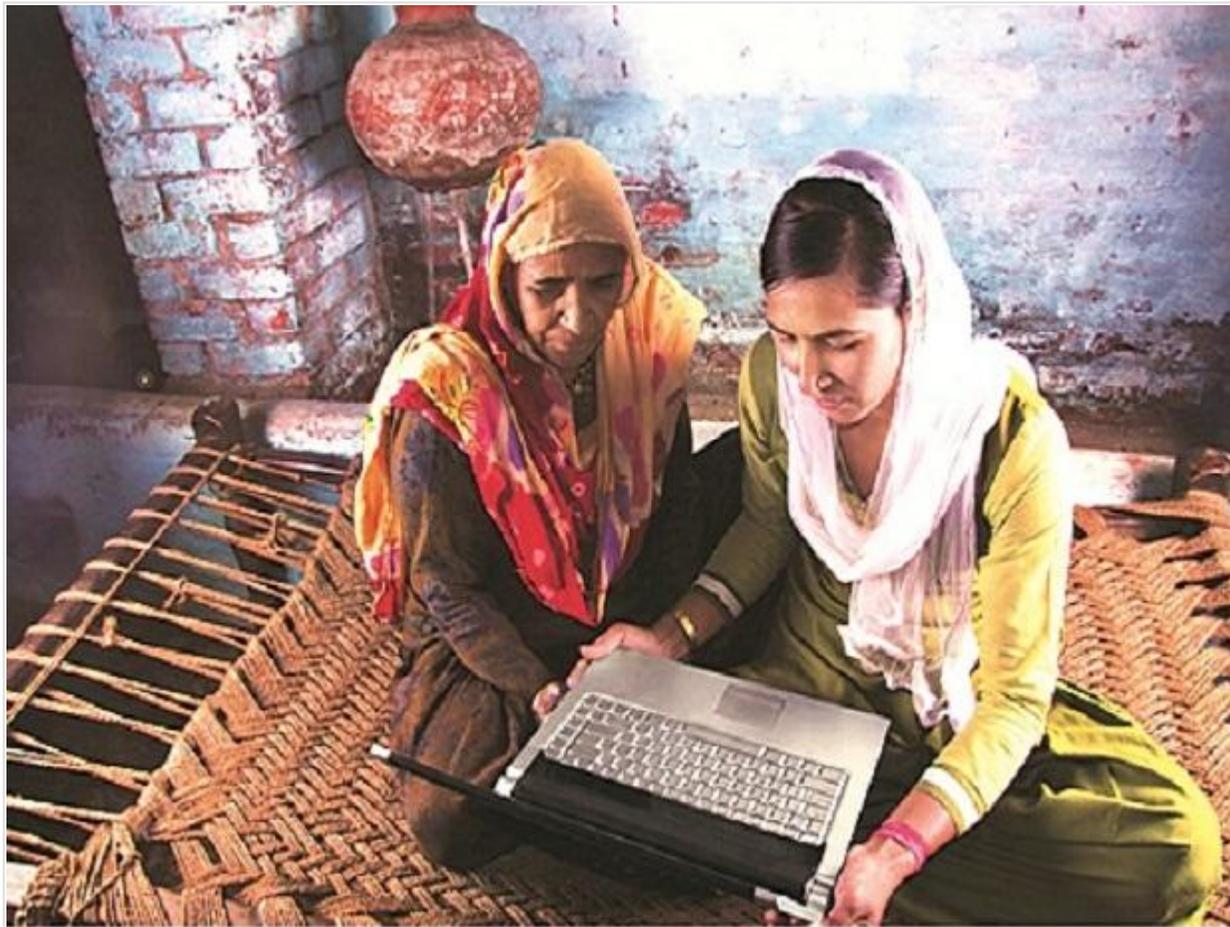


## Decline in defaults on credit given to women-led self-help groups

Data showed that even after the NRLM change, there were wide regional variations in the extent of loans given to women-led groups turning bad

Sanjeeb Mukherjee | New Delhi March 09, 2018 Last Updated at 22:51 IST



At a time when the overall banking sector is grappling with the problem of bad loans, official data holds out hope in at least one segment — largely unorganised self-help groups (SHGs) led by women and doing small-scale economic activity.

Non-performing assets (NPAs) as a percentage of total loans given to women-led SHGs in January 2018 were 2.55 per cent. From a high of almost 26 per cent before bank linkages were introduced under the National Rural Livelihood Mission (NRLM) around 2013.

If both pre- and post-NRLM periods are taken together, NPAs as a percentage of total loans as of January 2018 would stand at 6.76 per cent, considered bad by banking standards. However, the marked change since linkages started as part of NRLM should be noted. Till January 2018, such SHGs had loan dues of Rs 511 billion, of which around Rs 13 billion (2.55 per cent) were classified as NPAs, show provisional data. By comparison, the overall gross NPA ratio of banks were expected to increase to 10.8 per cent by March and further to 11.1 per cent by September 2018, according to the

Reserve Bank of India's (RBI's) financial stability report of December 2017.

In fact, on an average, India's ratio of NPAs to gross loans has shown a steep rise in these past five years, hovering around nine per cent as of 2016, studies show. Compare this with other developing economies such as China, Brazil and South Africa – they all have NPAs under four per cent of loan dues, a level generally considered safe.

It is not that loans given to SHGs as part of the bank linkage under NRLM were always financially sound. Before a structured form of linkages was provided under NRLM, total NPAs as a percentage of loan dues was as high as 26 per cent. In some states and Union Territories (Rajasthan, Puducherry, Lakshwadeep, these were as high as 70-90 per cent of total dues.

Data showed that even after the NRLM change, there were wide regional variations in the extent of loans given to women-led groups turning bad. In Uttar Pradesh, Uttarakhand, Punjab, Meghalaya and Arunachal Pradesh, the NPAs as a proportion of dues were higher than the national mean.

In 2013-14, loans amounting to Rs 240 billion were distributed to 1.01 million SHGs.

Until January 2018, these had risen to about Rs 310 bn and the number of SHGs had increased to 1.98 million.

“Our experience of dealing with bank loans given to poor and largely marginal women-led groups is that their creditworthiness and payment promptness has improved considerably in the past few years,” a senior government official said.

Data show that since 2011, women members of SHGs have accessed cumulative bank credit of about Rs 1.19 trillion under NRLM. Around 3.5 million SHGs have benefited from the programme.