

A Study On Loan Repayment And Dynmaics Of Self-Help Groups (SHGS) In Pudukvai Bharathiar Grama Bank

Jothimanjary.S¹, Mrs. Keerthana.R²

¹Dept of Management Studies

²Assist.Professor, Dept of Management Studies

^{1,2} Sri ManakulaVinayagar Engineering College (Autonomous), Puducherry

Abstract- *Self-Help Groups (SHGs) play a significant role in promoting financial inclusion and women empowerment, with Pudukvai Bharathiar Grama Bank (PBGB) serving as a key institution supporting SHG credit in Puducherry. The sustainability of this system depends largely on repayment discipline and the occurrence of Non-Performing Assets (NPAs). This study examines the loan repayment dynamics of SHGs financed by PBGB over the five-year period from 2020–21 to 2024–25. Using secondary data and analytical tools such as percentage analysis, trend analysis, mean, and standard deviation, the study evaluates patterns in loan disbursement, repayment performance, and NPA levels. The results show fluctuations in disbursement and varying repayment consistency, along with emerging NPA concerns. The study suggests strengthening monitoring mechanisms, improving financial literacy, and ensuring productive credit utilization to enhance repayment behavior and reduce NPAs..*

Keywords- Financial Inclusion, Loan Repayment Dynamics, Non-Performing Assets (NPAs), Self-Help Groups (SHGs), SHG–Bank Linkage Programme

I. INTRODUCTION

Self-Help Groups (SHGs) have emerged as one of the most influential grassroots financial models in India, providing a platform for collective savings, credit access, and livelihood development. Supported by the SHG–Bank Linkage Programme initiated by NABARD, SHGs have significantly strengthened financial inclusion, especially among rural women. By encouraging mutual accountability and group-based lending, SHGs reduce dependence on informal credit sources and promote disciplined financial behaviour within communities.

In the Union Territory of Puducherry, Pudukvai Bharathiar Grama Bank (PBGB) plays a central role in financing SHGs and supporting various income-generating activities. As the only Regional Rural Bank in the region, PBGB's credit initiatives directly influence the socio-economic growth of rural households. However, the

sustainability of SHG lending depends largely on repayment behaviour, consistency in loan utilization, and the management of Non-Performing Assets (NPAs). Fluctuations in repayment performance not only affect the bank's financial stability but also impact the continuous flow of credit to SHGs.

OBJECTIVES OF THE STUDY

- To analyze the trend in SHG loan disbursement and repayment over the last 5 years in Pudukvai Bharathiar Grama Bank (PBGB).
- To examine the level of NPAs among SHG loans.

II. REVIEW OF LITERATURE

RBI Report (2020):

The Reserve Bank of India (2020) highlighted that NPAs in SHG lending largely arise from external constraints such as natural calamities, market fluctuations, and unstable income sources. The report emphasizes that although SHG loans demonstrate relatively better repayment performance compared to other rural credit categories, banks must adopt proactive monitoring, early-warning systems, and flexible repayment structures to prevent accounts from slipping into NPA status.

Eapen & George (2019):

Eapen and George (2019) found that repayment success in SHGs is closely linked to the productive use of loans and the availability of adequate skill training. Their study revealed that SHGs engaged in income-generating activities backed by training exhibited strong repayment discipline, whereas groups diverting loans for consumption showed higher default tendencies. The authors stressed the importance of capacity-building to enhance repayment performance.

World Bank Report (2014) – Recent Relevance Noted in Your Report: The World Bank (2014), though earlier, remains highly relevant to recent SHG dynamics discussed in your project. The study stated that maintaining repayment rates above 95% is essential for sustaining access to future credit. It further emphasized that SHGs with strong repayment histories gain better loan terms and enhanced bargaining power, creating a cycle of improved creditworthiness and reduced NPA risk.

CGAP Study (2017): The Consultative Group to Assist the Poor (2017) identified flexible repayment schedules as a key factor in reducing default rates among vulnerable SHG borrowers. The study concluded that aligning repayment frequency with seasonal income patterns—especially in agriculture-based SHGs—significantly improves repayment consistency and lowers credit risk for banks.

Mishra & Tripathy (2021): Mishra and Tripathy (2021) examined SHG repayment challenges in Odisha and found that market risks, crop failures, and the absence of insurance support were major contributors to rising NPAs. Despite adverse conditions, women-led SHGs showed higher repayment discipline due to stronger group cohesion. The study recommended integrating risk-mitigation tools and restructuring options to reduce default level

III. RESEARCH METHODOLOGY

Research Design:

This study uses a descriptive research design.

Data Collection:

Secondary Data:

Secondary data refers to information that has already been collected, processed, and documented by other sources prior to this study.

TOOLS FOR DATA ANALYSIS

- Percentage method
- Trend analysis
- Mean
- Standard deviation

IV. DATA ANALYSIS AND INTERPRETATION

TABLE SHOWING YEARWISE SHG LOAN DISBURSEMENT AMOUNT WITH PERCENTAGE OF PBGB

FINANCIAL YEAR	AMOUNT	PERCENTAGE(%)
2020-21	48,73,01,000	17.35488331
2021-22	60,66,12,000	21.60406088
2022-23	43,32,07,000	15.42836344
2023-24	60,89,56,000	21.6875408
2024-25	67,17,85,000	23.92515157
TOTAL	2,80,78,61,000	100%

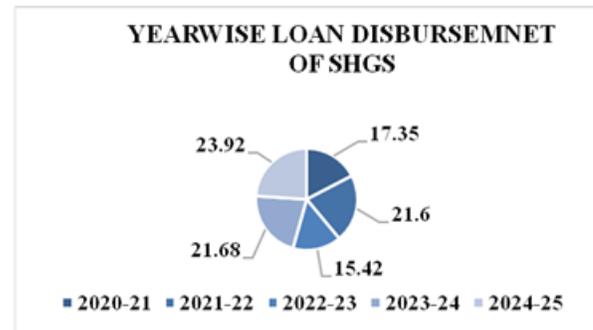


CHART SHOWING YEARWISE SHG LOAN DISBURSEMENT AMOUNT WITH PERCENTAGE OF PBGB

INTERPRETATION

SHG loan disbursement declined to 15.42% in 2022–23 from 21.60% in 2021–22, suggesting cautious lending or reduced credit demand. It rebounded in 2023–24 to 21.68% and reached a peak of 23.92% in 2024–25, indicating renewed emphasis on SHG financing and stronger credit demand.

TABLE SHOWING NON-PERFORMING ASSETS OF SHG OVER THE YEARS OF PBGB

FINANCIAL YEAR	AMOUNT
2020-21	22,04,260
2021-22	16,42,578
2022-23	53,63,138
2023-24	27,49,307
2024-25	37,18,792
STANDARD DEVIATION	1461828.446

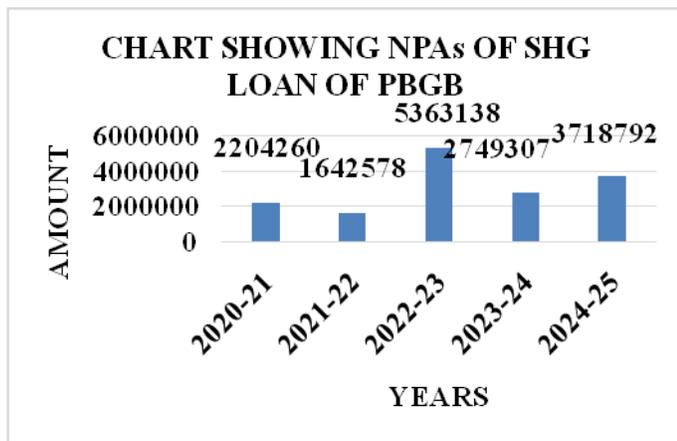


CHART SHOWING NON-PERFORMING ASSETS OF SHG OVER THE YEARS OF PBGB

INTERPRETATION

SHG NPAs in PBGB fluctuated significantly, rising from ₹16.42 lakh in 2021–22 to ₹53.63 lakh in 2022–23. A standard deviation of ₹14.61 lakh indicates high variability, reflecting unstable repayment performance over the years. Such volatility underscores the need for stronger monitoring and more effective recovery measures to manage future NPAs.

V. FINDINGS

LOAN DISBURSEMENT PERCENTAGE ANALYSIS

SHG loan disbursement dropped to **15.42% in 2022–23** from **21.60% in 2021–22**, indicating reduced lending activity or lower credit demand. It increased again to **21.68% in 2023–24** and **23.92% in 2024–25**, showing recovery and renewed focus on SHG financing. This upward trend reflects improving borrower confidence and stronger credit utilization.

STANDARD DEVIATION OF NON-PERFORMING ASSETS

SHG NPAs rose sharply from **₹16.42 lakh to ₹53.63 lakh**, indicating pressure on repayment performance. A high **standard deviation of ₹14.61 lakh** shows significant variability and unstable repayment patterns over the years. This suggests the need for stronger monitoring, better loan utilization guidance, and effective recovery strategies.

VI. SUGGESTIONS

- Strengthening continuous monitoring and follow-up mechanisms can help improve repayment discipline and reduce the risk of rising NPAs.

- Providing financial literacy training and guidance on productive loan utilization will enable SHGs to generate stable income and repay on time.
- PBGB can introduce flexible repayment schedules and recovery support strategies to manage repayment pressure and prevent future loan defaults.

VII. CONCLUSION

The study concludes that while SHG loan disbursement in PBGB has shown recovery and growth in recent years, repayment performance remains unstable due to fluctuations in NPA levels. Strengthening monitoring, ensuring productive utilization of loans, and enhancing financial awareness among SHG members are essential to improve repayment discipline. A strategic focus on sustainable credit practices will support stronger financial inclusion and long-term stability in SHG financing.

REFERENCES

- [1] RBI Report. (2020). Report on Priority Sector Lending and SHG NPA Performance. Reserve Bank of India.
- [2] Eapen, J., & George, R. (2019). *Loan utilization and repayment performance of SHGs*. International Journal of Microfinance Studies.
- [3] World Bank. (2014). Microfinance and SHG repayment sustainability report. World Bank Publication.
- [4] CGAP. (2017). *Flexible repayment structures in microfinance*. Consultative Group to Assist the Poor.
- [5] Mishra, S., & Tripathy, A. (2021). *Repayment challenges and NPA trends in SHG lending in Odisha*. Journal of Rural Banking & Finance.