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**Management of Retail Assets in Banking :
Credit Migrations and Default Correlations**

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The growing relative size and increased volatility of retail portfolios are attracting increased attention from banks' risk managers and regulators. The correlation due to the defaults of retail assets over time has been of considerable interest to retail bankers. Default correlation is important because if the correlation is significantly larger than zero, the default risk is larger. This study shows how economically meaningful assumptions can be used to obtain cross-obligor default correlations using factor model approach. The external market risk factors examined here are IIP, Yield Rates, Stock Returns, Inflation, Call Money Rates, etc. We test the hypothesis of the significance of default correlation based on the external economic factors on the internal test data of a bank. In our test portfolio of less than 14 months, we conclude that banks should use positive correlation between credit migrations of obligors.

Bank Ownership and Deposit Mobilization : A Non-parametric Approach

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The present study compares the performance of 40 Indian commercial banks using Window Analysis considering deposit mobilization as the output indicator. The period of study is 2002-03 to 2005-06. The results obtained from the study indicate that mean technical efficiency of the in-sample banks exhibited a declining trend for the period. The decline in mean technical efficiency is due to a greater divergence in performance compared to the frontier. Among the in-sample banks, the private sector banks performed better than the public sector banks.

Brief Articles, Notes and Comments

MicroFinance and SHG-Bank Linkage : Regional Analysis and Perspectives

N Subrahmanyam

Microfinance becomes distinct from regular credit where not only the credit amount is small and the clientele are poor, but also credit is provided with a collateral substitute

instead of the traditional collateral or surety; and non-financial services are also provided for increasing the productivity of credit. Microfinance has a wider connotation as compared to micro credit. The paper presents the coverage of microfinance as differentiated from micro credit, services rendered by microfinancial institutions (MFIs), and draws attention to the factors favouring the fast spread of microfinance movement in the country through the SHG-Bank Linkage Programme (SBLP). Review of literature highlights the role of microfinance for the upliftment of the poor, and empowerment of women in particular, and also limitations of microfinance through the group approach. Need for business development services, and support to be given by the concerned organizations, including NGOs and the government are pinpointed.

Data obtained from NABARD publications on the number of SHG credit linked with banks, bank loan disbursed, and refinance provided by NABARD to primary lending institutions which provided credit to SHGs are analyzed for the years ending March 2003 and 2007 (year-wise and cumulative picture), in the second part of the paper. Regional spread correction of regional imbalances through rapid progress in SHG-focused priority states, and progress agency-wise and model-wise of SBLP in different regions, and southern states, in particular, have been discussed. Significant developments in the southern states, which are referred to as SHG-developed states, and multiple roles played by SHGs in these states are briefly referred to.

Book Reviews

Telegraphic Reviews