

STUDY ON JOINT LIABILITY GROUPS PROBLEMS AND PROSPECTS

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ABBREVIATION

ACRC	-	Agriculture Credit review committee
Amt.	-	Amount
BC		Banking correspondent
BDT	-	Bihar Development Trust
BLBC		Block level bankers committee
CBs	-	Commercial Banks
DCC	-	District co-ordination committee
DCP	-	District credit plan
DDM	-	District Development Manager
HYV	-	High Yielding Varieties
JLG	-	Joint Liability Group
JLGPI	-	Joint Liability Group Promoting Institution
KCC	-	Kisan Credit Card
KYC	-	Know Your Customer
LDM	-	Lead District Manager
MF	-	Marginal Farmers
mFI	-	Microfinance Institutions
MIS	-	Management Information System
NABARD	-	National Bank for Agriculture and Rural Development
NGO	-	Non – Government Organisation
NPA	-	Non-Performing Asset
OBC	-	Other Backward Caste
PLP	-	Potential linked plan

RBI	-	Reserve Bank of India
RF	-	Revolving Fund
RRB	-	Regional Rural Bank
SBLP	-	SHG-Bank Linkage Programme
SC	-	Scheduled Caste
SF	-	Small Farmers
SHG	-	Self Help Group
SHPI	-	Self Help Group Promoting Institution
SLBC	-	State level bankers committee
SPSS	-	Statistical Package for Social Science
SRTO	-	Small Road Transport Operator
ST	-	Scheduled Tribe
VRS	-	voluntary retirement scheme

EXECUTIVE SUMMARY

NABARD had introduced the concept of Joint Liability Group in 2006-07 to help clients like tenant farmers, share cropper, oral lessees, etc, through formal banking channels/MFIs as they had no access to credit due to lack of acceptable collateral. In Bihar, the JLG scheme was operationalized through 4 RRBs. Except Canara Bank, no other Commercial bank participated in the implementation of the scheme. The entire co-operative credit structure remained aloof from implementation of the scheme due to their organizational and financial weaknesses. About 13200 JLGs had been financed by the RRBs till 31 March 2010. Some of the MFIs also started participating in the implementation of the scheme and financed 1, 11,692 JLGs as on 31 March 2010. Owing to overwhelming presence of tenant farmers, Bihar was one of the most fertile places for implementation of this scheme. Although the scheme was implemented in all the districts of Bihar the coverage was not proportional in qualitative as well as quantitative terms. Therefore, it was pertinent to launch a study on the subject "Joint Liability Group – Problems and Prospects".

1. Objectives of the study

. The objectives of the study was to examine the extent of coverage of JLGs, important issues and problems in formation and financing JLGs, impact of JLG financing, agencies/intermediaries involved, reasons for success of JLGs in other parts of country and in the study areas and thereafter offer suitable suggestions/recommendations.

2. Methodology

Questionnaires were developed to collect data from stakeholders, viz, banks, mFIs, LDMs, DDMs, NABARD officials and JLG clients. JLG clients(200) financed by Samastipur and Madhya Bihar Gramin Bank in Samastipur, Gaya and Nalanda districts having preponderance of JLGs were interviewed for mapping success as well as failure of the scheme. Before launching the study, a seminar was also organized for meaningful discussion on various facets of the scheme and to gain insight for objective assessment during the study.

3. The major findings of the study are as under:

Coverage of RRBs under JLG financing had increased from 9007 (2280 JLGs) clients as on March 2008 to 23945 (5749 JLGs) clients as on 31, March, 2010. The coverage of mFIs was found to be more significant as they had covered 730014 clients from 111692 JLGs within a short span of 2 years i.e. between 2008-09 and 2009-10. While RRBs had made cumulative disbursement of Rs. 6172.34 lakh up to 31 March 2010, the mFIs had disbursed loan of Rs. 102261.94 lakh up to 31 March 2010. The only participating commercial bank viz Canara Bank had disbursed Rs. 165.00 lakh during 2009-10.

The study also revealed that pro-active support of the State Government, lack of focused attention at Banks' level, lack of awareness about JLGs among stakeholders; lack of credible intermediaries, lack of group dynamics, absence of specific budget to branches by their controlling office acting as deterrent, lack of monitoring/review in BLBC/DLCC/SLBC/banks' meetings, were main hurdles in up scaling of the scheme.

4. As Bihar needs massive up scaling of the JLG programme the following imperatives emerged which need to be addressed urgently:

- a) Integration of no frill account holders into JLGs concept in financial inclusion in wider sense and right selection of clients of JLGs of no frill account holders should be formed on priority basis.
- b) The State Govt. of Bihar must play its role as monitor of the scheme for the entire banking sector as well as the mFIs/NGOs.
- c) The State Govt. may involve its Co-operation Department and the ST Cooperative credit structure for up scaling of the scheme as it has been implemented in Tamil Nadu.
- d) Credible intermediaries like Farmer Clubs, Business Correspondents, NGO, etc, may be utilized by banks as they remain in close proximity to JLGs and develop group dynamics in them so as to make them sustainable. They are in

a position to hold regular meetings of groups in which all transactions pertain to groups will take place.

- e) The bankers are required to play their role in a productive manner. In order to internalize the programme, suitable training module for staff training may be developed for use in their training institutes which would make the staff of the branches realize the importance of the scheme. They should also put in place strong monitoring mechanism, either through their own field staff, or by appointing suitable intermediaries.
- f) The two field functionaries viz, DDMs and LDMs must be geared to play their role in grounding of the scheme at their level.
- g) The review of implementation of the scheme may be ensured at all forums, viz. banks own meetings, BLBC, DLCC, SLBC, etc.