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PROGRESS OF JOINT LIABILITY GROUPS IN INDIA

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1. Origin

In order to provide institutional credit to small, marginal and tenant farmers and share croppers, the National Bank for Agriculture and Rural Development (NABARD) has launched a Joint Liability Group (JLG) programme during 2004-05 as a pilot project in 8 states with the support of 13 regional rural banks (RRBs). After two years, it was extended to all the states and regions in the country. JLG is an informal group, which consists of 4 - 10 individual members. But with the permission of bank, it can be increased to 20 members in exceptional case. They come together for the purpose of availing bank loan through group mechanism against mutual guarantee. To provide loans to them, NABARD extends grant support to State Cooperative Banks (SCBs) and (RRBs) for the formation, nurturing and financing of JLGs over a period of three years at Rs 2,000 per JLG. In addition to banks, NABARD will provide grant support to farmers clubs, panchayat raj institutions, krishi vikas kendras, agricultural universities, primary agricultural credit societies and so on to form JLGs and help them access to bank loans. The NABARD would provide 100 per cent refinance to banks against their advances to JLGs. The members of a JLG, who would engage in a similar type of activity in agriculture and allied activities, would sign a joint undertaking with the bank which enable them to avail loans. The management of savings and credit helps the NABARD to promote JLGs with a view to create access to credit to members. The JLGs fill the credit gap in the rural areas where marginal, small and tenant farmers and share croppers find it difficult to access bank loans.

2. Objectives

The JLG's are formed inter alia with the objectives like: to augment flow of credit to farmers, especially small, marginal and tenant, oral lessees and share croppers / individuals taking up farm activities; to serve as collateral substitute for loans to be provided to the target group; to build mutual trust and confidence between the bank and the target group; to minimize the risks in the loan portfolio for banks through group and cluster approach, peer education and credit discipline; and to provide food security to vulnerable sections by enhanced agricultural production, productivity and promote livelihood.

3. Coverage

JLGs are basically livelihood groups, who come together on the strength of mutual guarantee to seek finance to pursue an economic activity. This was basically targeted at mid-segment clients engaged in similar economic activities like crop production and who are willing to jointly undertake to repay the loans taken by groups. Unlike in the case of self help groups (SHGs), JLGs are basically intended as credit groups for tenant and small farmers who do not have proper title of their farmland or security to offer, but in need of long term or seasonal credit to pursue their economic activities. Thus, regular savings by JLG is purely voluntary in nature and there was no intermediation of credit by its members. Loans were given based on mutual guarantee to individuals in a group or as group loans.

JLGs are for 'not so poor' who have assets, which are productive but who cannot get loans because they have no papers (small farmers who take irrigated lands on lease) or have problems with accessing banks. They already have some linkages with markets who have surpluses. Credit is required for production, soft working capital, technology, storage and also need term basis. The JLGs also need some institutional capacity building. This reduces the training time as compared to SHGs. The JLGs should have a group account…. as one basis for the 'jointness'. Further, bank loans are given in the name of the JLG group account, and then it goes to the individual. The size and purpose of loans is decided in advance before the loan is given.

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4. Models

There are two models of financing JLGs. These are based on the size of the group and nature of group activity.

4.1 Financing Individuals in the Group

The bank provides individual grant cards (GC) to each member of the JLG. The financing bank branch assess the credit requirement of such individuals on the basis of land available and cultivated by them. In addition, credit absorption capacity of individuals is considered. The members of the JLG have to jointly enter into an undertaking/**inter se** assuring that they jointly and severally held responsible for the loan provided to the individual. If anyother existing member of the group or new member applies for loan, new loan agreement and undertaking should be signed by all members of JLG.

4.2 Financing JLG as a Group

For financing the group, it will be assessed on the basis of total land available and cultivated by all the group members. The need for the credit will be decided on the basis of combined credit plan and needs of the each individual in the group. But savings of the group should not be considered while availing loan. All members should jointly sign an undertaking/**inter se** about joint liability. Any change in the composition of group will lead new document being registered with the branch. The JLG which undertakes saving apart from credit is required to maintain detailed books of accounts. Each member will be graded on the basis of performance parameter;

5. Progress

The progress of JLGs during 2012 and 2013 described in the following pages,

5.1 Year – Wise

Besides, financial support to build awareness to all stakeholders, NABARD extends 100 per cent refinance support to banks on their landings to JLG's. During 2013, the number of JLGs promoted was 529246 as against 332707 during 2012(see Table1). The credit flow during the same period was Rs 468332.84 lakhs and Rs 284568.50 lakhs in the former and latter respectively. On an average, per groups, loans disbursed were Rs 88491 in 2013 as compared to Rs 85513 in 2012. The growth in the number of JLGs and credit disbursed to them 59.07 per cent and 64.58 per cent in 2013 over 2012 respectively.

Table: 1 Progress of Joint Liability Groups in India during 2012 and 2013

Item	2012	2013	Change	
			Absolute	Percentage
No. of groups promoted	332707	529246	196539	59.07
Loans disbursed(Rs lakhs)	284568.50	468332.84	183764.34	64.58
LoansPer group(Rs)	85513	88491	2978	3.48

Source: NABARD, Status of Micro Finance in India 2012-13, Mumbai, P: 188

The loans per group have gone up 3.48 per cent in the aforesaid period. This indicates that the progress in the number of groups is faster than the credit made available to them.

5.2 Region – Wise Distribution

Table 2 furnishes the regional spread in the distribution of JLGs in India during 2012 and 2013. It can be observed from the Table that, during 2012, among the regions, southern region ranked first with a disbursement of Rs 1965.93 crores or 70.53 per cent spread over148119 groups or 44.52 per cent.

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Table: 2 Region Wise Joint Liability Groups in India for the period 2012 and2013(Rs lakh)

Name of region	2012			2013		
	No. of JLG's Promoted	Loans disbursed	Loans Per group	No. of JLG's Promoted	Loans disbursed	Loans Per group
Southern	148119 (44.52)	196593.24 (70.53)	132000 (26.51)	204378 (38.62)	283754.37 (60.59)	138000 (26.04)
Eastern	123132 (37.01)	48773.67 (17.50)	40000 (8.03)	181780 (34.35)	82248.77 (17.56)	45000 (8.49)
Central	31236 (9.39)	16595.39 (5.95)	53000 (10.64)	74160 (14.01)	39404.40 (8.41)	53000 (10.00)
North eastern	16474 (4.95)	5 851.08 (0.01)	35000 (7.03)	31461 (5.94)	20104.60 (4.29)	64000 (12.08)
Northern	7613 (2.29)	10978.19 (3.94)	144000 (28.92)	15422 (2.91)	18655.95 (3.98)	120000 (22.64)
Western	6133 (1.84)	5776.93 (2.07)	94000 (18.88)	22045 (4.17)	24164.75 (5.16)	110000 (20.75)

Note: Figures in brackets indicate the percentage to total.
Source: NABARD, Status of Micro Finance in India 2012-13, Mumbai, P: 188.

The loans per group worked out to Rs 1.32 lakhs or 26.51 per cent. By 2013, these have rised to Rs 38.62 per cent, 60.59 per cent and 26.04 per cent in the affordsaid respectively. Next to it is, eastern region, in terms of number of JLGs and loans disbursed. In the case of credit per group, northern region came first a share of 28.92 per cent followed by western (18.88%), central (10.64%), eastern (8.03%) and northeastern (7.03%). Almost similar trend prevails in 2013. The central region occupied the third place in the entire variable. The trend is same as that of southern region in both the years. Like this, the relative position of the remaining regions varies in the three parameters in 2012 as well as 2013.

5.3: State-Wise Spread
Table 3 shows the distribution of JLGs in southern region. A look at the Table reveals that, out of the states in southern region, Tamilnadu(TN) came first in terms of number of JLGs promoted (46.75%), loans disbursed in aggregate(53.16%) and per group(28.82%) in 2012 the same situation exists in 2013. Andhra Pradesh ranked first in all the variables in both the years leaving number of JLGs in 2012.

Table: 3 Relative share of AP in JLG's in Southern Region during 2012 and 2013(Rs lakh)

Name of state	2012			2013		
	Promoted	Loan disbursed	Per group	Promoted	Loan disbursed	Per group
Tamil nadu	69250 (46.75)	104511.87 (53.16)	151000 (28.82)	93130 (45.57)	148664.15 (52.39)	159000 (30.06)
Karnataka	35931 (24.26)	29501.55 (15.01)	82000 (15.65)	43405 (21.24)	43162.49 (15.21)	99000 (18.71)
Andhra pradesh	35773 (24.15)	52219.00 (26.56)	146000 (27.86)	45635 (22.33)	61887.10 (21.81)	136000 (25.71)
Kerala	7165 (4.84)	10360.82 (5.27)	145000 (27.67)	22208 (10.86)	30040.63 (10.59)	135000 (25.52)

Note: Figures in brackets indicate the percentage to total.
Source: NABARD, Status of Micro Finance in India 2012-13, Mumbai, P: 188

The relative share of each of Karnataka and Kerala has varied in 2013 as compared to 2012. The relative share of each of three states other than Tamilnadu varied between 2012 and 2013.

Conclusion

The loans disbursed have rised faster than the promotion of groups. This is evident from number of groups promoted, total loans disbursed and credit per group. Among the regions in the country, southern region came first in all the three parameters in both the 2012 and 2013. In the case of southern region, the relative share of each region has fluctuated over the period. Tamilnadu ranked first in terms of groups promoted, aggregate loans disbursed and loans per group in both the years. A.P came second in almost all the variables during the two years.

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