

FINANCING TO JOINT LIABILITY GROUPS (JLGs)

OBJECTIVES:

- To augment flow of credit to farmers, especially small, marginal, tenant farmers, oral lessers, 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 bank and the target group.
- To minimize the risks in the loan portfolio for the banks through group approach, cluster approach, peer education and credit discipline.
- To provide food security to vulnerable section by enhanced agriculture production, productivity and livelihood promotion through JLG mechanism.

GENERAL FEATURES OF JLG:

A Joint Liability Group (JLG) is an informal group comprising of 4-10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. Generally, the members of a JLG would engage in a similar type of economic activity in the Agriculture and Allied Sector. The members would offer a joint undertaking to the bank that enables them to avail loans. JLG members are expected to provide support to each other in carrying out occupational and social activities.

CRITERIA FOR MEMBERSHIP:

- i) Members should belong to similar socio-economic status, background and environment carrying out farming and Allied activities and who agree to function as a joint liability group. This way the groups would be homogeneous and organized by likeminded farmers/ individuals and develop mutual trust and respect.
- ii) The members should be residing in the same village/ area/ neighbourhood and should know and trust each other well enough to take up joint liability for group/ individual loans.
- iii) Members who have defaulted to any other formal financial Institution, in the past, are debarred from the Group Membership.
- iv) More than one person from the same family should not be included in the same JLG.

JLG MODELS:

Model A - Financing Individuals in the JLG

Model B – Financing the JLG as a Group.

EXTENT OF LOAN: Need based both under Model A & B.