



3 Days Training Programme of LDMs at Cord, Sialkot (24 -26 February 2014)

ANNEXURE

Suggested assessment nons for Joint Liability Groups (JLGs) Credit Linkage by banks

Sl No.	Parameter	Means of Measurement	Maximum Mark per Parameter	Performance	Value (Marks)	Marks obtained
1.	Group Size and composition of group	Interview with the group	3	Size - 4 to 10 members	1	
				Homogeneous (Similar economic condition / Activity)	1	
				Staying in close proximity to each other	1	
2.	Availability of support from specific agency / association@	Discussion with the group	1	Support available and screening of individual members done before formation of JLGs	1	
3.	Knowledge of JLG functioning or has received training on JLGs	Interaction with group members / profile of members / promoter JLGPI	1	Received training on JLG functioning / has knowledge about JLG	1	
4.	Potential for proposed activity and skills of the group members	Interaction with the group	2	Activities have potential and members have adequate skills	2	
				Activities have potential but members are yet to acquire adequate skill	1	
5.	Viability of investment to be made by JLG / members	Interaction with the group	2	Proposed investment is financially viable	2	
6.	Monitoring by volunteers in JLGs or through BF / BC or JLGPI* after credit linkage with bank	Discussion with members / BC/BF / JLGPI	1	Being done	1	
TOTAL			10			

Note: JLGs scoring 6 out of 10 marks will be eligible for credit linkage.

@ Initial client level screening is done by association, bodies to which JLG members are likely to be associated viz., petty traders' association, fish farmers' association, farmers' club, producers' organization, other interest groups, etc.

*JLGPI: Joint Liability Group Promoting Institution

APPLICATION CUM APPRAISAL FORM

For office use only
Repeat Borrower Yes/No
Loan A/c no.
Village

To : Manager
BANK BRANCH, _____

I, Shri/Smt.

S/o/W/o/D/o _____ aged _____ resident of _____ village and a member of _____ JLG would like to apply for a loan of Rs. _____ (Rupees) for the purpose of : crop loan/ consumption loan/others (specify) I furnish the following particulars:

1. Present Sources of Earnings of Applicant or Other Members of Family

	Annual income from Activity	Annual Expd. in Activity	Annual Surplus from Activity
a) Primary Occupation			
b) Other Activity - 1			
c) Other Activity -2			
d) Activity of other Family Members			
Total:-			

2. Loan availed

Source	Purpose	Amount Borrowed	Amount Due	3. Financial Assistance sought for		Loan Reqd.
				Activity / Item	Vol. of Activity	
				a		
				b		

Applicant's Signature

Place :

Date :

4. Comments of Branch Manager/ Field Officer (with focus on activity, family income etc.)
Name of Branch Manager/ Field Officer _____ Signature of Branch Manager/ Field Officer _____

A loan of Rs. _____ is sanctioned / recommended for sanction.

Proposed Repayment Schedule

Field Officer _____

Branch Manager _____

Head Office _____

Place :

Date :

JOINT LIABILITY AGREEMENT

Mutual Agreement made this _____ day of _____, 20____, by Smt/Shri

(1) _____ D/o/W/o/S/o _____ aged _____ Years (2) _____ D/o/W/o/S/o _____ aged _____ Years

(3) _____ D/o/W/o/S/o _____ aged _____ Years (4) _____ D/o/W/o/S/o _____ aged _____ Years

(5) _____ D/o/W/o/S/o _____ aged _____ Years (6) _____ D/o/W/o/S/o _____ aged _____ Years

All members of _____ JLG, hereinafter called the "Mutual Guarantors" of the first part, which expression shall be deemed to include their heirs, executors, administrators, assigns and all persons deriving title from them, in favour of _____ BANK, with its Head Office at _____ and a branch Office, among others, at _____ represented by the Branch Manager, Shri/ Smt. _____ hereinafter called BANK, which expression shall be deemed to include their administrators, assigns, successors and attorneys on the other part.

Whereas the Mutual Guarantors are in need of loan for the purpose of _____ and at their request and individual on Demand Promissory Note executed by each one of them, BANK has agreed to grant to the borrowers credit facility as per terms and conditions mentioned in the Letter of Undertaking executed by each one of them:

The Mutual Guarantors stand Guarantee to the loan extended to each one of them. In case of default on the part of any of Mutual Borrowers in repayment of installment, principal amount, interest, service charges and any other charges that may be due to BANK or in regularising or clearing the amounts as per the Letter or Undertaking # executed individually, the Mutual Guarantors, who offer Guarantee collectively to their individual loans shall remain responsible jointly and severally for making necessary payments to BANK.

The Promissory Note and Letter of Undertaking executed by the Mutual Guarantors individually are part and parcel of this agreement.

The Mutual Guarantors authorise BANK to exercise lien on the cash security held on their behalf and adjust this cash security against the unpaid balance of loan outstanding on or after due date of any other Mutual Guarantor of their group.

In witness whereof the Mutual Guarantors and BANK have hereunto respectively set their hands at _____ on the date mentioned above.

1. _____ 2. _____ 3. _____

4. _____ 5. _____ 6. _____

Place:

For BANK

Date:

Suitable format to be devised by bank concerned

संयुक्त देयता समूह का गठन व वित्त पोषण FORMATION AND FINANCING OF JOINT LIABILITY GROUP



NABARD

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

पंजाब क्षेत्रीय कार्यालय

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
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गँव बढ़े तो देश बढ़े

Taking Rural India >> Forward

Joint Liability Group

NABARD had introduced a scheme for augmenting credit flow to small, marginal, tenant farmers and similar economic groups in farm and non farm sector by forming and financing Joint Liability Groups (NABARD Circular No.151/ MCID- 4/2006 dated 7 September 2006, 23 October 2009 and 3 December 2009). In order to give the required push to promotion of JLGs, NABARD has been enlisting the support of banks, NGOs, Govt. Depts., Business Facilitators/Business Correspondents and other stakeholders. As on 31 March 2014, 6.58 lakh JLGs have been financed by banks in the country to the tune of Rs 6075.91 crore.



JLG Workshop of SBOP Officers at Ludhiana on 24 July 2014

In Punjab State, 8451 JLGs have been financed by banks as on 30 June 2014. NABARD has sanctioned JLPJ (Joint Liability Group Promoting Institution) projects for promotion of JLGs to State Bank of India, State Bank of Patiala, Punjab Gramin Bank, Malwa Gramin Bank Hoshiarpur CCB and NGOs. With a view to create awareness about the JLG scheme, an exposure visit of bankers to JLGs was arranged in Ropar district. The District level programmes are being organised by our DDMs for the benefit of bankers & NGOs. Bank specific programmes for officers of SBI, SBOP, RRBs and Hoshiarpur CCB have also been conducted. Three days training programmes for LDMs have been conducted at CORD, Sidhbari (HP). One day programme for BCs of Malwa Gramin Bank has also been conducted.

1. Objectives :

- To augment flow of credit to farmers, especially small, marginal, tenant farmers, oral lessees, share croppers / individuals taking up farm activities and Micro Entrepreneurs/artisans/others in Rural Non-Farm Sector
- 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 and sustainable livelihood opportunities to vulnerable section by enhanced agriculture production, productivity & livelihood promotion.

2. 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 / Non farm Sector.
- ❖ The members would offer a joint undertaking to the bank.
- ❖ JLG members are expected to provide support to each other in carrying out occupational and social activities.

3. Criteria for membership :

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

4. Group Approach:

- All members of the JLG should be active enough to assume leadership of the group to ensure the activities of the JLG. The leader maintains discipline, shares information and facilitates repayments and is the focal point for bank.
- The JLG should hold regular meetings which must be attended by all the members regularly to discuss issues of mutual interests.
- The principles of self - help and group strength need to be emphasised.
- The JLG can easily serve as a conduit for technology transfer, access to market information, and assessing input requirements.
- The JLGs for specific activity, e.g., production of pulses / vegetables/ fruits may be federated at village/ block level for



Trg. Prog. of LDMs and officers of controlling lead banks at Cord, Sidhbari (31 July to 2 Aug. 2014)

development of the product.

- The JLG in the clusters could come together in the form of cluster federation or producers' companies for procurement, processing and mktg. of the produce.

5. Who can form JLGs :

Business Facilitators, NGOs, Farmers Clubs, Farmers Associations, Panchayat Raj Institutions (PRIs), Krishi Vikas Kendras (KVKs), State Agriculture Universities (SAUs), ATMA, Bank branches, PACS, other cooperatives, Govt. Depts., Individuals, Input dealers, and Document writers (in cooperative banks), MFIs/MFOs, etc.

6. Savings :

JLG members need to be encouraged to save regularly. Banks may open savings account by the JLG / individual members of the JLG to ensure regular savings and thrift habit amongst them. However the quantum of loan to be given to the groups should be related to the credit needs of the enterprise and not to the quantum of saving.

7. JLG Models :

Banks can finance JLGs by adopting any of the two models.

Model A – Financing Individuals in the JLG.

Each member of the JLG should be provided an individual KCC / individual Swarajgar Credit Card (SCC) or any other specifically designed card or general purpose card. The financing bank could assess the credit requirement, based on the crop to be cultivated, available cultivable land / product/activity / enterprise to be undertaken and the credit absorption capacity of the individual. All members would jointly execute a loan document, making each one jointly and severally liable for repayment of all loans taken by all individuals belonging to the group.

The mutual agreement needs to ensure consensus among all members about the amount of individual debt liability that will be created including liability created out of the individual KCC.

Model B – Financing the JLG as a Group:

The JLG functions, operationally as one borrowing unit. The group would be eligible for accessing one loan, which could be combined credit requirement of all its members. The credit assessment of the group could be based on the available cultivable area of each member of the JLG/ micro enterprise / activity to be undertaken. All members would jointly execute the document and own the debt liability jointly and severally.



JLG Exposure at Ropar on 25 November 2013

8. Credit Appraisal :

Banks may conduct a thorough credit appraisal to avoid under or over-financing. Assessment norms as per Annexure may be adopted for assessing JLG for bank finance. The finance to JLG should be flexible credit product to meet the credit requirements of its members including crop production / working capital, marketing and investment credit in the agriculture and allied sectors and non farm sector.

All other norms of financing including rate of interest, margin on security, documentation, coverage under crop insurance scheme / insurance scheme and personal accident insurance, etc., may be followed by the bank as per its regular norms.

9. Credit to JLGs to form normal business activity under Priority Sector:

Lending to JLGs of farmers may be treated as direct agricultural advances. Further, financing to Micro enterprises /artisans/individuals in Non-Farm Sector may be treated as normal business activity and under the priority sector. Banks may include lending to JLGs in their corporate plan and also in the training schedule of officers/ staff.

10. Monitoring and Review :

- i) The JLGs through peer pressure ensure loan utilisation and timely repayment. The bank may hold all members liable in case of default.
- ii) The bank's loan officers are expected to maintain harmonious relations and continuous close contact and relationship with the JLG leader and other members so as to convert them into good reliable customers of the bank.

11. Incentive for promotion of JLGs:

To facilitate promotion of JLGs, grant assistance from NABARD is available to banks and other institutions for formation, nurturing and financing of JLGs over a period of 3 years @ Rs.2,000 per JLG.

The first installment of Rs. 1000/- would be released after sanction of loan by the bank. The 2nd and 3rd installment would be released, based on certification from the banks about prompt repayment by all members of the group.

12. NABARD Refinance :

NABARD will provide 100% refinance assistance to all banks in respect of their lending to JLGs

Comparison in features of Joint Liability Group & Self Help Group

JLG has some common features of SHG namely homogeneous background of members, members residing in the same village, an informal group, forming own bye laws, opening of saving bank a/c with bank, regular meetings, group approach, peer pressure, avail loan from bank against mutual guarantee, priority sector financing, mutual trust and confidence between target group & bank.

However, some features of SHG & JLG are different as tabulated below:

Self Help Group (SHG)	Joint Liability Group (JLG)
Membership: 10-20	Membership 4-10
KYC verification of only office bearers required	KYC verification of all members required
Regular (compulsory) savings	Voluntary savings (No Compulsory)
Inter-lending essential which leads to maturity of group	Inter-lending voluntary (No Compulsory)
Credit linkage after six months of formation	No time gap between formation & Credit linkage
Terms & Conditions of loan to members namely activity, rate of interest, repayment period, etc., to be decided by the Group	No such provision
Loan to SHG is purpose neutral	Loan to JLG is purpose oriented / activity based
Loan to SHG is in the ratio of savings	Loan to JLG is based on assessed needs of enterprise / activity
There can be presence of few defaulters in the Group. However, bank's loan will not be utilized for lending to defaulters	Defaulter cannot become member of JLG
Appraisal of members of Group for credit requirement not required.	Banker may assess the credit requirement based on the activity and credit absorption capacity of the individual
Appraisal norms have important parameters of regular meetings, regular savings, inter-lending & repayment and proper maintenance of record.	Appraisal norms have important parameters of availability of support, knowledge of JLG functioning, potential for proposed activity and skills of group members, viability of investment and monitoring of JLG after credit linkage with bank.
There is no requirement of margin money coverage under crop insurance scheme, personal accident insurance scheme in case of financing of SHG.	Bank may follow extant instructions relating to margin money coverage under crop insurance scheme, personal accident insurance scheme, etc
Bank is required to meet the entire credit requirements of SHG Members namely (a) income generating activities (b) social needs like education, marriage, etc., (c) debt swapping	Bank may conduct a thorough credit appraisal to meet credit requirement of activities to be financed and avoid under financing. The members should take up farm or non farm sector activities
The bank can directly lend to SHG or through NGO	The bank directly lends to JLG (as one borrowing unit) or to individual members of JLG
Cash Credit limit to be sanctioned for 3 – 5 years on the basis of anticipated savings of the SHG	Flexible credit product to meet working capital, marketing & investment credit requirement
There is no provision of interest subvention scheme for financing SHG for crop loan.	In case of crop loans to a JLG, per member loan cap of Rs 3,00,000 to be considered for interest subvention @ 7% per annum.



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