

FINANCING TO JOINT LIABILITY GROUPS (JLGs)

- **OBJECTIVES:**
 - a. To augment flow of credit to farmers, especially small, marginal, tenant farmers, oral lessers, share croppers/ individuals taking up farm activities.
 - b. To serve as collateral substitute for loans to be provided to the target group.
 - c. To build mutual trust and confidence between bank and the target group.
 - d. To minimize the risks in the loan portfolio for the banks through group approach, cluster approach, peer education and credit discipline.
 - e. 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:**
 - a. 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.
 - b. 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.
 - c. Members who have defaulted to any other formal financial Institution, in the past, are debarred from the Group Membership.
 - d. More than one person from the same family should not be included in the same JLG.
- **JLG MODELS:** JLGs can be financed under any of two 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.
- **MARGIN, INTEREST AND SECURITY NORMS:** Margin, Rate of Interest and Security norms shall be as applicable to individual Agriculture scheme under which finance is extended.