

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.

CHAPTER 1

INTRODUCTION

1.1 The banking system in India consists of commercial banks, co-operative banks and RRBs which play a significant role in purveying rural credit. The distribution of credit underwent substantial structural transformation in the post bank period mainly due to mandated credit approaches especially for commercial banks. Although the mandated approach succeeded in altering credit allocations, its impact on viability and sustainability of rural banking left much to be desired. High appraisal and monitoring costs of well-dispersed loans of small sizes had compelled banks to reduce their efforts in reaching to vulnerable sections and they were left high and dry with no credit support. This issue had been further compounded due to low staff position in rural branches in the post VRS scenario and staff turnover.

1.2. Until recently, poor persons applying for micro loans in order to improve their self-employment opportunities were mostly excluded from the formal credit market. As a consequence, they were either unable to be self employed, or if they had started their own micro enterprises business due to inadequacy of capital which inhibited expansion of their business. On a macro-level, the lack of financial capital for small and micro businesses has been a major obstacle not only in developing, but also in transition and, to a smaller extent, in industrialized economies.

1.3. Innovations of credit products and delivery systems which would help banks to manage transaction costs relating to appraisal and monitoring and cover default risks and reduce delinquency levels in this niche segment of agriculture credit had eluded the banking system. The innovations like SHG-Bank linkage programme have brought in tremendous reprieve for the bankers especially while dealing with asset-less or ultra poor. Studies by ACRC have shown that the phenomenon of overdue is generally neutral to the category of borrowers financed and the variations in recoveries between different classes of borrowers were only marginal. Recoveries from the middle categories of borrowers in rural banking sector continued to cause concern for the bankers. SHGs have been a successful product for the poor across the nation. However, with movement gaining ground there was a need to develop

product for the other segments of population, which was above the poor but also were in dire need of credit. These segments also did not have much physical collateral to offer. Learning from the positive experience of the SHGs of transferring risk from physical collateral to social capital, it was thought that new product would also use the social collateral to replace physical collateral.

1.4. Planning Commission Sub Group on Innovative Finance and Micro Finance also observed that there were large numbers of farmers in the country who are share-croppers / tenant farmers, etc. These farmers do not have clean title to land. These farmers were not able to raise loan from the banks as the defects in title of land was not accepted as good collateral. (**Maithreyi Krishnaraj et al, 2007**).

1.5. In order to develop effective credit product for mid segment clients having access to productive assets, NABARD had started the concept of joint liability group in 2004-05 as pilot projects in 8 states. Based on the pilot project experience, the concept was operationalized by RBI and NABARD in 2006-07. This approach could help clients like tenant farmers, share croppers, oral lessees, farmers with small holdings without proper land records, and the poor who could not form SHGs for want of numbers and other criteria. As per rough estimates about 13200 JLGs have been financed by various Gramin Banks in Bihar till 31 March 2010. However, Commercial Banks except Canara bank could not start lending under JLGs due to various reasons. Some of the MFIs had adopted JLG concept for financing in Bihar and they had financed 1, 11,692 JLGs as on 31st March 2010.

1.6. Joint liability lending schemes had positive impact on the repayment performance of borrowers. The expected success was basically attributed to the non-traditional characteristics of the collateral, specifically social collateral used. In the sense that social collateral of borrowers takes the place of traditionally accepted forms of physical collateral, joint liability lending relied upon social capital of the group (**Besley and Coats, 1995**). Under such lending conditions, the group took the liability for the individual loans of members and by that solved the problem of lack of traditional forms of collateral. By delegating the function of screening, monitoring, and enforcement of loans to the group members, banks in their turn

overcome the problem of asymmetric information and accordingly the problem of prohibitively high transaction costs (**Ghatak and Guinane, 1998**).

1.7. The microfinance lender could minimize or avoid the adverse selection problem in the credit market through peer selection and peer screening. The joint liability mechanism was better than individual lending in terms of increasing the social welfare among the poor borrower, charging lower interest rates and generating high repayment rates (**Abdul Karim, 2009**). However, **Prabal Roy Chowdhury (2005)** observed that, in the absence of sequential financing or lender monitoring, group-lending schemes suffered with under-monitoring with the borrowers investing in undesirable projects. **De Soto (2000)** explained that in developing countries, even if the poor had some assets (e.g., a small plot of land) it could not be used as collateral because of the absence of documents or defective titles.

1.8. As the JLG mechanism could boost up microfinance amongst clients, where formal banking system had rarely been able to provide credit, a study on various issues involved in promoting JLG mechanism would be of immense importance, especially in a state like Bihar, where oral sharecropping is prevalent, 42% of the rural population are below poverty line (Planning Commission, Government of India, Poverty estimates for 2004-05) and 41% of the geographical area was affected by flood every year. The combined effect of factors like high population density, unviable size of land holding, unequal distribution of land and absentee landlordism provide scope for share cropping and tenant farming. As no written agreement between the landlord and the sharecropper/tenant farmers was executed the oral system prevailed which denied them access to credit from formal banking system. Under this situation JLGs was the only recourse for such type of farmers. In order to have feedback on implementation and outcome of JLG scheme, the study on joint liability groups- Problems and prospects” was conducted covering entire gamut of the process of implementation with following objectives:

1.9. Objectives:

- i.) To study the extent of coverage of joint liability groups in the state
 - Banks/MFI involved.
 - Geographical coverage.
 - Quantity, purpose.
 - Quality of assets/services created, recovery percentage.
 - Improvement in assets/services quality – pre and post JLG formation.
- ii.) To study important issues and problems in formation and financing JLGs.
- iii.) To study impact of JLGs financing to small farmers, marginal farmers and agricultural labourers.
- iv.) Study of agencies/intermediaries involved in formation/promotion of JLGs, credit linking to banks, networking, technology transfer, market linkage etc. and support required for them.
- v.) To analyse the reasons which led to the success of financing through JLG route in other parts of the country and to examine if such factors are available in Bihar? If not, the policy interventions that are required to make JLG models succeed in Bihar, may have to be explored out of the study.
- vi.) To study successful JLGs in the study areas itself, the reasons for their success and how the same could be achieved by others.

CHAPTER 2

REVIEW OF LITRATURE

2.1.Importance of JLG

(a) Ghatak (2000) demonstrated advantage of group lending with joint liability.

He showed that group lending may lead to peer selection, which alleviated problems of adverse selection. The key to this result was that joint liability contracts induce group members to select each other, which gave banks the possibilities to use joint liability instrument as a screening device.

(b) Road Map for prosperity of Assam (2005) suggested that JLGs were to address that mid segment of rural population through effective credit products that would:

- Reduce risk cost and improve recovery performance at the bank level
- Reduce the operational cost for the lending banker
- Facilitate smoothening the flow of credit and serving a larger segment of this agrarian population
- Introduce a greater degree of flexibility for the credit user to determine his/her needs and priorities.

(c) A Joint Liability Group to be established could be an assembly of 5-10 member clients (new or existing) for a bank, informally registered as a group. The undertaking offered by the group (by all members) would enable them to jointly receive such amounts as deemed eligible by the bank for pursuing any individual or joint activities- as found suitable by the group. The main purpose of the JLG would be to facilitate mutual loan guaranteeing and execution of Joint Liability Agreement (JLA) making them individually/severally and jointly liable for payment of interest and repayment of loan obtained from the bank. The management of the JLG could be kept simple with little or no financial administration within the group. Keeping in view the rural banking environment in Assam, suitable models of JLGs could be adopted to meet the credit needs of existing clients. Tailor-made credit should be

delivered to the poorer section of the rural community in Assam. To start with, it could be tried on a pilot basis through select RRBs and Commercial banks in a few districts.

2.2. Joint Liability and screening

(a) Alexander S. Kritikos and Denitsa Vigenina (2005) in his paper supported the existence of both, activities between the borrowers and by the loan officers. It allowed for the conclusion that the activities of the loan officers had a rather complementary effect on the efficacy of the mechanism. The screening process was complementary in the sense that, while there is deliberate grouping, loan officers take restrictive measures towards the freshly created borrower group. The loan repayment performance would be better if the loan officers ensure that the loan sizes are not too high in relation to the expected cash flow of the borrowers, and that the businesses were not correlated. Screening activities were not included as an explanatory factor in the model due to the highly standardized screening procedure. They were fixed and do not substantially vary among the current clients. It was important for another reason that loan officers make use of the known sanctions of the joint-liability approach on the first day a group is in arrears.

(b) Rai and Sjostrom (2004) argued that joint liability alone was not enough to efficiently induce borrowers to help each other. Indeed, the cross-reporting mechanism was also important for lenders in order to minimize the problem of asymmetric information in the credit market. The cross-reporting mechanism was also efficient because it could influence the borrower to be truthful-telling about the state of the project and subsequently could minimize the deadweight loss (punishment) among the borrowers. In comparison, without cross-reporting, the lending mechanism was inefficient because the borrower will be imposed harsh punishment from the bank and the bank could undertake auditing or verify the state of the project and punish accordingly.

(c) Shubhashis Gangopadhyay et al (2000) stated that by exploiting local information, joint liability lending could improve efficiency compared to standard debt contracts in the presence of asymmetric information about borrower types.

When other potential screening instruments, such as collateral, were not available, joint liability lending became a particularly attractive method of lending. Successful institutions could not simply be transplanted from one environment to the other.

(d) Schreiner and Morduch (2001) explained that the informational environment assumed borrowers live close to one another and had better information about each other's projects than the lender. This was more plausible in the close-knit, stable rural communities of developing countries than in more individualistic and high-mobility societies of developed countries.

2.3. Repayment Behavior

(a) Franklin Simtowe and Manfred Zeller (2006) stated that in Malawi, group lending with joint liability had been practiced for nearly four decades; the unwillingness to repay loans remained the single major cause of default. They examined the extent of occurrence of moral hazard and investigated its determinants of occurrence among joint liability lending programmes from Malawi, using group level data from 99 farm and non-farm credit groups. Results revealed that peer selection, peer monitoring, peer pressure, dynamic incentives and variables capturing the extent of matching problems explain most of the variation in the incidence of moral hazard among credit groups. The implications were that joint liability lending institutions would continue to rely on social cohesion and dynamic incentives as a means to enhance their performance which had a direct implication on their outreach, impact and sustainability.

(b) Madajewicz (2005) argued for instance that group liability was only desirable for poorer borrowers. In her model, all loans were backed by wealth but group liability loans created an incentive for choosing riskier projects. Lenders respond by limiting the loan size, and since the loan size was related to the wealth that could be pledged as collateral, below a certain level of wealth, group liability dominated individual liability. But above a certain wealth, individual lending would be preferred by customers. One implication was that better-off clients tended to seek individual loans as they moved forward and indeed, many institutions that offer group liability loans were now offering new individual-liability contracts for successful clients

(c) Jain [1996, 2003] asserted that factors not considered in the models, like the enforcement process of the loan officers, might be the true reason for the MFIs' success. Evidence from the field showed that group contracts may work perfectly leading to repayment rates of slightly less than 100%. However, at times repayment rates dropped to less than 30%, leading to a breakdown of the corresponding MFI. Positive examples were demonstrated at Fundusz Micro (Poland), at BancoSol (Bolivia), at Constanta (Georgia).

(d) Morduch [1999] and Woolcock [1999] pointed out that negative examples were observed in Albania, Malaysia, India and several African countries. The experience from the breakdowns revealed that several *prerequisites* had to be fulfilled to induce high repayment rates: a) The focus on the target group - mostly borrowers who had no access to the regular banking system should be accepted, otherwise the non refinancing threat would not be meaningful; b) The deliberate grouping by its eventual members and not by the loan officers to ensure mutual responsibility for the joint-liability; c) The restriction of the group size; and d) the enforcement of the group liability mechanism - exclusion from access to further loans must be made real to the complete group if it failed to repay all loans.

(e) Wydick (1999) in his study in Guatemala recorded that social cohesion and the strong social ties had rather negative than positive impact on repayment rates.

(f) Sharma and Zeller (1997) found a negative relationship between the presence of relatives in the group and the repayment rates. They also stated that the groups which followed the self-selection criterion perform better.

(g) Wenner (1995) on the other hand in his study in Costa Rica pointed out that the written internal rules about ones expected behavior in the group facilitated credit repayment. The results were supported by **Zeller's (1998)** findings in Madagascar where the groups with stronger social ties and with internal rules performed better.

CHAPTER 3

METHODOLOGY

3.1. We deployed four step methodologies for the study i.e. prepare, observe, analyse, and report.

3.2. The highlights of the methodology were:

- A detailed strategy was formulated and accordingly relevant data was collected.
- Meeting was held with officials of Stakeholders, viz. RBI, NABARD, RGVN, SIDBI, banks, NGOs and microfinance institutions, to get first hand information regarding the issues.
- Two different sets of questionnaires were developed each for MFIs/bankers /LDMs/NABARD officials and clients.
- Pre testing of questionnaires/schedules were done. Based on the pre-testing, questionnaires/schedules were modified.

3.3: Reference Period:

The data pertained to the year 2009-10 with 31 March, 2010 as reference date.

3.4: Stakeholders Meeting:

We organized meeting on “Joint Liability Groups-Problems and Prospects” on 17 April, 2010, to identify the issues. The meeting was attended by 50 participants representing RBI, NABARD, SIDBI, Banks, RGVN, NGOs and various Microfinance institutions (MFIs) and issues were identified. Sri Vijay Mahajan head of Basix explained the issues in detail.

3.5: Development of Questionnaire:

Following two different sets of questionnaires were developed each for mFIs/bankers / NABARD officials and clients.

- For officials of Banks/MFIs/NABARD/NGOs/Government officials
- For clients.

3.6. Pretesting:

Pretesting of questionnaire was done by taking 10 samples of different stakeholders. Questionnaires were revised with the help of opinions and suggestions made by different stakeholders.

3.7. Sampling:

Sampling was selected purposively. Based on concentration of JLG financing and to give representation to both south and north Bihar 3 districts, viz. Nalanda and Gaya from South Bihar and Samastipur from north Bihar were identified. 5 branches of RRBs were identified in each district in consultation with the Regional Managers of the concerned RRBs and the DDMs of NABARD. 2-3 villages under each branch were identified based on JLG concentration. In altogether 15 branches were identified for survey. From the 15 branches 200 JLG clients were interviewed with the help of questionnaire.

Amongst bank officials we collected the response through questionnaires from the Branch Managers and field officers of 15 sampled branches, 3 concerned LDMs, two officials of Regional office of Sampled RRB (total-6) and two bank officials from zonal office of 8 Commercial banks having maximum number of branches in Bihar. In altogether sample size of bankers was 55.

Total sample size was 300. The sample constituted MFI, bankers, NGOs, NABARD, Government Dept., and clients. The break-up of samples was as under:

Clients	-	200
MFI/NGOs	-	25
Bankers	-	55
NABARD	-	10
Govt. Dept	-	10

3.8. Method for data collection

Both primary and secondary data were collected. Two to three rounds of discussions with different officials of banks, and MFIs were made. Sampled respondents were interviewed with the help of questionnaires and data were collected.

Following exhibit depicts the data collection methodology.

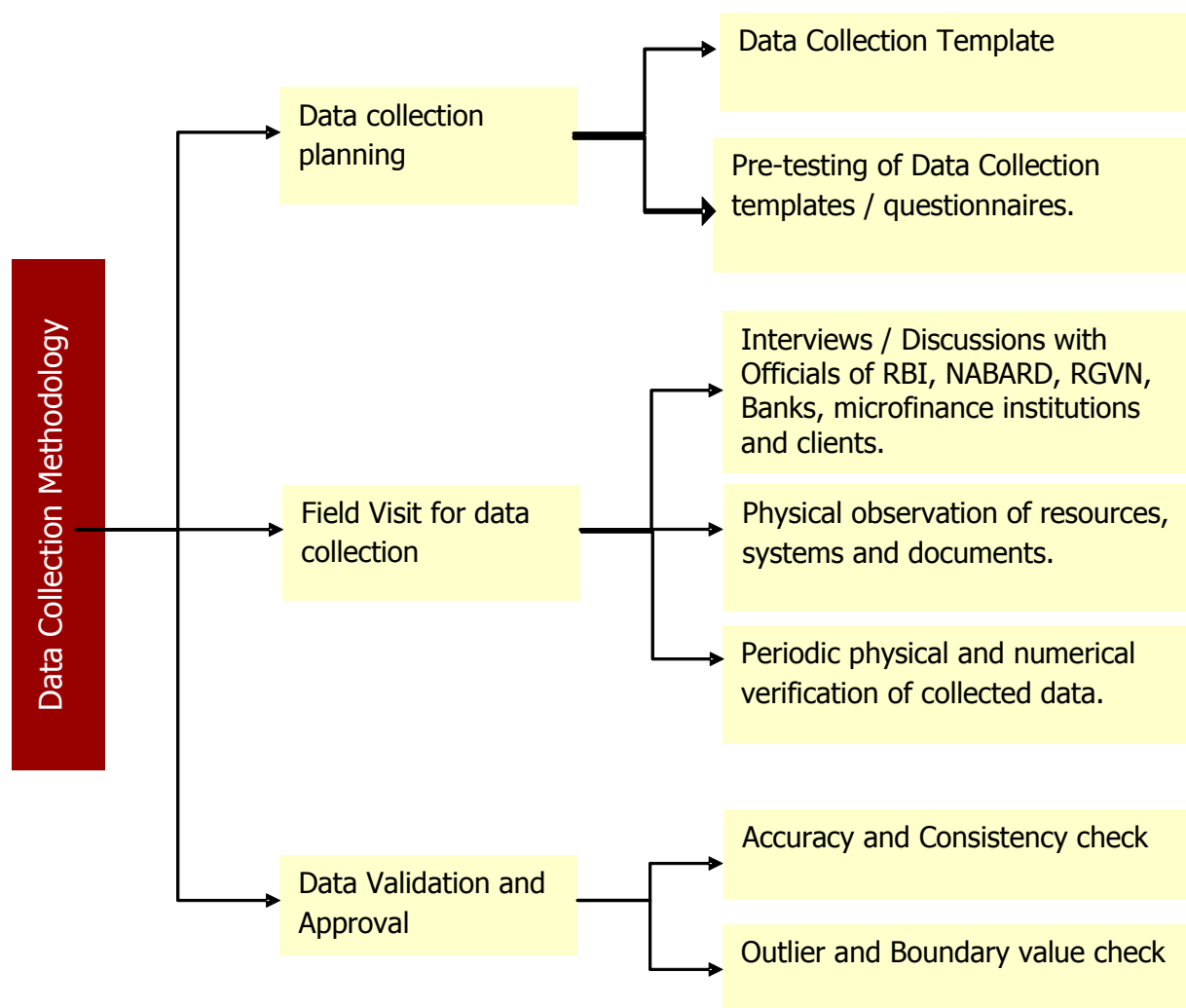


Exhibit 2: Data Collection Method and Approach

3.9. Tabulation, Analysis and Comparison:

The data collected were tabulated to facilitate easier sharing, referencing and analysis.

3.10. Statistical Techniques

Descriptive statistics were calculated with the help of SPSS. For policy analysis the views of different stakeholders (from NABARD and bank officials, mFIs officials) were taken and analyzed to prepare the policy matrix.

3.10. Software

We deployed SPSS as the basic software for storing and submitting the basic/raw data collected during the study.

CHAPTER 4

OUTREACH OF JLGs IN BIHAR

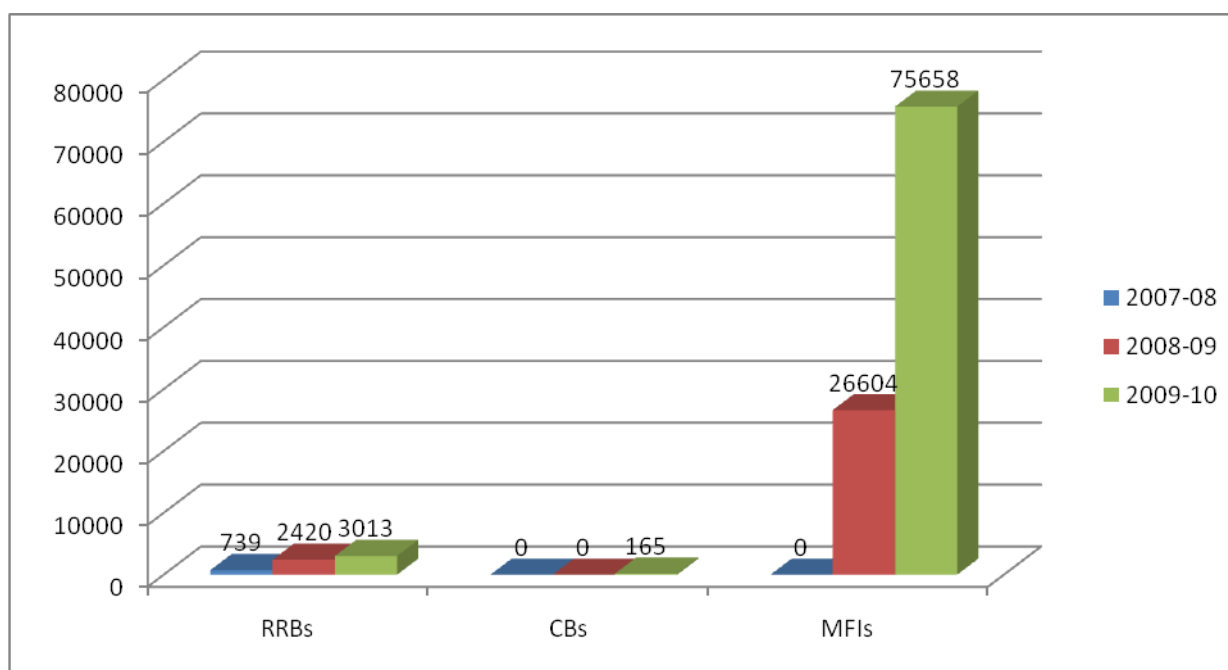
4.1: Outreach measures the coverage of client and coverage of areas by Joint Liability Groups (JLGs). The geographical coverage of JLGs was in all the districts of Bihar. However, their major concentration were in Samastipur, Nalanda, Gaya, Rohtas, Kaimur, Bhojpur, Buxar, Sasaram, Darbhanga, Madhubani, Muzaffarpur, West Champaran, vaishali, Purnea, Katihar and Siwan, Lakhisarai and Jamui districts. The agency wise coverage of JLGs during last 3 years is presented below in table 4.1.1

Table 4.1.1 : Coverage of JLGs financing in Bihar during last 3 years (Rs. in lakh)

Sr. No.	Name of Bank	2007-08			2008-09			2009-10			Growth % of loan amt. in 2009 - 10 over 2008 - 09
		No. of JLGs	No. of clients	Amt.	No. of JLGs	No. of clients	Amt.	No. of JLGs	No. of clients	Amt.	
A	RRBs										
1	Madhya Bihar Kshetriya Gramin Bank	1974	7784	564	1289	5156	411.00	1784	7136	427.00	3.89%
2	Samastipur Kshetriya Gramin Bank	306	1223	174.97	640	2285	335.27	522	2382	461.98	37.79%
3	Bihar Kshetriya Gramin Bank	-	-	-	1194	4778	325.00	332	1361	89.12	-72.58%
4	Uttar Bihar Kshetriya Gramin Bank	-	-	-	2050	8201	1349.00	3111	13066	2035.00	50.85%
Sub-Total		2280	9007	738.97	5173	20420	2420.27	5749	23945	3013.10	24.49%
B	Commercial Bank										
1	Canara Bank	-	-	-	-	-	-	460	2300	165.00	-
Sub-Total		-	-	-	-	-	-	460	2300	165.00	-
C	MFIs										
1	Cashpor Micro Credit	-	-	-	6106	97702	6052.19	6223	99560	10200.00	68.53%
2	C-DOT	-	-	-	659	2967	297.00	1733	7800	700.00	135.69%
3	Saija Micro-Finance	-	-	-	340	2554	350.00	1057	7905	891.00	154.57%
4	BASIX	-	-	-	-	-	-	233	3500	250.00	-
5	SKS	-	-	-	42125	210624	16062.00	96000	473591	49895.00	210.64%
6	BDT	-	-	-	121	1217	70.00	300	2080	180.00	157.14%
7	Trust Microfin	-	-	-	516	2580	233.93	543	2715	287.78	23.02%
8	SURAJE	-	-	-	120	602	39.26	151	754	74.00	88.49%
9	Bandhan	-	-	-	1128	33818	3363.00	4195	125824	13027.00	287.36%
10	Mass Care	-	-	-	104	570	20.30	286	1430	58.35	187.44%
11	Creation Welfare	-	-	-	123	614	34.58	160	800	50.00	44.59%
12	Gramin Jan Kalyan Parishad	-	-	-	1600	8000	81.55	811	4055	45.00	-44.82%
Sub-Total		-	-	-	52942	361248	26603.81	111692	730014	75658.13	184.39%
GRAND TOTAL		2280	9007	738.97	58115	381668	29024.08	117901	756259	78836.23	171.62%

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 4.1.2 Coverage of JLGs in Bihar during last 3 years:



It was evident from the above table that the coverage of RRBs had increased from 9007 clients as on 31 March 2008 to 23945 clients as on 31 March 2010. The growth of JLGs financing during 2008-09 and 2009-10 were 228% and 24.5% respectively. All four RRBs participated in JLGs financing. The growth rate was highest in case of Uttar Bihar Gramin Bank and lowest in case of Bihar Kshetriya Gramin Bank. It could be concluded that Gramin Banks had internalized the JLG concept of financing with varying degree of performance.

In case of Commercial Bank only one bank namely Canara Bank had financed for JLGs and they covered 2300 clients (460 JLGs) with loan amount of 165 lakh during 2009-10. Other Commercial Bank had not yet started JLGs financing. Lack of focus and initiative from the controlling offices of banks and lack of effective monitoring may be the reason for not internalizing the concept as yet.

In case of micro financing institutions, 12 MFIs were financing through JLGs mode in Bihar. They had covered 730014 clients from 111692 JLGs and disbursed total loan amount of Rs.75658.13 lakh as on 31 March 2010. The growth rate of MFIs financing to JLGs was 184% during 2009-10. The total coverage of JLGs financing of all agencies were 78836.23 lakh spread over in 756259 clients of 117901 JLGs. The growth rates of all agencies were 171.62% during 2009-10.

4.1.3 Outreach of SHG/JLG in Samastipur, Nalanda and Gaya districts in Bihar.

Based on concentration of JLG financing and to give representation to both South and North Bihar 3 districts, viz. Nalanda and Gaya from South Bihar and Samastipur from North Bihar were selected for conducting the study. The key statistics pertaining to outreach of the three districts under micro finance programmes are presented below:

Table: 4.1.3: District-wise population and outreach as on 31 March 2010

Particulars	Samastipur	Nalanda	Gaya
Population	34.13 lakhs	23.68 lakh	34.73 lakh
No. of house hold	9,19,834	5,80,469	6,52,848
No. of house hold below poverty line	4,83,738	3,45,444	2,82,389
% of house hold below poverty line	52.59%	59.51%	43.25%
No. of SHGs in the district	4590	2860	11975
No. of JLG in the district	1468	265	1179
Total no. of clients covered in the district by SHG and JLG	62420	35645	149595
% of BPL clients covered under microfinance(with one member from each of rural household)	12.9	10.3	52.9

Source: BPL Survey, Rural Development Department, Government of Bihar (2009).

From the data presented in the above table it may be observed that 56.59%, 59.51% and 43.25% of the population of the households were below poverty line in Samastipur, Nalanda and Gaya districts of Bihar respectively of which only 12.9%, 10.3% and 52.9% BPL clients were covered under SHG and JLG which were the chief microfinance programmes. Thus we may conclude that the magnitude of coverage under microfinance appeared to be very high in Samastipur and Nalanda districts and Gaya district also which points to the need for massive up scaling of JLG programme.

4.1.4: Mode of Financing to JLGs

The response of stakeholders regarding mode of financing to JLGs is presented below in table 4.1.4:

Table 4.1.4: Mode of Financing to JLGs

Mode of financing	No. of respondents (Bank/MFIs)	%	No. of respondents (clients)	%	Total	
					Response	%
Financing of individual in JLG	85	85%	191	95.5%	276	92%
Financing JLG as group for group activity	6	6%	9	4.50%	15	5%
Not aware	9	9%	-	-	9	3%
Total	100	-	200	-	300	

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

From the above table it was observed that 92% of the respondents are of the view that only individual had been financed under JLG.

4.1.5: Type of loan provided to JLGs

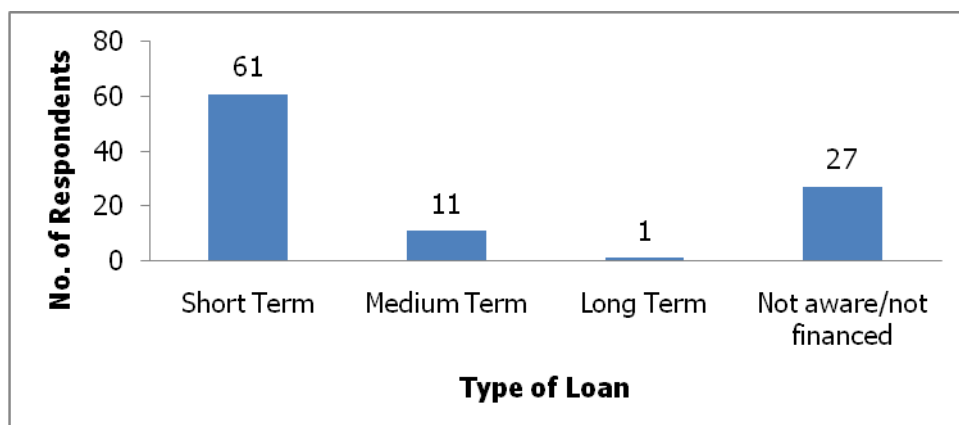
The response of Bankers and MFIs on the type of loan provided to JLGs is presented below in table no. 4.1.5

Table 4.1.5: Type of loan provided to JLGs

Type of loan (Upto)	No. of respondents	Percent (%)
Short term(12Months)	61	61.00
Medium term(3-5Years)	11	11.00
Long term (Above 5 Years)	1	1.00
Not aware/not financed	27	27.00
Total	100	100.00

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 4.1.5: Type of loan provided to JLGs



Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

From the above table it may be seen that 61% of the respondents stated that disbursement of loan was made as short term loan. Only 11% respondents pointed out that loan was disbursed as medium term loan. Others were not clear about the type of loan or had not financed. It may be concluded from the above that majority of loan were in nature of short term loan through Cash Credit or Kisan Credit Card (KCC). Some Banks like Samastipur Bank had designed special scheme like SWET Ganga for financing for milch cattle. Actually, the requirement of clients ultimately decides the nature of loan facility. As most of the clients belonged to tenant farmer category, their need of credit was limited for raising crops only which was duly fulfilled by giving loans under KCC scheme.

4.1.6 : Activities financed under JLGs:

The response of the bankers/MFIs for activities financed/started was collected and presented below in table 4.1.6 below

Table 4.1.6: Activities Financed

Sr. No.	Sectors	Activities
1.	Agriculture Based Activities	Vegetable cultivation
		Crop cultivation
		Flower cultivation
		Mentha cultivation
2.	Animal Husbandry	Milch cattle
		Fisheries
		Poultry
		Piggery
3.	Small Business/Shops	Tea stall
		Repair shop
		Small trade
		Sweet shop
		Fruit selling
		Vegetable vending
		Tailoring
		Kirana store
		Parchune shop
		Tobacco shop
		Beetle shop
4.	Transport	Auto
		Rickshaw
		Trolley
5.	Small Manufacturing	Agarbati making
		Pottery making
		Artisan
		Handicraft
		Bidi Making

From the above table it may be seen that the activities financed/started by banks/clients belonged to agriculture/allied activities, small business, transport operators and small manufacturing which fulfilled the needs of rural areas. The financing to JLGs had resulted into increased agriculture and other activities providing employment to rural unemployed/under employed.

4.1.7: The response of the clients regarding activities undertaken by them during pre credit and post credit situation presented below in table 4.1.7.

Table 4.1.7: Activities taken up by JLG clients

% Item	Pre Credit Situation		Post Credit Situation	
	Respondent	Percent	Respondent	Percent
A. Agriculture based	147	73.50%	77	38.50%
Agricultural labourer	94	47.00%	5	2.50%
Crops cultivation	45	22.50%	51	25.50%
Vegetables cultivation	4	2.00%	18	9.00%
Floriculture	4	2.00%	2	1.00%
Mentha cultivation	0	0.00%	1	0.50%
B. Animal husbandry	26	13.00%	49	24.50%
Milch cattle	12	6.00%	37	18.50%
Goatery	9	4.50%	4	2.00%
Piggery	5	2.50%	5	2.50%
Fisheries	0	0.00%	3	1.50%
C. Small Business	27	13.50%	74	37.00%
Vegetable vending	15	7.50%	24	12.00%
Electronics shop	0	0.00%	2	1.00%
Restaurant	0	0.00%	3	1.50%
Pottery	1	0.50%	2	1.00%
Rice selling	1	0.50%	2	1.00%
Tobacco selling	1	0.50%	4	2.00%
Photo / Xerox	0	0.00%	3	1.50%
Pan shop	4	2.00%	12	6.00%
Utensil selling	1	0.50%	5	2.50%
Kirana shop / Parchune shop	4	2.00%	17	8.50%
Total	200	100	200	100.00%

Under pre-credit situation 73.5% clients were engaged in agriculture, 13% in animal husbandry and 13.5% in small business activities. Under agriculture, 47% were agriculture labourers. Other activities were crop cultivation (22.5%), vegetable cultivation (2%) and floriculture (2%). Under animal husbandry, major activities

were milch cattle and goatery. Under business sector major activities were vegetable vending, kirana shop and pan shop.

The clients changed the activities during post credit situation. Under post credit situation 38.5% clients were engaged in agriculture. These drastic reductions from 73.5% to 38.5% were mainly due to taking up of animal husbandry and small business activities by agriculture labourers. Under post credit situation share of animal husbandry increased from 13% to 25% and small business activities increased from 14% to 37%.s Milch cattle were major activities under animal husbandry while vegetable vending, pan shop and kirana shop were major activities under small business. This change happened due to the opportunity given by JLG financing to agriculture labourers in starting their own enterprises which was not possible due to lack of capital under pre-credit situation.

4.1.8 Type of clients covered

Mostly the clients from poorest section of society having no collateral were covered under JLGs financing. Oral share croppers and tenants having no record of land area to be cultivated got an opportunity and availed hassle free loan by forming JLGs. They were provided mini KCC/short term loan. Similarly small business and manufacturing activities undertaken by rural poor people were supported by short term loan. Samastipur Gramin Bank launched "Swet Ganga Scheme" for financing milch cattle to landless by forming JLGs through their farmer clubs and had financed 580 JLGs of landless people amounting Rs.167.30 lakh through their 22 branches in 2009-10 in Samastipur district. Thus it was observed that JLG innovation had succeeded in attaining its objectives of reaching to unreached sections of society.

4.1.9: Loan amount per borrower

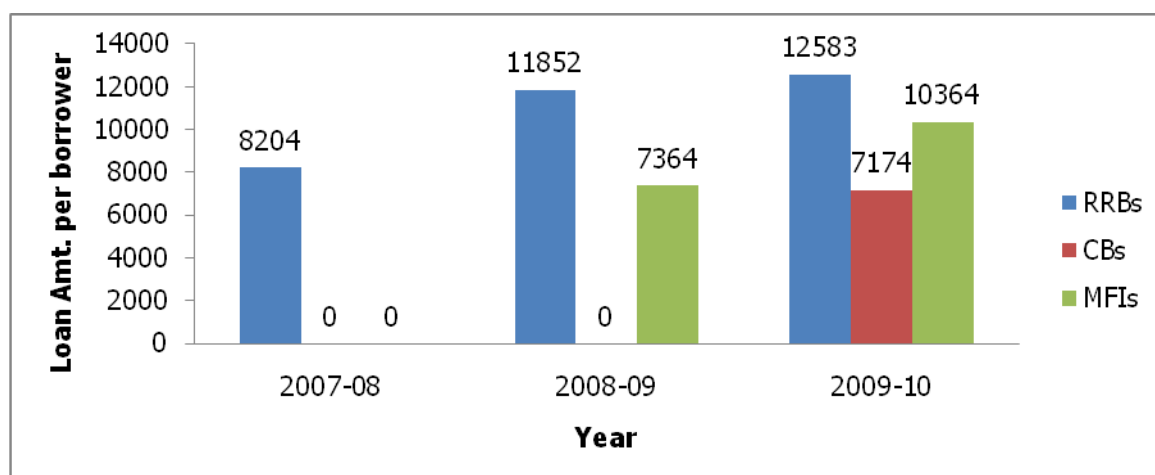
Comparative figure of loan amount per borrower agency wise for last 3 years have been worked out and presented below in table 4.1.9.

Table 4.1.9: Average loan amount per borrower

Sr. No.	Name of Bank	2007-08	2008-09	2009-10
A	RRBs			
1	Madhya Bihar kshetriya Gramin Bank	7246	7971	5984
2	Samastipur Kshetriya Gramin Bank	14307	14673	19395
3	Bihar Kshetriya Gramin Bank	-	6802	6548
4	Uttar Bihar Kshetriya Gramin Bank	-	16449	15575
Sub-Total		8204	11852	12583
B	Commercial Bank			
1	Canara Bank	-	-	7174
Sub-Total		-	-	7174
C	MFIs			
1	Cashpor Micro Credit	-	6195	10245
2	C-DOT	-	10010	8974
3	Saija Micro-Finance	-	13704	11271
4	BASIX	-	-	7143
5	SKS	-	7626	10535
6	BDT	-	5752	8654
7	Trust Microfin	-	9067	10600
8	SURAJE	-	6522	9814
9	Bandhan	-	9944	10353
10	Mass Care	-	3561	4080
11	Creation Welfare	-	5632	6250
12	Gramin Jan Kalyan Parishad	-	1019	1110
Sub-Total			7364	10364
GRAND TOTAL		8204	7605	10425

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 4.1.10.: Loan amount per borrower



The average loan amount per borrower was Rs.7605 and Rs.10425 during 2008-09 and 2009-10. The average loan amount during 2009 – 10 registered a growth of 37% during 2009 –10. However there were wide variation in average loan amount amongst RRBs, CBs and MFIs. The average loan amount during 2009 – 10 was highest in case of RRBs (Rs.12583) followed by MFIs (Rs.10425) and Commercial Banks (Rs.7174) but was much below the RBI permissible limit of Rs.50000. It was apparent from the above that Commercial Banks were adopting cautious approach.

Amongst RRBs, the highest average loan amount was recorded in case of Samastipur Gramin Bank (Rs.19395 during 2009-10) followed by Uttar Bihar Gramin bank (Rs.15575 during 2009-10) Bihar Kshetriya Gramin Bank (Rs.6548) and Madhya Bihar Gramin Bank (Rs.5984) which showed growth in average loan amount during 2009-10, but their average loan amount was far below the requirement. No viable micro-enterprises would be possible on this loan amount.

There was necessity to give serious thought on average loan amount by RRBs and Commercial Banks and the same should be increased substantially. In case of MFIs, the availability of resource at their disposal was the major reason for low amount.

4.1.11: loan amount received

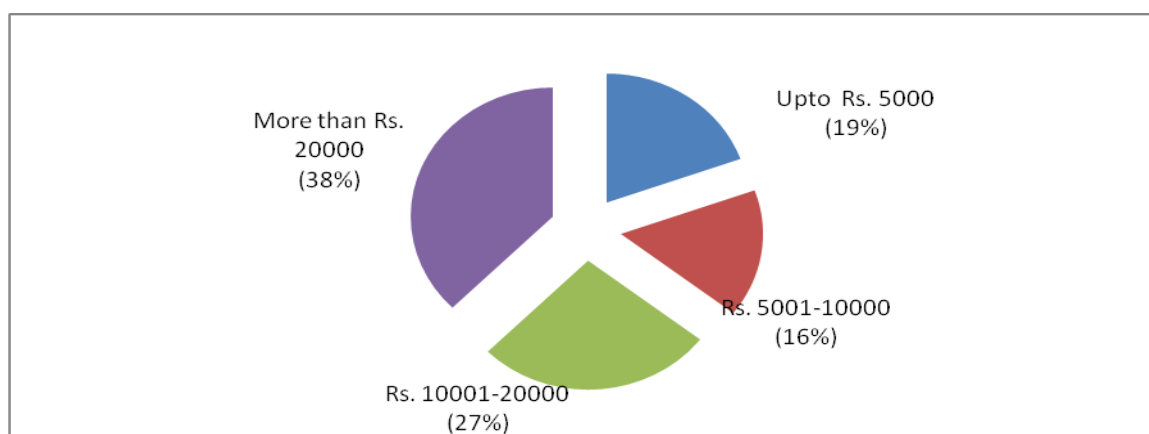
The response of clients on the quantum of loan amount availed is presented in table 4.1.11

Table 4.1.11: Clients-wise response on quantum of loan availed

Item	Respondent	Percent
Upto 5000	39	19.50%
5001-10000	32	16.00%
10001-20000	54	27.00%
More than 20000	75	37.50%
Total	200	100.00%

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 4.1.12: Clients-wise response on quantum of loan availed.



The RBI had permitted to finance up to Rs.50000 per beneficiary under JLG.

From the above table it may be seen that nearly 35.5% beneficiary had availed loan up to Rs.10,000 or less. Loan amount in case of 27% of clients were ranging between Rs.10000 to Rs.20000. Only 37.50% clients had availed loan above Rs.20,000 It meant that Banks' financing was far less than RBI prescribed limit. It appeared that majority of the clients were underfinanced. Madhya Bihar Gramin Bank had issued circular to their branches to restrict financing upto Rs.10000 jeopardizing the entire movement. Instead of streamlining the system and taking corrective steps they had chosen to restrict lending and loan amount which was also visible from the reduced amount of loan per borrower at Rs.5984 during 2009-10.

4.1.13: Frequency of credit availed by clients.

The response of clients on frequency of credit availed by them is presented below in table 4.1.13

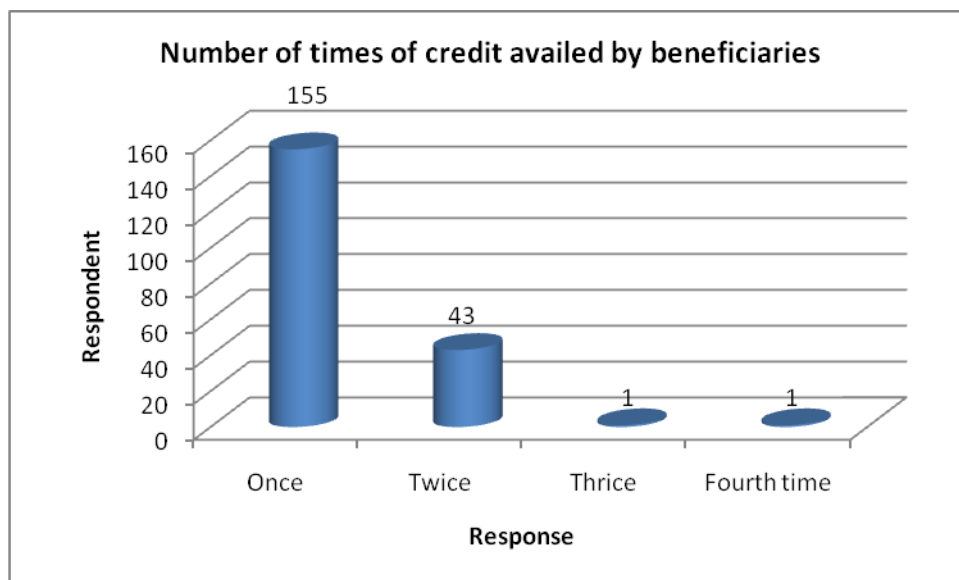
Table 4.1.13: Clients-wise response on frequency of credit availed.

Response	Respondent	Percent (%)
Once	155	77.50
Twice	43	21.50
Thrice	1	0.50
Fourth time	1	0.50

Total	200	100.00
-------	-----	--------

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 4.1.14: Clients-wise response on frequency of credit availed



From the above table it may be seen that the majority (77.50%) of clients had availed credit for the first time. Only 21.50% of them had availed credit twice. There was only 1 beneficiary who had taken loan thrice or fourth time. This indicated that most of the groups were disintegrating after the availment of loan. Further due to delinquency many groups were ineligible for second loan and also did not turn up fearing action against them.

4.1.15: Criteria for fixation of loan amount

The Bankers/MFIs/NGOs were asked the criteria for fixation of loan amount and their response is given below in table 4.1.15

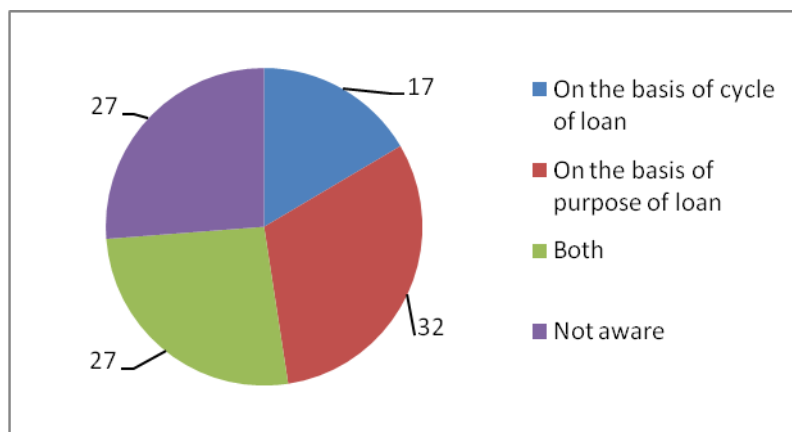
Table 4.1.15: Criteria for fixation of loan amount

Criteria for fixation of loan amount	No. of respondents	Percent (%)
On the basis of cycle of loan*	17	17.00
On the basis of purpose of loan*	32	32.00
Both	27	27.00
Not aware	24	24.00

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

*Cycle of loan refers to successive dozes of loan.

Graph 4.1.16: Criteria for fixation of loan amount



From the above table it was observed that financing agency decided loan amount on the basis of cycle of loan (17%), on the basis of purpose of loan (32%) and combination of cycle of loan and purpose (27%). MFIs generally decided the loan on the basis of the cycle of loan. Loan amount was gradually increased on cycle of credit increased. Bankers decided loan on the basis of purpose and also on the basis of purpose and cycle of loan. It appeared that Cycle of loan was taken as criteria to Judge credit worthiness of the borrower. But the loan amount should not be tagged with cycle of loan. It should be according to purpose and requirement. The financing agencies were required to bring about qualitative change in their outlook while financing to JLGs keeping in view the national priorities.

4.1.17: Recovery percentage of JLG loan:

Recovery % of loan of various agencies for JLGs financing during last two years is given below.

Table 4.1.18: Recovery percentage of JLG loan

		2007-08	2008-09	2009-10
A	RRBs			
1.	Madhya Bihar Gramin Bank	90%	85%	62%
2.	Samastipur Gramin Bank	93%	93%	94%
3.	Bihar Gramin Bank	73%	70%	72%
4.	Uttar Bihar Gramin Bank	89%	90%	92%

B	Commercial Bank			
1.	Canara Bank			91%
C	MFIs			
1.	Cashpor	97.45%	99.19%	99.62%
2.	Saija Micro-Finance		100%	100%
3.	C-DOT		100%	99.87%
4.	BASIX		-	100.00%
5.	SKS		100%	99.90%
6.	BDT		99%	100.00%
7.	Trust Microfin Service		99%	99%
8.	SURAJE		99%	99.50%
9.	Bandhan		100%	100%
10.	Mass Care International		97%	99%
11.	Creation welfare		95%	95%

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

It was evident from the above table that MFIs recovery percentage for JLGs financing were good ranging from 95% to 100%. It was due to constant persuasion and system of recovering the dues in the structured meeting. Due to structured meeting, hand holding support and capacity building, group dynamics and peer pressure developed in JLGs financed by MFIs which delivered good recovery performance.

The recovery percentage of the Commercial Bank was 91%. The recovery percentage of RRBs were not so encouraging and ranged between 62% to 94% during 2009-2010, but were more than the general recovery of 53.28% of RRBs in Bihar for the same period. The poorest recovery was of Madhya Bihar Gramin Bank at 62% during 2009-10. The poor recovery was due to lack of methodical approach, viz., fault in identification of clients for JLGs, not involving intermediaries like NGOs/Farmers club for hand holding support, lack of capacity building of JLGs/own staff, failure in creating group dynamics and peer pressure, effective monitoring mechanism etc.

4.1.19: Recovery % of sampled clients

SI No	Banks	Number of sampled clients	Recovery % during 2009-10

1	Madhya Bihar Gramin Bank	60	58.00
2	Samastipur Gramin Bank	80	97.00
3	Uttar Bihar Gramin Bank	60	95.00

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

The average recovery % of sampled clients was highest in case of Samastipur Gramin Bank followed by Uttar Bihar Gramin Bank. Madhya Bihar Gramin bank had lowest recovery %. The reasons for high recovery in case of Samastipur Gramin Bank were proper monitoring by bank staff, linkage with farmers club and Mithila Milk union Dairy Co-operative.

4.1.20: Improvement in quality of assets

During the interview with the clients, bankers, NGOs and MFIs it was observed that there were improvement in quality of assets/services except in some area of Madhya Bihar Gramin Bank. In other cases quality of assets had improved due to availability of adequate credit by banks and regular monitoring of assets by group members. Activity based group had paid dividend. The Swet Ganga JLG scheme and Mini KCC scheme for share croppers, small farmers and marginal farmers by Samastipur RRB were highly successful. Similarly financing to Artisan groups by Madhya Bihar Gramin Bank in Buniyadganj branch of Gaya district was also a testimony of success of Artisan based group.

4.1.21: Accessibility of credit after formation of JLG

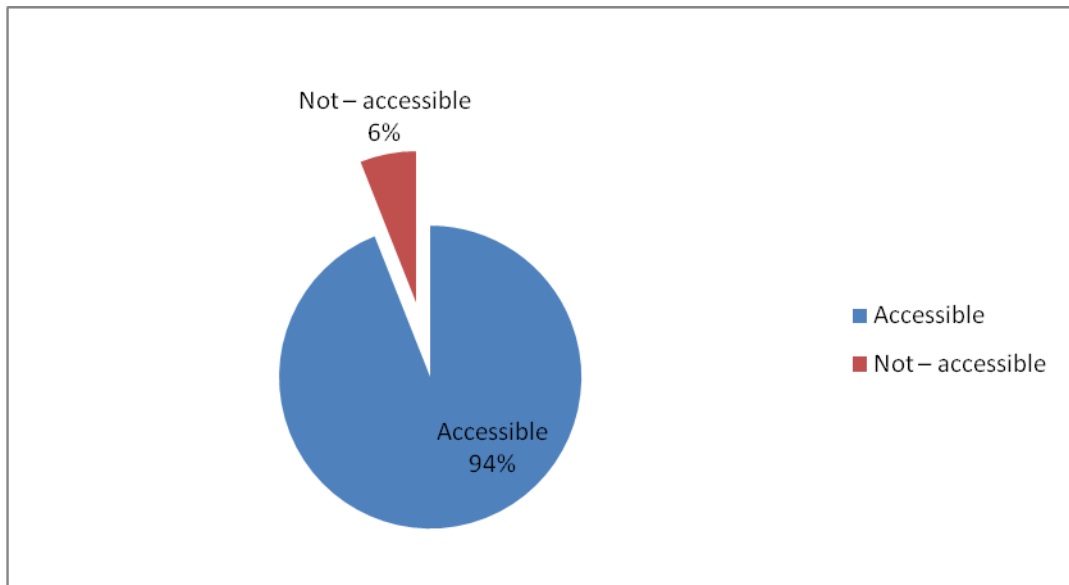
The response of identified clients as to whether their problem of getting credit was solved after formation of JLG is presented below in table 4.13:

Table 4.1.21: Beneficiary-wise response on accessibility of credit

Opinion	Number of respondents	Present (%)
Accessible	188	94.00
Not – accessible	12	6.00

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 4.1.22: Beneficiary-wise response on accessibility of credit



It was apparent from the above table that the overwhelming percentage (94.00%) of the clients opined that credit is accessible after joining JLG. This indicated that JLG mechanism provided them easy access to credit and improved services. But there were need to stop under financing and increase average loan amount substantially to enable the clients to take up micro-enterprises at economic level.

CHAPTER 5

ISSUES AND PROBLEMS IN FORMATION AND FINANCING OF JLGs

5.1: Issues and problems regarding formation and financing of JLGs were collected through structured questionnaires from bankers (55), NGOs & MFIs staffs (25), NABARD officials (10) and officials from government departments (10). The problems were mostly qualitative in nature and various stakeholders stated numerous problems. Frequency distribution of their responses was tabulated, analyzed and categorized and presented and presented below in table 5.1:

Table 5.1: Problems observed by stakeholders

Sl. No	Problems	No of Respondents	%
1	Lack of general awareness about JLG among stakeholders	91	91.00%
2	Lack of regular meetings	91	91.00%
3	Lack of financial literacy amongst JLG members	83	83.00%
4	Lack of capacity building of bank staff about JLG	73	73.00%
5	Lack of Credit culture amongst JLG members	65	65.00%
6	Lack of cohesiveness in the group	60	60.00%
7	Lack of monitoring by Banks./BLCC/DLCC/SLBC/NABARD/ RBI	52	52.00%
8	Lack of publicity/promotion of Joint liability group concept	52	52.00%
9	Lack of availability of guidelines among stakeholders	51	51.00%
10	Lack of availability of documents about JLG formation and nurturing	91	91.00%
11	Lack of proper planning in PLP/DCP/bank branches plan	46	46.00%
12	Lack of involvement of JLG promoting institutions	43	43.00%
13	Lack of motivation among stakeholders	30	30.00%
14	SHG model alone continues to be in the focus of governmental as well as Banks' Micro-credit schemes.	23	23.00%
15	Lack of focussed attention at bankers' and government level	15	15.00%
16	Influence of local middleman	12	12.00%

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

It could be seen from the above that the issues /problems in JLG deduced from the survey formation and financing were lack of regular meetings, lack of awareness about JLG among stakeholders, lack of financial literacy, lack of capacity building of JLG members, lack of understanding amongst members of JLG, lack of credit culture, lack of cohesiveness in the group, Group of people for availing of loan for once, lack of monitoring by Banks/BLCC/DLCC/ SLBC/NABARD/ RBI, lack of publicity, lack of availability of guidelines among stakeholders, lack of availability of documents about JLG in branches, lack of capacity building of bank staff, lack of proper planning in PLP/DCP/bank branch plan, lack of involvement of JLG promoting institutions, lack of motivation among stakeholders, apathy of financial institutions, lack of focussed attention at bankers' level and government level.

5.1.1: Lack of general awareness about JLG among stakeholders:

The opinion of respondents about general awareness regarding JLG is presented in table No. 5.1.1:

Table No. 5.1.1: Lack of general awareness about JLG

Stakeholders	Aware	Total number of respondent	Percent (%)
Bank Officials	50	55	90.90
NABARD officials	10	10	100.00
Government Official	3	10	30.00
MFI Officials	13	13	100.00
NGO	10	12	83.33
Total	86	100	86.00

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

From the above table it may be observed that except govt. official and a few NGOs all respondents were generally aware about the existence of JLGs. Most of the government officials (70%) were not aware about the JLG concept. Although staffs of the banks at the headquarters were aware about JLG, the concept had not percolated at the branch level. 91 % stakeholders responded that lack of awareness was one of the major problems in financing JLG. Bankers were even not aware regarding the support available for JLG promotion, capacity building and publicity

from NABARD. Massive awareness creation amongst bank staff needed for promotion of JLG.

5.1.2: Lack of regular meetings in JLGs

Most of the bankers, NABARD officials and government officials stated that there was no regular meeting organised by JLG. Most of JLG members were marginal farmers, share croppers and landless labourers. Due to lack of regular meeting group dynamics was not developed amongst JLG members.

5.1.3: Lack of financial literacy of JLGs members

Lack of financial literacy was found as one of the major constraints in promotion of JLG. As most of the rural poor were illiterate, it was hard to make them understand about various facets of group dynamics and managing microfinance for productive purposes. This problem could have been solved if the branch concerned had taken pains to explain the financial aspects to the groups.

5.1.4: Lack of capacity building of bank staff

Lack of capacity building of bank staff was one of the major problems. There are hardly any programmes organised to sensitise about JLG formation and nurturing. About half of the banks officials, government officials, NABARD officials NGOs and MFI staff stated that there was lack of capacity building of bank staff, which needed immediate redressal.

5.1.5: Lack of credit culture amongst JLG members

Many respondents stated that due to loan waiver scheme by government of India, there became lack of credit culture amongst group members. They assume that their may be waived in near future.

5.1.6: Lack of cohesiveness in the joint liability groups:

60 % respondents observed that there was lack of cohesiveness amongst JLGs members. They operated individually and group dynamics was not working at the ground level. They organised for availing loan and thereafter they disintegrated. Due to absence of group dynamics, peer screening, peer selection, peer monitoring, and peer pressure, which were basics of JLG, could not be developed.

5.1.7. Lack of monitoring by Banks/BLBC/DLCC/SLBC/NABARD/ RBI

More than half of the officials observed that there was lack of monitoring by Banks, BLBC / DLCC SLBC/NABARD /RBI level. Even the data regarding the progress of JLG financing was not available at any level.

5.1.8. Lack of publicity/ promotion of JLG concept: many respondents stated that promotion of the concepts has not been done like self help group promotion scheme. Adequate efforts had not been made to publicise the JLG concept.

5.1.9: Lack of availability of guidelines among stakeholders

51% clients pointed out that guidelines were not available with banks' branches. 49% officials stated the documents for the disbursement of loan was not available with branches. This was indicative of complacent attitude of banks.

5.1.10: Lack of availability of documents about JLG formation and nurturing: Most of the respondents stated that documents for JLG formation and nurturing are not available to various banks and government departments.

5.1.11: Lack of proper planning in PLP/DCP/bank branches plan: many of the Respondents stated that there was hardly any planning about JLG in potential linked credit plan, district credit plan or branch plan.

5.1.12 : Non- Incorporation of JLG in PLP/DCP/ branch plan

46% officials stated that JLG programme was not incorporated in PLP / DCP/ branch level plan. This was one of the major constraints in JLG promotion.

5.1.13: Lack of involvement of JLG promoting institutions:

Many officials stated that there was lack of involvement of JLG promoting institutions. In Samastipur success was due to involvement of KISAN CLUB. Although many JLG promoting institutions had been identified by RBI/ NABARD, only few institutions were involved as JLG promoting institutions. Even if they were involved, no support was provided to them either by NABARD or by banks.

5.1.14: Lack of focussed attention at banks level and government level:

15% officials stated that there was lack of focussed attention both at the bankers' level and government level. The JLG was not the priority area for them.

5.1.15: Lack of emphasis on JLG as compared to SHG as microcredit programme:

In most of the microcredit programme self help group has a major emphasis. JLG scheme should also be taken a microcredit programme.

5.1.16: Influence of local middleman

12 % officials stated there was influence of local head man and other middleman in JLG programme. Middleman put their own man in the list of JLG members and formed JLG only to avail loan. Misappropriation of loan was also reported due to middlemen involvement. This pointed to the need of good and credible intermediaries.

5.2.1: Suggestion of Bankers (55)/ NGOs& MFIs (25)/NABARD officials (10)/ government department officials (10) for up scaling of JLG programmeme

The suggestions from various stakeholders Bankers (55)/ NGOs& MFIs (25)/NABARD officials/ government MFI officials/ department (10) for up scaling of JLG programmeme were collected and presented below in table 5.2.1.

Table 5.2.1: Suggestions of Bankers, NGOs staff, MFIs staff, NABARD officials, government department officials deduced from survey for up scaling of JLG programme

Sl No	Suggestions	No of respondents	%
1.	Launching of massive awareness campaign	88	88
2.	Publicity of the schemes (advertisement through print and electronic media, pamphlets and leaflets)	62	62
3.	Capacity building of bank staff	88	88
4.	Capacity building of clients	44	44
5.	Making available guidelines, documents at branch level	87	87
6.	Proactive role of NABARD	60	60
7.	Proactive role of state government	51	51
8.	Proactive role of banks	90	90
9.	Assistance to NGOs for capacity building	41	41
10.	Encourage co-operative to form JLG	34	34

11.	Support to MFIs for JLG formation	12	12
12.	Improvement of intermediaries	24	24
13.	Change in attitude of banks	12	12
14.	Planning in various documents e.g, state credit plan, PLP, DCP, Branch plan	60	60
15.	Strengthening monitoring mechanism for JLG	88	88

Note: multiple responses from respondents

The major suggestions offered by the stakeholders for scaling up of JLG activities were launching of massive awareness campaign, publicity of the schemes (advertisement through print and electronic media, pamphlets and leaflets), capacity building of bank staff, capacity building of clients, making available guidelines, documents at branch level, proactive role of NABARD, proactive role of state government, proactive role of banks, assistance to NGOs for capacity building, encourage co-operative to form JLG, support to MFIs for JLG formation, involvement of intermediaries, change in attitude of bankers, planning in various documents e.g. state credit plan, PLP, DCP, branch plan, strengthening monitoring mechanism for JLG.

90% respondents pointed out that banks should take proactive role in JLG promotion as this offered vast business potential. Bankers active role was required for awareness creation, capacity building, financing of groups, involvement of intermediaries, ensuring suitable allocation in branch plan and making available the guidelines and documents to branches and using business correspondents for promotion and financing of JLG and regular review of implementation at various forum. NABARD pro-active role was required for publicity of scheme, ensuring planning of JLG in state focus paper, PLP, DCP, and bank plans, releasing support for involving agencies /intermediaries, capacity building, organizing seminar/workshop, regular review of implementation through DDMs and LDMs at BLBC level.

State government's active support was required to ensure planning of JLG in various documents (state credit plan, PLP, DCP, branch plan and review of progress at various forums (BLBC/DCC/SLBC). State government may involve co-operative sector (PACS, Milk producing co-operative societies) for formation and financing of JLG. Where co-operative sector was financially weak, PACS and milk

producing co-operative society could act as business correspondents of commercial banks / RRBs for formation of JLG and may be financed by them for on lending to their members.

5.3.1: Problems faced by Clients (200) in business development

Problems faced by 200 sampled clients were collected through structured pretested questionnaire. Frequency distribution of response of clients were tabulated and presented and presented below in table below in 5.3.1.

Table 5.3.1: Problems faced by clients as deduced from the survey

SI No	Problems	No of clients	Percent
1	Lack of Raw material availability	172	86.00%
2	Lack of skills and knowledge	156	78.00%
3	Lack of Marketing facilities	154	77.00%
4	Lack of Branding	149	74.50%
5	Lack of knowledge of Pricing	147	73.50%
6	Poor Quality control	139	69.50%
7	Difficulty in identification of microenterprise based on demand	132	66.00%
8	Lack of Adequacy and timeliness of Finance	132	66.00%
9	Lack of entrepreneurship	127	63.50%
10	Non -availability of proper supply chain	102	51.00%
11	Lack of Appropriate Technology	82	41.00%

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

5.3.1. Adequacy and timeliness of finance:

Capital to start some activity and enlarge business was one of the greatest impediments in business development amongst JLG. 66% clients stated that amount provided was inadequate and untimely to start some microenterprise. Both factors contributed major hurdles under JLG financing.

5.3.2. Lack of Skill and knowledge:

Skills and knowledge played important role in quality of product. Skill and knowledge up gradation of micro entrepreneurs can be done through capacity building programme. NABARD was providing support for capacity building of micro entrepreneurs through MEDP, REDP, SDI etc. Various Banks and Government departments were also conducting REDP. Under SGSY and SRJY also capacity building programme were being conducted. But there were hardly any programme for providing skill and knowledge up gradation for JLG members. Even though 78% respondents pointed out that lack of skill and knowledge were hindering micro-enterprise development. The above referred training viz MEDP, REDP, SDI may also be provided to JLG members for upgrading their skill knowledge.

5.3.3. Lack of entrepreneurship:

63.5% respondents felt that lack of entrepreneurship was affecting business development. Most of the JLGs members were risk averse. Entrepreneurship can be developed by suitable capacity building.

5.3.4. Lack of marketing facilities:

77% of the respondents pointed out that marketing of the products was the major problem in getting remunerative price. Market tie up would be a step forward in this direction.

5.3.5. Lack of raw material availability:

Easy availability of quality raw material at affordable cost in time was key to success to business development. 86% respondents were of the opinion that supply of quality raw material at affordable cost was one of the impediments in business development.

5.3.6. Identification of proper micro-enterprise:

Identification of suitable enterprises was key to success of micro-enterprises development. The micro-entrepreneurs were selecting "tried and tested" micro-enterprises. 66% clients stated that they were not able to identify the right kind of enterprise to start with very limited amount of borrowed money.

5.3.7: Lack of developed Supply chain:

Supply chain for supply of raw material, packaging, and marketing played important role in any productive activity. 51% respondents felt that lack of developed supply chain was hindrance in development of microenterprises.

5.3.8. Lack of Branding:

74.5% of the clients stated that lack of branding was impediment in selling of their produce.

5.3.9. Lack of knowledge of pricing policy:

73.50% clients responded that due to lack of knowledge of proper pricing, their products were underpriced fetching low return.

5.3.10. Poor *Quality control*

69.5% clients stated that they lack knowledge about quality control.

5.4.1: JLG Clients Suggestions for promoting JLG

JLG clients (200) were interviewed through structured pretested questionnaire to make suggestions for promoting joint liability groups. They were requested for ranking of suggestions in order of priority. The frequency distribution of ranking of suggestions offered by clients were tabulated and categorized. The weight age were assigned each ranking and weighted average was work out the same is presented in table 5.4.1.

Table 5.4.1: Clients Suggestions for promoting JLG (ranking by clients)

Suggestions for promoting JLG groups	rank 1	rank 2	rank 3	rank 4	rank 5	rank 6	rank 7	rank 8	weighted average
Loan amount should be increased	102	86	2	2	3	2	2	1	40.64
Interest rate should be reduced	57	51	47	28	5	4	5	3	35.56
Training should be provided	25	32	46	38	19	15	19	6	29.31
Improvement in repayment schedule	5	9	32	25	60	35	26	8	22.92
Providing insurance facilities	4	6	22	57	42	33	29	7	22.86
Providing remittance facilities	3	6	20	12	29	26	30	74	15.94
Help in marketing	2	7	17	18	25	26	56	49	16.56
Help in availability of inputs	2	3	14	20	17	59	33	52	16.22

(Note : Weights assigned rank 1=8, rank 2=7, rank 3=6, rank 4=5, rank 5 = 4, rank6=3, rank7=2, rank 8=1)

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

From the above table it was evident that the clients' suggestions for promoting JLGs in order of priority were increase in loan amount per borrower, reducing rate of interest, capacity building, improvement in repayment schedule, providing insurance facilities, help in marketing of produce, help in availability of quality input in time and providing remittance facilities.

CHAPTER 6

IMPACT OF JLGs FINANCING

6.1.1: Impact of JLG financing on small farmers, marginal farmers and agricultural laborers.

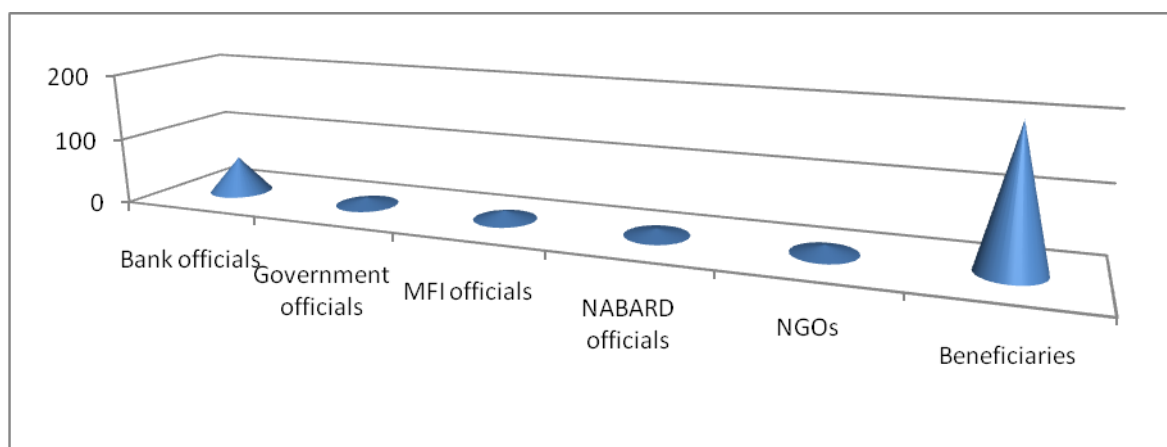
For assessing the impact of JLGs financing on small farmers/marginal farmers/agricultural labourers and others, the data were collected from 200 sampled JLG clients and 100 bankers/mFIs/NGOs through a well designed and pretested questionnaires. The data were tabulated and analyzed to assess the impact of JLG financing. The sampled distribution of respondents is given below in table 6.1.1.

Table No. 6.1.1: Sampled Distribution of Respondents

Stakeholders	No. of respondents
Bank officials	55
Government officials	10
MFI officials	13
NABARD officials	10
NGOs	12
Clients	200
Total	300

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 6.1.2: Sampled Distribution of Respondents



From the above table it may be seen that sample were well distributed amongst the stake holders.

6.2.1: Impact of JLG as pointed out by Banks/MFIs/NGOs

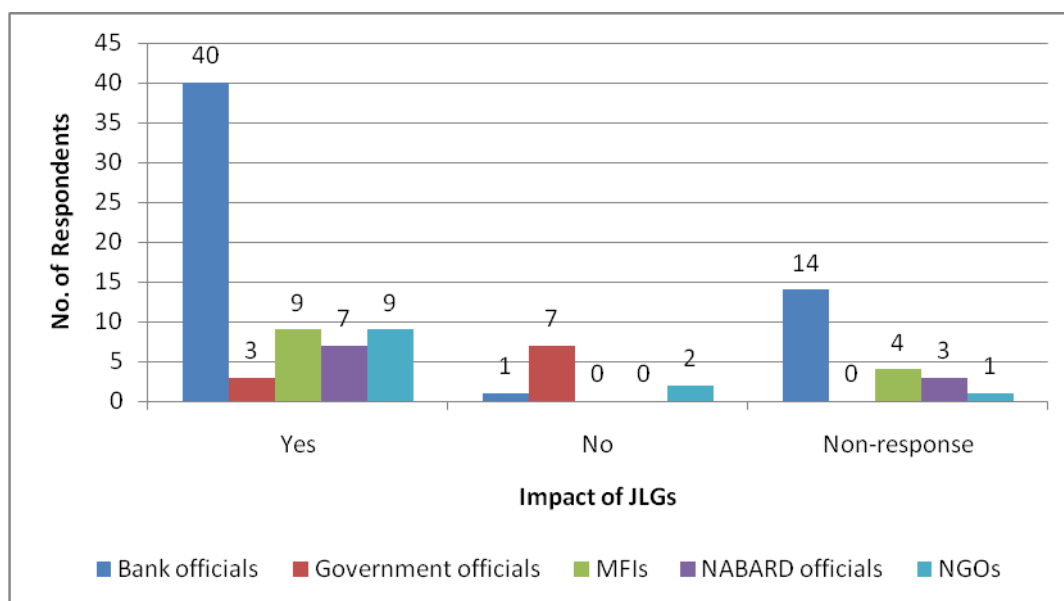
6.2.1: The response of Bankers/mFIs/NGOs, Government Officials and NABARD officials regarding the impact of JLGs financing were collected and tabulated below in table 6.2.1

Table 6.2.1: Impact of JLGs financing

Respondents	Impact of JLGs			Total	% of respondents who posted that JLG had positive impact
	Yes	No	Non-response		
Bank officials	40	1	14	55	72.7
Government officials	3	7	0	10	30
MFIs	9	0	4	13	69.2
NABARD officials	7	0	3	10	70
NGOs	9	2	1	12	75
Total	68	10	22	100	68

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 6.2.2: Impact of JLGs financing



It was evident from the above table that 68% of the respondents had pointed out that JLG financing had impacted the clients in positive direction.

6.2.3: Type of Impact of JLGs Financing

On further enquiry regarding the type of impact, the respondent views were tabulated and presented below in table 6.2.3

Table 6.2.3: Type of Impact of JLG Financing

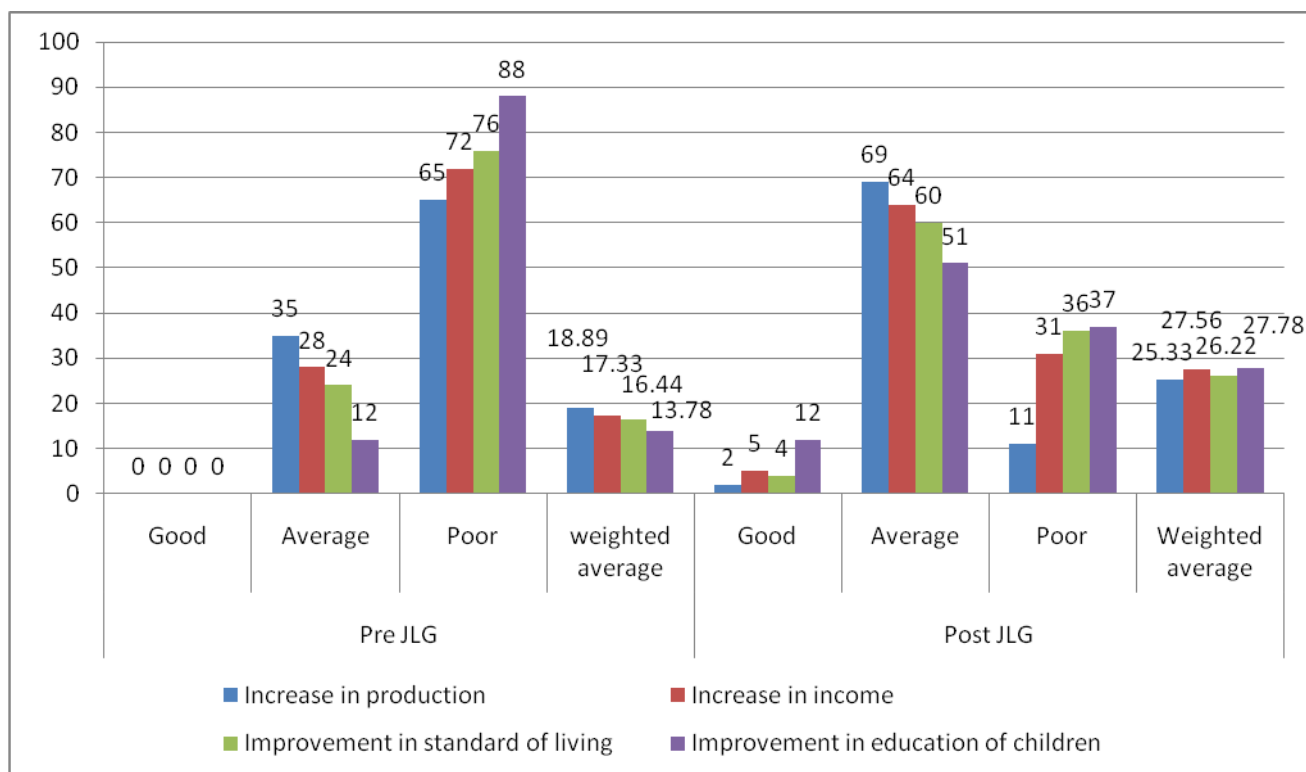
Particulars	Pre JLG Scenario				Post JLG Scenario			
	Good	Average	Poor	Weighted average	Good	Average	Poor	Weighted average
Increase in production	0	35	65	18.89	2	69	11	25.33
Increase in income	0	28	72	17.33	5	64	31	27.56
Improvement in standard of living	0	24	76	16.44	4	60	36	26.22
Improvement in education of children	0	12	88	13.78	12	51	37	27.78

(Note: weight – Good =5, Average =3, Poor=1)

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 6.2.4: Type of Impact of JLG

Financing



It could be seen from the above table that the JLG financing had increased the production and the income of clients. It had also improved standard of living and education of the children.

6.3.1: Impact of JLG Financing-Clients Response:

6.3.1: Increase in Income level:

The average income from various microenterprises under pre and post JLGs scenario was collected and presented ahead in table 6.3.1.

Table 6.3.1 Increase in Income level of clients

Activities	Pre credit situation			Post credit situation			Incremental income
	Respondent	Average Annual Income	Average investment	Respondent	Average Annual Income	Average investment	Incremental income
A. Agriculture based	147			77			
Agricultural labourers	94	10300	Nil	5	14200	Nil	3900
Crops cultivation (shared cropping)	45	14400	4300	51	21000	12500	6600
Vegetables cultivation	6	18400	6200	18	31000	16500	12600
Floriculture	2	14200	7000	3	24600	13375	10400
B. Animal husbandry	26			49			
Milch cattle	12	21000	8000	37	48000	36000	27000
Goatery	9	8210	4290	4	17200	12000	8990
Piggery	5	12000	6300	5	19600	12000	7600
Fisheries	0	0	0	3	25300	15000	25300
C. Small Business	27			74			0
Vegetable vending	15	8160	5400	24	27500	12000	19340
Electronics shop	0	0	0	2	30000	15000	30000
Restaurant	0	0	0	3	34500	25000	34500
Pottery	1	14200	4000	2	22470	12000	8270
Rice selling	1	13600	6500	2	27320	25000	13720
Tobacco selling	1	15500	8000	4	25300	20000	9800
Photo/Xerox	1	15500	8000	4	25300	20000	9800
Pan shop	4	13000	5000	12	21900	20000	8900
Utensil selling	1	24600	11000	5	51000	40000	26400
Kirana shop/Parchune shop	4	27000	9600	17	36600	25000	9600
Total respondents	200			200			
Average income/investment		12456	2898		30267	19777	17811

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

It could be observed from the above table that incremental income from the various activities varied from Rs.3900 to Rs.34500 per year. The average income of sampled JLGs members rose to Rs.30267 from Rs.12456 showing an average incremental income of Rs.17811. Maximum incremental income was observed in case of Restaurant (Rs. 34500) followed by electronic shop (Rs. 30,000). This higher incremental income was due to the reason that their pre-development income was nil. Similarly lowest incremental income was recorded in case of agriculture labourers (Rs. 3900), followed by crop cultivation (Rs. 6600) and piggery (Rs. 7600), Goatery and Pan shop (Rs. 8990), Kirana shop (Rs. 9600) and Tobacco selling (Rs. 9800). In rest of the activities incremental income varied from Rs. 10000 to Rs. 20000.

Information gathered from the clients revealed that incremental income did not depend on particular activities but were combined effects of right selection of activities based on local demand, size of business and handling of business in efficient manner.

6.3.2: Frequency Distribution of incremental income

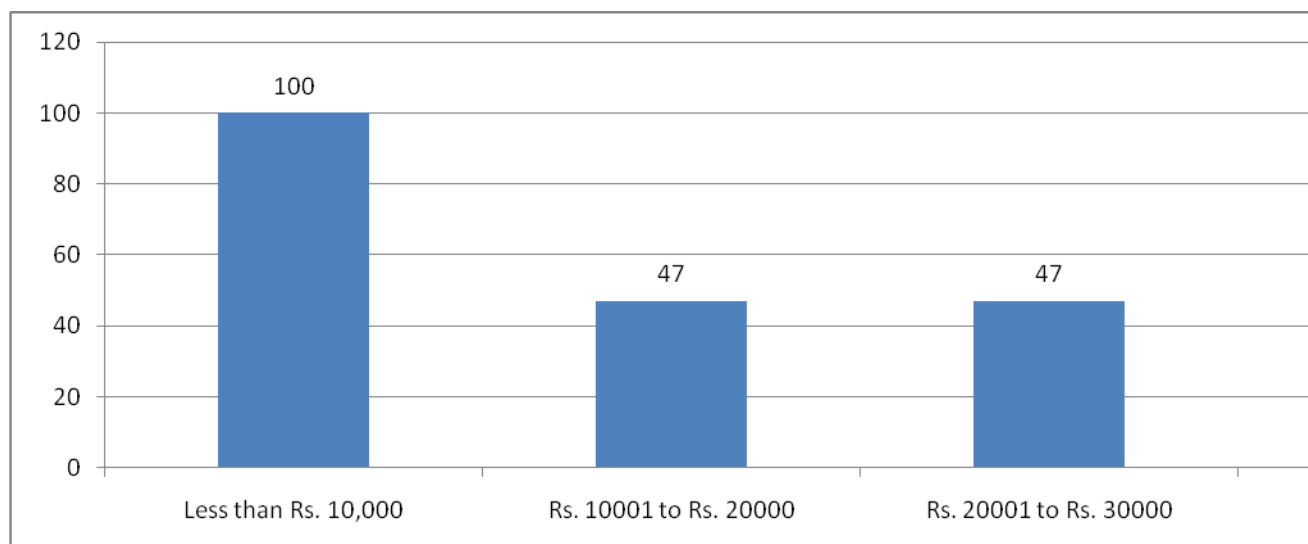
Frequency distribution of incremental income is presented below in table 6.3.2

Table 6.3.2 Frequency distribution of incremental income

Incremental income category	No. of clients	Percent (%)
Less than Rs. 10,000	100	50.00
Rs. 10001 to Rs. 20000	47	23.50
Rs. 20001 to Rs. 30000	47	23.50
Above – 30000	6	3.00
Total	200	100

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 6.3.3 Frequency distribution of incremental income



It appeared from the above table that hardly 3% clients were having average incremental income above 30000/-. 50% of the clients had average incremental

income of less than Rs. 10000/-. 23.5% clients were in the average incremental income categories of Rs. 10001 to Rs. 20000 and 20000 to Rs. 30000 each. Since all the sampled clients were from agricultural labourers, marginal farmers and small farmers, JLGs financing positively impacted these categories of clients.

6.3.4 Changes in cropped area, use of HYV, fertilizers use etc:

The data regarding changes in cropped area, use of high yielding varieties, use of fertilizer (kg/Acre), crop grown, use of irrigation and share cropping were collected and tabulated. The same is presented below in table 6.3.4

Table 6.3.5: Change in cropped area, use of HYV, fertilizers, irrigation and area under sharecropping

Particulars	Before availing loan	After availing loan
Cropped area (in acres)	1.4	2.9
Use of HYV (No. of clients)	17	68
Use of fertilizer (Kg.)	23.5	56.4
Use of irrigation (acre)	0.5	1.25
Crop grown	Rice, wheat	Rice, wheat, vegetables, pulses, sugarcane
Land taken or sharecropping (in acres)	0.9	2.5

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

It could be seen from the above table that loan given to SF/MF and share croppers under JLG had positive impact on use of HYV, fertilizer and irrigation. It may be seen that 68 clients out of 72 clients engaged in agriculture were using HYV in post JLG situation against 17 clients in pre JLG situation. Similarly use of fertilizers had increased to 56.4 Kg per acre from 23.5 kg per acre. Irrigated area also showed an increase from 0.5 acre to 1.25 acre per farmer. Similarly the clients had taken on an average additional 1.6 acres of land for share cropping under post JLG scenario. The cultivated area per beneficiary increased from 1.4 acres to 2.9 acres. These all had contributed to increase in production and employment to agricultural labourers and consequently the income of the members had increased. It could be concluded that JLG financing had impacted agricultural labourers, marginal farmers and small farmers significantly.

6.3.6: Changes in frequency distribution of Income Category.

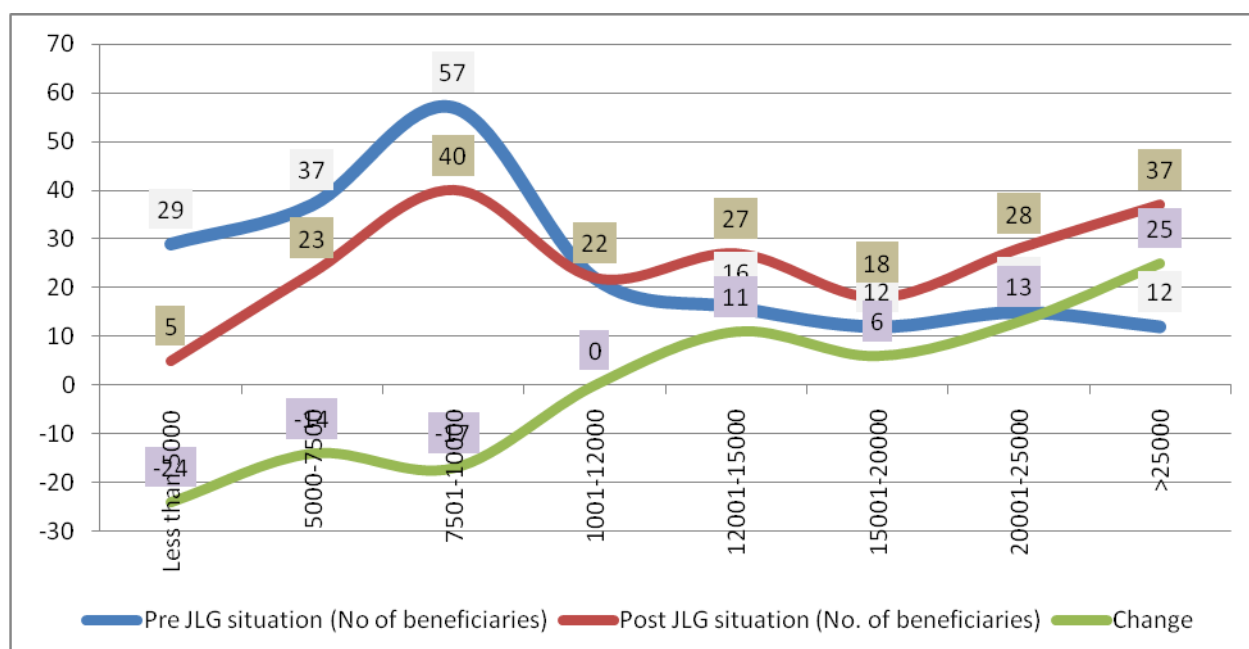
Frequency distribution of income categories and pre and post JLG Condition is given below in the table 6.3.6.

Table 6.3.6 : Distribution of clients according to income category.

Income (in Rs.) annum	Pre JLG situation (No of clients)	Post JLG situation (No. of clients)	Change
Less than 5000	29	5	-24
5000-7500	37	23	-14
7501-10000	57	40	-17
10001-12000	22	22	0
12001-15000	16	27	11
15001-20000	12	18	6
20001-25000	15	28	13
>25000	12	37	25
Total No. of clients	200	200	

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 6.3.7: Distribution of clients according to income category



It was evident that income of clients increased under post JLG situation, which were evident from the reduction of clients in low income categories and increase in clients under high income categories. There was reduction of

27.5% clients under annual income categories upto Rs. 10000/- per annum, who had moved in the upper income categories of Rs. 12001 and above. About 32.5% clients had annual income of Rs. 20000/- and above. It could be concluded that there was significant impact of JLG financing in increasing annual income of agricultural labourers, marginal farmers and small farmers.

6.3.8: Socio-economic benefit from JLG financing

The plight of JLG members was evaluated based on various economic and social parameters taking into account both pre and post credit situation and is presented below in table 6.3.8.

Table 6.3.9: Socio-economic benefit from JLG financing

Items	Good	Average	Poor	Extremely poor	Weighted average	Good	Average	Poor	Extremely poor	Weighted average
Income	0	7	56	137	15.32	36	85	66	13	53.42
%	0.00%	3.50%	28.00%	68.50%		18.00%	42.50%	33.00%	6.50%	
Social Status	0	14	70	116	17.89	2	95	91	12	41.26
%	0.00%	7.00%	35.00%	58.00%		1.00%	47.50%	45.50%	6.00%	
Living Standard	0	12	62	126	16.95	1	85	99	15	38.58
%	0.00%	6.00%	31.00%	63.00%		0.50%	42.50%	49.50%	7.50%	
Children education	0	2	48	150	13.58	1	83	66	50	36.32
%	0.00%	1.00%	14.00%	39.00%		0.50%	41.50%	33.00%	25.00%	
Health	0	7	53	140	15.16	0	125	17	58	44.32
%	0.00%	3.50%	26.50%	70.00%		0.00%	62.50%	8.50%	29.00%	
Cleanliness	0	26	40	134	19.47	0	88	53	59	36.47
%	0.00%	13.00%	20.00%	67.00%		0.00%	44.00%	26.50%	29.50%	
Saving	0	1	55	144	13.68	1	50	90	59	28.89
%	0.00%	0.50%	27.50%	72.00%		0.50%	25.00%	45.00%	29.50%	
Confidence	0	8	54	138	15.47	5	93	84	18	41.79
%	0.00%	4.00%	27.00%	69.00%		2.50%	46.50%	42.00%	9.00%	
Decision making	0	9	54	137	15.74	5	94	85	16	42.11
%	0.00%	4.50%	27.00%	68.50%		2.50%	47.00%	42.50%	8.00%	
Prestige in family	1	23	38	139	19.11	3	68	119	10	36.11

%	0.50%	11.50%	18.50%	69.50%		1.50%	34.00%	59.50%	5.00%	
Mobility	0	28	31	141	19.53	1	84	57	58	36.11
%	0.00%	14.00%	15.50%	70.50%		0.50%	42.00%	28.50%	29.00%	
Resistance for drinking/gambling	1	13	41	146	16.63	4	95	42	59	39.63
%	0.50%	6.50%	20.50%	72.50%		2.00%	47.50%	21.00%	29.50%	

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

From the above table the members' plight, before and after availing of loan, relating to various economic and social parameters could be observed on the basis of ratings (Good, average, poor, and extremely poor).

(i) improvement in income

Under Pre JLG Situation the plight of 68.50% members was extremely poor whereas after availing of credit the situation changed drastically with only 6.50% under extremely poor category. No beneficiary was in good income category before availing loan but after getting loan 18% of members were found in good category. The members in extremely poor category before availing of credit, jumped to poor and average category after availing credit. Thus it could be concluded that the JLG mechanism as a credit delivery measure had succeeded in achieving its objective to a considerable extent by augmenting income of members and if weaknesses revealed during the study were addressed properly, it would bring about excellent results.

(ii) Improvement in social status

Before getting credit 58.00%, 35.00%, 7.00% and 0.00% clients were in the category of extremely poor, poor, average and good social status category respectively but after getting credit the situation changed with 6.00%, 45.50%, 47.50% and 1% in extremely poor, poor, average and good category respectively. Thus the social status of clients had improved in general after getting credit.

(iii) Improvement in standard of living

Before getting credit 63.00%, 31.00%, 6.00%, and 0.00% were in the category of extremely poor, poor, average and good standard of living category respectively but after getting credit the situation changed with 7.50%, 49.50%, 42.50% and 0.50% in extremely poor average and good category respectively. Under pre-JLG situation 63.00% members were in extremely poor condition whereas under post-JLG situation only 7.50% members were found in extremely poor condition. This was a big leap forward and highly visible change.

(iv) Improvement in children education

Before getting credit 75%, 24%, 1.00% and 0.00% clients were in the category of extremely poor, poor, average and good category respectively in respect of children education but after getting credit situation changed with 25%, 33%, 41.5% and 0.5% in extremely poor, poor, average and good category respectively. This change went to prove that simply making available credit under JLG programme could boost literacy parameter in rural areas.

(v) Improvement in Health

Before getting credit 70.00%, 26.50%, 3.50% and 0.00% were in the category of extremely poor, poor, average and good category in respect of health but after getting credit the situation changed with 29%, 8.50%, 62.50%, and 0.00% respectively in extremely poor, poor, average and good category. Thus, in respect of health also good betterment was observed with substantial percentage jumping to average category.

(vi) Improvement in cleanliness

Before getting credit 67.00%, 20.00%, 13.00%, 0.00% clients were in the category of extremely poor, poor, average and good category respectively in respect of cleanliness but after getting credit the situation changed with 29.50%, 26.50%, 44.00% and 0.00% in extremely poor, poor, average and good category respectively. Thus, it may be observed that from sanitation point of view too there was good improvement.

(vii) Improvement in Saving

Before getting credit 72.00%, 27.50%, 0.50%, and 0.00% clients were in the category of extremely poor, poor, average and good category respectively in respect of saving but after getting credit the situation changed with 29.50%, 45.00, 25.00 and 0.50% in extremely poor, poor, average and good category respectively. Thus, it may be observed that with improvement in income there was positive change in saving habits of the poor. Such change augurs well for the economic well being of the whole nation.

(viii) Improvement in confidence level

Before getting credit 69.00%, 27.00%, 4.00% and 0.00% clients were in the category of extremely poor, poor, average and good category respectively in respect of confidence level but after getting credit the situation changed with 9.00%, 42.00%, 46.50% and 2.50% in extremely poor, poor, average and good category respectively. Thus, it may be observed that with rising social and economic level the confidence level of clients had also get a substantial boost.

(ix) Improvement in decision making

Before getting credit 68.50%, 27.00%, 4.50%, and 0.00% clients were in the category of extremely poor, poor, average and good category respectively in respect of improvement in decision making but after getting credit the situation changed with 8.00%, 42.50%, 47.00% and 2.50% in extremely poor, poor, average and good category respectively. Thus it may be concluded that rising social and economic level had impacted positively so far as improvement in decision making was concerned.

(x) Improvement in prestige in family

Before getting credit 69.50%, 18.50%, 11.50% and 0.50% clients were in the category of extremely poor, poor, average and good category respectively so far as prestige in family was concerned after getting credit the situation changed with 5%, 59.50%, 34.00% and 1.50% in extremely poor, poor, average, and good category respectively. Thus, it may be observed that rising social and economic level had also given boost to prestige in family to the clients.

(xi) Improvement in mobility

Before getting credit 70.50%, 15.50%, 14.00% and 0.00% clients were in the category of extremely poor, poor, average and good category respectively in respect

of mobility but after getting credit the situation changed with 29.00%, 28.50%, 42.00% and 0.50% in extremely poor, poor, average and good category respectively. Thus, the mobility of clients had improved in good measure after getting credit.

(xii) Improvement in resistance for drinking/gambling

Before getting credit 72.50%, 20.50%, 6.50% and 0.50% clients were in the category of extremely poor, poor, average and good in respect of prevalence of social evils, viz. drinking/gambling but after getting credit the situation changed with 29.50%, 21.00%, 47.50% and 2.00% in extremely poor, poor, average and good category respectively. Thus, it was found that after getting credit substantial number of clients had given up the habit of drinking/gambling and therefore, it may be concluded that with rise in social and economic conditions poor people tend to give up bad habits.

From the above results observed it could be concluded that with rise in income level together with social mobilization the entire socio-economic scene could be changed for betterment in rural areas. Thus the JLG movement has the potential of transforming our backward rural society into a forward looking society with all ingredients of a civilized social setup.

6.3.10: Timeliness in repayment

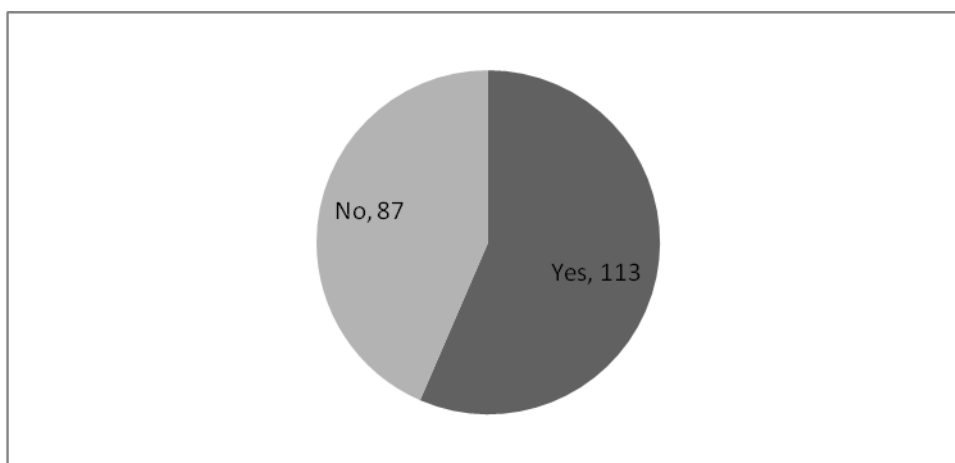
The response of clients on timeliness in repayment is presented below in table 6.3.6.

Table 6.3.10: JLGs Clients response on timeliness in repayment

Response	Respondent	Percent (%)
Yes	113	56.5
No	87	43.5
Total	200	100.0

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 6.3.11: JLG clients response on timeliness in repayment



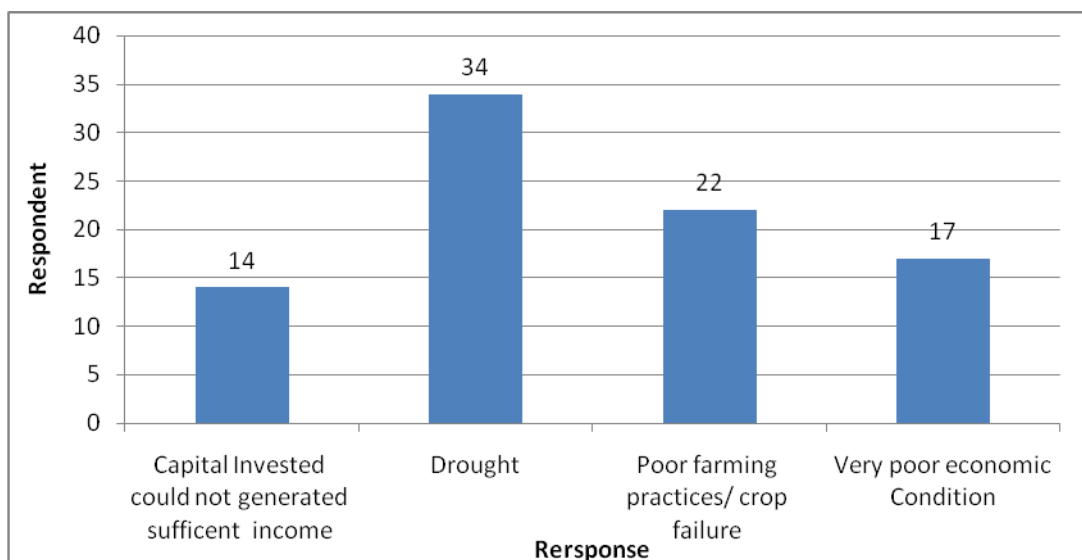
It could be seen from the above table that 56% of clients had repaid their loans on due dates while 43.5% had defaulted on timely repayment. This was due to poor implementation of the scheme resulting lack of peer screening and peer monitoring. The major reason for not regularly paying instalment is given below in table 6.3.7.

Table 6.3.12 : Client -wise response on reasons for not paying instalment.

Response	Respondent	Percent (%)
Capital Invested could not generate sufficient income	14	16.09
Drought	34	39.08
Poor farming practices/ crop failure	22	25.29
Very poor economic Condition	17	19.54
Total	87	100.00

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 6.3.13: Client -wise response on reasons for not paying installment.



The above table clearly indicated that the reasons for not paying installment regularly were under financing and recurrent occurrence of natural calamities like drought /floods. During further probing it was revealed that Agricultural and Rural Debt waiver scheme had negative impact on recovery of loan and people were waiting for next announcement of loan waiver.

CHAPTER 7

AGENCIES/INTERMEDIARIES INVOLVED IN JLGs FORMATION

7.1 Agencies identified by NABARD to act as intermediaries in JLGs.

NABARD has identified some agencies as joint liability group promoting institutions. They are business facilitators, farmers club, farmers associations, Panchayati Raj institutions, Krishi Vikas Kendra, State Agricultural University, Agricultural Technology Management Agency, Bank branches, PACS, other co-operatives, government departments, producer associations, artisan guilds, department of SMEs, small scale industry, agro-industries, individuals, input dealers and document writers (in cooperative banks), MFIs, MFOs, etc.

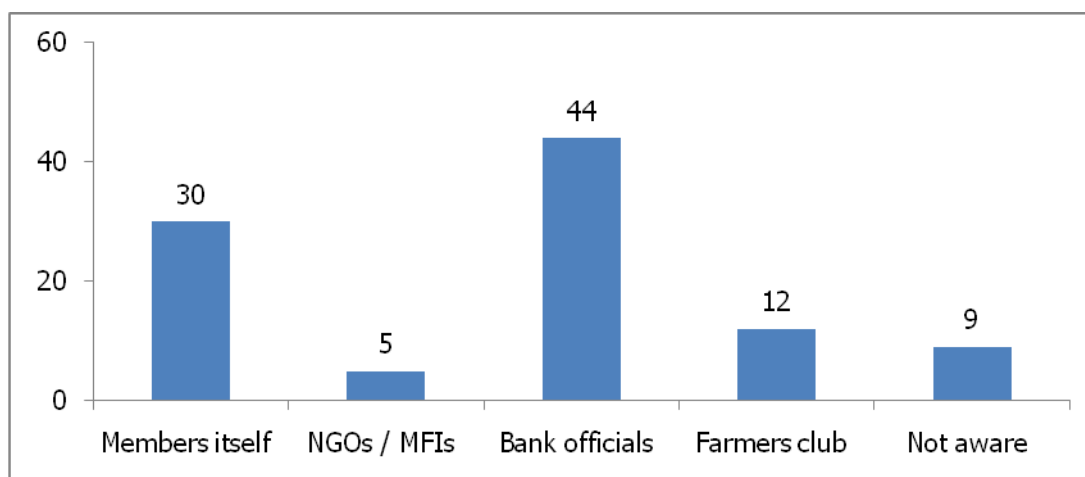
7.1.1: Bankers / NGOs / MFIs response for agencies / intermediaries who actually helped in formation of JLGs were obtained and presented below in table 7.1.1

Table 7.1.1: Agencies which have formed JLG (stakeholder's response)

Agencies	No. of respondents	%
Members itself	30	30%
NGOs / MFIs	5	5%
Bank officials	44	44%
Farmers club	12	12%
Not aware	9	9%
Total	100	100%

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 7.1.2: Agencies/Intermediaries involved in JLG formation



44 % of the respondents pointed out that banks themselves had helped in formation of JLG. 30 % respondents pointed that clients themselves had joined together to form JLG. 12 % and 5% of the respondents pointed out that farmers club and NGOs respectively acted as promoter of JLGs. All the RRBs, though they acted as promoters, were facing acute shortage of staffs. Hence they were not in a position to devote time for nurturing and capacity building of JLGs. Similarly clients could not scale up the formation of JLGs and their nurturing by them was least possibility. Therefore, agencies identified by NABARD and who can actually devote time for the purpose may be involved in JLG formation and nurturing to give boost to the JLG movement. Farmers club, panchayats, NGOs should be involved for promotion of JLGs.

7.1.3: Clients response regarding motivator in JLG formation

The response of the clients regarding motivator in JLG formation and nurturing is presented below in table 7.1.3

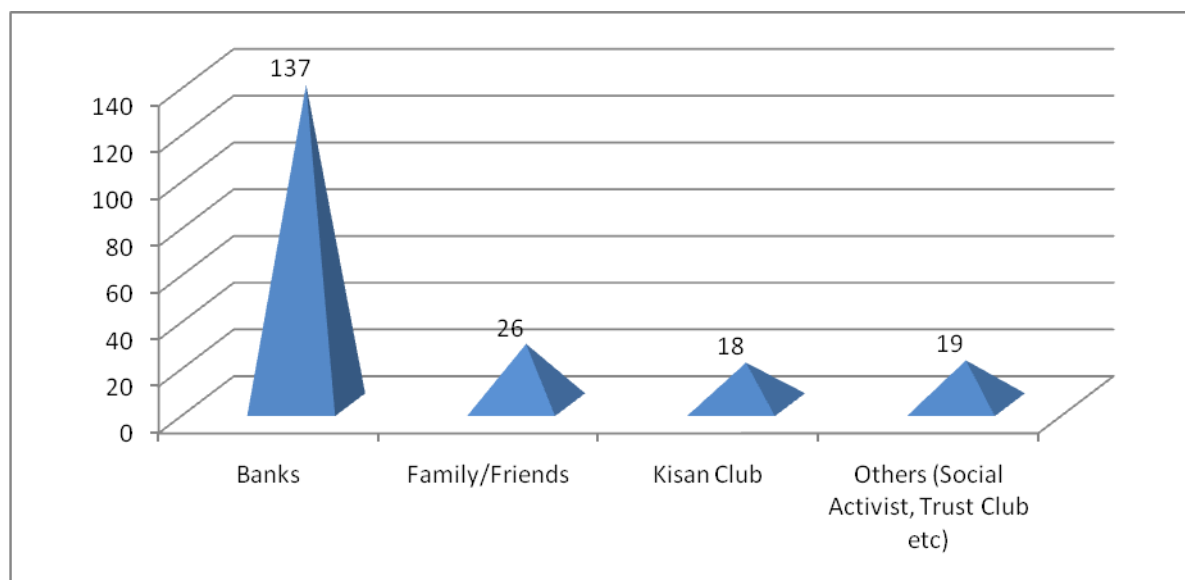
Table 7.1.3: Clients response regarding motivator in JLG formation

Motivator	Respondent	Percent (%)
Banks	137	68.5
Family/Friends	26	13.0
Kisan Club	18	9.0
Others (Social Activist, Trust Club etc)	19	9.5

Total	200	100.00
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Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

Graph 7.1.4: Clients response regarding motivation in JLG formation



The above table indicated that 68.5%, 9%, 13% and 9.5% of promoters of JLGs belonged to banks, Kisan club, family / friends and others, viz. Social activists like NGOs, MFIs, individual rural volunteers, etc. respectively. It can be concluded that the branch level functionaries of banks had formed the JLGs because they found these as the most lucrative means to reach the unreached in rural areas. But they were unable to nurture them due to paucity of time which pointed to the need for good intermediaries who could denote time on nurturing and capacity building of groups.

7.1.5: Support provided by different intermediaries

Intermediaries were providing support in awareness creation, support in formation, capacity building, credit linking, recovery and financial literacy.

The opinion of bankers / NGOs / MFIs regarding various support provided by intermediaries is presented in table 7.1.5

Table 7.1.5: Support provided by different intermediaries

Response of various stakeholders							
Promotional Support	Bank officials	NABARD officials	Government officials	MFI officials	NGO	Total	%
Awareness Creation	34	10	3	9	9	65	65.00%

Support in formation	32	10	3	11	9	65	65.00%
Credit linking	31	5	3	9	9	57	57.00%
Financial literacy	27	2	3	7	6	45	45.00%
Hand holding support	20	2	3	3	4	32	32.00%
Recovery	16	0	3	5	4	28	28.00%
Networking	16	2	3	5	0	26	26.00%
Capacity Building	5	10	3	3	3	24	24.00%
Technology transfer	0	2	3	3	0	8	8.00%
Supply of inputs	0	0	0	2	0	2	2.00%
Marketing of produce	0	2	3	2	0	7	7.00%

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

From the above table it could be concluded that 65% of bankers / MFI / NGOs pointed out that intermediaries were engaged in awareness creation and formation of JLGs. 57% of the respondents pointed out that intermediaries were also helping in credit linking. 45% respondents indicated that the intermediaries were also involved in financial literacy programme. 28% of the respondents were of the view that intermediaries were helping in recovery. Other support provided by the intermediaries were hand holding support (32%), capacity building (24%), networking (26%), technology transfer (8%), marketing of produce (7%) and supply of inputs (2%). From the foregoing it could be concluded that majority of intermediaries were concentrating on awareness creation, formation of JLG and financial literacy. They should also give due importance to hand holding support capacity building, credit linking, recovery and networking. The absence of these support factors also point to the need for roping in such intermediaries as have proven track record in community mobilization with a sense of purpose.

7.1.6: Support required by intermediaries for doing promotional work

The frequency distribution of response of stakeholders on support services required by intermediaries, viz NGO/MFI/Other promoters etc. for doing promotional work viz. awareness creation, formation of JLG, capacity building, credit linking, help in recovery, financial literacy, net working and hand hold support is presented in table no. 7.1.6 below.

Table 7.1.6: Support required by intermediaries

Type of Help	Bank officials	Government officials	MFI officials	NABARD officials	NGO	Total	%
Assistance for financial literacy and capacity building	49	10	11	8	10	88	88.00%
%	89.09%	100.00%	84.62%	80.00%	83.33%		
Assistance for formation of JLG	47	10	8	7	10	82	82.00%
%	85.45%	100.00%	61.54%	70.00%	83.33%		
Assistance for recovery/hand holding support	45	10	6	6	10	77	77.00%
%	81.82%	100.00%	46.15%	60.00%	83.33%		
Assistance for credit linking	44	10	9	3	10	76	76.00%
%	80.00%	100.00%	69.23%	30.00%	83.33%		

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

(Respondents - bank officials – 55, staff officials – 10, MFIs/ NGOs – 25 , NABARD officials- 10 total = 10).

It was evident from the above table that majority of the respondents suggested following four types of support to intermediaries.

- Assistance for financial literacy and capacity building --- 88%.
- Assistance for formation of JLGs --- 82%.
- Assistance for recovery and hand hold support --- 77%.
- Assistance for credit linking --- 76%.

7.1.7 Financial assistance required for promotional work to intermediaries

NABARD presently is providing need based support of Rs.2000 per JLG for promotion work to banks for involving intermediaries, besides support for training programme to staff of banks.

The response of stakeholders i.e. bankers / NGOs / MFIs etc. on probable financial assistance limit for promotional work to be done by intermediaries is presented below in table 7.1.5

Table 7.1.7: Financial assistance limit for promotional work to intermediaries

Stakeholders	up to Rs. 500	Rs.501 -1000	Rs.1001 -2000	Rs.200 1-3000	Rs.4000 per JLG	Rs. 5000 per JLG and above	Non response	Total

Formation	30	32	12	11	2	1	12	100
Credit linking	37	18	9	8	2	1	25	100
Capacity building	19	43	5	3	4	5	21	100
Recovery	38	30	9	5	2	0	16	100

Source: primary survey "Study on Joint Liability groups- Problems and Prospects"

It was evident from above table that overwhelming majority of respondents was in favour of providing financial support to intermediaries. It could be concluded from the above table that a grant of Rs.3500 per JLG for the following purposes may be considered

Formation	Rs.750
Capacity building	Rs.1000
Credit linking	Rs.750
Recovery and hand holding support	Rs.1000
Total	Rs.3500

The respondents also suggested to give this grant directly to intermediaries in the line of SHPI and SBL programme with firm commitment by banks regarding lending of JLGs formed by the intermediaries. Besides MEDP, SDI, REDP should also be organized for JLG clients. Intermediaries should also be assisted for publicizing the scheme and development / printing of leaf let / pamphlet, organizing workshops/seminars etc.

7.1.8 Agencies which can be added as JLGs promoting institutions:

Response of the bankers / MFI / NGOs were obtained regarding the agencies which can be added as JLG promoting institution in addition to the agencies already identified by NABARD. Their response is presented below in table 7.1.8

Table 7.1.8: Agencies which can be added as JLG promoting institutions

Agencies	No. of respondents	%
Retired Teacher	10	10.00%
Retired bank officials	16	16.00%
Common service centre (Basudha Kendra) under e-governance scheme of GOI (Present Number - 5798)	36	36.00%

Milk producers cooperative societies (6200 in the state)	34	34.00%
Primary agricultural cooperative societies (8463)	26	26.00%
Voluntary institutions	15	15.00%
Panchayati Raj Institutions	7	7.00%
Business correspondents	29	29.00%

Note: multiple responses from respondents

It was evident from the above table that they identified Basudha Kendra (36%), milk producers co-operative society (34%), PACS (26%), Business correspondents (29%), retired Bank Officials (16%), Retired teachers (10%), NGOs (15%), Panchayati Raj Institutions (7%) as agency/intermediaries. Out of these agencies PACS and Panchyati Raj Institutions already existed in identified list. Rest of the agencies such as Basudha Kendra, Milk producer co-operative society, BCs, NGOs, Retired teacher, Retired bank officials could be added. Common service centre (Popularly known as Basudha Kendra in Bihar) under e-governance scheme of Government of India set up at panchayat level could play a major role as promoter in JLGs formation, nurturing and networking. In Bihar 5798 common service centre against target of 8463 had already been established. These centres could do wonder in promoting JLGs throughout the country. Besides Bihar is having 6200 milk producer co-operative societies tagged with various milk unions. These societies were facing problem of financing to their members due to weak co-operative structure in the State. These societies can form JLGs of their members and could be financed for purchase of milch animal through nearby banks.

CHAPTER 8

REASONS FOR SUCCESS OF JLGs IN OTHER PARTS OF THE COUNTRY

8.1: The successful JLGs in other part of the country were identified. They were JLGs of Cashpor Micro Credit in U.P. and Bihar, JLGs formed by IDF as BC of SBI in Tumkur district of Karnataka, JLGs launched in Tamilnadu by co-operative department and JLGs financed in Assam. The reasons which led to the success of financing through JLGs route in above cases were analyzed agency-wise and presented in succeeding paragraphs

8.1.1 : CASHPOR Micro Credit (CMC) Experience in U.P and Bihar

CMC is a reputed microfinance provider (MFI). It started its activity in Mirazpur district of Uttar Pradesh (UP) during 1997. With the passage of time it extended its activities in other districts of UP and some of the districts of Bihar State. In 2008, it was ranked 4th in World and 2nd in India among MFIs by Mix global. As on 31 March 2010 it had outreach of 417039 clients and loan portfolio of Rs, 267.40 crore. It had been delivering micro credit using the ASA (Bangladesh) type JLG Model. Till 31 March 2010 it had financed 25768 JLGs and disbursed Rs 1397.20 crore. Due to its robust system and procedure and monitoring mechanism the recovery performance under JLG financing was 99.62% as on 31 March 2010. The success of its JLGs could be gauged from the fact that various studies had pointed out that majority of JLG members had started new micro enterprises, getting good income and marching towards sustainability. The main reasons for success of JLGs formed, financed and nurtured by CMC were as under

8.1.1.1: Sound mechanism of identification of members

Only poor and marginally poor households were selected for the JLGs through survey. Poverty status was assessed through the CASHPOR housing index. Homogeneity of groups in terms of age, social and economic status was strictly ensured.

8.1.1.2: Continuous Group Training (CGT)

After selection (identification) of members, groups were formed through peer selection and thereafter 5 days intensive training on daily basis was imparted to members for their capacity building regarding the terms and conditions, concept of joint liability, developing group dynamics and cohesiveness, among members/groups.

During these 5 days all members were inculcated the spirit of joint liability and cross guarantee of loans to be given. Policies and procedures of the organization (CMC) were learnt by them. Illiterate members were trained to put their signature before they are considered for loan. Successful completion of such type of training i.e. Group Recognition Test (GRT) made them eligible for borrowing first cycle loan.

8.1.1.3: Regular weekly meeting

Regular weekly meetings on a fixed day and time were conducted for each group to have proper feedback about them and to transact all business including recovery in the meeting. Presence of Centre Manager in such meeting was a pre-requisite.

8.1.1.4: Sanction of loans to members in weekly meeting

Loans could be proposed only when group (also called centre) had at least 90% attendance in weekly meeting. All loan applications of members of a centre were approved by the centre first and then collected by the centre managers and verified by the Branch Manager (BM) who accorded final sanction of loan.

For those members who wanted to avail second cycle or subsequent cycles loan, their loan utilization status was checked. In case of any default in repayment of previous loans, the amount of new loan was reduced. Members who had defaulted

installments of previous loan cycle were not entitled for higher credit limit. Willful and non-willful default members were identified by centre manager. No new loan was given to any willful defaulter.

8.1.1.5 Transparency in loan disbursement

After sanction of loan DP note was filled properly and signed by the loanees. Each disbursement was recorded in the loan disbursement register at centre. Disbursement was made at the branch office in the presence of branch manager, centre manager and members of the groups. If members attendance was less than 90% than loan disbursement were postponed to the next meeting.

8.1.1.6 Loan repayment in weekly meeting

Instalments of loan were collected at the centre level in weekly meeting by centre leader and deposited at branch by the centre head and submitted the receipt to centre manager in subsequent meeting. Repayment of instalments was recorded in collection Disbursement sheet (CDS) meant for each client which is prepared in two copies. One copy of CDS for each meeting was kept at the centre and second was taken by the Centre Manager for reporting and was kept as branch record for verification. In repayment process there was minimum contact of cash with field staff of CMC.

8.1.1.7 Strict vigil on loan utilization/strict monitoring

There was robust system of verification of loan utilization. Central manager verified 100% cases, while quota of verification starting from branch manager, area manager, zonal managers were fixed. During checking process cash flows for each such client were observed assessed to know the adequacy of surplus to pay the instalments. Besides utilization of loan was also monitored by peer screening i.e., by members themselves.

8.1.1.8 Efficient Supervision Mechanism

Efficient reporting system had been put in place as a part of effective monitoring mechanism. Four to five centre managers. (Loan Officers) were supervised by the BM. Four to five BMs were supervised by an Area Manager (AM). Four-Five Area Managers were controlled by District Manager (DM). Three to four DMs were

supervised by a Zonal Manager, each of whom reports to the Co-ordinator (operation). Further Co-ordinator (Operation) directly report to MD. This type of reporting system had significantly enhanced the monitoring efficiency of the organization.

It may be observed from CMC experience that JLGs to be successful there were four essential ingredients viz., system of identification of members and formation of groups, intensive capacity building of group members, concept of weekly meeting and well oiled supervisory machinery. Capacity building by way of proper identification of members, intensive training, rigorous monitoring of activities, interaction between members in intra-group weekly meetings, functioned as a strong deterrent against delinquency among loanees and promoted group dynamics resulting in peer screening, peer selection, peer monitoring and peer pressure which was basis of joint liability. Silent literacy campaign led to empowerment, awakening and sense of purpose among group members and promotion of efficient utilization of local resources/endowments etc. Further, for implementing policies and procedures in an effective manner a well oiled supervisory machinery was in place which had been ensured by CMC in practice leading to success of its majority of JLGs.

8.1.2 IDF's Experience in Tumkur District in Karnataka

IDF financial services Pvt. Ltd, a Bangalore based mFI, leveraged on policy initiative of Reserve Bank of India to deliver banking services in unbanked areas through Business Correspondent mechanism to be adopted by the Banking System. In partnership with SBI it donned the mantle of Business Correspondent and started on a project named 'Sujeevan Project'. The project was for 24 months (FY 2009-11). The project area was confined to 15 villages of Kunigal Taluk of Tumkur district. This Taluk had been considered as the most backward district by the Govt. of Karnataka.

Under Sujeevan Project 3400 financially excluded households were identified by IDF, which were engaged in farming, belonging to small, marginal and lessee farmers. They were organized in SHG mode with regular savings and meetings. Each such SHG were divided into three sub-groups as Joint Liability Groups for the purpose of transacting with banks. As on 1st July 2010, 329 JLGs were formed out of which 115 groups were credit linked.

For making its JLGs successful IDF had utilized the services of Farmers' clubs for capacity building of their groups and AME Foundation for capacity development of its own project team who were, in turn, disseminating the low cost sustainable farm technology learnt from the AMEF among farmers. They also utilise a Little World, an Information Technology Service Provider, for providing door step cash transaction services to the farmers and State Bank of India for provision of loan facility to the groups through KCC. Last but not the least they provided marketing support by forming 'Producers Collective', a group of farmers, which helped in marketing of the produce to get remunerative price for farm produce. Actually the Sujeevan Project was an exercise in synergy of service providers - ensuring forward and backward linkages- which was a pre-requisite for success of any enterprise. These service providers together were empowering the JLGs in a sustainable manner and making their activities remunerative. Involvement of farmers club, sound capacity building approach, linkage to marketing and business correspondent concept for funding led to the success of JLGs of IDF financial services.

8.1.3 Tamil Nadu Government's Experience

Encouraged by the success of NABARD's Pilot experiment of JLGs, the Tamil Nadu State Govt. had launched a massive programme of forming JLGs through the short-term Cooperative credit structure on August 1, 2008. As on 31 March, 2010, 22145 JLGs had been formed with a membership of 2,21,450 farmers throughout the state. The State Govt. had sanctioned Rs 20 crore as Revolving Fund (RF) at Rs 10,000/- per group. The RF had been given to buy agricultural implements for the common use of all the members of JLGs. The reasons for success of JLGs in the state were as under:

- (i) Active support of the state government led the success of JLG. The scheme had been totally state sponsored. While visiting to JLGs in the State one of the NABARD official commented "When the government renders support to the system, we find that the movement picks up".
- (ii) Identification of quality farmer members for formation of groups.
- (iii) Groups were formed on SHG pattern meaning thereby that these groups were doing saving, inter loaning, holding regular weekly meetings and had

own bye-laws, etc. Thus, evolving of group dynamics had been ensured for peer monitoring and peer pressure.

- (iv) Groups were graded before credit linking. Thus incentive to become good group was a built-in element.
- (v) Groups were audited annually
- (vi) Regular training was provided to groups by the field officers of DCCBs, and secretaries of PACS. They had been entrusted various responsibilities to ensure that the groups function on envisaged line.
- (vii) The State Govt. was providing revolving fund assistance to each group for buying agricultural implements for common use of the groups.
- (viii) The banks were provided not only crop loans but also long term farm loans for purchase of tractors or power tillers etc.

It may be concluded that formation of JLGs on SHG pattern, proactive support of State government and credit plus approach of the cooperative banks implementing the scheme had resulted into success of JLGs. The State gov't.'s support had acted as major prime mover of the JLG scheme.

8.1.4 ssam's Experience

Due to the State Govt's active support to the JLG movement all RRBs/Commercial Banks and MFIs were participating in the scheme. As on 31 March 2010, 10000 JLGs accounts had been credit linked out of which 7000 were with RRBs and 3000 were with commercial banks. The State agency "State Institute of Rural Development" had been coordinating the implementation of the programmeme through which 35% subsidy was being provided to each group for farm mechanization and SRTTO purposes. Till 31 March 2010 all agencies had disbursed approx Rs. 100 crore and the recovery of the JLG loans was 95%. The JLG movement was marching ahead in Assam with the strong support from the State Government.

8.1.4.1 CHAI Experience in Assam Tea Gardens.

The approach adopted by the CHAI Team in formation and financing of JLGs was worth emulating.

While forming JLGs the CHAI Team had ensured the following:

- (i) Utmost care was taken in selection of members.
- (ii) The elements of peer screening, peer pressure, peer monitoring had been introduced through capacity building often formation of JLGs so that groups function on envisaged lines and group dynamics developed.
- (iii) Members must had an economic activity to be eligible to become group members. Before formation of the groups the field officer of the CHAI visited the villages and conducted meetings with the Village Panchayat. Needs and potential of the area were identified. Tentative lists of high potential clients were prepared. Such clients were asked to gather in a meeting fixed on some later date on mutually agreed date and time. They were told the purpose of the meeting and asked to form groups based on their comfort level and closeness with each other. During the day potential leaders were also identified and were encouraged to form groups with the likeminded members. Then a day was fixed for meeting and registration of groups. On that day loan documents were properly filled in and the JLGs were registered. Thereafter on an appointed day loan applications together with loan documents were collected from group members and appraisal was done by the field officers of the CHAI Team. Appraisal remarks were sent to the project office of the CHAI for sanction or rejection. The loan sanction committee at Head Office sanctioned or rejected the loan application on the reports provided by the field officer. After the sanction, the sanction letter was handed over to JLGs: The loan was disbursed to individual members in the presence of other members of the JLGs. All members were specifically advised about the loan repayment process which was to be strictly adhered by them. The CHAI Team observing zero-tolerance towards default by members. The leader of the JLGs was advised to get the defaults cleared without fail.

8.1.5 From the foregoing it could be concluded that the CHAI TEAM had adopted the well planned process of right selection of borrowers, proper utilisation of loan, peer auditing of activities of members and zero tolerance towards defaults.

Taking into account the experiences of all the four agencies narrated above we may summarise that the success factors of JLGs in their respective area of operation were involvement of intermediaries for awareness creation, right selection of clients, and formation of groups by peer selection, capacity building and nurturing of groups. Other factors were pro active government support, holding regularly meeting of groups, well placed monitoring mechanism transacting all function in group meeting, technology support and market linkage.

8.1.6 Analysis of success factors absent in JLGs in Bihar

The present study “Joint Liability Groups in Bihar – Problem and Prospects’ had gone deeply by making extensive and intensive survey of implementation of the JLG Scheme in 3 districts of Bihar. From the outcome of the study, it was found that in certain parts the JLGs were highly successful but in major parts the scheme was not grounded well and resulted into disintegration of groups which affected adversely the spread of the concept ubiquitously. The performance of the scheme in successful parts of the country vis-à-vis that of the scheme in Bihar was studied and it was observed that the absence of the following factors impeded the progress in Bihar:

8.1.6.1: Lack of involvement of credible intermediaries for formation and nurturing of JLGs

Lack of involvement of credible intermediaries had hampered the selection of right type of clients affecting the homogeneity of the groups except JLGs of Samastipur Gramin Bank. Homogeneity of groups was the most basic element which guaranteed the success of groups and if it was absent in a group, the group will be a failure abinitio.

8.1.6.2 Lack of Training & Awareness Programmeme at Pre-formation stage

Due to absence of credible intermediaries' awareness creation about joint lility, peer selection and other factors of JLGs did not happen which affected adversely the formation of good JLGs. Due to these deficiencies the group were formed for getting only individual loans. It was not understood by the group members that this was not one time affair but an ongoing process till the group members graduated to micro-enterprises of their own.

8.1.6.3 Lack of system of regular meeting for transacting business

Regular periodical meeting at fixed time, date and place, compulsory attendance in meeting, transaction, all business in meeting, conflict resolution in meeting etc. were lacking in JLGs of Bihar which hampered formation of valuable social capital/collateral i.e, the basis of joint liability. Majority of JLGs in Bihar lacked these features and their nurturing and capacity building had suffered on account of absence of credible intermediaries.

8.1.6.4 Lack of Transfer of low cost sustainable technology

Adoption of low cost sustainable technology was the prime need of poor farmers as it had the capacity to lift them from subsistence level farming to commercial level. This feature was generally absent in Bihar except in few areas.

8.1.6.5 Lack of Marketing support

Lack of marketing support for produce of farmers was the main constraint in getting remunerative price. Unless this was ensured, the whole purpose of organizing farmers as JLGs would go in vain. As in IDF's case we observed that they had formed 'Producers collective' for marketing of pooled produce of farmers which assured them hassle free remunerative marketing of produce. Similarly the tagging of Swet Ganga scheme with Milk federation had paid dividend under the Scheme.

8.1.6.6 Lack of Pro-active role of Bankers

Hassle free banking services should be made available at the door step of farmers to enable them to get adequate timely credit without consuming their time, money and energy so that they devote their time exclusively to their primary occupation (i.e. farming). All cash transactions should be arranged to be made in the villages itself so that they need not go to banks each time for cash transaction. As in IDF's experience it was observed that 'ALW' system had been introduced by provision of suitable technology to ensure all cash transactions to take place in villages itself which saved their time & energy. In Bihar farmers generally had to toil a lot by spending their time, money and energy before disbursement of loan. The banks in Bihar were required to adopt BC model to overcome this problem so that farmers do not run here and there for getting loan. In all cases narrated above it was observed that cash disbursements were made to JLG members without any hassle. The banks in Bihar may consider improving their mode of cash transactions/disbursement by adopting suitable technology to reduce cost of credit delivery.

Banks are required to own the JLG programme that this and that because of its cost effectiveness and business expansion prospects. Good members of JLGs are likely to emerge as very good clients of banks in future. Bank should treat stakeholders, viz, JLG members, NGOs/MFIs or other promoters of JLGs as their partners in development. NGOs/MFIs/Farmers clubs/SHGs should be treated as their extended arms would help banks in right selection of loanees and Monitoring of loan ensuring better utilization of loans and recovery of dues in time, thus making their task easy.

As per RBI's instructions banks have opened 'no frill accounts' in large number in rural areas to give boost to financial inclusion but only opening of account is no remedy. In order to ensure effective financial inclusion mobilisation of such account holders under JLG fold may be explored by banks. Given staff constraints the banks may utilise the services of credible intermediaries as business correspondents for the purpose.

Banks also needed to have rural orientation. They should incorporate this programme in their corporate plan and suitable training modules must be developed by them for their staff. Field staff may be posted in each rural branch and must have

trained in rural banking. They should visit villages in structured manner along with the promoters and hold village meets to guide and motivate JLG members/villagers. This approach of bankers will generate goodwill among villagers and ultimately benefit them in business expansion and recovery of dues.

8.1.6.7 Lack of pro-active support of State Government

In Tamil Nadu the JLG programme was wholly state sponsored. The State Govt. had involved the entire ST Cooperative structure for the implementation of the programme. The DCCBs and PACs have been providing not only credit support but also engaged in right selection of members of the groups, formation of groups by peer selection, nurturing, capacity building, provision of long term loans in addition to short term loan etc. The State Govt. had not only owned the programme but also provided subsidy of Rs. 10,000/- (revolving fund) to each group. The support of the State Govt. was acting as mighty booster of the programme.

In Bihar the State Govt's role was totally absent. The proactive role of State Government was very much warranted in upscaling of the programme as the programme has the potentiality of not only increasing human development index which was at a very low ebb but also the farm production & productivity in the state.

8.1.7 : Policy Interventions required for success of JLG models in Bihar

Policy interventions required to make JLG programme succeed in Bihar are narrated as under:

8.1.7.1 Bihar Govt's pro-active role

In order to make JLG programme a grand success in Bihar, the State Govt's proactive role is very much warranted. Like Tamil Nadu the Govt. of Bihar may also own the programme and involve the ST Cooperative credit structure to implement it, the ST Cooperative credit structure has around 8463. Primary Agricultural Credit Societies (PACS) through which the programme may be launched for massive up

scaling. The JLGs formed by PACs could be financed by CBs/RRBs to overcome fund crunch of short term co-operative credit structure by adopting PACS as their BC.

Besides the State Government may don the role of monitor for the entire banking sector in Bihar for this purpose. Commercial banks hitherto have very little participation. The State Govt. could monitor the performance of all the bankers viz, commercial banks, RRBs and cooperative banks as also MFIs/NGOs through the instrumentalities of BLBC/DCC/SLBC meetings for planning of JLGs and its review of its implementation. Their own machinery may be geared up to support the activities of bankers, NGOs/MFIs in upscaling the programme. Massive capacity building programmeme were required to train the Government staff.

8.1.7.2 Right Selection of members of JLGs and formation of group by involving intermediaries

The bankers may take the help of intermediaries for awareness creation, right selection of members, and formation of group, their nurturing, capacity building, recovery etc. The intermediaries may be farmers club, Basudha Kendra, PACS, NGOs, MFI, BC of banks, SHG federation etc. These intermediaries may also organize pre-formation awareness programmeme to inculcate the concept of JLGs particularly joint liability. After selection of right type of people they should be advised to form their own groups and select their own leader. The leader of the group as well as members should fully understand their responsibilities. The selection of leader should be made rotational so that each member has the opportunity to become leader.

8.1.7.3. Capacity building of the members of the groups

Continuous capacity building of the groups should be ensured by intermediaries to develop group dynamics and concept of peer monitoring and peer pressure. The effort of the intermediaries should be supported by NABARD.

8.1.7.4 Regular meeting of groups

The group should hold meetings on fixed time, date and place. The intermediaries should guide them in conducting proceedings during the meetings. All transactions

pertaining to the group are required to be completed in the group meeting only. The banker concerned should also occasionally meet the groups in such meetings to maintain close proximity. The intermediary's role may be time bound with suitable remuneration. NABARD support for this purpose should be utilised.

8.1.7.5: Grading of groups

The element of grading of groups needs to be introduced in JLGs too. For loan disbursement to members grading of groups may be introduced. The grading should be done by a committee comprising intermediaries and the banker.

8.1.7.6: Proper utilization of loan

Proper loan utilization would be ensured by peer monitoring (i.e. by group members themselves), the intermediary concerned and banks. Defaults must be cleared by the group members collectively.

8.1.7.7 :Dissemination of low cost sustainable technology and input availability

The extension agency of the State Govt. may provide the suitable low cost sustainable technology to JLGs for use at their farms. Soil testing, use of right kind of seed, right kind and quantity of organic and inorganic fertilizer, pesticides and other farm requirements may be made available to members.

8.1.7.8 Market linkage

Attempt should be made to provide market linkage to the clients by tagging with producer group.

8.1.7.9 Pro-active support of NABARD

NABARD should increase their support for awareness creation. No bank had yet availed NABARD support for formation and nurturing of JLGs, publicity and capacity building. NABARD should publicise their support scheme by organising training, review meet, raising issues in various forum like BLBC, DLCC, SLBC, in board meeting

of RRBs and co-operative Banks, NABARD may also ensure planning of JLGs in PLP, district credit plan and Branch plan.

CHAPTER 9

SUCCESSFUL JLGs IN THE STUDY AREAS

9.1 Successful JLGs in the study areas:

During the course of the present study the research team visited Samastipur, Gaya and Nalanda district. It was observed that the JLGs, in Samastipur district were performing well. The Samastipur Gramin Bank whose area of operation is confined to Samastipur district only had been implementing the scheme since December 2006. After launching of the scheme the branches were advised to identify share cropper/tenant farmers, who did not have any access to formal credit, with the help of farmer clubs and Head of the Panchayats. No frill account holders were also encouraged to form JLGs. The branches organized meetings of the farmers and no frill account holders in their area of operation with the help of farmer clubs and panchayat and enlisted the share croppers/tenant farmers. 4-5 such enlisted farmers organized themselves in one JLG. JLGs were provided basic training regarding joint liability and terms and condition of loan. The Samastipur Gramin Bank financed them mini KCC. (It so named because it catered to share croppers/ tenants farmers, who were having generally very small piece of taken on lease or otherwise from landlords). JLGs members utilized the loan and had raised their income. Their recovery percentage was 94%. Seeing the success of JLGs of tenant farmers, the bank had also made innovation and formulated a Dairy Development Scheme named 'Swet Ganga' under which poor small/marginal/tenant farmers/rural poor were identified with the help of farmers club and panchayat and their JLGs were formed. Under Swet Ganga Scheme, a unit of 2 cross bred milch animals were provided to individual members of JLGs with group standing as guarantee and without any collateral. Marketing of milk were tagged with Milk Fedration. Swet Ganga scheme had an excellent impact on financial condition of clients.

The experience of the Swet Ganga Scheme was highly rewarding for the bank as they felt it initially a risky proposition but on implementation turned to be resounding success because of the following factors:

- i. Local farmer clubs and Panchayats were involved at each stage right from selection of entrepreneur to monitoring of utilization of the loan. Farmer Clubs were able to develop group dynamics in the group.
- ii. Tie-up with the local milk Union (Mithila Milk Union) which is a cooperative organisation for procuring milk for well-known Sudha Dairy in Bihar situated at Samastipur. The members of JLGs were selling their milk to the Union and getting regular payment from the Union. The payments were routed through SB a/c of the individual members. Each cow was generating an income of Rs.360-400 per day after deduction of expenditure farmers were getting approx Rs.200 per day. Thus, the bank was having no problem of recovery. The milk union was also providing veterinary services, cattle feed, vaccination and other necessary support. The assured forward and backward linkages viz. credit, veterinary services and hassle free marketing arrangement had yielded rich dividend and the JLGs with the active support of farmer clubs, bank and Milk Union proved highly successful.

The mini KCC scheme of the JLGs was also a success. Members were getting adequate and timely credit for which earlier they were deprived of. With the available credit they could be able to purchase quality inputs viz., seeds, fertilizer, pesticides, engage required labour, pay irrigation charges and they shifted to commercial cultivation which paid them handsome returns. The sale proceeds were routed through the KCC a/c and the bank had assured recovery. Local farmer clubs were involved at each stage which ensured close monitoring of JLGs.

Thus the success story of Samastipur Gramin Bank may be attributed to their excellent rural orientation which prompted them to form innovative scheme like 'Swet Ganga' and mini KCC. The involvement of farmer clubs and Panchayat for selection of clients, formation of group, nurturing of group and monitoring of loan was the reason for success. Other reasons were tie integrating no frill account holders into JLGs concept tie up for marketing of milks and pro-active role of Samastipur Gramin Bank.

9.2 : Replication of success factors in Samastipur to other areas

As narrated above the general success factors viz., pro-active role of Samastipur Gramin Bank, formation of activity based scheme, involvement of farmers club and panchayat, can be replicated in all areas by other Banks with banks' own initiative. The success story of the bank may be circulated to all banks and exposure visits of senior officers of other banks to see successful JLGs may be conducted by NABARD. Other Banks controlling office may adopt pro-active role in planning of JLG in branch plan, reviewing implementation and capacity building of staff.

For capacity building of staff regular training courses may be organized and exposure visits may be arranged so that they learn the good aspects of rural banking and unlearn the practices under traditional lending to adopt innovative way of thinking i.e. change in mindset. Once the staffs are fully equipped in rural banking, the formation of farmer clubs would be very easy.

9.3: Reasons for success of JLGs in the study area as indicated by Banks/NGO/MFI

During the course of study the response of stakeholders (bankers/NGOs/MFIs) was collected on reasons responsible for success of JLGs in the study area which is presented below in table 9.3.1

Table 9.3.1: Reasons for success of JLGs

Items	No. of respondent	Percent (%)
Awareness creation by farmer clubs and Panchayat without having any middle man	96	96.00%
Loan at low rate of interest	53	53.00%
Tenant farmers/oral lessee/landless labours have JLGs mode of financing only.	49	49.00%
Hassle free loan	42	42.00%
100 % utilization of loan	56	56.00%
Easy to form JLG in the area because people were mostly below poverty line	32	32.00%
High incidence of share cropping, absentee land lordism and high percentage of landless people	54	54.00%

Note: multiple responses from stakeholders

From the above table it may be observed that more than 50% of respondents had attributed two reasons i.e. the involvement of farmers club as motivators (96%) and low rate of interest for JLGs loan (53%) for the success of JLGs. Other reasons for success as per respondents were high incidence of sharecropper and absentee land lordism (54%), 100% utilization of loan due to peer monitoring (56%), hassle free loan (49%) and easy to form JLGs (32%). It may be concluded that the services of motivators like farmer clubs who successfully replaced the presence of middleman were most important factor for JLG success. But bank should ensure that credit should be adequate, timely, and cheap and hassle free. Regular monitoring system should also be placed to keep track of JLGs members.

The response of stake holders as to success factors tallied with the success factors witnessed by Samastipur Gramin Bank. This result demonstrated amply that there was need of credible intermediaries like farmer clubs and monitoring mechanism in close proximity to make the scheme a success.

9.4: Success Story

The three success stories pertaining to Samastipur Gramin Bank were as under:

9.4.1 SWET GANGA JLG SCHEME NAGARBASTI



Joint liability group formation and financing had helped in the development of dairy based livelihood among small and marginal farmers.

Branch Manager of Mathurapur (branch under Samastipur Gramin Bank) visited Nagarbasti village. This village was amongst one of the poorest village of the districts; where more than 90% farmers were small and marginal farmers. They were working as wage laborers in other farmers' field or as unskilled labourer in

Samastipur town. These farmers were briefed about JLG concepts with the help of Kisan Club and panchayat. They formed groups with the help of Local Kisan Club. These farmers were provided Rs. 46000 as loan for purchase of Holstein Friesian and Jersey cows under Swet Ganga Scheme. Virender Kumar, Girdhari Chaudhary, Permeshwar Shah, Rajesh Shah and Raj Kumar Ram started mini dairy at their own farm. Each cow started giving approx 15 to 18 liters milk. They collected this milk and sold the milk to Mithila Milk Union at their milk collection booth in the same village. Each cow could generate an income of Rs. 300-324 per day. After deduction of expenditure farmers were getting approx Rs.200 per day. Mithila Milk Union was a cooperative organization, which procured milk and send it to Sudha Dairy situated in Samastipur. These farmers were getting regular payment by Mithila Milk Union. Apart from this Mithila Milk union also provided veterinary services, cattle feed, vaccination and other support. JLG group members were repaying loan regularly to Mathurapur branch of Samastipur Gramin Bank. They had opened saving bank account in Mathurapur branch. The bank had also appointed business facilitators in the Nagarbasti village who facilitate these group members in opening of account and its operation. Thus the linkage between farmers, Kisan club, milk union and Samastipur Kshtriya Gramin Bank had helped in generation of livelihood of small and marginal farmers and improvement in their standard of living. It had also helped in quality milk supply to consumers through Sudha dairy. By seeing the impact many of the small and marginal farmers had started formation of JLG groups in Nagarbasti and nearby villages. It had helped in improvement of economy of the area.

9.4.2 SWET GANGA JLG SCHEME CHAKMEHSI

Chakmehsi Branch of Samastipur Gramin Bank was located in remote area, 30 Km away from district headquarter. This village was flood affected and there were no source of livelihood other than agriculture in the village.

Chakmehsi Branch had provided loan for 40 mini KCC and 18 Swet Ganga groups. Devendra Thakur of Chakmehsi is a small farmer. Due to drought and flood situation and remoteness of the market, he was dependent only on food crops cultivation. He was rearing local cow which was able to provide milk only for family consumption without any marketable surplus. When branch manager of Chakmehsi, SKGB called

meeting in the village regarding JLG (Swet Ganga) concept, people were eager to know about the scheme. He could convey farmers about Swet Ganga Scheme and its benefit. With the help of Kisaan Club and panchayat villagers started forming joint liability group for seeking loan for mini dairy. Initially they got loan of Rs.46000 for purchase of 2 improved variety of cows. They purchased Jersey and Holstein Friesian (HF cow). Milch cows which were providing milk at the rate of 15-18 liter per cow per day which was supplied to Mithila Milk Union. Farmers opened account in Chakmehsi Branch of SKGB. They were getting regular payment from Mithila Milk Union. Farmers started regularly repaying their loan and rest of the amount kept in their saving bank accounts. Mithila Milk Union also provided veterinary services, animal feed and other technical support to the dairy farmers. SKGB appointed a local business facilitator to open and operate the bank accounts. It helped in hassle free transaction with the banks. Farmers also started preparation of vermi compost which was utilized in their farm and also had great demand in local market. All the activities were hassle free and stake holders were co-operating each other due to their mutual benefit. Thus microfinancing under Swet Ganga scheme had provided sustainable income to the farmers. This model was sustainable for bankers as the repayment was regular and without much monitoring by banks as farmer clubs did the Job of monitoring.

9.4.3 CASE STUDY: MINI KCC



The farmers in the Khajolia village of Ghataho block were mostly landless and tenant farmers who depended upon land leased from other famers. They were not able to get credit from institutional sources like commercial banks and RRBs. Due to lack of collateral, banks were not recognizing them as potential clients. They were in clutches of money lenders which were charging very high rate of interest. Due to high cost of borrowing they were not able to invest in modern methods of cultivation

e.g. HYV seeds, fertilizers, pesticides and insecticides. Therefore, productivity of farm was at low ebb and they were hardly getting any profit after paying the rent to the landlords.

Ghataho branch manager of SKGB organized a meeting with Kisan Club about joint liability scheme. Under this scheme five tenant farmers joined together to form joint liability group and took loan from SKGB. Name of the tenant farmers, their identity and other KYC details were certified by headman of the village. According to tenant and landless farmers, JLG had become boon for them. With the help of local Kisan Club they formed JLG. Initially members were disbursed Rs.10000. They started using HYV seeds, fertilizers and irrigation. Initially they were raising only food crops and now they shifted towards vegetables. They received regular income as the duration of crop was small and marketability and price was good in local market. Sobha kant Choudhary, Ram Naresh Choudhary, Rampukar Choudhary of Khajolia village explained that due to JLG their income, standard of living and awareness had increased. They were paying loan installments regularly after meeting the other expenses. They wanted higher amount of loan for obtaining increased leased land and better packages and practices. They were also interested in forming the vegetables growers association for better bargaining power and more technical and financial help from government.

CHAPTER 10

CONCLUSIONS AND RECOMMENDATIONS

The objectives of the present study were to study the extent of coverage of joint liability groups in Bihar, important issues and problems in formation and financing JLGs, impact of JLGs to small and marginal farmers, agencies/intermediaries involved, reason for success of JLGs in other parts of country and in study areas and to suggest policy matrix.

Data were collected from Banks, mFIs, LDM, NABARD officials, and JLG clients financed by Samastipur and Madhya Bihar RRBs and mFIs. Total sample size was 300. Major findings and recommendations are as under: -

MAJOR FINDINGS:

- The geographical coverage of JLGs was in all the districts of Bihar. However, their major concentration were in Samastipur, Nalanda, Gaya, Rohtas, Kaimur, Bhojpur, Buxar, Sasaram, Darbhanga, Madhubani, Muzaffarpur, West Champaran, Vaishali, Purnea, Katihar and Siwan, Lakhisarai and Jamui districts.
- All 4 RRBs working in Bihar had participated in JLG financing. Except Canara Bank no other commercial bank participated under the programme. Cooperative Banks also did not participate. Coverage of RRBs under JLG financing had increased from 9007 (2280 JLGs) clients as on 31 March 2008 to 23945 (5749 JLGs) clients as on 31 March 2010. The growth of JLGs financing by RRBs during 2008-09 and 2009-10 was 228% and 24.5% respectively. 12 mFIs were financing under JLG mode in Bihar and they had covered 730014 clients from 111692 JLGs and disbursed loan of Rs. 75658. 13 lakh as on 31 March, 2010. It was observed that MFIs were the most suitable agency for propagation of JLG concept as compared to banks as their coverage far outweighed the coverage by banks both in terms of number of JLGs and loan amount disbursed.
- Banks preferred to finance individual members of JLGs owing to absence of group dynamics and peer pressure. Majority of loans were disbursed as short term loan

(crop loan) as most of the clients belonged to tenant farmers/oral lessees/ marginal farmers and needed crop loan only for raising crops.

- The activities financed/started by clients were agriculture/allied activities, small business, small transport operators and small manufacturing purposes. The financing to JLGs resulted into increased agriculture and other activities providing employment to rural unemployed/underemployed.
- Most of the clients engaged in agriculture under pre-credit situation changed their occupation. The change happened due to the opportunity given by JLG financing to agricultural labourers in starting their own enterprises which was not possible earlier.
- 79% clients financed were from lower social group which was a positive sign of JLGs outreach in the State.
- Samastipur Gramin Bank launched 'Swet Ganga Scheme for financing milch cattle to landless by forming JLGs through their farmer clubs and had financed 580 JLGs amounting to Rs. 167.30 lakh. It was observed that JLG innovation had succeeded in attaining its objectives of reaching to unreached sections of society.
- The average loan amount per borrower was Rs. 7605 and Rs. 10425 during 2008-09 and 2009-10. The average loan amount per borrower was highest in case of RRBs (Rs. 12583) followed by mFIs (Rs. 10425) and commercial bank (Rs. 7174) but was much below the RBI permissible limit of Rs. 50,000.
- Amongst RRBs the highest average loan amount was recorded in case of Samastipur Gramin Bank (Rs. 19395) followed by Uttar Bihar Gramin Bank (Rs 15,575), Bihar Kishetriya Gramin Bank (Rs. 6548) and Medhya Bihar Gramin Bank (Rs. 5984) but in some cases their average loan amount was far below the requirement. Under financing was observed in some of the banks. No viable micro-enterprises would be possible on the present loan amount. There was necessity to give serious thought on average loan amount by RRBs/Commercial banks and the same should be increased substantially. In case of mFIs, the inadequate availability of resource at their disposal was the major reason for low loan amount.

- Only 21.5% client's availed loan twice and only one beneficiary had taken thrice. This indicated that majority of the groups were new and some of the groups were disintegrating after availing of loan as group dynamics were not developed. Such situations were indicative of lack planned or methodical approach from the stakeholders which was so vital for their sustainability.
- The fixation of loan amount was tagged with cycle of loan. It should be according to purpose and requirement.
- mFIs recovery percentage under JLG financing was good ranging from 95% to 100%. It was due to constant persuasion and system of recovering dues in the structured group meetings. Due to structured meetings, handholding support and capacity building; group dynamics and peer pressure develop in JLGs financed by mFIs which delivered good recovery performance.
- The group dynamics, peer monitoring and peer pressure were not observed in majority of JLGs financed by RRBs and CBs. The recovery percentage of Commercial Bank (Canara Bank) was 91%. The recovery percentages of RRBs were not so encouraging and ranged between 62% to 94% during 2009-2010. The poorest recovery was of Madhya Bihar Gramin Bank at 62% and Bihar Gramin Bank (72%). The poor recovery was due to lack of methodical approach, viz., faulty system of identification of clients, under financing, not involving intermediaries like NGOs/Farmers club for handholding support, lack of capacity building of JLGs/own staff, failure in creating group dynamics and peer pressure, and lack of effective monitoring mechanism.
- Quality of assets had improved due to availability of adequate credit and regular monitoring of assets by group members. Activity based groups were successful. The Swet Ganga Scheme and Mini KCC scheme which were comprised of activity based groups formed by Samastipur Gramin Bank were highly successful.
- 94.0% of clients opined that their problem of getting credit was solved after formation of JLGs. This indicated that JLG mechanism provided them easy access to credit and improved services. But there was need to stop under financing and

increase average loan amount substantially to enable the clients to take up micro-enterprises at economic level.

- The study had revealed that lack of awareness about JLG amongst stake holders, lack of financial literacy, lack of cohesiveness in group, absence of allocation of JLG in PLP/DCP/Branch plan, lack of monitoring/review in BLBC/DLCC/SLBC/Banks meetings, lack of involvement of JLG promoting institution, lack of focussed attention at banks and govt. level, lack of regular meeting, lack of capacity building, irregularities in paying instalment, negative mindset of bankers and lack of availability of guidelines/documents at branch level were the major issues/problems in JLG formation and financing.
- Bankers/NGOs/MFIs/Government Department suggestions for up scaling JLG scheme in Bihar were massive awareness programme, wide publicity of scheme, capacity building of Bank Staff, making guidelines/documents available at branch level, pro active role of banks; NABARD and State Government, release of financial support for publicity, involvement of Co-operative sector and commercial banks, involvement of intermediaries like farmers clubs; Basudha Kendra, PACS, Milk producing Co-operative society and NGOs, use of BLBC/DLCC/SLBC for proper planning and review of JLGs financing and strengthening monitoring mechanism.
- Suggestions given by respondent clients for promotion of JLGs were capacity building, increase in loan amount, reducing rate of interest, providing insurance facility, help in marketing of produce, availability of quality inputs in time and providing remittance facilities.
- Majority of bankers/MFIs pointed that JLG financing had impacted positively the condition of clients. It had increased production, income and their standard of living etc. They shifted from subsistence level of farming to commercial farming. Use of HYV seed, fertilizer and irrigation had increased. The land taken for share cropping had also increased substantially.
- All the RRBs and rural branches of CBs were facing acute shortage of staff. Hence they were not in a position to devote more time in nurturing JLGs and their capacity building. Proper nurturing of JLGs, capacity building and developing faith amongst the members for

generating group dynamics, viz, peer selection, peer screening, peer monitoring and peer pressure in JLG, suffered due to non involvement of intermediaries. This work was not possible by banks staff and family/friends. Hence good intermediaries as suggested by NABARD may be roped in for formation, nurturing, credit linking and developing group dynamics. The intermediaries may be provided handholding support, support in credit linking, recovery and networking.

- Assistance for financial literacy, capacity building, formation of JLGs, recovery, handholding support and credit linking to the intermediaries should be raised to Rs.3500 per JLG from the present level of Rs.2000. NABARD may also consider to release the grant directly to intermediaries against firm commitment of banks for credit linking of JLGs formed by them. Besides intermediaries identified by NABARD, Basudha Kendra, Milk Producer Co-operative Society, Business correspondents, PACs could also be added as intermediaries.
- The successful JLGs in other parts of country were JLGs of CMC in Uttar Pradesh and Bihar, IDF as BC of SBI in Karnataka, Cooperative Department of Tamil Nadu State Government and JLGs financed in Assam.
- The reasons for their success were involvement of intermediaries for awareness creation, right selection of clients, formation of groups by peer selection, capacity building and nurturing of groups and regular meeting. Other factors were proactive State Govt's support, market linkages, technology support and well planned review and monitoring mechanism, etc. These factors were generally absent in Bihar.
- The JLG scheme was successful in Samastipur district of the state as they involved intermediaries like farmer clubs and Gram Panchayats in right selection of clients. The services of farmer clubs were available to groups and the branches of the banks from formation, nurturing, financing, till recovery of loans. Other reasons for success were integration of no frill account holders into JLG concept, formation of activity based group, marketing linkages with Milk federation and proactive role of Samastipur Gramin Bank.

RECOMMENDATIONS

- **Pro-active Role of State Government**

In order to make JLG programme a grand success in Bihar the State Govt's pro-active role is a pre-requisite. The State Govt. may utilize the services of its Co-operative Department and specially the Short Term Co-operative Credit Structure and together they can participate in the programme. The short term cooperative credit structure has 8463 Primary Agricultural Credit Societies (PACs) through which the programme may be launched for massive up scaling. If some of the DCCBs would be unable to finance PACs under their area of operation, the JLGs formed by PACS could be financed by the adjacent branches of CBs/RRBs as BC of the Bank. Both the Cooperative Banks and Commercial Banks hitherto were non-starter in the JLG programme and therefore, may utilize the services of PACS as their BCs. Besides Milk Producer Co-operative Society (6200 in number in state) may form JLGs of their members and can obtain loan for dairy cattle from CBs/RRBs/Co-operative with marketing tie-up arrangement with milk federation. State government should ensure that allocation for JLG financing is made in all the planning documents viz., State Focus Paper, State Banking plan, PLP, DCP and Branch plan. With active participation of the State Government in planning, review and monitoring of the progress of JLGs in Bihar through the instrumentalities of BLBC/DCC/SLBC meetings, JLG scheme could be scaled up. In order to upscale programme, massive capacity building programme was required to train the govt. staff. The State Government may consider to convene a special meeting of stakeholders and prepare a comprehensive strategy for up scaling of the programme.

- **Right selection of members of JLGs and formation of groups by involving intermediaries.**

No frill account holders into JLG concept would help in right selection of clients. The banks may take the help of intermediaries as suggested by NABARD for awareness

creation, right selection of members, formation of groups, their nurturing, capacity building, recovery etc. Suitable intermediaries in Bihar may be Farmer Clubs, Business Correspondents, Basudha Kendra, PACs, Milk producer Co-operative Society, retired bank officials, retired teachers in addition to the list of agencies mentioned in NABARD circular. They may also appoint above agencies as their Business correspondent who could implement the programme at village level. Involvement of the intermediaries would be instrumental in capacity building, formation and nurturing of JLGs thereby inducing group dynamics which were lacking in JLGs in Bihar.

- **Capacity building of groups to develop group dynamics**

The intermediaries so appointed may organize pre-formation awareness programme to inculcate the concept of joint liability, peer selection, peer screening, peer pressure and selection of leader by rotation etc. After formation of groups by peer selection/peer screening the groups should be made to understand the term and conditions of loan, system and procedure followed by banks, group dynamics etc.

- **Regular meetings of groups and transacting business in the meeting:**

Concept of regular meeting at least at monthly interval may be introduced in JLG financing. The group meetings must be held on fixed time, date and place. The intermediaries should guide them in conducting proceeding during the meeting. All transactions pertaining to the group should be completed in group meetings only. The bankers concerned should also occasionally meet the groups in such meetings to maintain close proximity and have regular feedback.

- **Increasing loan amount per borrower**

Loan amount should be determined according to the purpose and requirement of the individual member or group (if group activity). The RBI has fixed the loan amount limit per borrower at Rs. 50,000. The bankers in Bihar had adopted a cautious approach in giving loan and not considered the actual needs leading to under financing which pushed them to go for other informal but exorbitant sources. The

banker should be very vigilant in assessment of loan requirement ensuring adequate financing.

It was also observed that after first cycle of loan the majority of JLGs were not given second cycle of loan. The bankers should train their staff that JLG was not one time programme but ongoing process and all members of the groups should be spelt out clearly that they were their permanent customers and their relationship would continue.

- **Pro active Role of NABARD**

The role of NABARD in propagating and up scaling of the programme is of paramount importance. Like SBL programme NABARD should launch a massive campaign to ground JLG programme. NABARD along with the State Govt. may formulate a long term strategy for up scaling of the programme. From the field study the missing links necessary for spread of the programme were-lack of capacity building of both JLG members and staff of the banks, lack of involvement of good intermediaries, non-participation of CBs/Co-op banks, lack of financial support to intermediaries, lack of awareness among stakeholders etc. These all needed massive intervention from NABARD. Incorporation of the JLG programme in state focus paper, state credit plan, PLPs, DCPs, Branch plan was very much warranted. Many bankers were not aware regarding the support available from NABARD for formation, capacity building and publicity. No bank has availed this facility as yet. Financial support to mFIs/NGOs may be adequately provided by NABARD. There was need to raise limit of assistance of Rs. 2000/- to Rs. 3500/- per JLGs. NABARD may also consider to release grant to intermediaries directly against the firm commitment of banks for credit linking of JLGs formed.

- **Pro-active Role of Banks**

All banks may adopt the programme in their corporate plan and branch plan. Bank staff may be suitably trained so that they understand the business opportunity available under JLG programme. Suitable training modules may be developed for their staff so that they may treat the stakeholders/rural clients as their partners. Banker's active role was required for awareness creation, capacity building, financing

of JLGs, involvement of intermediaries, ensuring suitable allocation in Branch plan, regular review of implementation, making available guidelines and documents to branches. Banks may also activate their LDM for ensuring planning in DCP and regular review in BLBC/DLCC, SLBC etc. Pro active review of the scheme at various forum by controlling office of banks would help in up scaling the programmeme.

As per RBI's instructions banks have opened 'no frill accounts' in large number in rural areas to give boost to financial inclusion but only opening of account is no remedy. In order to ensure effective financial inclusion mobilisation of such account holders under JLG fold may be explored by banks. Given staff constraints the banks may utilise the services of credible intermediaries as business correspondents for the purpose.

- **Role of DDMs/LDMs**

The role of these two functionaries are very vital in up scaling JLGs programmeme NABARD/RBI may instruct these two functionaries to play their designated role in spreading the JLG movement in a meaningful manner. The PLP prepared by the DDMs, and DCP prepared by the LDMs may incorporate JLG programme. Regular review and monitoring of the programme in BLBC/DCC meetings may be ensured by DDMs/LDMs. DDMs/LDMs may from time to time organize awareness programmemes/workshops in the district for creating awareness regarding the programmeme.

- **Strong Monitoring Mechanism**

Banks should also ensure strong monitoring mechanism to avoid any slippage in the programmeme.

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