“GAON BADHE TO DESH BADHE”: A STUDY ON JOINT LIABILITY GROUPS (JLG) IN NORTH GUJARAT INITIATED BY NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

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ABSTRACT

“To argue that banking cannot be done with poor because they do not have collateral is the same as arguing that man cannot fly because they do not have wings”- Muhammad Yunus

In our country there are Lakhs of small / marginal / tenant farmers, oral lessees and share croppers, as also entrepreneurs engaged in various non-farm activities. The biggest hurdle they face is of availing loan from banks. Planning Commission sub group on innovative finance and micro finance also observed that these farmers do not have clean title to land and in the absence of title they are not in the position to produce collateral for availing bank loan. NABARD has started the concept of joint liability group in 2004-05 as a pilot project in 8 states of India including Gujarat. This paper intends to bring out the level of success this initiative of NABARD has obtained in Gujarat state, with the help of brief case studies it has been tried to understand the response of villagers in Gujarat towards JLG initiative of NABARD. This study has been undertaken in Mehsana and Ahmedabad districts of Gujarat and in these two districts three villages were being undertaken for study.

Key Words: Joint Liability Groups (JLG), Micro finance, Success of JLG, JLG in Gujarat state

1. Introduction

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

If we consider a typical village then one basic feature which has made joint liability group lending possible to exist is that potential borrowers are socially connected and live in an informational permissive environment, where they know themselves and each other well. The only hindering factor is that they lack access to formal credit system because lenders have little means of screening clients, monitoring the use of funds or enforcing payment.
In recent years many organizations have started group lending scheme to provide loan to the poor individuals, in case of group lending the lender is passing the screening, monitoring and enforcement of loans to the peers. When an informal group of borrowers gets formed in which the members of groups take guarantee of each other also reduces the uncertainty on the part of lender organization because borrowers might not be having collateral to put so in case any borrower fails to repay the loan then lender institution may seize his property which could be of very less worth to settle loan amount, but since members of joint group take responsibility of one another certain psychological factors play an important role here like loss of goodwill in the group if a particular member fails to repay the amount, spoiling of relations, etc. studies have found that cultural similarity and geographic concentration lead to improved group lending outcome.

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.

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.

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 14000 JLGs have been financed by various Gramin Banks in Bihar till 31 March 2013. 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, 15,000 JLGs as on 31st March 2013.

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).

In a bid to expedite the implementation of Financial Inclusion Plan (FIP) in Gujarat, the National Bank for Agriculture and Rural Development (NABARD) has set ambitious targets to penetrate financial service in the rural regions in the state. Its Aim is to make credits available to the land-less farmers or marginal farmers. As they would not have collateral to avail credits, they are asked to form a voluntary group and give mutual guarantee. Banks can leverage on this mutual guarantee as it acts as a collateral substitute. In the current year NABARD aims to add around 2000-3000 JLGs in the state. Nabard would link up with the Regional Rural Banks (RRBs), commercial banks and non-governmental organizations (NGOs) to identify such farmers and present them as a group. It also plans to bring in agricultural credit cooperative societies to increase the volumes of small-time credits. Further, Nabard also plans to increase the presence of Farmer’s Clubs (FCs) in the state. At present, there are about 5000 FCs in Gujarat, of which about 3000 are believed to be active.

2. Research Methodology

2.1 Research Objectives:

i) The main objective of this research was to explore and understand the concept of Joint Liability groups (JLG) in Gujarat State

ii) To understand the perception of people towards the JLG initiative of NABARD

iii) To understand what is the feedback of beneficiaries under JLG lending scheme

iv) To present testimonials/ cases of those JLG’s who have received loans under this scheme

v) To identify the loopholes of this scheme if any

vi) To understand the pattern of distribution i.e. how loan amount which is being approved and released by NABARD reaches to the JLG which has applied for the loan at village level.

2.2 Scope of the Study

i) This study has been undertaken in Gujarat State with Two Districts and Three Villages were being covered to collect the information. Ahmedabad and Mehsana were the districts which were taken into consideration for study and two villages vis Umrecha and Akhaj villages were taken for study in Mehsana District and Joshipura Village was taken for study in Ahmedabad District

ii) In the three villages which were taken for study, 5 joint liability groups were being studied and the 5 JLG were (1) Taar ni Vaad (Wire Fencing) (2) Amrud Ni Vaadi (Guava Farming) (3) Nimbu Ni Vaadi (Lemon Plantation) (4) Mahila Gruh Udyog (Women self-help group) (5)
Yuvak Mandal (Youth liability Group)

2.3 Data Collection Sources

1) Primary Data: Primary data was being collected through personal interviews and Focus groups from the members of joint liability groups
2) Secondary Data: Secondary data was being collected by referring following sources
   i) Documentary on JLG prepared by NABARD
   ii) Secondary sources like newspapers, agricultural magazines, research papers, articles etc.
   iii) Website of NABARD
   iv) Reports from Ministry of Agriculture and Rural Development (Government of India)
   v) Initial research documents of 24 Alphabets Production (Documentary Film Maker), Ahmedabad

2.4 Research Design

➢ This study is synthesis of both basic research designs vis Exploratory and Descriptive

2.5 Sampling

i) Sample Size: There were 40 respondents in 5 joint liability groups
ii) Sampling Unit: Members of Joint Liability Group (JLG)
iii) Sampling Technique: Non Probability Sampling Technique with Purposive/Judgement sampling was being used to undertake this study. Since only those people were being taken as respondent who were the members of joint liability groups.

2.6 Research Approach/Methods of Data Collection

- To collect information from respondents Personal Interview method was being used and Group Discussions were being conducted among each Joint Liability Group (JLG)

2.7 Limitation of the study

i) This study was limited to Members of Joint Liability Group only we could have studied the perception of people who are not a part of any JLG or the factors which hinder people in forming JLG.
ii) Since respondents and JLG’s were selected on the basis of recommendations from NABARD so the limitations of biasness can be present in the study
iii) This study is more of a qualitative study thus it is also a limitation of not using any quantitative tools and techniques for analysis purpose
iv) This study is not based on any assumptions/ hypotheses which have been tested; this study is more focused on describing the evolving concept and its current position in a way it has taken place.

This study leads to the foundation for further research scope in this area where in a researcher can utilize quantitative tools and techniques to justify his/her hypothesis by taking a large sample size and also by covering more JLGs in various geographical areas.
3. Discussions

3.1 Taar Ni Vaad (A Joint liability group from Umrecha village in Mehsana District)

According to Mr. P.P. Patel (Branch Manager- Dena Gramin Bank) “in the month of march- April when we go to the farmers for recovery of loan installment in majority of the cases we get only one reply that is inability of farmers to repay loan because 50% of crop has been destroyed by wild animals like pigs, deers and wild buffalos. In order to overcome this issue we formed a group of 20 farmers and gave those 7, 50,000/- loan under joint liability group scheme. NABARD paid the bank 2000/- per member of the group under this scheme. Parthi bhai chowdhary and other 19 villagers formed this JLG to protect their crops from wild animals and cattles. The purpose of forming this JLG was to secure the boundaries of the farms by putting a wire fencing around it. In the words of Parthi Bhai (“NABARD na Saheb aavi ne JLG vishe samjhai gaya ane ame badha mali ne aa group banavyu”) that means NABARD officer explained us regarding JLG scheme and we formed this group. 20 members of this group decided to avail loan from bank to put wire fencing around the boundaries of their farms and took liability of each other. In the words of Vishnu bhai from Umrecha village in Mehsana district “ before we put this wire fencing wild animals and cattles used to destroy our 40 to 50% crop but now because of wire fencing our crop is protected from animals we are getting 70% profit from our crops. Another member of this JLG Mr. Hemrajbhai explains that before forming this group our per head expenses were more i.e. say suppose if a farmer used to bear 100/- individually for some work now he has to bear 70/- for the same work if that work has been done by forming joint liability group.

Other members of this JLG like vela bhai and sailesh bhai are also of the view that after putting this wire fencing under this scheme we are getting benefits out of it because joint liability group scheme is promoting unity among the people of same interest or facing same problem and as the famous saying goes “Sump tyaan Jump” (Unity is Strength).

3.2 Amrud ane Limbu Ni Vaadi (Guava and Lemon Plantation Joint liability group) Akhaj village, Mehsana district

Mr. D.I. Patel (Branch Manager, Dena Gramin Bank, Akhaj, Mehsana) feels satisfied when he says that “by keeping in mind the importance of rural development we have done a good work in terms of giving loans to the farmers under joint liability group scheme. Till date we have granted loans to about 68 JLG in this village, every JLG has been granted with loan amount of 2,00,000/- each and these groups are repaying their loan installments on time. JLG scheme has made easy for them to avail loans and their living standard has also improved”

Akhaj village in Mehsana district of Gujarat has suitable geographic and climatic conditions for the production of fruits like guava, berry, and lemon. Landless farmers take contract from the garden owners of these fruits to take care of the production; in return they get some pre decided return as per the contract.
In the words of Dahya Bhai one of the member of JLG “previously we were facing difficulties in availing bank loan because we had no collateral to offer but now after forming JLG we have availed loan and to a certain extent our living standard has also improved”

Another member says that “when this JLG scheme was not there we used to avail loans from Mehsana district at 3% interest per month but under JLG we can get loan from bank at 4% interest for 12 months which has led to a better and convenient life for us”

Jamuna Ben who is member of a JLG which has 5 members is of the view that “After we decided to become a group and take liability of each other our hurdle of availing finance from the formal financial system has been reduced, before 2 years we had 100 lemon trees as part of our contract with garden owner to take care of but now since we have financial facility this year we have 250 trees of lemon to take care and this way we are now in a position to have more production and ultimately more profit for us”

3.3 Mahila Gruh Udyog (Joint Liability Group from Joshipura Village, Ahmedabad District)

“We met to Mr. Dinkar Bhai of Seva Sahkari Mandali (co-operative society) and he helped us in availing loan of 50,000/-, we opened a bank account with that money and distributed 10,000/- each among five females of this group. We started our own business of making papad with the help of that money” says Dipika Ben who is one member of Joint Liability group which has been formed by females of Joshipura village in Ahmedabad District.

Dipika Ben continues that “After availing loan from bank we bought necessary equipments to produce Papad and other snakes, we started to sell in our locality and slowly and gradually we are in a position to assist our family in terms of their financial needs and our monthly income has been enhanced for better livelihood”

3.4 Yuvak Mandal (youth liability group, Joshipura village, Ahmedabad district)

“We are in total five members in this group; we have our bank account in Ahmedabad District Co-operative Bank (ADC) viramgam branch. From ADC bank we have received loan of 50,000/- through our village co-operative society. Till now we were availing loans from land owners and local zamidars at a higher interest rate but this time under JLG scheme of NABARD we have availed loan on easy terms and also relatively less interest rate. With the help of loan amount we have purchased agricultural equipments and pesticides in order to increase the productivity of land.

Whatever we produce we have to give 33% of total production to the land owner and rest remains with us, since land owner is giving his land to us and we are cultivating it the burden of expenses related to the cultivation, taking care, and harvest lies on our shoulders” says Hardik Bhatt, one of the member of Youth group, A joint liability group.

Mr. Dinkar Bhatt (Secretary of Joshipura co-operative society, Ahmedabad district) says that “our co-operative society has paid 10% dividend to its members since last many years, we have granted loan of 2.5 crores till date, apart from this under JLG scheme of NABARD we have granted loan to 3 JLG”

According to Mr. Jayanti bhai Patel (Senior Manager, Agriculture Department, ADC Bank) “our bank is working with a mission
of establishing at least 1000 Joint liability groups in Ahmedabad District therefore we are reaching to more and more villages in order to explain the co-operative societies and the farmers about the benefits of JLG scheme.

4. Conclusion

Government of India has welcomed the initiative of NABARD and in the union budget of 2015-16 it has been appealed that banks should finance about 5 lakh Joint liability groups in near future. Reserve bank of India (RBI) has also issued instructions to all the banks regarding promotion of joint liability group scheme so that marginal and land less farmers, laborers, oral lessees, share croppers etc. can be included in the formal financial and credit system. Even RBI has focused on an important thing in which it instructs to the banks that if any Self Help Group (SHG) is unable to meet its financial requirements then the members of the group can form a separate joint liability group (JLG) and this group can avail loan from banks.

It is to be noted that in Gujarat state around 25000 JLG have received loan from banks till the end of 2014. This scheme of NABARD can be executed by banks on their own, through NGO’s banks can form JLG’s and those JLG’s can be financed by banks.

REFERENCES


