

**Project for Sustainable Catchment Forest Management in Tripura (SCATFORM)**

**OPERATIONAL GUIDELINE OF JOINT LIABILITY GROUPS**

**Project Management Unit**

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**INTRODUCTION:**

Financing of Joint Liability Groups (JLGs) was introduced as a pilot project in 2004-05 by NABARD in 8 States with the support of 13 RRBs. The scheme was later mainstreamed for the banking system in the year 2006. JLGs are informal groups of 4-10 members who are engaged in similar economic activities and who are willing to jointly undertake to repay the loans taken by the Group from the Banks. JLGs basically are Credit groups of small/marginal/tenant farmers/ asset less poor who do not have proper title of their farmland.

In SCATFORM two types of activities are undertaken by JLGs: 1) agroforestry-based activities, 2) primary/simple-processing by trained artisans.

JLG is on a similar pattern of SHG (Self Help Groups) where NABARD provides refinance facility to banks for providing loans to small and marginal farmers.

**Difference between SHG and JLG**

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| **Sl. No** | **Particulars** | **Self Help Group (SHG)** | **Joint Liability Group (JLG)** |
| 1 | Meaning | A formal structure with proper hierarchy like president, Secretary, Treasurer etc. | An informal group of individual from the same socio-economic background who seek loan for business |
| 2 | Number of member | 10-15 members | 4-10 members |
| 3 | Composition of member | Only woman member | Both Male and Female |
| 4 | General Characteristic of members | Villagers who seek opportunity of income generation and financial support for daily spending.  Must be a member of JFMC | RoFR land holders (in case of Agroforestry development) interested Villagers in Primary processing work (Artisans).  Must be a member of JFMC |
| 5 | Characteristic of loan | Consumption, income generation and community development | Loan are offered only for income generating activity |
| 6 | Savings | Regular saving and operation of internal lending for 6 months by members | Being a credit based model, saving don’t have any effect on the process |
| 7 | Disbursement of loan | Eligible for loans from financial institution only after 6 months. | Eligible for microloans from the very next week of the formation. |

1. **GENERAL CHARACTERISTICS OF JLG:**

FEATURES OF JLG:

1. Members should have a common activity.
2. Members need not to have a land title.
3. Members should be of the same village.
4. Only One member of a family can become a member of JLGs.
5. Members should not be a defaulter of bank loan.
6. Member should hold regular meetings.

MAJOR OBJECTIVES OF JLG:

1. Form a group of households who are interested in undertaking common activities for IGAs (primary/simple processing) and land rehabilitation (agroforestry on RoFR land)
2. Involve households in IGA and forest rehabilitation
3. Seek fund support from nationalized banks/funding agencies

ADVANTAGES OF JLG:

1) Collateral free credit to tenant farmers, share croppers, oral lessees, small farmers etc.

2) Hassel free credit with minimum formalities.

3) Higher amount of credit not linked to savings.

4) Reduction in transaction cost for both bankers and farmers.

1. **MEMBER DETAILS OF JLG:**

CRITERIA FOR MEMBERSHIP OF JLG:

1. The members of JLG should be from same JFMC group and should know and trust each other well enough to take up joint liability group/group loan.
2. Member should belong to similar socio-economic status and should agree to function as a joint liability group. This way the group would be homogeneous and organized by likeminded farmers/ individuals and have mutual trust and respect.
3. Members who have defaulted to any other formal financial institution and continuing as defaulters will not be allowed to become a member of the group.
4. More than one person from same family should not be included in same JLG.

WHO CAN FORM JLG:

Generally it has been seen that JLG formed by Banks, Financial institution, NGOs, Primary Agriculture Cooperative Society (PACS), Krishi Vigyan Kendres (KVKs), Corporate, Research institutions, Educational institutions etc.

In case of Tripura JICA Project (SCATFORM), JLG will be formed by Livelihood Coordinators (LCs) or Community Organizers (COs) or Field Facilitators (FFs) with consultation of Beat Officers and JFMC members in a particular Beat. However, JLG will be form only in those areas where agroforestry component implemented.

BASIC INSTITUTIONAL STRUCTURE:

1. A JLG will have defined institutional structure:
2. A Committee selected/elected among the members and
3. General members.
4. The Committee will comprise of Beat Officer as Member Secretary, Group Leader, Assistant Group Leader (optional) and Treasurer as Office Bearers with defined roles and responsibilities.
5. For the initial two years Beat Officer provides managerial/administrative and other support and after that someone from JLG should become Secretary to ensure sustainability.
6. RMU shall monitor the functioning of JLG regularly with assistance from Community Organizers.

ROLES AND RESPONSIBILITY OF MEMBERS JLG:

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| --- | --- | --- |
| **Sl.no** | **Designation** | **Responsibilities** |
| 1 | Member Secretary | To organize monthly, quarterly and annual meeting, annual plan and need based project proposal preparation and submit to appropriate authority for funding, monitoring of overall functions of JLGs and other administrative activities, etc. |
| 2 | Group Leader | To look after the day to day activities of JLGs and assisting to Member Secretary in organizing meetings, preparation of annual plan of actions and projects, etc. |
| 3 | Assistant Group Leader (optional) | To provide assistance to Group Leader in various JLG related day to day activities, etc. |
| 4 | Treasurer (Office Bearer) | All the financial records of JLGs will be maintained by Treasure and will conduct social audit time to time (half yearly). |
| 5 | Members | Members will participate in the meetings organized by Member Secretary and Group Leader. They shall participate in the preparation of annual plan and need based proposal preparation activities. Implementation of project activities shall be done by each members of JLGs. |

MEETINGS OF THE JLG MEMBERS:

The JLG should hold regular meetings which must be attended by all the members regularly to discuss issues of mutual interests.

The principles of self - help and group strength need to be emphasised. Group cohesion has to be ensured. Adequate emphasis should be placed on the roles, expectations and functions of the group/ members & the benefits of group dynamics.

SAVINGS OF THE JLG MEMBERS**:**

JLG members need to be encouraged to save regularly. PSB/RRB/Cooperative Bank may open one common savings account for the members of the JLG to promote savings and thrift habit amongst them. This account shall be operated by two members of the group as decided through a resolution by the JLG. However, the quantum of loan to be given to the groups should be related to their credit needs and not on the quantum of savings.

1. **FINANCIAL SUPPORT TO JLG:**

PROCESS TO BE UNDERTAKEN FOR IGA FOR A JLG:

Following process shall be undertaken for IGA for a JLG:

1. Selection of interested members who are from a group and willing to work together for the formation of JLG.
2. Identification of suitable natural resources (RoFR land, water, NTFP) available in the village and available skill/Knowledge among JLG members about the particular activity.
3. Identification and collaboration for convergence opportunity with line departments and institutions for technical, financial and capacity building support.
4. Study and exploration of potential of local/regional/domestic marketing potential of the produce.
5. Feasibility analysis of the IGA from technical, social, economic and environmental point of view.
6. Business plan development by JLG and approval by the committee/RMU
7. Development of benefit sharing mechanism among members.
8. Establishing linkages with Crafts and More for technical, packaging and marketing support.
9. Linkage with Larger Producer Organization (to be formed by group JLGs producing similar produce) for mechanized/improved value addition.

Suggestive rating norms for financing Joint Liability Groups (JLGs) before applying loan from the Bank to be done by the Range officer as per the format enclosed in **Annexure-**

DOCUMENT REQUIRED BY BANK FOR JLG:

1. KYC

ii) Loan Application

iii) Inter-se agreement

iv) Detailed Project Report (DPN)

CREDIT ASSESSMENT OF JLG:

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| **Sl. No** | **Model A** | **Model B** |
| 1 | Financing individual in the group | Financing the group. JLG to function as one borrowing unit. |
| 2 | All members to execute one inter-se document making each one jointly and severally liable for repayment. | JLG eligible for acquiring one loan |
| 3 | Financing bank to assess credit requirement. | If the member wants to save, SB A/c can be opened in the name of the JLG. |
| 4 | Mutual agreement & consensus among member on the quantum of loan | All member to execute one inter-se document making each one jointly & severally liable for repayment. |

LOAN LIMIT:

Since loans are granted against the mutual guarantee offered by the group, maximum amount of loan is usually restricted to Rs. 50,000 per individual both under both the models.

JLG FINANCING FOR CROP LOANS:

1. Each JLG should function as one borrowing unit. The group would be eligible for accessing one crop loan through one loan account, which shall be the combined credit requirement of all its members.
2. The crop loans shall be sanctioned in favour of the group after making an assessment of individual requirement and scale of finance. However, the disbursement shall be made to individual members.
3. The due date of the loan shall be one year from the date of advance.
4. On repayment, there shall be an increase in the credit limit by 25% each year. To illustrate, if a Group is provided with a limit of Rs.50,000/- during the first year, on repayment, the second year eligibility will be Rs.62,500/- and the third year eligibility will be Rs.78,125/-.
5. Similarly, 25% increase in the loan limit will be given to the existing JLGs if they repay and seek credit for the subsequent years.
6. The limit sanctioned in favour of the Group, in the above mentioned manner, shall be valid for a period of three years.

JOINT LIABILITY AGREEMENT BETWEEN THE MEMBERS OF THE GROUP:

The Group members shall enter into an inter-se agreement among themselves to provide mutual guarantee to each other for the loans availed by the Group in the agreement format enclosed at **Annexure I-**.

CREDIT APPRAISAL

The JFMC shall conduct a thorough credit appraisal with the help of the Beat Officer and Field Account (FA)/Asst. Field Account (AFA) to avoid under or over-financing. The finance to JLG is expected to be a flexible credit product addressing the credit requirements of its members for crop production. All other norms of financing, including rate of interest, margin on security, documentation may be followed by the JFMCs, Beat Officer and RDA as per its regular norms.

RATE OF INTEREST ON THE LOANS ADVANCED TO THE JLGS

Crop loans up to Rs.50,000/- advanced to the each member of the Group shall be made available at the effective rate of interest of 1%.

**CAPACITY BUILDING AND MONITORING OF JLG:**

TRAINING OF JLG:

Three types of training are proposed for JLGs. They are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S**  **l**  **No** | **Type of training** | **Name of training** | **Content of training** | **Participants** | **Organized by:** |
| 1 | Type- I | Organizational Management and Accounting | 1. Role and responsibility of office bearer. 2. Record keeping/ data management, accounting, inventorization, etc 3. Communication, networking and conflict resolution | SDFO/ Range Officer/ Beat Officer/ LCs/ COs/ FFs/ JLG members | Training shall be initially organized at SDMU level for the selected products which shows potentials of successful business. PMC shall assist PMU and RMU for planning, operaionalization and organizing training programs. |
| 2 | Type- II | Skill Development/ Technical Training | 1. Awareness training of JLG 2. Specialized training on IGAs and agroforestry for planning, production/processing, product management, value addition, hygiene maintenance and safety. 3. Technical training and awareness programme on selected activity and skill requirement. |
| 3 | Type-III | Marketing | 1. Marketing technique and information sharing at local/regional and other market regarding NTFP and agroforestry products |

Monitoring and Review:

1. The JLGs through peer pressure ensure loan utilization and timely repayment. The JFMC leaders, Beat Officer and FA/AFA shall hold all members liable in case of default.
2. The JFMC leaders, Beat Officer and FA/AFA shall maintain harmonious relations and continuous close contact and relationship with the JLG leader and other members so as to convert them into good reliable customers.
3. The JFMC leaders, Beat Officer and FA/AFA shall continuously monitor and supervise the activities of the JLGs including organization, credit linkage, recovery, capacity building etc.

Monthly Progress Reports:

The Range Officer will submit the consolidated report in the prescribed proforma at **Annexure II-** to the CEO&PD through DMU Chief for State Level Review and also District wise progress under Financing of JLGs at Annexure III.

These guidelines may be circulated to the field functionaries for compliance.

**Annexure- I**

**Inter-se *Agreement to be executed by* the *Members of* the *Joint Liability Group***

This Agreement made, this ... .................... day of .......... .............. 20......

Between

1. Shri/Smt./Kum./....................................... ......... ........................ Son/Wife/ Daughter of ... ... ... ......... ... .............. ......... ....... aged... ... ...... years, residing at .... . .... ...

and

2. Shri/Smt./ Kum./... ... ... ... . . . ... ... .......... ......... ...... ...... ...... ............. Son/ Wife/

Daughter of ... ... ...... ... ........... ......... ... ... aged ………………. years, residing at ... ......... ...... ......

and

3. Shri/ Smt./ Kum./... ... ... ... ... ... ... ... ............ ............................ ... ...... Son/Wife/

Daughter of ................................ aged ……………… years, residing at ......... ...... ...... ....

and

4. Shri/Smt./Kum./……………………………………………………………… Son/Wife/

Daughter of ... ............................................ aged................years, residing at ......... ......... ... ...... .....

and

5. Shri/ Smt./ Kum./... ...... ...... ...................... ..................... .............Son/Wife/

Daughter of ... .............. ........... ..........., aged....... ….years, residing at......... ......... ...... ... .

who are members of the ... ................. ........ Group, hereinafter referred to collectively as “The Joint Liability Group (JLG) Members,” which expression shall, unless repugnant to the context of meaning include Very member of the said JLG and their respective legal heirs, executors and administrators.

Whereas, all JLG members are residents of ........................................................................................................................ JFMC in ………………………………………………………. Beat of ……………………………………………….

Range , in the District ... .............................. of Tripura State and are known to each other.

Now, therefore, this agreement witnessed that

1. Each member shall strive for the success of the JLG and shall not act in any manner detrimental to the business interest of the JLG .
2. The JLG members shall be jointly and severally liable for all the debts of the JLG.
3. All assets and goods acquired by the JLG shall be in the joint ownership of all the members of the JLG and shall ordinarily be in the constructive custody of such members as may be authorized by the Group and shall be kept at the place of business at ...... ...... ... ..... which shall not be changed without consent of the JLG members.
4. The JLG members hereby duly elect and appoint Shri/ Smt./ Kum ... ......... .............. ...... ........... ......... ........... as Group Leader and Shri/Smt/Kum……………………………………… as to look after and manage the day to day affairs of the JLG’s activities and also act in their name and on their behalf in all matters relating thereto. The Group Leader, however, be removed at any time by majority vote of the members, and new Group Leader elected.
5. Each of the JLG members hereby agrees to abide by and rectify all such acts, deeds and things as the authorized representatives may do in the interest of the said activities.
6. The JLG members hereby specifically authorize the Group Leader and Treasurer :
   1. To keep or cause to be kept proper books of accounts of the savings made by the JLG members, loans granted to them and the recoveries made from them and render every year the full accounts to the JLG members for their approval and adoption.
   2. To receive all payments due to the JLG and issue requisite receipts or acknowledgments for and on behalf of the JLG.
   3. To institute and defend on behalf of the JLG members any legal proceedings and safeguard the interest of each member of the said JLG and for this purpose engage or disengage any lawyer or advocate or agent and incur the necessary legal expenses therewith.
7. In the event of death of any of the members of the JLG his/her legal heirs shall be entitled for the benefits and be liable for the obligations of the deceased member under this agreement.
8. It is agreed that no new person shall be inducted as a member of the JLG without consent of all the existing members.

In witness whereof the aforesaid members of the JLG have set their respective hands hereunto at the place..................................... and on ................................ day of

...... ... …………… month...... ... ............ year must herein appearing.

|  |  |
| --- | --- |
| Name of the members | Signature **/ Thumb impression** |
| 1) |  |
| 2) |  |
| 3) |  |
| 4) |  |
| 5) |  |

Witness :

|  |  |
| --- | --- |
| Name | **Signature / Thumb impression** |
| 1) |  |
| 2) |  |

**Annex II**

**Suggested rating norms for financing Joint Liability Groups (JLGs) to be done by the Range Officer**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Sl.**  **No.** | **Parameter** | **Means of Measurement** | **Maximum Mark per Parameter** | **Performance** | **Value (Marks)** | **Marks obtained** |
| 1 | Group Size and composition of group | Interview with the group | 3 | Size - 4 to 10 members | 1 |  |
| Homogeneous (Similar economic condition / livelihoods) | 1 |  |
| Located with close proximity to each other | 1 |  |
| 2 | Availability of support from specific agency / association | Discussion with the group | 1 | Support available and screening of individual members done before formation of JLGs | 1 |  |
| 3 | Knowledge of JLG functioning or has received training on JLGs | Interaction with group members / profile of members / promoter JLGPI\* | 1 | Received training on JLG functioning / has knowledge about JLG | 1 |  |
| 4 | Potential for proposed activity and skills of the group members | Interaction with the group | 2 | Activities have potential and members have adequate skills | 2 |  |
| Activities have potential but members do not have adequate skill | 1 |  |
| 5 | Viability of investment to be made by JLG / members | Interaction with the group | 2 | Proposed investment financially viable | 2 |  |
| 6 | Monitoring JLGs through FF / LC/CO after credit linkage with bank | Discussion with banker | 1 | Available | 1 |  |
|  | **TOTAL** |  | **10** |  |  |  |

**Annex III**

**Format for reporting District wise progress under Financing of JLGs**

Name of the financing Bank:

Progress as on end of month

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (Rs. lakh) | | | | | | | | | |
| **Sl.**  **No.** | **District** | **Range** | **JFMC** | **No. of JLGs financed during the month** | | **Loan disbursed to JLGs during the year** | | **Loan Outstanding** | |
|  | |  | |  | |
| **Farm based** | **Total** | **Farm based** | **Total** | **No. of JLGs** | **Amount** |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |