

## DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR.

Letter No. VI (I) 44/2009 3793<sup>(16)</sup>/Audit-8 Dated: 23/06/18

To

The Assistant A.G.C.S of Circles.

Sub: Operational guidelines for formation and credit linkage of Joint Liability Groups to avail Crop loans.

Madam/Sir,

Please find herewith enclosed the operational guidelines for formation and credit linkage of Joint Liability Groups to avail Crop Loans as formulated by Government in Cooperation Department Letter No.I-CR-72/18-3950/Coop dtd.25.05.2018.

You are requested to discuss the contents of the operational guidelines in the monthly staff meeting and circulate a copy of the same to the auditors under your administrative control for their guidance in audit of PACS for the concerned year.

Yours faithfully

Enclosure- As above.

Auditor General

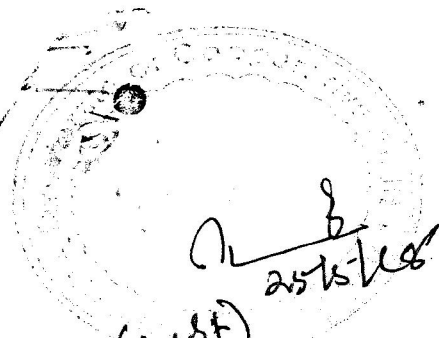
Cooperative Societies, Odisha.

Copy to computer cell/  
S.S.C.

AKS.

URGENT

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Government of Odisha  
Cooperation Department  
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DRCS (West) Front: No. I-CR-72/18 3950 / Coop. Date: 25.05.18

Smt. Ranjana Chopra, IAS  
Commissioner-cum-Secretary to Govt.

To

The Registrar of Cooperative Societies, Odisha  
The Managing Director, OSCB Ltd., Bhubaneswar

A  
August-8  
30.5.18  
To be circulated

Sub: Operational guidelines for formation and credit linkage of Joint Liability Groups to avail crop loans.

Sir,

Government has decided to broadbase the rural credit coverage and provides institutional credit to landless cultivators, share croppers and small and marginal farmers. In the State wide Campaign "Cooperatives at your doorstep", it has been decided to organize at least 10 Joint Liability Groups (JLGs) per PACS during June and July, 2018 and provide them the required financial assistance in shape of loans.

2900  
31.05.18

1) General features of JLG :

A Joint Liability Group (JLG) is an informal group comprising of 4 – 10 individuals coming together for the purpose of availing bank loan against mutual guarantee. Generally, the members of a JLG would engage in a similar type of economic activity. In certain Groups, members may prefer to undertake different type of economic activities as well. The member would offer a joint liability agreement to the PACS to enable them to avail loans. A specimen copy of the agreement format is enclosed at Annexure – I.

2) Criteria for membership :

- (i) The members of JLG should be enrolled members of the PACS.
- (ii) Members should belong to similar socio-economic status and should agree to function as Joint Liability Group. This way the Groups would be

P.T.O.

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homogenous and organized by likeminded farmers/ individuals and have mutual trust and respect.

- (iii) The members should be residing in the same village/ area/ neighbourhood and should know and trust each other well enough to take up Joint Liability Group/ individual loans.
- (iv) 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.
- (v) More than one person from the same family should not be included in the same JLG.

### 3) Group Approach :

- (i) A member of the Group should be selected by the members unanimously as the Group Leader. The leader should enforce sense of unity, oversee and maintain discipline, share information and facilitate repayments. For the PACS, he/ she is the focal point for group activities, although all the members are liable jointly and severally.
- (ii) The JLG should hold regular meetings which must be attended by all the members regularly to discuss issues of mutual interests.
- (iii) The principles of self help and group strength need to be emphasized. Group cohesion has to be ensured. Adequate emphasis should be placed on the roles, expectations and functions of the group/ members and the benefit of group dynamics.

### 4) Savings :

JLG members need to be encouraged to save regularly. Central Cooperative Banks 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

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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.

**5) JLG financing for crop loans :**

- (i) 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.
- (ii) 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.
- (iii) The due date of the loan shall be one year from the date of advance.
- (iv) 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/-.
- (v) Similarly, 25% increase in the loan limit will be given to the existing JLGs if they repay and seek credit for the subsequent years.
- (vi) The limit sanctioned in favour of the Group, in the above mentioned manner, shall be valid for a period of three years.

**6) 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 – II.

**7) Credit Appraisal :**

The PACS shall conduct a thorough credit appraisal with the help of the CCB concerned 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 PACS as per its regular norms.

**8) Monitoring and Review :**

- (i) The JLGs through peer pressure ensure loan utilization and timely repayment. The CCB/ PACS shall hold all members liable in case of default.
- (ii) The Loan Officers of the CCBs and the Secretaries of the PACS 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.
- (iii) The DRCS/ ARCS and Secretaries of the CCBs shall continuously monitor and supervise the activities of the JLGs including organization, credit linkage, recovery, capacity building etc.

**9) Capacity Building :**

CCBs/ PACS shall undertake capacity building measures like conduct of training programmes for stakeholders, awareness and sensitization of JLG concept both for their own staff as well as the target group. The operating staff of the CCBs and the Secretaries of the PACS should be familiar with the concept, benefits under the programme.

**10) Incentive for promotion of Joint Liability Groups :**

Under the existing scheme, grant assistance to the Central Cooperative Banks shall be available on behalf of the PACS @ Rs.2000/- per JLG for which, the CCB has to enter into Tripartite Agreement with NABARD to function as Joint Liability Group Promoting Institutions (JLPI).

- (i) The first instalment of Rs.1000/- will be released by NABARD after disbursement of loan, which will be shared by the CCB and the PACS concerned @ 50:50 ratio.

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- (i) The first instalment of Rs.1000/- will be released by NABARD after disbursement of loan, which will be shared by the CCB and the PACS concerned @ 50:50 ratio.

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- (ii) The second instalment of Rs.500/- will be released by NABARD after one year from the date of loan disbursement subject to certification by the CCB that the loan repayment has been regular and without default by all the individual members of the Group. This will be passed to PACS.
- (iii) The third instalment of Rs.500/- will be released by NABARD after the second year from the date of loan disbursement subject to a similar certification from the financing Bank that the loans have not been defaulted by individual member or the Group. This shall also be passed to the PACS.

**11) Refinance arrangements :**

The Odisha State Cooperative Bank shall provide 100% refinance assistance to all the Central Cooperative Banks on usual terms and conditions meant for ST(SAO) finance.

**12) 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%.

**13) Monthly Progress Reports :**

The Central Cooperative Banks shall collect the Monthly Progress Reports from the PACS and submit the consolidated report in the prescribed proforma at Annexure – III to the Registrar, Cooperative Societies, Odisha and the Odisha State Cooperative Bank for State Level Review.

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

Yours faithfully,

*YN* 25/5/18

Commissioner-cum-Secretary to Govt

3942  
Memo No. 3951 /Coop. Date : 25.05.18

Copy forwarded to all Collectors of all District for information and necessary action.



Commissioner-cum-Secretary to Government

Memo No. 3952 /Coop. Date : 25.05.18

Copy forwarded to Chief General Manager, National Bank for Agriculture and Rural Development, Odisha Regional Office, Bhubaneswar for information and necessary action.



Commissioner-cum-Secretary to Government



### Joint Liability Agreement

Annexure - I

Mutual Agreement made this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ by Smt./ Shri

- 1) \_\_\_\_\_ D/o./ W/o./ S/o. \_\_\_\_\_ aged \_\_\_\_\_ years
- 2) \_\_\_\_\_ D/o./ W/o./ S/o. \_\_\_\_\_ aged \_\_\_\_\_ years
- 3) \_\_\_\_\_ D/o./ W/o./ S/o. \_\_\_\_\_ aged \_\_\_\_\_ years
- 4) \_\_\_\_\_ D/o./ W/o./ S/o. \_\_\_\_\_ aged \_\_\_\_\_ years
- 5) \_\_\_\_\_ D/o./ W/o./ S/o. \_\_\_\_\_ aged \_\_\_\_\_ years

All members of \_\_\_\_\_ JLG, hereinafter called the "Mutual Guarantors" of the First Part, which expression shall be deemed to include their heirs, executors, administrators, assigns and all persons deriving title from them, in favour of \_\_\_\_\_ SCS/ LAMPS/ FSS, with its Head Office at \_\_\_\_\_ represented by the Managing Director/ Secretary, Shri / Smt \_\_\_\_\_ hereinafter called \_\_\_\_\_ SCS/ LAMPS/ FSS, which expression shall be deemed to include their management, assigns, successors and attorneys on the other part.

Whereas, the Mutual Guarantors are in need of loan for the purpose of \_\_\_\_\_ and at their request and on Demand Promissory Note executed by each one of them, PACS has agreed to grant to the borrowers credit facility as per terms and conditions mentioned in the Sanction Letter.

The Mutual Guarantors stand Guarantee to the loan extended to each one of them. In case of default on the part, of any of Mutual Borrowers in repayment of installment, principal amount, interest, service charges and any other charges that may be due to \_\_\_\_\_ SCS/ LAMPS/ FSS or in regularizing or clearing the amounts as per the Sanction Letter by the Mutual Guarantors, who offer Guarantee collectively to their individual loans shall remain responsible jointly and severally for making necessary payments to \_\_\_\_\_ SCS/ LAMPS/ FSS.

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The Mutual Guarantors authorize \_\_\_\_\_SCS/ LAMPS/ FSS to exercise lien on the cash security held on their behalf and adjust this cash security against the unpaid balance of loan outstanding on or after due date of any other Mutual Guarantor of their Group.

In witness whereof the Mutual Guarantors and \_\_\_\_\_SCS/ LAMPS/ FSS have hereunto respectively set their hands at \_\_\_\_\_on the data mentioned above.

- 1) \_\_\_\_\_
- 2) \_\_\_\_\_
- 3) \_\_\_\_\_
- 4) \_\_\_\_\_
- 5) \_\_\_\_\_

Place :

Date :

For \_\_\_\_\_SCS/ LAMPS/ FSS

Secretary/ Managing Director

**PRONOTE**

Rs. \_\_\_\_\_

Place :

Date :

On demand, I \_\_\_\_\_ promise to pay  
 \_\_\_\_\_SCS/ LAMPS/ FSS a sum of Rs. \_\_\_\_\_ (Rupees  
 \_\_\_\_\_)  
 only with interest at \_\_\_\_\_percent per annum for value received.

Signature

Individual borrower

Annexure – II

**(To be stamped as a General Power of Attorney)  
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 every member of the said JLG and their respective legal heirs, executors and administrators.

Whereas, all JLG members are residents of..... Village in ..... Block, in the District ..... of Odisha State and are known to each other.

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Now, therefore, this Agreement witnesseth 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 authorised 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 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 may, 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 ratify all such acts, deeds and things as the authorised representatives may do in the interest of the said activities.
6. All the members of the JLG shall execute the Joint Liability Agreement with the PACS in the specified format.
7. The JLG members hereby specifically authorise the Group Leader :
  - (i) 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.

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- (ii) To receive all payments due to the JLG and issue requisite receipts or acknowledgments for and on behalf of the JLG.
- (iii) 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 in connection therewith.

- 8. 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.
- 9. 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)	

