

**ROLE OF SELFHELP GROUPS (SHGs) AND JOINT LIABILITY GROUPS (JLBs) IN
CREATING GAINFUL EMPLOYMENT: A CASE STUDY**

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Abstract

SHGs and JLBs are introduced as a major approach to poverty alleviation by the Governments. The study conducted to evaluate the effectiveness of this approach in the generation of more gainful employment opportunities reveals that it is effective and can help in bringing down unemployment and enhancing income in rural areas.

INTRODUCTION

An SHG is a financial intermediary committee usually composed of 10-20 local women or men. Members also make small regular savings contributions over a few months until there is enough money in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit.

An SHG may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds, all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by microfinance institutions. To make the bookkeeping simple, flat interest rates are used for most loan calculations

Self-help groups are started by -governmental organizations (GO) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for goals including empowering women, developing leadership abilities among poor and the needy people, increasing school enrolments and improving nutrition and the use of birth control. In countries like India, SHGs bridge the gap between high-caste & low-caste people /citizens. Financial intermediation is generally seen as an entry point to these other goals rather than as a primary objective. The very existence of SHGs is highly relevant to make the people of below poverty line hopeful and self-reliant. SHGs enable them to increase their income, improve their standard of living and status in society.

JOINT LIABILITY GROUP (JLG)

With an aim to provide institutional loans to small farmers NABARD (National Bank for Agriculture and Rural Development) came up with the concept of Joint Liability Groups (JLG). This 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. JLG schemes have proved very successful in North India especially UP, MP and Haryana.

A JLG consists of an informal group of 4 - 10 individuals (max 20) who are engaged in similar business/ occupation, formed with the purpose of availing loan through the group mechanism against mutual guarantee. JLG's are usually formed by Farmers Associations, Panchayat Raj Institutions (PRIs), Farmers' Clubs, Krishi Vikas Kendras (KVKs), State Agriculture Universities (SAU), Business Facilitators, NGOs, Agriculture Technology Management Agency (ATMA), Bank branches, PACS, Other Co-operatives, Government Departments, Individuals, Input dealers, MFIs / MFOs etc.

OBJECTIVE

Both the SHGs and JLGs are formed with broad objective of generation of productive employment through which poverty alleviation is made possible. This is achieved by ensuring credit

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Previous 1 2