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Effectiveness of group lending on the socioeconomic empowerment of joint liability group (JLG) members

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Abstract

Over a decade the initiative of Joint Liability Group (JLG) brought relief to marginal sections of the society through collateral free credit operated through group lending mechanism. In addition to this JLG act as a catalyst for the expansion of assets and capabilities of these people and there by empower them socially and economically. Hence the present paper attempts to assess the effectiveness of group lending on the social and economic empowerment of the JLG members. The study is primarily based on primary data collected from 100 Joint Liability Group members through structured interview schedule. Percentages, indices and paired t test were used for analysis of the data. The study was found that group lending through Joint Liability group was effective in improving socio economic empowerment of its members.

Keywords: Group lending, JLG, farmers club, social empowerment, economic empowerment

Introduction

Indian Agriculture is dominated by Small and Marginal Farmers. About 85 percent of the total operational holdings in the country are owned by Small and Marginal farmers (NABARD, 2019). A number of these farmers do not have access to timely and affordable credit due to the absence of clear title to land in which they cultivate. To meet needs of these classes of farmers who are excluded from formal sources NABARD has introduced the concept of Joint Liability Groups (JLGs) during 2005- 2006. The main objective of the scheme was to augment flow of credit to landless farmers cultivating land as tenant farmers, oral lessees, share croppers and small and marginal farmers as well as poor individuals for taking up farm and non-farm activities.

The Joint Liability Groups (JLG) as defined by NABARD is an informal group comprising of 4 to 10 individuals coming together for the purpose of availing bank loan either individually or through the group mechanism against mutual guarantee. The experiences from many parts of the country indicate that JLGs has the increased the outreach for agricultural microfinance. JLG model substitutes' collateral requirement for credit by relying upon social capital of the group. JLGs also address credit plus requirements of agriculture like technology and extension service needs. By forming JLGs farming community can achieve economies of scale in production and marketing.

The members of JLGs in many part of the country are very satisfied with the backward and forward linkages through their Federation of JLGs or through their promoting institutions like NGOs or the farmers club. Employment generating activities through JLG members have resulted in livelihood enhancement of poor farmers. Repeated loans availed by JLGs enabled them to invest in productive purposes which resulted in increased in their volume of profit. After receiving loans from the banks through JLGs, many farmers stopped distress sale of their produce, got higher price due to bargaining with traders as a group. JLGs facilitated the members to access technical training and this resulted in skill up gradation which increases the confidence their levels.

Thus it was evident from previous experience that, in addition to meeting the various requirement of members, JLG also act as a conduit for empowering their members socially and economically. Hence an attempt was made to assess the difference in empowerment of participants during pre and post JLG situation.

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Literature review

The main objective of the study by Mula and Sarker (2013)^[3] was to assess the empowerment of women through microfinance. The study was conducted in Cooch Behar District of Eastern India. A total of 144 members from 48 groups of Self Help Groups (SHGs) each from twelve blocks formed the sample for the study. To assess the impact paired t-test and Impact index were used. The study revealed a significant positive change in the economic variables such as personal income, employment generation, assets, investment and savings. Self Help Groups also empowered these women in the spheres of children's education, leadership and entrepreneurship ability, technology adoption, decision making etc.

Devi and Mondel (2014)^[2] conducted a study on the Joint Liability Groups (JLGs) of rural women in Bishnupur district of Manipur with the objectives of assessing the extent of success of income generation and empowerment of the members. It was found that most of the women have earned higher income with the help of micro-finance given by ORI Micro finance Ltd. Some of them have even started new enterprises. Thus it was concluded that ORI is playing a key role in women empowerment.

Sendilkumar (2012)^[5] made an attempt to study the empowerment dynamics of farmers before and after joining in GALASA programme. Sixty farmers belonged to two farmers groups were selected as sample respondents from Thrissur district by applying simple random sampling. All the major components of empowerment were measured before and after joining in the group. It was found that there is considerable improvement in the empowerment dimensions. The Empowerment Dynamic Index (EDI) was computed for the situation before and after joining of farmers in the group there by it was concluded that GALASA programme played a substantial role in the empowerment of rice farmers.

Research Problem

Agriculture in India is predominantly production oriented, confined to large number of fragmented small holdings and plays a pivotal role in the Indian economy. To strengthen delivery of financial services in favour of small and marginal farmers NABARD introduced the concept of JLGs in 2005-2006. The Social capital mobilised through group approach facilitated easy access to credit, technology, extension services, agriculture inputs etc. Hence in many parts of the country JLG mechanism has become a great success.

JLG mechanism have huge significance, in state like Kerala, where agriculture is characterised by fragmented land holdings, with small and marginal holdings constituting around 98 per cent of the total holdings (NABARD, 2020).

Since efforts for promotion and functioning of JLGs have been going for more than ten years, and studies regarding the effectiveness of JLGs on empowerment of members are limited, it is the right time that an assessment of the effectiveness of group lending on socio economic empowerment is done.

Objective of the study

To assess the effectiveness of group lending on the social and economic empowerment of the members

Research Methodology

The study was based on primary data. Ernakulum district in Kerala was purposively selected for the study. A multi - stage sampling technique was used to select sample respondents. In the first stage, one blocks, out of the 14 blocks in Ernakulum district, Pampakuda Block was purposively selected. In the second stage, 50 JLGs was randomly selected based on the list obtained from the District Development Office, NABARD and District Mission, Kudumbashree comprising 25 JLGs each promoted by Farmers' Clubs and Kudumbasree involved in the cultivation of crops. In the third stage, 2 members from the selected 50 JLGs were taken as sample respondents. Thus 100 JLG members constituted the sample respondents.

This study developed an Index to find the socio-economic empowerment of JLG members by choosing various indicators based on past studies. In this research 17 major dimensions were measured to know socio-economic empowerment. In addition to that the study was also focussed on sub-indicators of each dimension. To know the effectiveness, information related to socio-economic situation of respondents before and after the JLG intervention were collected. The level of empowerment of respondents in social and economic aspects was measured by asking the respondents to put their status on five point continuum In addition to this Pair-t test was also used to analyse the effectiveness of group lending by comparing pre and post JLG situations. The formula employed to construct indices in this particular research is given below.

Index = [Total score obtained by statements / (Maximum score * Number of statements *sample size)] *100

Results and Discussions

Socio economic status were measured to know the social and economic prospects of individual respondents. It indicates the social position of an individual with respect to education status, income and occupation. Socio economic profile of individual JLG members were analysed using variables like age, gender, religion etc. The details of socio economic analysis were depicted in Table. 1

Table 1: Socio economic profile of JLG members

Sl. No.	Variables	No.of respondents	Percentage
1	Age (Years)		
	30-40	9	9
	40-50	33	33
	50-60	48	48
	60-70	7	7
2	Gender		
	Male	38	38
	Female	62	62
	Religion		
3	Christian	43	43
	Hindu	57	57
4	Social Category		
	SC	13	13
	OBC	41	41
	General	46	46
5	Educational status		
	Primary	16	16
	High school	66	66
	SSLC	13	13
	Plus Two	31	31
6	Occupation		
	Self employed	69	69
	Wage employed	31	31
7	Economic status		
	APL	17	17
	BPL	83	83
8	Monthly income (₹)		
	Below 10000	59	59
	10000-20000	12	12
	20000-30000	24	24
	30000-40000	4	4
9	Source of income		
	Agriculture	69	69
	Wage	31	31
10	Land holding (in Cents)		
	Below 25	79	79
	25-50	4	4
	50-75	8	8
	75-100	5	5
	Above 100	4	4

Table 1 reveals that most of the respondents (48 percent) were belongs to the age group of 50-60 years. It is followed by age groups 40-50 years (33 per cent), 30-40 years (9 per cent), 60-70 years (7 per cent). Only 3 per cent of respondents belongs to age category 70-80 years. Majority of respondents were females (62 per cent). It is due to the fact that the JLG promoted by Kudambasree are exclusively for women. As regards to marital status of respondents majority of them (94 per cent) are married. It may be due to the reason that out of economic necessity of the family, married women and men join in JLGs as members to avail the micro credit facility. Fifty seven per cent of the sample respondents were belong to Hindu religion and remaining from Christian community. Majority of the respondents (66 per cent) had education up to High school. Most of the respondents (69 per cent) were self-employed. The rest 31 per cent constitutes individuals employed in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Most of the respondents (83 per cent) were from BPL households. The results truly reflect that low income people were the main constituents of JLGs. Majority of the respondent's monthly income were below ₹10000. About 69 per cent of the respondents depends on agriculture as their major source of income. Daily wages was the source of income for remaining 31 per cent of respondents. Most of the respondents (79 per cent) have land holding below 25 cents. Only 4 per cent have landholding above 1 acre. As majority of the respondents have small and fragmented holdings by forming JLGs, they were taking up land on lease. As a result they enter the programme as cultivators as opposed to agricultural labour and there by enjoying access and control over the means of production and access to formal credit.

Effectiveness of group lending on Economic empowerment

Economic empowerment refers to process of obtaining collective bargaining for economic gains, control over means of production, involvement in decision-making regarding economic aspects for the purpose of the study. Economic empowerment was measured in eleven dimensions.

Table 2: Effectiveness of group lending on Economic empowerment of JLG members

Sl.no.	Particulars	Mean		T Statistics	P value
		Before	After		
1	Monthly Household Income (₹)	23070	32040	19.99	0.000
2	Monthly Household Expenditure (₹)	8819.5	13343.5	15.99	0.000
3	Savings (₹)	735.5	2473	11.40	0.000
4	Household assets (₹)	42860	52595	6.99	0.000
5	Employment Days in month (Days)	20.45	23.18	4.15	0.000
6	Economic Decision-making ability Index	31.79	38.8	14.043	0.000
7	Access to asset index	9.38	12.02	18.91	0.000
8	Control over asset index	8.82	11.63	14.70	0.000
9	Acess to resources and services index	23.14	35.14	23.65	0.000
10	Control over resources index	19.07	25.50	21.13	0.000
11	Quality of life index	32.07	37.60	12.97	0.000

From Table 2 it was clear that group lending had significant impact on household income of the JLG members. Many members involve in agriculture activities with other group members after joining SHGs. Therefore, they are now economically independent and contribute to increase their household income. The results of paired t test also found

significant in case of household expenditure. Hence it was concluded that there is no significant difference in mean monthly household expenditure before and after joining JLG were rejected.

The average monthly saving of the JLG member were also increased from ₹ 735.5 to ₹ 2473 due to involvement in JLG

programme. Since t value is significant at 5 per cent level, the null hypothesis was rejected and alternative hypothesis was accepted. Thus, it can be concluded that there was significant improvement in number of days of employment of JLG members after joining the programme.

The paired t test results showed that was significant difference in employment before and after joining the SHGs. The reason might be the easy access to credit provided the opportunities for undertaking income generating activities by the respondents. This could have resulted in the increase in the employment opportunities at the household level. Therefore JLG have assisted the members to generate more employment through self-employment activities and by availing of micro-finance in post-JLG situation.

The asset holding of JLG members were also increased during the post JLG situation. The mean asset holding increased from ₹ 42860 to ₹ 52595. The t statistics was significant at five percent level. Hence it can be evident that

JLG intervention had significant impact on household assets of members.

Similarly t test results also showed that the group lending through JLGs also had direct impact on economic decision making ability, access to asset, control over asset, access to resources and services, control over resources and quality of life of JLG members.

Effectiveness of group lending on social empowerment

It was evident from review of previous research that group lending not only helped in improving the economic condition of the JLG member, it also helped JLG members to improve their social status and recognitions in the societies. The social impact of group lending on JLG members were studied using parameters like self confidence level, ability to take decision, social awareness and social responsibility, skill development, access to facilities and social decision making ability.

Table 3: change in social empowerment of JLG members using paired t test

Sl. No.	Particulars	Mean value of Index		T statistic	p value
		Before	After		
1	Self confidence	20.77	28.44	2.08	.040
2	Social awareness and recognition	35.87	24.54	2.07	.041
3	Participation in social activities	38.92	23.35	2.06	.042
4	Skills	36.15	52.87	2.06	.043
5	Access to Facilities/services	47.2	56.19	2.05	.045
6	Decision making ability	47.52	55.99	2.03	.045

Referring to table 3 it is can be understood that there is improvement in all the indicators of social empowerment. It is observed that p- value in all cases is less than 0.05. Therefore the corresponding t-value is significant at 5 per cent level of significance. That is, there was significant difference in the mean scores of each of the parameters used for measuring social empowerment of members before and after joining JLGs. Therefore, there was significant increase in the self confidence level, social awareness, participation, access to facilities and decision making ability of members of JLGs after joining the microfinance programme.

Effectiveness of group lending on Socio-economic empowerment

The combined social-economic empowerment index measures the overall socio-economic empowerment of JLG members and the study on change of this index helps in determining the socio-economic impact of JLG programme on its participants.

Table 4: Combined Socio-economic empowerment index of JLG members

Particulars	Socio-economic empowerment index
Before Joining JLG	61.92
After Joining JLG	91.52

Table 4 exhibits combined Socio-economic empowerment index of Joint liability Group members. In pre JLG situation the combined socio-economic index was 61.92. But due to the participation in JLG the index value increased to 91.52. Thus, it can be inferred that group lending had impact on socio economic empowerment of Joint liability Group members. However, in order to confirm this improvement in socio-economic empowerment index, a hypothesis testing

was done using paired t-test comparing pre and post situation of microfinance intervention. The result of hypothesis testing is shown below.

Hypothesis testing

Null hypothesis (Ho): There was no significant improvement in combined Socio-economic empowerment Index of Joint liability Group members after joining the programme.

Alternative hypothesis (Ha): There was significant improvement in Socio-economic empowerment Index of Joint liability Group members after joining the programme.

Table 5: Change in Socio-economic empowerment using t test

Sl. No	Socio-economic empowerment index	Mean	T statistics	P value
1	After Joining JLG	247.67	59.473	0.00
2	Before Joining JLG	366.09		

Table 5 shows results of Paired Sample t-test on Socio-economic empowerment index. Since t value was significant at 5 per cent level, the above null hypothesis was rejected and alternative hypothesis was accepted. Thus, it can be concluded that there was significant improvement in socio-economic empowerment index of Joint Liability Group members after joining the microfinance programme. Therefore it can be conclude Group lending through JLG was effective in improving socio-economic empowerment of its members.

Conclusion

Collective farming through JLG had gone beyond the sole objective of ensuring timely and adequate credit. It has

become an instrument of social and economic empowerment of its participant farmers. It resulted in employment generation, increase in income, savings.etc and as a result the respect of members in their families and society were improved significantly. From a resource scarce laborer, collective farming has transformed their members to 'effective producers.'

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