

BHARAT SCHOOL OF BANKING

JLG and SHG

Joint Liability Group (JLG)

Before understanding JLG, you have to know, what are different types of **liability**.

- **Jointly Liable** - Suppose, two or more persons have some **liability** (e.g., taken a **loan**). Then for a **jointly liable** system, they **each** are **fully liable** to the **loan** (meaning if one is unable to pay, then other is fully liable to pay the whole amount of loan)
- **Severally Liable** - In this type of **liability**, **each** is **liable only** to his **own** portion of the **liability** (i.e., **loan**) (meaning if one is unable to pay for whatever reason, other will not be sued, or bothered, he will be liable for only his **portion** of **loan**)

Therefore, **JLG** is an **informal** group (comprising around 4-10 person) for the **purpose** of availing **bank loan** on **individual basis (Severally Liable)** or through **group mechanism** against **mutual guarantee (Jointly Liable)**.

Generally, the **members** of **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**. They **support** each other in carrying out their occupational and social activities.

Self Help Group (SHG)

SHG is a **small voluntary** group (less than **20**) of **poor** people, generally from the **same economic** background. They promote **small savings** among their members, and make a **common fund**, which is **kept** in a **bank**.

SHGs comprise **poor people**, and they generally do not have **access** to **formal financial institutions (banks)**. So this concept helps them to **directly** connect with **banks**. Also they act as the **forum** for the members to provide **space** and **support** each other.

Currently there are several **SHG bank linkage program** for this purpose.