Digitalized Loan Processing and Basic Technology Services to Joint Liability Groups

Abstract: In developing country, still most of peoples not aware and not using basic technology services in banking such as Debit card, Balance Missed call alert services etc., the reason behind that most of cyber crime occurs due to their lack of knowledge. For them banks have to arrange special programs and workshop to educate them. And banks have to process SHG and JLG loans via ekyc verification disbursement mode which save lot of paper work.

Keywords: Digital Loan Processing, Self Help Groups, Joint Liability Groups, Paperless Process, E-KYC verification in loan processing, Technology Services.

INTRODUCTION
National Bank for Agriculture and Rural Development (NABARD) established the concept of Joint Liability Groups (JLG) in the year 2014 by rural development agency to provide institution credit to farmers. This group contains 4-10 people of same Socio Economic Background and same village / locality of homogenous nature that mutually come together as formed group for the purpose of availing loan without any collateral. In some cases it can extent up to 20 people.

The purpose of JLG is to build confidence among people to engage in small scale business or agriculture in small levels by availing credit from banks without any collateral at lower interest rate. People of JLG can repay the loan from the profit they generate. It increases the self confidence among the group members.

The features of JLG are they should not have a land title, should have common activity (i.e) homogenous in nature, members should be in same location, members should hold regular meetings, only one member from family can join in group and should not be a defaulter in any bank loan.

IMPLEMENTATION OF TECHNOLOGY TO JLG PEOPLES

- In Urban and Semi Urban areas more customers in bank are using the technology services like ATM, Mobile Banking, UPI fund transfer etc., In village level usage of ATM increases day by day but an individual’s access to ATM is very rare. Most of them still stand in queue in banks for deposit or withdrawal of cash from their savings account.

- As an initiative, NABARD has to implement compulsory ATM card to JLG group people to withdraw cash by providing Rupay card to the Group members as the card number is same as Aadhar number valid till the group is active. Once the account has been opened to JLG, automatically ATM card has to be dispatched to group members and made sure it reaches within a week to their communication address. It also ensures location of the customer residing in the respective address as per the bank record.

- The bank have to issue Rupay ATM card to JLG members as Photo based ATM card to confirm the identity of card holder.

- Implementation of the Go Green Concept and Paperless Banking providing the loan to JLG in the form of digital mode.

- NABARD has to develop the software to check the details of JLG and its group members, account transaction, credit history of both JLG and its members. After validating the details, if all the details are clear, it should display the eligible amount and once the biometric of all the JLG members are obtained as per their Aadhar records, the amount should be disbursed automatically to the JLG account.
• Since the loan is disbursed in the form of digital e-sign using Aadhar number, there is no need of obtaining manual signature from the customers.

• Before starting the loan process the bank have to do data cleaning of JLG members in their customer id, by verifying if the Aadhar number and mobile number is updated.

• In this kind of digital mode disbursement, the biggest advantage is the credit records are automatically registered in CERSAI with the help of NSDL. At present The Karur Vysya Bank Ltd is providing Housing Loan, Personal Loan and Loan Against Property in the form of Digital mode only.

• After loan amount has been credited to the group members from the JLG account, the cash can be withdrawn only in ATMs or Micro ATMs. Instead of using PIN number members can use only bio-metric as per their Aadhar record.

• The biggest advantage is that no one can misuse that card, by knowing their PIN number. Without authenticating the biometric of the authorised person withdrawal of money will not be possible.

• In rural areas, since most of them are using basic model mobile phones, they are forced either to go themselves to ATM every time or depend on someone to check their account balance by giving their ATM card and sharing their PIN number which may lead to frauds, or walk in to bank with passbook to know their balance.

• To avoid the above situation, all bank rural branches, NGOs, Farmers Club, Cooperative society and many others conduct campaign once in two months in all their surrounding villages to explain about the benefits and usage of *99# USSD mobile payment and missed call banking services. By using USSD code *99# they can view their bank balance, transfer fund to someone up to Rs.5000 very easily.

CONCLUSION:
Generally in India people have the mindset that government scheme loans will be discounted during election time. Processing of loan through digital mode is directly registered in CERSAI and without full repayment of existing JLG loan, the JLG and its members will be unable to avail any other loan in any other banks. Unlike the existing process digitalised loan is easily traceable. By educating the basic technology services to the customers they need not to depend on bank timings. They can withdraw money anytime they need.

Customers can be independent in handling their bank accounts. Since Biometric authentication is compulsory the customer should himself be present at the ATM for withdraw of cash unlike normal PIN based withdraw which in turn reduces frauds. It is indirectly advantageous to banks since it reduces the transaction cost and time.