**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FIFTH TRIMESTER (Batch 2020-22)**

**END TERM EXAMINATION, JAN-2022**

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| Course Name | **Microfinance** | Course Code | **40212** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

1. All questions are mandatory.
2. This is a closed-book examination.
3. Read the paragraphs carefully before answering.
4. Answers without proper theoretical background will not fetch marks.
5. Any academic dishonesty will fetch Zero marks in the examination.
6. This question paper has four questions in two pages.

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“India needs to increase the proportion of women who are in the workforce to give it an economic impetus”, says G.R. Chintala, the chairman of the National Bank for Agriculture and Rural Development.

Below is an excerpt from an interview between Mr. Chintala and *IndiaSpend* on 20th December 2021.

To a question on present status of financial inclusion, Mr Chinthala answered:

“It's very appropriate now to debate on how the new developments in the economy are affecting everyone in the country. Now, financial inclusion, I'd say that maybe even the word itself was coined in 1985-86, when NABARD first started SHG as a concept. That was the first financial inclusion concept. At that time, close to 95-96% of women did not have bank accounts. And bankers used to keep them away. And they used to ask them to bring somebody--a father, mother, brother or somebody--to just prove that they are so and so.”

“Likewise, the poor people did not have accounts. The statistics of the World Bank of that time show that around 53% of the people were financially excluded; they didn't have a bank account. We started reaching the unreached with self-help groups, giving them the banking ethics and creating a bank account for them and subsequently making them mainstream banking beneficiaries. So this was the first attempt for financial inclusion. Subsequently, with liberalisation, there were changes and the microfinance industry also came. Slowly, this entire thing has caught on and the people who were otherwise totally left out from banking, are all being brought into this. And now, this Jan Dhan Yojana, which was announced by the Prime Minister, I can say was the real harbinger of dynamism into this entire system.”

“So now, by this time, a few other developments have also taken place and have done wonders for financial inclusion. When we started the SHGs and subsequently financing was attempted, mobile phones were absolutely unknown. By 2000, they were in a primitive stage, most of them were analogue phones. By 2013-14, when this government started their term, already the normal mobile or smartphones were within the reach of everyone. By the time, Aadhaar was maybe taken for granted as a kind of an identity for every citizen of the country. And Jan Dhan. These three things came together in what we call the JAM [Jan Dhan, Aadhar and Mobile] trinity. These really brought the entire change in financial inclusion. Before that, financial inclusion was happening but it was not at this pace and scale. But today, in the last six-seven years, from 2014 onwards, once this entire movement has started…it started with a trickle and today, we have 440 million Jan Dhan accounts. And almost every citizen of the country right now has an account.”

The other major thing that happened is that, slowly, people started using technology, even rural people started using the technologies. So whether it is [during] demonetisation time, and subsequently this pandemic, maybe the disruption has been brought by these two events, that people were forced to look into the alternatives of dealing with this kind of a financial transaction. So now, when I go around, whether it's a postcard vendor, or maybe a small fellow who's selling something, he will immediately bring out his QR code or something, and say that, why can't you just scan it and send me the money. If I looked into their educational status, I think they may be just able to read numbers, and a little bit of alphabets, but not beyond that. But they are the ones who got the highest and the biggest benefit of this entire financial inclusion drive, which has gone into a kind of a mobile-driven financial inclusion.

And what you asked was very right about how technology is being used. Technology has brought a kind of democracy into financial inclusion. Earlier, banking was for the rich or the people who are educated. The remaining people were in the hands of either moneylenders or informal transfer of funds would happen. But today the entire scenario has changed. Before Jan Dhan, there used to be so many transferring agents who would collect money from slums like Dharavi, or Delhi or some other place. And they used to transfer these funds to their [the client's] native places by charging a commission. Today, particularly post pandemic or during the pandemic, technology has evolved so fast that we use UPI and associated apps, whether it is Phone Pay, Google Pay, Samsung Pay or any of that kind of thing. All these players have made life so comfortable for people. Simply download that app and link it with your bank and your work is done. And cyber security was also not a big threat as there are usually small transactions, not the mega level ones where problems usually happen. No one has complained. A robust mechanism has been put in.

**Question 1. (10 Marks)**

Do you think that opening a bank account and linking it to aadhaar and mobile (JAM) will address the needs of the poor? Explain the role of microfinance institutions (MFIs) in supporting the underprivileged people of the society. What are the products of MFIs that help in this endeavor and what is their delivery mechanism?

**Question 2. (10 Marks)**

Explain the impact of demonetization on MFIs? Give your views on the impact of current technological interventions in financial sector on the life of underprivileged people in the country.

Indian microfinance industry, worth Rs. 2.59 trillion, serves more than 60 million customers. Under the regulatory framework suggested by RBI, applicable to MFIs, a maximum of two such entities could serve one customer simultaneously. The advent of various other entities like universal banks, small finance banks and others in this sector has paved the way for revised regulations, proposed in June 2021, applicable to all participants of microfinance.

**Question 3. (10 Marks)**

Explain the circumstances that lead to Microfinance regulations 2011 (based on 3Ks and AP crisis) and the need for revision of regulations (based on Assam Crisis).

**Question 4: (10 Marks)**

State any five proposals in the regulatory framework for microfinance companies issued by RBI in June 2021. Explain how this will impact the microfinance industry and improve the welfare of microfinance customers.

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