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| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**  Post Graduate Diploma in Management |
| **Course Title: Microfinance, (Course Code: 10235)**  **End-Term Examination, Term – V (Batch 2021-23) (February 2023)** | |
| **Time Duration : 2 Hours Total Marks: 40** | |

***General Instructions*:**

1. *Answer the questions as directed. The break-up of the marks is given wherever necessary.*
2. *Marks against each question is indicated to its right.*
3. *Answer all the questions of a ‘Section/Question’ at one place in continuation.*
4. *Do not write on the question paper except your roll number.*

**SECTION - A**

**Q1.** Examine the caselet and answer the questions:

Seraikela is a small village having about 110 households. Most of the land holdings were scattered and unsupported by adequate sources of irrigation. Most of the land was unproductive for major crops like paddy, wheat etc. Daily wage-earning was the primary occupation of many villagers, followed by farming and other non-farm seasonal businesses. Dushant, one of the villagers in Seraikela village, owned a small piece of unproductive land measuring 0.48 acres. Like other villagers, Dushant depended on daily wage-earning to sustain himself and his family. His family consisted of himself, his wife, two daughters and Rohit, his son. The eldest daughter was seven years while the youngest was four years old. Due to uncertainty of the availability of adequate wage labor work in and around the village, Dushant decided to diversify his livelihood portfolio. He planned to cultivate vegetables on his land. Dushant’s son Rohit, a student of class VII in the village school, was the happiest family member thinking that he could continue his study uninterruptedly as the new livelihood portfolio of his father would ensure a good cash inflow into his family. He decided to go for higher studies in agriculture and to be an agriculture scientist in the future. However, the problem before Dushant was meeting the working capital needed for conducting necessary operations like preparing the land and purchasing inputs. Of course, the working capital investment was less because of the small scale of operation, but the capital investment was found to be high in relation to his economic profile. Dushant was very sure that he could get a good return as the district-level vegetable market in the near town was considered one of the biggest and busiest markets in Eastern India. Dushant started the preliminary land leveling work, hoping that he could avail a bank loan worth ₹ 24,000 from the nearby bank for the project. He approached the bank branch but unfortunately was too confused seeing the complications of the banking formalities. Being illiterate, he could not follow the bank’s formalities. Despite visiting the bank so many times, no concrete outcome was seen. For loan sanction, Dushant visited the bank not less than ten times, and for that, he sacrificed his daily wage earnings for ten days continuously. Due to the non-realization of cash for a continuous period, the family suffered from the non-purchase of daily food and other food articles. Food intake of the family members had lessened and resulted in health-related issues. Dushant’s wife and daughters had fallen ill due to improper and disproportionate food intake. Dushant was shocked to see the health status of his family members. Soon Dushant’s health position also started degrading. He realized his inability to provide cash for the treatment of his family members. Being the eldest child, Rohit took the responsibilities and decided not to go to school but to go for daily wage labor work in place of his father to get food and medicines for his family.

1. Evaluate the situation and cite the reasons for Dushant’s fate. **(Marks 6)**
2. Suggest which model of microfinance will be best fitting for Seraikela. Justify your answer by citing the advantages and disadvantages that best fit the model to the situation.

**(Marks 9)**

**Q2.** SMC Microfinance is a microfinance institution operating in central India. Following are some of the details of the institution:

|  |  |  |
| --- | --- | --- |
|  | 31st March, 2021 | 31st June, 2021 |
| Active Borrowers | 8,000 | 10,000 |
| Number of loan officers | 60 | 70 |
| Total Portfolio outstanding (in thousand ₹) | 50,000 | 65,000 |
| Average Portfolio outstanding (in thousand ₹) | 40,000 | 50,000 |
| Operating Expenses: |  |  |
| Salaries (in ₹) | 7,50,000 | 9,00,000 |
| Travel (in ₹) | 5,00,000 | 7,00,000 |
| Other Administrative   Expenses (in ₹) | 4,00,000 | 5,78,000 |

Evaluate the situation of SMC Microfinance by contrasting the efficiency measures in both quarters. The efficiency measures should include at least average case load, portfolio outstanding to a loan officer and operating expense ratio.

**(Marks: 10)**

**Q3.** The following excerpt is taken from a popular article on the Andhra Pradesh Microfinance crisis, 2010:

“In the face of low loan collections, MFIs with proportionally larger exposures in Andhra Pradesh could find it difficult to refinance their loans with commercial banks or to raise new equity. MFIs unable to effectively negotiate their financing could become illiquid and insolvent. Even MFIs that are well capitalized and have a geographically diversified portfolio beyond Andhra Pradesh might have to absorb large losses in Andhra Pradesh, impacting their growth elsewhere. It is possible that a few MFIs might have to close or dramatically downscale their operations in Andhra Pradesh. And the result could be the removal of a credit service that poor people have come to view as reliable in their otherwise uncertain lives.

The non-repayment of loans by clients has gained momentum as politicians at the state level have seized upon the opportunity to make populist pronouncements, while MFI staff are still intimidated and are not resuming normal operations in many parts of Andhra Pradesh. This environment is encouraging clients to question their obligations to repay, with potentially far reaching consequences for both MFI and SHG repayment rates.”

(source: https://www.cgap.org/sites/default/files/CGAP-Focus-Note-Andhra-Pradesh-2010-Global-Implications-of-the-Crisis-in-Indian-Microfinance-Nov-2010.pdf)

1. Summarize the major contributors to the AP Microfinance Crisis, 2010. **(Marks 10)**
2. Recommend how the AP crisis could have been averted. **(Marks 5)**