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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 Improvement Examination, Term - V (Batch 2021-23) (March, 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 following case let and answer the questions.

Mayurbhanja district is one of the backward districts of Orissa. Dublabeda village of Mayurbhanja is the most backward area and the backwardness is related to its traditional forms and frames influenced by the social environment and influenced problems. The village is tribal dominated and the livelihood was based on traditional agriculture and wage labor. There was no provision of credit except for the village money lenders. The livelihood of the villagers was entirely under the control of nature. Few women from Dublabeda village, under the guidance of Gramin Vikas Trust, first formed an association in January 2001 with an aim of self-help and the association was named Purana Sahi Mahila Self-Help Group. Later on, some other members joined to make a 30-member group. Due to high membership, the last 15 members were pulled out and formed another group leaving behind the first 15 members in Purana Sahi Mahila Self-Help Group. Ms. Sadhumuni Murmu and Ms. Iti Murmu were democratically chosen as the secretary and president. All the members were married and five of them were literate. In the first meeting, Purana Sahi Mahila Self-Help Group decided to save Rs. 10 every month as members saving and in case of default, Rs. 1 was charged. All members decided to attend every meeting and whenever they were absent (default), they would pay Rs. 1 for each meeting. The interest on the loan from the group was fixed at 4%. Purana Sahi Mahila Self-Help Group opened an account in Baitarani Gramya Bank in July 2001 (after 6 months of formation). The group deposited their savings in the bank every month and withdrew when required. Baitarani Gramya Bank was quite happy with the transaction of Purana Sahi Mahila Self-Help Group and provided a loan of Rs. 15,000 for business (Sabai Grass business). The loan was repaid on December 2003 (within 7 months). Seeing the requirements and past repayment record, Baitarani Gramya Bank again sanctioned a loan of Rs. 30,000 on November 2004 to Purana Sahi Mahila Self-Help Group.

1. Defend the actions of Gramin Vikas Trust in implementing the Self-Help Group Model in Dublabeda**. (Marks 7)**
2. Contrast the situation if JLG model would have been implemented at Dublabeda.

**(Marks 8)**

**Q2.** ABC 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 | 12,000 | 15,000 |
| Number of loan officers | 70 | 90 |
| Total Portfolio outstanding (in thousand ₹) | 70,000 | 85,000 |
| Average Portfolio outstanding (in thousand ₹) | 60,000 | 70,000 |
| Operating Expenses: |  |  |
| Salaries (in ₹) | 8,50,000 | 10,00,000 |
| Travel (in ₹) | 5,00,000 | 7,00,000 |
| Other Administrative   Expenses (in ₹) | 5,00,000 | 6,28,000 |

Evaluate the situation of ABC 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.** Following is the conversation in a meeting in a Microfinance firm. Analyze the situation and answer the questions.

The CEO entered the meeting room at a brisk pace with tension evident on his face. The Operations Manager, Area Manager, HR Manager, Internal Audit Head and Branch Manager (BM) of one of the branches had already been anxiously waiting for him in the room.

CEO almost shouted “now tell me the entire case; how did it happen?”

Operation Manager ventured, “Sir I think Branch Manager should speak as he has the first-hand experience of the incident.”

Branch Manager almost stammering: “Sir, the day before yesterday, we had Rs 3.5 lakh collection in the branch, while disbursements were only for Rs 50,000, which we disbursed by 12.30 PM at the branch. Since no more disbursements were scheduled for the day, I asked Rakesh, the field staff, to deposit cash in the Bank. Rakesh took the cash and did not return for almost two hours, so we were worried. I sent one person to the Bank. Bankers know us well. However, the teller said nobody turned up to deposit the cash today. I and other field staff went to his house and found it was vacant and locked. On contacting the house owner, he said Rakesh had told him that he might be going on leave. We told the owner of the house the entire incident and broke open the door of his house. We were shocked to see that the house was vacant. He had already moved most of his stuff.”

CEO: “How long has Rakesh been with us?”

HR Manager: “Sir, he has been with us for almost 11 months. He was a senior field staff and we were thinking of promoting him.”

CEO to BM: “Did he deposit cash in the past too?”

BM: “Yes, Sir, he has deposited cash in the past also. Rs 50,000 to Rs 1 lakh was usual but Rs 3 lakh was unusual, but field staff do it regularly.”

CEO to BM: “Why did you send him alone with such a high amount of cash and what did you do after knowing that he has run away? Did you lodge an FIR?”

BM: “Sir, we generally send only one person for depositing cash; I did not know this would happen. In fact, all across our branches the cash is deposited in the same manner, irrespective of the amount. I had no idea what to do at that moment. I was shocked; all I could do was inform the Area Manager, who was himself unsure. So, FIR has not yet been registered.”

Operations Manager (OM): “Sir, Rakesh had been performing well. Last month he formed the maximum number of groups. He formed 12 such groups, which together disbursed around Rs 5 lakh. We never expected such a thing from him.”

Area Manager: “Sir, to be precise, he disbursed Rs 5.25 lakh to 13 groups. I congratulated him and the BM on this achievement. He formed these groups in a new village called Lakhoti, which is a big village. I have not been there, and neither has the BM seen it but it is a big village, almost a semi-urban town.”

CEO: “Did we call up his house?”

BM: “Sir, I did not know much about his house or contact number. He (Rakesh) said he stayed in another district and I never interfered in personal matters.”

CEO to HR MANAGER: “Do we have his details?”

HR Manager: “Actually, after coming to know of this incident, I went through his staff file. I tried to ring up the number he had given but it says that the number does not exist. When I check his address, it appears fake as there is no block with this name in that district.”

CEO: “We did not check this up at the time of employment?”

HR Manager: “Sir, we get this mandatory form filled up on personal details which we file in personal staff file but we do not cross-verify.”

Suddenly the cell phone of BM rings...

BM: “I told you not to call me. I am in an urgent meeting. OK, what is it? What? How? When?”

BM looks shocked

CEO: “What happened now?”

SIR: “Sir, it was my field staff. Today I sent another field staff in place of Rakesh to make collections of his group. This field staff says that the groups that Rakesh had disbursed last month....”

CEO: “You mean those 13 groups in Lakhoti to which we disbursed Rs 5.25 lakhs?”

BM: “Exactly, Sir, those groups are not there. I sent this field staff to make the collection in Lakhoti today in place of Rakesh. He said that when he did not find two of the groups, he enquired about all the other groups that Rakesh had claimed he had formed last month. However, this field staff could not locate even a single group. Villagers say they do not know any Rakesh. He never came and there are no groups in that village.”

CEO: “What are you all doing? What is happening? We had the branch audit just at the beginning of this month but nothing suspicious came up?”

INTERNAL AUDITOR: “Sir, we mainly checked the accounts register and vouchers and they were all fine. We went to two groups in one of the villages, which had no problem.

CEO: “For God’s sake! You visited two groups when we have almost 250-300 groups under each branch.”

INTERNAL AUDITOR: “But Sir there is no policy which says what all has to be checked or how much sample has to be taken, etc. Further, we are only two people in this department. We just cannot give that much time to visit clients, check documents etc. at all branches!”

CEO: “God help us! Don’t know what to do or where to start. For now, our loss due to this fraud stands at Rs 3.5 + Rs 5.25, which is almost Rs 9 lakhs or maybe more. There may be many more Rakeshs in this MFI whom we do not even know about.”

1. Relate the situation at the microfinance institution to various risks associated with the functioning of an MFI.  **(Marks 9)**
2. Suggest how the risks could have been averted using a Risk Management Framework.

**(Marks 6)**