

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER 3– • EXAMINATION – WINTER 2015**

**Subject Code: 2830702**

**Date: 05/12/2015**

**Subject Name: Rural Banking & Microfinance**

**Time: 10.30 AM TO 01.30 PM**

**Total Marks: 70**

**Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

**Q.1 (a) Multiple choice questions**

**( 6 )**

1. This programme was started by Shri Rabindra Nath Tagore in 1914
  - A. Sriniketan Project
  - B. Marthandam Project
  - C. Gurgaon Experiment
  - D. Sarvoday Programme
2. Panchayati Raj system was recommend by committee headed by
  - A. Balwant Rai Mehta
  - B. Mohansinh Mehta
  - C. Baldevsinh Mehata
  - D. Balanatsinh Mehata
3. Panchayati Raj system was implemented in Gujarat in this year
  - A. 1957
  - B. 1963
  - C. 1959
  - D. 1948
4. What is not true for Block Development Officer
  - A. Appointed by the Government
  - B. Working at Taluka or Block level
  - C. He functions as the leader of the Block
  - D. Elected person by people
5. IRDP is
  - A. Intergraded Rural Development Programme
  - B. Indian Rural Development Programme
  - C. International Rural Development Programme
  - D. Innovative Rural Development Programme
6. Jawahar Rozgar Yojana is renamed as
  - A. Gram Samridhi Yojana
  - B. Gandhi Gram Samridhi Yojana
  - C. Swarnim Gram Samridhi Yojana
  - D. Samridhi Gram Swaraj Yojana

**Q.1 (b) Define the following:**

**( 4 )**

- (i) Micro Finance
- (ii) SHG?

**Q.1 (c).** Write Note on MGNREGA ( 4)

**Q.2 (a)** Discuss the objectives and philosophy of Panchayati Raj. And also enumerate the Three tiers (levels) of Panchayat Raj and enlist their functions. (7)

(b) What is the mandate of the Ministry of Rural Development and what are the kinds of programme it deals with? (7)

**or**

(b) Short note on (7)  
(i) Mudra Bank  
(ii) KIOSK Banking

**Q.3 (a)** Discuss various Models of Microfinance. (7)

(b) You want start a NGO. What procedure to be followed in the establishment of NGO in India (7)

**Or**

**Q.3 (a)** Explain the role of RRB and Commercial Banks in rural development. (7)

(b) What is the need and the sources for rural finance. State the functions of NABARD. (7)

**Q.4 (a)** Discuss the factors required to frame the regulatory framework for NBFC Microfinance Institutions ? (7)

(b) What are NABARD's initiatives with respect to the linkages of SHG's. (7)

**Or**

**Q.4 (a)** Discuss the state of agricultural marketing in India (7)

(b) Discuss the benefits of Self Help Group approach to Microfinance. (7)

**Q.5 Read the case and answer the questions: (14)**

Microfinance, a flourishing sector in India, was witnessing phenomenal success in terms of expansion as well as profitability in the latter half of the first decade of the 2000s. The industry leader in this market, SKS Microfinance, with its mission to serve 50 million Indian households and a vision to eradicate poverty from the country, came up in July 2010 with the very first Initial Public Offering (IPO) for its equity shares to raise funds and thus fulfill its ambitions to grow at a rapid pace. The IPO, the first by any company in the microfinance sector in India, was a huge success. However, critics opined that for a Microfinance Institution (MFI) to take the profit driven capital market route to grow quick and big would lead to compromising on the

basic principles under which an MFI is expected to provide funds to the poor. SKS's shares showed good initial performance. However, this proved to be short-lived and in the following weeks, they witnessed a sharp decline. Analysts wondered whether the dramatic loss of investors' faith stemmed from the fact that the SKS CEO had exited the company, or from attempts to regulate the industry, or from arguments against the idea of an IPO in the microfinance industry. Investors were clueless, wondering what had gone wrong. Much of the disaster was associated with some suicides by farmers which allegedly exposed the dark side of microfinance according to some experts. The industry's image was to a great extent tarnished by the fact that some farmers who were associated with MFIs had committed suicide, allegedly due to the wrongful practices of some microfinance industry players, particularly of their agents. Reports of rampant disbursement of micro loans and coercive collection of debt by MFI agents were thought to be major reasons for the debtors' plight, evoking strong reactions against the MFIs from almost all sections and the government. The industry, which till then, had enjoyed an enviable reputation, suddenly found a shadow cast over it. The SKS stocks had been touted as one of the best investment opportunities, enjoying a unique position in the capital market in which it had no close competitor. It had the best performance track record to bank upon over the year in a market which was estimated to be one of the biggest in the world for microfinance

Q.1 How the Vision and mission of SKS lead to development of rural people through banking

Q.2 What factors in your opinion lead to the financial crises at SKS. Give your suggestions.

Or

**Q.5 Read the case and answer the questions:**

**(14)**

ITC Limited with an annual sale of US\$ 2 billion from its diversified businesses is one of India's largest corporations with its presence in tobacco, hotels, paper boards, foods fashion retailing and commodity export. International Business Division (IBD) started in 1990, a division of ITC is engaged in exports of a range of agricultural commodities.

**e-choupal** is a Hindi word which means “**village meeting place**”. Market is a meeting place where vendors and customers come together to do transactions. e-choupal is a **virtual** market place where farmers can transact directly with a processor and can realize better price for their produce. e-choupal has the advantages of the market but spans very large varieties of vendors and customers. Geographical distances do not restrict participation in the e-choupal. Main attractiveness of e-choupal is that it can be used for connecting large producers/small producers and small users/large users, thereby eliminating the need for hierarchy of brokers. Internet is used as a low transaction cost backbone for communication. Physical delivery of produce to the processor is still done through the existing intermediaries. e-choupal does not attempt total elimination of intermediaries, as intermediaries are indispensable in economy like India where intermediaries are adding value to the every step of value chain at a low cost. Intermediaries have the expertise in storage, transportation, quality assessment and counter party risk reduction, which are difficult to replicate. e-Choupal provides farmers with all the market information and this helps them to become market oriented. In e-choupal intermediaries are leveraged but they are disintermediated from the market information flowing to the farmers.

The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterized by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, who block critical market information from passing to the farmers and use that information for getting a big margin for themselves. The intermediaries capitalized on the economies of information and economies of physical things, which are tied together in a bundle. Due to this, the farmers does not get the proper price of its

product & they continue to live below the poverty line. But e-Choupal sets things in order as it smoothen the flow of information to the farmers by disinter mediating intermediaries from the chain of information flow and at the same time leverages the physical transmission capabilities of the them as they deliver critical value at every link for a very low cost in a weak infrastructure environment.

The project e-Choupal is ITC's unique click & mortar initiative e-Choupal is an ICT platform for carrying out trade at a number of locations. In this, ITC sets up a back-up physical service support at the village level, called Choupal, through Sanchalak: a lead farmer, who acts as the interface between computer and the farmer. ITC accumulates information regarding weather, modern farming practices, and market prices from sources like Meteorological Department, Agri-universities, mandis (regional market) etc., and uploads all information on to e-Choupal web site. All information is customized according to local farmers requirements and provided into the local language through computer set up by ITC in Sanchalak's house. Sanchalak access this information and facilitates its dissemination to farmers. Information regarding weather and scientific farming helps farmers to select the right crop and improve the productivity of their farms. Availability of market information helps farmers to become market oriented. They know what price ITC is quoting and the price prevalent in the local market, thereby helping better price realization for farmers. If farmer decides to sell to ITC, Sanchalak works as the aggregator of small farmers produce to sell them to ITC. Sanchalak also aggregates farmers input purchase orders for various items like seeds, pesticides and places them directly with the suppliers through internet and facilitate supply of high quality farm inputs as well as purchase of farm produce at farmers doorstep with the help of intermediaries

Q1. What best practices can be learned from this initiative

Q.2 Why are intermediaries indispensable even under e- choupal model

Q.3. How is e-chaupal useful to the farmers?

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