Introduction to Micro Finance

Throughout the world, there are poor people who are excluded from formal financial system. Exclusion varies from partial exclusion in developed countries to full or nearly full exclusion in Lesser Developed Countries (LDCs). Due to the absence of access to formal financial services, the poor have developed a wide variety of informal, community-based financial arrangements to meet their financial needs. In addition to this, over the last two decades, an increasing number of formal sector organizations (non-government, government, and private) have been created in order to meet the same needs. Microfinance is the term that has come to refer generally to such informal and formal arrangements offering financial services to the poor. It is reflective of at least two elements, which are:

- An emphasis on savings and other financial services apart from loans.
- Professional management of small loans and savings programs as part of a perceived need for sound accounting, financial portfolio management and decision making for micro finance institutions.

Often, the term micro finance is limited to the narrow definition of ‘micro-credit for micro-enterprise’. However, microfinance, in theory and in practice, includes a wider range of services. It also refers to savings product, insurance, pledge and remittances. In other words, it sums up to include a wide range of financial services.

Micro-finance, as a developmental concept provides access to the strata of the population which is currently not served, mainly those, who earn low incomes, own few assets and are constrained in voicing out their interests.

It has only been in the last four decades, that serious global efforts have been made to delineate provision of financial service to the poor. Diligent efforts were made for implementation of this process around the early mid-1980s and since then, it has gathered an impressive momentum. Today, there are thousands of MFIs providing financial services to an estimated 100 - 200 million of the world’s poor. What began as an indispensable movement inspired largely by a development paradigm has evolved into a global industry informed increasingly by a commercial/finance paradigm.
A panel led by Urjit Patel proposed a new framework, where monetary policy committee decides on interest rates considering prevailing retail prices. The proposed structure is adopted by the US Federal Reserve, according to which, interest rates in context to inflation should be measured by CPI, as against the current benchmark of WPI. Even though CPI better reflects demand side pressures than wholesale price, the RBI does not have a single CPI that is representative of the whole country. Also, in a country like India, it is a challenge to collate data on retail prices of all commodities.

NPAs of all banks put together, rose to 1.68% of total loans advanced, from 1.28% last year, and those of public sector (26) banks rose to 2.02% during this financial year as compared to 1.53% from the same time last year. Some of the reasons for increasing NPAs are:

- Increased interest rates.
- Poor performance of the manufacturing sector.
- Lower economic growth at less than 5%.
- Lending to less profitable agriculture sector/ priority sector.

India’s Forex reserve rose to US $295.71 billion and Foreign Currency Assets (FCA) is considered to be a major part of overall reserves. The main reason for this rise is the concessional swap facilities offered by RBI to banks.

RBI governor and Ministry of Finance to squeeze spending as it aims to reduce fiscal deficit to 4.8% of the GDP. This is a result of domestic factors like institutional weakness, and global factors like tapering of the Quantitative Easing program by Federal Reserve and poor performance by the Chinese economy last quarter (7.7%).
NHG Case: Kudumbashree Program in Kerala
Challapalli Kalyana Karthik, F2

The Kudumbashree program in Kerala comes under the Bank-SHG model where the social intermediary is a state government entity (Kudumbashree). The program is classified as a Neighborhood Group (NHG). The main difference between SHG and NHG is that SHGs are informal non-governmental organizations promoted by voluntary agencies. NHGs are promoted by the Government to uplift the poor by bringing the activities of various departments under one umbrella. It is co-sponsored by the Government of Kerala, local bodies and the UNICEF. NHGs act as an effective MFI and are the grass root level unit of the poor women which promote thrift among poor families.

Principal objectives of the Kudumbashree program are:

- Facilitating self-identification of poor families through a poverty risk index.
- Empowering women of the poor strata by organizing themselves into NHGs.
- Encouraging thrift and investment through credit by developing community development societies.
- Improving incomes of the poor through upgrades of vocational and managerial skills and the creation of opportunities for self-employment and wage employment.
- Ensuring access to basic amenities like safe drinking water, sanitary facilities, improved shelter and healthy living environment.
- Promoting functional literacy among the poor and supporting continuing education.

The Kudumbashree program works under the traditional Bank-SHG model where the NGO which spearheads the social intermediation happens to be the State Government. Kudumbashree units, like other micro-credit programs, start with mobilization of thrift. Each household contributes a minimum of Rs. 10 per month, which forms the basis of the savings pool of the NHG, and these are normally deposited in a bank in the name of the NHG. The NHG volunteers, for income generation, collect thrift (small savings) from members every week. The thrift raised by the NHGs is given back to its members as loan for meeting consumption purposes as well as for meeting contingent needs such as medical treatment, child birth, death, education of children, marriage, repayment of old debt, etc. The repayment of loans along with regular thrift enlarges the working fund of NHGs.

www.igidr.ac.in
Over the years, the number of NHGs created under the Kudumbashree program has increased sharply from 7,538 in 1999-2000 to 167,907 by 2005-06. The amount of thrift collected from households has increased from Rs. 884 million to Rs. 6,640 million during the same period – a nearly eight-fold increase. The amount of loan given to households has increased nearly 27 times during the same period (from Rs. 561 million in 1999-2000 to Rs. 15,352 million in 2005-06). The velocity of internal lending (credit to thrift ratio) has dramatically improved from 0.63 in 1999-2000 to 2.3 in 2005-06. Similarly, purpose-wise, the share of consumption which was as high as 98 percent in 1998 fell to 12 percent by 2004 – indicating a shift towards income-generation schemes or micro-enterprises. The NHGs will take loans from the banks and lend money to customers adding a spread of 2-3 percent to their cost of funds charged by banks.

The State Government has claimed this program to be a huge success in terms of its coverage. Other states (like Rajasthan, Andhra Pradesh, and Delhi) have voiced interest in this program, which is considered a model of poverty alleviation and rural development. The success of this model along with the Micro-Credit Summit in New York in 1997 inspired the Kerala Government to extend the program to the entire state, initially as SHGs and later under the special program “Kudumbashree” in 1998.

Macro-success of Grameen Bank in Micro-finance

Srijita Mukherjee, F2

Since the early recognition of the work done by Muhammad Yunus, Professor at University of Chittagong, who launched a research project based on the study of designing a credit delivery system for providing banking services to the rural people, Grameen Bank (from the Bengali word “gram” meaning village) has been a Nobel Peace Prize-winning microfinance organization and community development bank. It has granted loans of small amounts (also known as microcredit or "Grameen credit") to the impoverished without demanding collateral. The main difference that sets Grameen bank apart from other commercial banks is the concept of micro-credit.
Concept of Micro-credit:

Micro-credit is simply a small amount of loan lent to the underprivileged to improve their standard of living. It is admirable, how this little amount of money provides strength to the poor to initiate a business, and how it helps them to break free from the vicious cycle of poverty. This small amount of money given as loan provides timely support to the needy and helps them in setting up their own business. In other words, it is a financial innovation system emerging from the Grameen banking system, which is actually based on the pillars of mutual trust, supervision, accountability and member participation. Unlike conventional banking system, which grants credit on the basis of collateral security, Grameen Bank did not demand any security for extending credit. In order to get a loan, people had to go to the conventional banks, but Grameen Bank itself approaches rootless or landless people at their door steps. It is incredible that, without any guarantee, a bank can allocate or sanction loan to the landless people. This loan giving approach placed Grameen Bank in a unique position in the area of micro-finance. It is a known fact that conventional banks base their operations on the concept of profit maximization, whereas Grameen Bank’s objective is to provide financial services to fight poverty. For this, Grameen Bank looks for underprivileged that can be funded to start any small or micro business, which would help them, come out of poverty. This bank is dedicated in providing micro-loans to the underprivileged sections of the society, not for consumption but for conducting business. In this process, Grameen system helps to implement some goals in social, educational and healthcare sectors.

Grameen loan system, Investment and Replica

Grameen bank adopted a unique loan advancing systems that are voluntary formations, where people create groups. The following picture illustrates the working of the loan distribution system. After getting loans, people are engaged in different types of business such as pottery, weaving, paddy husking, garment sewing, storage and marketing for self-development. Grameen has also been replicated all over the world to manage microfinance institutions.
Problems with Microfinance

While microcredit is overwhelmingly seen as a positive force in alleviating poverty, there is growing concern over the direction many larger MFIs are taking. Because microcredit operations are very similar to businesses (in some cases, due to the interest they receive on loans they make, MFIs such as Grameen Bank no longer take donations), questions arise about how to balance the organizations’ business aspects with their humanitarian aspects. MFIs that have been successful are becoming more and more like traditional businesses and this transformation has created more pressure to engage in standard business practices – working to create higher profits, for example. This issue is extremely important to the future of the poor, who have so far benefited from microcredit. An MFI that becomes too similar to a for-profit company may be unable to respond to the needs of the poor as well as one that has kept its focus on the people it serves.

Global Acceptance of Microfinance

It is claimed that this new paradigm of unsecured small scale financial service lending helps poor people take utmost advantage of economic opportunities, income expansion, consumption requirement smoothening, vulnerability reduction and also empowering them. Former World Bank President James Wolfensohn said “Microfinance fits squarely into the Bank's overall strategy. As we all know, the Bank's mission is to downsize poverty and improve living standards by promoting sustainable growth and investment in people through loans, technical assistance, and policy guidance. Microfinance contributes directly to this objective”.

Micro Financing- BancoSol

Aswathy Edison, F1

What is Micro Financing?

It is the availability of financial services to lower income sections of the society who may not have access to banking services. Micro Financing Institutions facilitate this in the form of non-profit organizations and commercial banks. These institutions help in the implementation of the concept of financial inclusion in the unbanked areas of the country.

Micro Financing from a Global Perspective: Case Study of BancoSol

BancoSol is a private commercial bank, based in Bolivia, which provides micro financing services to the weaker sections of the country. It was established in 1986 by Bolivian business leaders to serve the purpose of micro lending. It is the world's first private commercial bank to provide micro loans and yet pay dividends to shareholders. It started with loans as small as $50. Majority of the borrowers are women working as seamstress, bakers and market vendors etc.

www.delhibusinessreview.org/casestudy.pdf
http://www.grameen-info.org/index.php?option=com_content&task=view&id=796&Itemid=763
Services offered by BancoSol

- To provide funds in the form of working capital and fixed capital to small entrepreneurs to help start their business and purchase the necessary equipment.
- To provide services to women to improve their financial position and become independent.
- To provide funds to individuals who are not eligible to avail loans from the conventional banking channels, and to improve their living conditions.

Who can avail BancoSol’s service?

- People above 18 years.
- Owners of small business with less than 10 employees.
- A business which can generate employment.
- Business activity should not harm environment.
- Business idea should be viable.

Challenges faced by BancoSol

- Increase the revenue generating capacity of each loan through enlarging the size of the loan and maturity period instead of raising interest rates.
- Increase in the average cost of funds which, in turn, squeezes margins.
- Need to update information systems to accommodate expanding portfolio.
- Reduction in the operating costs as a proportion of revenue earned.

Conclusion

In India, the concept of micro lending is an emerging concept. We have numerous initiatives in India in the form of Kerala's Kudumbashree, Varanasi's Utkarsh, etc. which are success stories of micro lending and financial inclusiveness in India.

http://www.accion.org/our-impact/bancosol
www.bancosol.ao
Microfinance through Self Help Groups

Purnima Singh, F2

Microfinance has always been deemed a savior for the poor in India. It is believed to be a tool which if used effectively, can contain poverty. It’s not a necessity that a micro lender should be a financial company. The concept of Self-Help Group (SHG) brings to the mind, a kind of village level financial intermediary. Members of Self-Help Groups pool their funds, and when there is enough capital, they lend. Funds may be lent as and when required. In 1992, NABARD issued policy guidelines for bank linkages with Self-Help Groups. Banks initially were reluctant to adopt this new lending mechanism, as SHG only guarantee the loan instead of offering physical security which has been the conventional banking practice. But, under a 1992 guideline, SHGs act as joint liability group replacing other collaterals offered for the loans. SHGs has so far been successful in our country, but setting up of SHGs is a very difficult task, as it is challenging to bring people sharing common interests under one umbrella.

Origins of SHGs could be traced to GTZ sponsored project in Indonesia, which is a German body. Earlier, in India, SHGs were promoted by NGO such as MYRADA. Collateral free loans increased progressively up to four times the level of group saving deposits. SHGs thus formed a link, where microfinance banks can access funds from formal the banking system. It helped in drastically reducing the transaction cost for the banks as individual loans were serviced by Self-Help Groups and repayment of the loan was ensured through peer pressure within Self-Help Groups.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of SHGs provided with bank loans</td>
<td>2,238,565</td>
<td>2,924,973</td>
<td>3,625,941</td>
<td>4,224,338</td>
<td>4,587,178</td>
<td>4,813,684</td>
<td>4,354,567</td>
</tr>
<tr>
<td>Of which in southern region</td>
<td>1,214,431</td>
<td>1,522,144</td>
<td>1,861,373</td>
<td>2,283,992</td>
<td>2,421,440</td>
<td>2,663,569</td>
<td>2,355,732</td>
</tr>
<tr>
<td>Share of southern region (percentage)</td>
<td>54</td>
<td>52</td>
<td>51</td>
<td>54</td>
<td>53</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Average disbursed loan per group (₹)</td>
<td>37,574</td>
<td>44,343</td>
<td>46,800</td>
<td>74,000</td>
<td>115,820</td>
<td>122,744</td>
<td>144,086</td>
</tr>
<tr>
<td>Outstanding loans (₹ billion)</td>
<td>123.66</td>
<td>169.99</td>
<td>226.76</td>
<td>272.66</td>
<td>306.19</td>
<td>363.41</td>
<td>(-) 0.05</td>
</tr>
<tr>
<td>Incremental groups (million)</td>
<td>0.69</td>
<td>0.70</td>
<td>0.60</td>
<td>0.36</td>
<td>0.22</td>
<td>0.53</td>
<td>0.22</td>
</tr>
<tr>
<td>Incremental loans O/S (₹ billion)</td>
<td>123.66</td>
<td>46.33</td>
<td>56.77</td>
<td>45.90</td>
<td>33.53</td>
<td>57.22</td>
<td></td>
</tr>
</tbody>
</table>

Data Source: NABARD

Outreach of SHG bank and the linkages may seem impressive, but viewed in the context of rampant poverty in India; they still have to make provisional significant additions to ensure credit flow to rural areas. In the recent crisis in Andhra Pradesh, banks had to write off a large amount of their loans, which has resulted in the banks being more cautious in financing Self-Help Groups, and they have completely stopped lending to micro finance intermediaries, notably in the State of Andhra Pradesh. India’s largest microfinance lender SBI has reduced micro finance lending. But SHGs can open new doorways for poverty alleviation in our country if we draw a line between profits and profiteering, and focus on the former.
Corporate Column

Nilanjana Chatterjee, F2
The following extract of an interview with Shri P. Vijaya Bhaskar, Executive Director, Reserve Bank of India would help us in gaining insight into Financial Inclusion in India.

Q. Ensuring reliable financial services to poor households in India has been an important and long-standing policy imperative of the government. How far have the goals of financial inclusion been achieved?

We have come a long way. Beginning the journey with Khan Commission a decade ago, today, we seem nearer to our vision 2020 of opening nearly 600 million new customers’ accounts and service them through a variety of channels by leveraging on information technology. As of today, 587 out of a total 638 districts in India, and 34 out of 35 States and Union Territories saw an improvement in financial inclusion. Overall, 79 million new savings accounts were opened in fiscal 2012, 12.6 per cent more than in fiscal 2011. Also, agricultural credit accounts have grown at 11.1 per cent, which is the most since fiscal 2009. The number of bank branches in the bottom 100 districts has increased by six per cent, faster than the all-India growth of 5.6 per cent in the previous fiscal year. India’s overall CRISIL Inclusix score has risen 2.7 in fiscal 2012. A few large private corporate entities have undertaken projects such as E-Choupal/ E- Sagar (ITC), Project Shakti (HUL) etc. Reportedly, these pioneering projects have brought about a vast improvement in the lives of the participants, and set the tone for economic development in their command areas - a pre-requisite for Financial Inclusion efforts to be undertaken by the banking system.

Much hope and responsibility has been pinned on Aadhaar by the Mor panel’s proposal. How can Aadhaar help in financial inclusion?

Mor panel’s big proposal of every Indian resident above the age of 18 years having a full-fledged bank account that can be accessed from anywhere by January 1, 2016, is predicated on Aadhaar. It wants the Unique Identification Authority of India (UIDAI), which issues Aadhaar, to automatically open a bank account at the time of issuing an Aadhaar number to an individual. Since UIDAI has verified all the personal details of an individual, a bank need not replicate that process. The panel further recommends using Aadhaar which has a record of an individual’s fingerprints as the universal basis for authentication. Since physical branches and ATMs are expensive, roving agents or Banking Correspondents (BCs) are important to that infrastructure. These BCs will move around with handheld consoles (like credit card readers) equipped with a biometric reader to verify a person’s identity and enable deposits and withdrawals.

What other measures are being taken to achieve the goal? What is the road ahead?

While financial inclusion works from the supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people as regards the needs and benefits of financial services offered by banks and other institutions. Going forward, these two strategies will promote greater financial stability. Financial Stability Development Council (FSDC) has explicit mandate to focus simultaneously on financial inclusion and financial literacy. In June 2012, the revised guidelines on Financial Literacy Centres (FLCs) was finalized and it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. ‘Financial Literacy’ and easy ‘Financial Access’. Accordingly, 718 FLCs have been set up as at the end of March 2013. A total of 2.2 million people have been educated through awareness camps / Choupals, seminars and lectures during April 2012 to March 2013. Nachiket Mor has drawn up a plan to overhaul the Indian banking landscape. It advocates fewer NBFCs and substantial regulatory convergence for them with banks on non-performing assets, and the extension of securitisation laws to certain NBFCs. A state-level regulatory commission will consolidate supervision of all non-governmental organisations and money service businesses. By January 1, 2016, all resident Indians above 18 years of age will have full-service bank accounts and every accountholder will have an electronic payment access point within 15 minutes of walk.
The present round of licensing new banks is essentially aimed at giving further fillip to financial inclusion efforts in our country. Innovative business models aimed at furthering financial inclusion efforts would be looked into closely in processing applications for banking license. Financial inclusion plan, therefore, would be an important criterion for procuring new bank licenses.

The RBI has put out a discussion paper in August 2013 on Banking Structure for public comments. One of the main issues relates to “Differentiated Banking Licenses”. The subject of licensing ‘small banks and financial inclusion’ has been discussed therein. A view will be taken by RBI after factoring in the comments/suggestions received from the general public.

**Insight:**

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

- Franklin D. Roosevelt

Financial inclusion is not the sole responsibility of the government and the regulatory body. It is rather a cumulative effort of organizations and the educated civil society that is required to realize the dream of a financially literate and equipped country.

**Economic Rollers**

**Simmy Kumari, F2**

<table>
<thead>
<tr>
<th>Rates</th>
<th>Percentage/Amount</th>
</tr>
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<tbody>
<tr>
<td>Repo Rate-28th January , 2014</td>
<td>8%</td>
</tr>
<tr>
<td>Reverse Repo Rate-28th January , 2014</td>
<td>7%</td>
</tr>
<tr>
<td>CRR-28th January , 2014</td>
<td>4%</td>
</tr>
<tr>
<td>SLR-28th January , 2014</td>
<td>23%</td>
</tr>
<tr>
<td>MSF- 28th January , 2014</td>
<td>9%</td>
</tr>
<tr>
<td>Bank Rate- 28th January, 2014</td>
<td>9%</td>
</tr>
<tr>
<td>Base Rate -28th January , 2014</td>
<td>9.75%</td>
</tr>
<tr>
<td>Call Money Rate (Weighted Average)</td>
<td>8.77%</td>
</tr>
<tr>
<td>91-Days Treasury Bill (Primary) Yield</td>
<td>8.7%</td>
</tr>
<tr>
<td>364-Days Treasury Bill (Primary) Yield</td>
<td>8.33%</td>
</tr>
<tr>
<td>10 Years Government Security Yield</td>
<td>6.16%</td>
</tr>
<tr>
<td>WPI December, 2013</td>
<td>6.2%</td>
</tr>
<tr>
<td>CPI December, 2013</td>
<td>9.87%</td>
</tr>
<tr>
<td>CBLO</td>
<td>8.73%</td>
</tr>
<tr>
<td>Food Inflation</td>
<td>12.19%</td>
</tr>
<tr>
<td>Forex Reserve- 3rd January, 2014</td>
<td>$ 293.11 Billion</td>
</tr>
<tr>
<td>IIP Growth Rate</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Export</td>
<td>US $ 27,270.97 Million</td>
</tr>
<tr>
<td>Import</td>
<td>US $ 37,827.02 Million</td>
</tr>
</tbody>
</table>

*Source: Finance Ministry, Office of economic advisory, HDFC securities report, Ministry of commerce, RBI.*
Market Round-Up

B.S. Sravya, F1 and K. Alekhya, F2

- The Ministry of Home Affairs is likely to give clearance to Vodafone’s Rs101.41 billion foreign investment proposals to buy out minority shareholders in its Indian arm (ET) (20/12/2013).
- The Competition Commission imposed a fine of Rs 0.01billion on Etihad Airways for non-disclosure of full information in the course of seeking approval for its purchase of 24% stake in Jet Airways. (BS) (21/12/2013).
- National Stock Exchange (NSE) on Tuesday acquired 45% in Chennai-based investor services company CAMS. While both parties didn’t disclose the deal value, sources said CAMS could have been valued between Rs 12billion and Rs 15billion. (ET) (25/12/2013).
- The Cabinet Committee on Economic Affairs (CCEA) approved the proposal of Axis Bank Limited to increase its foreign investment from 49 percent to 62 percent (ET) (26/12/2013).
- Mitsubishi Motor Corp plans to raise as much as $2.3 billion in a share sale that is designed to help the company resume its dividend payouts. (BS) (08/01/2014).
- An Empowered Group of Ministers (EGOM) on Friday approved a finance ministry proposal to launch an exchange-traded fund (ETF) for selling stakes in state-run companies. The ETF, which will be launched in a month, will help the government rise around 30 billion by the close of the fiscal year in March (ET) (11/01/2014).
- Bharti Airtel raised an additional €250 million through a bond offering to European investors through the wholly-owned subsidiary Bharti Airtel International (Netherlands) BV to refinance existing debt. (BS) (15/01/2014).
- Wholesale Price Index (WPI) dropped to 6.16% in December, the lowest since July, from 7.52% in November. The consensus was for slower moderation to 7%. (BS) (16/01/2014).
- Telecom service providers –Bharti Airtel, Vodafone India and Idea Cellular along with Reliance Jio Infocomm, have deposited over Rs115 billion as bank guarantees for participating in the auctions beginning February 3. (BS) (18/01/2014).
Finance Buzz
Vyom Goel, F2

- **Microcredit** - An extremely small loan given to impoverished people to help them become self-employed.

- **Crowd funding** - The use of small amounts of capital from a large number of individuals to finance a new business venture.

- **Socially Responsible Investment – SRI** - An investment that is considered socially responsible because of the nature of the business the company invests the capital and conducts the business.

- **SIMPLE IRA** - A retirement plan that can be used by small businesses with strength of 100 or fewer employees. SIMPLE stands for “Savings Investment Match Plan for Employees”; IRA stands for “Individual Retirement Account.”

- **Vice Fund** - A mutual fund that invests in gaming, such as casino operators and gaming equipment, alcohol, tobacco and aerospace/defense sectors.

- **Master-Feeder Fund** - Master-feeder fund by its structure enables consolidation of multiple portfolios into one, which reduces trading and operation costs. It also has economies of scale and by virtue of its size, can obtain better service and favorable terms from prime brokers and other institutions.

- **Ambulance Chaser** - In insurance, a derogatory term for lawyers and other service providers who rush to contact persons involved in accidents with the goal of obtaining business.

- **Catastrophe Loss Index – CLI** - An index used in the insurance industry to quantify the magnitude of insurance claims expected from major disasters. Catastrophe loss indices are created by third party firms that research natural disasters and work to provide estimates of the amount of losses from each catastrophe.
Stock Market Analysis
Sooraj Kumar C. and Anwesh Jain, F1

The Sensex and the Nifty was expected to be mildly bearish for the present week starting 27/01/2014 after the last trading session on 24/01/2014 and it proved true when the Sensex dropped by 426.11 points. The sectorial indices ended with a mixed bag during the week, IT, Banks, Consumer Durables & Healthcare ended on a positive note. Other indices like BSE Oil & Gas, Realty & power were the top losers. On Tuesday the Reserve Bank of India gave a shock by increasing the repo rate by 25 basis points, thereby reversing the general belief that the central bank would hold their rates.

Sensex on the same day closed at 23.94 or 0.12% points lower than the previous day at 20,683.51, Nifty lost 9.6 points or 0.16% to close at 6,126.25.

After performing well for the first four days starting 20th of January, it gave up its gains due to a sharp sell off on Friday. This led to Nifty closing at marginal weak on weak gains of 0.08%. But a positive take on this is that it’s the second consecutive week of gains for the Nifty.

The Indian economical markets give a positive picture altogether which might help towards improving the Nifty and the Sensex in a long term perspective. Mr. P. Chidambaram India’s finance minister on 23rd January said India would return to a growth rate of 8% if past mistakes are not repeated. There has also been encouragement from the positive response of service tax amnesty scheme, with the help of which the country is expecting to meet its deficit target of 4.8%.

But to add a word of caution, with the Nifty correcting sharply on Friday, the short term uptrend will short live and is under threat. Traders will need to watch if the nifty can hold the immediate support position of 6243 next week; else a further correction can be expected. But remaining positive the market remains open to pull back rallies, which might find resistance between 6,100- 6,250.
Stock of the month: HDFC Bank

Market Capitalization Rs. 154,594.96 Crores

- P/E-19.23
- EPS (TTM) -33.58
- Dividend Yield (%) -0.85%

News & Announcements:

- 13 January: Look at Portfolio Perspective-IDBI capital CEO.
- 17 January: HDFC announces Q3 results.
- 27 January: OBC launches e-KYC facility.
Finance Quiz

Srinivas Rahul Chaganti, F2

1. Who was the founder of modern MFIS’s with establishment of Grameen bank, Bangladesh in 1976?

2. Which was the Kenyan microfinance firm which has gone in a digital format completely?

3. ______ Microfinance (India), which makes loans to women in rural India, raised more than $350 million in its public offering.

4. RBI has given instruction that the microfinance institutions are not allowed to charge interest more than ______%?

5. Which year the UN has declared the year to be the international year of micro credit?

6. Which are the two companies in which the government has a residual stake which it wants to sell in the open auction?

7. Ashok Leyland reports Rs ________ Crores loss in Q3.

8. Valuation gap between TCS and Infosys, which was a yawning 35% 6 months ago, has narrowed to ____%.

9. ________ Bank the largest Indian mortgage financier has become the first listed Indian company to have 74% shareholding by foreign institutional investors.

10. The government has chosen JPMorgan Chase & Co, Citigroup Inc., and JM Financial Ltd., to help sell half of its stake in Axis Bank Ltd valued at $______ million.

Answers

1) Muhammad Yunus
2) Musoni
3) SKS
4) 426%
5) 52005
6) Hindustan Zinc Ltd. and Bharat Aluminium Co. Ltd. (BALCO)
7) 7167
8) 812.5%
9) HDFC
10) 195
Down:
1. -------- is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society.
2. -------- typically refers to a range of financial services including credit, savings, insurance, money transfers, and other financial products provided by different service providers, targeted at poor and low-income people.
4. -------- on Wednesday sealed a landmark deal with Ecobank Transnational Incorporated (ETI), which will see 60 per cent of Africa’s population have access to financial services.
5. Is a village-based financial intermediary usually composed of 10–20 local women or men.
6. The MFI's in Andhra Pradesh are being driven away by the provisions of the--- Act which is intended to control high interest rates, coercive collections and illegal insurance practices by the MFI's.
7.-------- refers to very small loans for unsalaried borrowers with little or no collateral.

Across:
3. The crisis that erupted in which Indian State in early October 2010 hit at the epicentre of microfinance in India and has implications there, across the country, and globally.
8. India’s only listed micro lender, -------- Microfinance Ltd.
9. A Nobel Prize winner, introduced the concept of Microfinance in Bangladesh in the form of the "Grameen Bank"
Photo Find

Sai Nanthini R.K, F2

1

2

3

4

5

6
Answers

Crossword:

1. Financial inclusion
2. Micro finance
3. Andhra Pradesh
4. Master-Card
5. Self-help group
6. APMFI
7. Micro credit
8. SKS
9. Muhammad Yunus

Photo Find:

1. V.Balakrishnan, Chairman of Micro Graam (Former Board member of Infosys)
2. Logo of MFIN - Micro Finance Institutions Network
3. Mr. Jairam Ramesh, Union minister of Rural Development
4. Logo of SKS Micro Finance
5. Chandra Shekhar Ghosh, Founder of Bandhan. (Eminent personality who made Micro Finance work)
6. Logo of NABARD - National Bank for Agriculture and Rural Development
**NISHKA TEAM**

**Nishka** is a monthly finance magazine brought by the students of the finance club of Christ University Institute of Management, Kengeri Campus. The idea behind coining this issue of the magazine is to establish a learning among the students, which helps them to gain an insight about the world of finance.

**Faculty Coordinator**
Prof. Shrikant Rao

**Student Coordinators**
Niharika Shadra & Niken Jain

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Please mail your valuable feedback/reviews to nishka@mba.christuniversity.in

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