

**Semester-VII****Discipline Specific Elective-DSE-II 7.2****Economics of Microfinance**

Offered by Economics Department, College of Vocational Studies

**CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE**

Semester	Course title & Code	Credits	Duration (per week)			Eligibility Criteria	Prerequisite
			Lecture	Tutorial	Practical/ Practice		
VII	Economics of Microfinance	4	3	1	0	Class 12th Pass	Nil

**Learning Objectives:**

The purpose of this course is to offer a fundamental understanding of microfinance and how microfinance institutions have evolved overtime and their operation. It will cover the delivery of micro-finance products and services, as well as the technical skills and behavioural aspects relevant to people working in microfinance sector. This course will significantly contribute to enhancing the financial literacy of individuals involved in microfinance, particularly among frontline employees of microfinance organisations, as well as the aspirants.

**Learning Outcomes:**

The students will be able to:

- understand the importance of Microfinance in India.
- learn the relevance of Microfinance in India.
- Analyse the role of Micro Finance Institutions and financial Inclusion.
- Analyse the Role of NGOs in implementing the Governments welfare policies.

**Unit I: Development of Microfinance****(10 hours)**

Concept of Microfinance, Evolution and Growth of Microfinance in India, Neoclassical Approaches to Household Decision making, Microfinance and financial inclusion in India, The Millennium Development Goals – Pros and cons of Micro Credit Programme.

**Unit II: Microfinance Models and Institutions (11 hours)**

NABARD model, SIDBI model, SGSY model, Grameen Banking model, NMDFC model, Associations model, Community Banking Model, Credit unions etc.

Commercial Microfinance: Investing in Microfinance, Viability of MFIs, Financial risk, Risk management and diversification of risk in Micro finance, Impacts and determinants of Micro Finance.

**Unit III: Ratings of Microfinance Institutions (MFIs) (12 hours)**

Social Rating, Credit Rating of MFIs and Impact assessment in Micro finance; Micro insurance: issues and challenges; MUDRA Yojana; PMJDY. Government's welfare schemes for financial and social inclusions like Deendayal antyodaya yojana, Pradhan Mantri Garib Kalyan Yojana (PMGKY) (Case Studies).

**Unit IV: An Assessment and Impact of NGOs in Entrepreneurship (12 hours)**

Role and strategy of NGO, Functions of NGOs, NGOs and their role in financial inclusion, NGOs in Entrepreneurship Development, Strengths and weakness of NGOs, Women Empowerment, Women and Micro Finance, Gender issue in micro finance, Rationale behind Self-help groups (SHG) and need to institutionalization, Genesis of rural credit system, Genesis of SHG.

**Practical Exercises:****The learners are required to:**

1. Make groups for presentations to develop the approaches to household decisions regarding finances. (Unit I)
2. Make an industrial visit to any microfinance government institution for a clear understanding of the microfinance models. (Unit II)
3. Engage in a group discussion on how different government schemes enhance financial inclusion. (Unit III)
4. Students will do surveys of NGOs to know the functions and strategies of NGOs. (Unit IV)

**Suggested Readings:**

- Panda, D. K. (2009). *Understanding Microfinance*. Wiley
- Datta, S and Sahu, T.N (2023) *Financial Inclusion and Livelihood Transformation Perspective from Microfinance Institutions in Rural India*. Palgrave Macmillan Singapore, <https://doi.org/10.1007/978-981-99-4141-4>
- Radhakrishnan, S. (2022). *Making Women Pay: Microfinance in Urban India*. Duke University Press. <https://doi.org/10.2307/j.ctv219kxgx>
- Credit Rating Information Services of India Limited. Accessed on June 1, 2016. Retrieve from <https://www.crisil.com/content/dam/crisil/our-analysis/publications/crisil-inclusix/CRISIL-Inclusix-An-index-to-measure-indias-progress-on-financial-inclusion-vol3-june2015.pdf>, pp. 24. (Unit III)
- World Bank. Accessed on June 9, 2019. Retrieved from [www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020](http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020) (Unit IV)