

Structuring Loan Products for Financial Inclusion—Do Larger Loans Benefit the Poor Better?

Suresh Ghai and K.S. Ranjani

SIMSR

E-mail: kranjani@simsr.somaiya.edu

Abstract—Loan products for the financially excluded population have traditionally been state led initiatives. Most of the loans are granted as part of a scheme, and are handed out to a select section of beneficiaries. These “directed credit” programs assumed that the rural poor were unable to save or to afford market rates of interest, and therefore need loans at subsidized rates to build capital (Hannig and Jansen, 2010). In India, the largest directed credit programme was disbursed during the 1980s and the 1990s. Integrated Rural Development Programme (IRDP) which was often described as the world’s largest microfinance programme (Sa-Dhan, 2006). Loans were given with a dismal repayment rate of around 25-33%. Such programmes are characterized by the absence of customization to suit the needs of the borrowers, and do not benefit the lenders as well. Loans given to the poor are usually homogenous with no variations in loan size, tenure or repayment terms, thus making the impact of the loan questionable. This paper attempts to study whether the size of loan determines the impact on the borrowers. The study was conducted across several parts of Maharashtra on around 500 borrowers. The result of the study shows a positive correlation between the loan amount and the impact on the borrower in terms of increased income generation. Other contributing factors were number of years for which they had been borrowing and the value of assets purchased on receipt of loan. The study concludes that loan products can be customized for the poor and income generation loans benefit the customers more if the amount of loan is larger. This study will help lenders to structure their loan products to maximize impact for the borrowers and increase chances of providing value added, fee based services for the lender.

Keywords: Financial Inclusion, Impact, Customized loans

The Role of Iran’s OTC Market in the Expansion of Financial and Trading Innovation in Capital Market

Mohammad Donyaei¹, Reza Tehrani² and Seyed-Hasan³

^{1,2}University of Sistan and Baluchestan, Zahedan, Iran

³Hosseini University of Sistan and Baluchestan, Zahedan, Iran

E-mail: mreza_babaei@pnu.ac.ir

Abstract—

Background

Due to the importance of innovation in the development and improvement of the financial system and economy, present research check the development of financial and trading innovation in capital market with emphasis on the role of Iranian OTC market.

Research Methodology

This study is a descriptive-survey research and examined the viewpoints of the institutional investors and OTC brokers a census by making use of a questionnaire. Results implies that from the perspective of statistical research community, Iran's OTC market with providing structural innovations, Play an important role in the trading and more participation in capital market and increase the diversification of financial instruments and portfolio decision regarding to investors prospect and market risk. Also, increased the desirability of trading costs and improve the information disclosure Mechanisms in capital market that its considered a good platform for investors and companies for entrance.

Findings

There is no significant difference between institutional investors and brokers visions on the examined variables.

Keywords: financial and trading innovation, trading cost, financial instruments diversification, over the Counter (OTC) Market