

## Problems with Credit Contracts:

Problems may arise with credit contracts for any reason. There are a number of things that a borrower can do to when there is difficulty meeting repayments, or if the terms of the contract seem unfair or unjust. It is important to act quickly as delays can result in added unnecessary costs. If a loan is secured meaning that the credit provider has an interest in property which entitles it to sell the property to recover the debt, the credit provider can take steps to repossess the property, as long the right process is followed. If the loan is unsecured the credit provider may have to take legal action to enforce the debt.

Other problems which may affect credit contracts:

### 1. Enforcement of a Credit Contract:

Under section 88 of the NCCE, the credit provider cannot issue legal proceedings or repossess or take any other enforcement action unless and until:

- a) the debtor has defaulted (i.e. is behind in payments);
- b) the credit provider has given or posted a notice to the last known address of both the debtor and any guarantor (it is important for this reason to keep the credit provider informed in writing of any change of address); and
- c) the account remains in default after the expiration of the notice period (at least 30 days).
- d) make an application to the credit provider under section 72; or
- e) negotiate with the credit provider under section 94; or
- f) make an application to the court under sections 74 and 96;

Unjust contracts - changes and charges:

Sections 76 and 77 contain the NC's version of statutory unconscionable conduct. These sections allow a court to grant relief to debtor from the consequences of entering into "unjust transactions".

Under section 78 of the NC, a court can also annul or reduce any change in the annual percentage rate,

any establishment fee or charge or fee payable on early termination of a contract. This can occur if the

change or charge is unconscionable. A change is unconscionable if:

a) the change occurs in an unreasonable manner, having regard to the advertised rate and the period of

time since the contract was entered into; or

b) the change discriminates against the debtor compared to other similar debtors.

Repossession of Mortgaged Goods:

The procedure most commonly applies to the enforcement

of car loans. Information about the repossession of real property that is subject to a mortgage (for

example, a home loan) can be found in the Mortgage Stress Handbook & En published by Legal Aid NSW

and the Consumer Credit Legal Centre NSW

To avoid repossession of goods that are subject to security for a debt, a debtor can:

a) bring the account up to date;

b) seek the credit provider's permission to sell the goods privately (this may allow for the goods to be sold

at a better price than would be obtained at auction;

c) seek a postponement of enforcement proceedings (see above) under s 94 NCC;

d) seek a hardship variation (see above) under s 72 NCCE: or

E) pay out the net balance due under the contract.

\*\*\*\*\*

What do you mean by micro finance?

Ans: Micro finance refers to the financial services provided to low-income individuals or groups who are typically excluded from traditional banking. Most microfinance institutions focus on offering credit in the form of small working capital loans, sometimes called micro loans or microcredit.

What are the benefits of micro finance?

Ans: Access to essential financial services can empower individuals economically and socially. by

creating self-reliance and economic sustainability, in impoverished communities where salaried jobs are scarce. The benefits of microfinance include:

- Small loans enable entrepreneurs to start or expand micro, small and medium enterprises.
- Savings help families build assets to finance school fees, improve homes (e.g., install power or running water) and achieve goals.
- Insurance products can offset the cost of medical care.

Money transfers and remittances allow families to easily send and receive money across borders.

Hundreds of millions of low-income people have benefited from with about 140 million borrowers served by the industry worldwide annually.

What is an example of microfinance?

Ans: These loans are generally issued to finance entrepreneurs who run micro-enterprises in developing countries. Examples of micro-enterprises include basket-making, sewing, street vending and raising poultry. The average global interest rate charged on micro-loans is about 35%

What is the main aim of microfinance?

Ans: The objective of microfinance is similar to that of microcredit; its goal is to provide financial services to help encourage entrepreneurs in impoverished nations to act on their ideas and obtain the financial tools available to do so and to eventually become self sustainable.

What are the disadvantages of microfinance?

Ans: Here are Challenges faced by Microfinance Institutions:

#### 1. Over-Indebtedness

The microfinance sector deals with marginalized sections of Indian society intending to improve their standard of living, and thus over-indebtedness poses a severe challenge to its growth. The growing trend of multiple borrowing by clients and inefficient risk management are the most significant factors that stress the microfinance industry in India. The microfinance sector gives loans without collateral, which increases the risk of bad debts. Fast-paced growth needs proper infrastructural planning, in which the Indian microfinance sector evidently lacks.

## 2. Higher Interest Rates in Comparison to Mainstream

### Banks:

The financial success of MFIs is limited when compared to commercial banks in India. The centuries-old banking system has a strong foothold in Indian grounds and is slowly evolving to meet the needs of the times. Most Microfinance Institutions charge a very high rate of interest (12-30%) when compared to commercial banks (8-12%).

The regulatory authority RBI issued guidelines to remove the upper limit of 26% interest on MFI loans.

## 3. Widespread Dependence on Indian Banking System:

Because most microfinance institutions function as registered Non-Governmental Organizations (NGOs), they are dependent on financial institutions such as commercial banks for stabilized funding to carry out their own lending activities. Most of these commercial banks are private institutions charging a higher rate of interest. They also sanction loans for shorter periods. The massive dependence of Indian MFIs on banks makes them incompetent as a lending partner.

#### 4. Inadequate Investment

Validation:

Investment valuation is a crucial capability for the healthy functioning of an MFI. The developing nature of the markets in which MFIs operate, the market activity is often limited. That is why it becomes difficult for MFI to gain access to market data for valuation purposes. Lack of consistent and reliable valuation procedures, MFI management teams, are unable to achieve the level of quality information that they need to be able to make investment decisions

#### 5. Lack of Enough Awareness of

Financial Services in the

Economy:

A developing country in the making, India has a low literacy rate, which is still more moderate in its rural areas. A large chunk of the Indian population fails to understand the basic financial concepts. There is a severe lack of awareness of financial services provided by the microfinance industry among the masses. This lack of adequate knowledge is a significant factor that keeps the rural population from accessing MFIs for easy credit to meet their financial needs.

#### 6. Regulatory Issues:

The Reserve Bank of India (RBI) is the premier regulatory

body for the microfinance industry in India. However, RBI more or less caters to commercial and traditional banks more than it helps MFIs. Even the needs and the structure of microfinance institutions are entirely different from those of other conventional lending institutions.

Some regulations seem to have benefitted the MFIs, but others left numerous issues unaddressed. In spite of sporadic and unprecedented regulatory changes, the Microfinance industry appears to have been struggling to sustain. While new regulations result in structural and operational changes, they also result in ambiguity in norms of conduct. The result is sub-optimal performance and failure in the development of new financial products and services. Conclusively, there is a need for a separate regulatory authority for the microfinance industry.

#### 7. Choice of Appropriate Model:

Most Indian MFIs follow the Self-Help Group model (SHG model) or the Joint Liability Group model (JLG model) of lending. They hardly select the model based on scientific reasoning. Most MFIs choose the models randomly, regardless of the situation.

What's more, is that the choice of the model increases the risk of borrowings for the weaker section beyond they can bear and is irreversible. In the end, the decision of the model affects the sustainability of the MFI organization in the long run.

\*\*\*\*\*

## Advantages of Microfinance Company

### 1. Collateral-free loans

Most of the microfinance companies seek no collateral for providing financial credit. The minimum paperwork and hassle-free processing make them a suitable option for quick fundraising.

### 2. Disburse quick loan under urgency

The financial crisis is inherently unpredictable as it could creep up at any point in time without intimating anybody. Thanks to microfinance companies that can provide secure and collateral-free funds to an individual in the demanding situation to meet their financial need.

### 3. Help people to meet their financial needs

The renowned financial institute provides unparalleled services when it comes to loans or credit. But the worst part is that they are not accessible to low-income groups

Microfinance companies, however, offer different proposition altogether. They are dedicated to serving a poor and unemployed individual by providing them easy financial credit.

### 4. Provide an extensive portfolio of loans

Microfinance companies are not only limited to providing emergency credit but also capable of disbursing housing loans, business loans, and working capital loans with minimum formalities and processing.

### 5. Promote self-sufficiency and entrepreneurship

Microfinance companies can provide much-needed funds to an individual for setting up a

healthy business that seeks minimum investment and offers sustainable profit in the long run. Thus, these companies ensure entrepreneurship and self-sufficiency among the lower-income group.

## Disadvantages of Microfinance Company

### 1. Harsh repayment criteria

In the absence of the legit working protocol and compliances, Microfinance Companies could adopt a harsh repayment approach that someone would not prefer in the state of the financial crisis. Easy debt never comes with relaxed conditions, and that is something true with microfinance companies as well. Since these companies work under strict compliances, they could manipulate their customer for repayment unethically.

### 2. Small Loan amount

Unlike mainstream financial banks, Microfinance Companies offers a smaller loan amount. Since these banks don't ask for collateral against the credit, the disbursement of the large loan amount is practically impossible in their case.

### 3. High-interest rate

Another problem with Microfinance Companies is that they were unable to render low interest based loans. This is because they don't follow traditional banks' footprint where the accumulation of funds is easy. Plus, they have to borrow money from these banks to execute appropriately and allocate some part of it for risk management". Hence operating cost per transaction is quite high for them despite the high volume of transactions per day.

Unlike banks, the microfinance institution accumulates funds through private equity to render financial services. This primarily implies that these firms are under relentless

pressure to create more profit for their investor, consequently forcing them to crank up the interest rate.

\*\*\*\*\*

What is interlocking of factor markets?

An interlinked transaction is one in which the parties trade in at least two markets on the condition that the terms of all trade between them are jointly determined (Bell and Srinivasan, 1989). According to their definition two parties and more than one market are involved in the interlocked factor market.

Causes of Interlocking of Agricultural

Markets:

1. Risk Reduction:

Interlocking often acts as a security (hedge) against risk.

For example, when a landowner makes loan to a tenant, (or a sharecropper), he faces very little risk of default.

The reason is that, he can recover his loan from the tenants' share of the crop. Thus, the risk of default is reduced through the interlocking of the land (lease) and the credit market.

Similarly, if there is crop failure due to adverse weather or some natural calamity, the landowner can recover his rent by forcing the tenant to supply his labour service free in the next agricultural season. This is possible due to interlocking

of land (lease) market and labour market. This interlocking of different markets in agriculture leads to risk reduction to some extent.

## 2. Economies:

Another reason for such interlocking is to derive some economies or advantages. For example, suppose the landowner gives loan to tied labour on the condition that the latter will supply labour service at a fixed wage for a specified time period.

During the peak season, the wage rate goes up due to high demand for labour. But due to inter-market contractual relations (in this case between the credit market and labour market) the landowner can get labour services from the tied labourers at lower wage rates. In this way, the wage cost of the landowner becomes much less than it would be in the absence of interrelation between these two markets.

Borrowers also enjoy economies. For example, when a tenant owner borrows money from commercial banks or co-operative societies he has to incur some cost. He has to complete some rigid formalities and, in the process, spend time and money in order to get the loan. But if he borrows from the landowner he is not required to spend anything. Such cost saving is possible through such, interlocking.

### 3. Money-Substitute:

Finally, interlocking of different markets acts as a money-substitute. In most parts of rural India, the barter system still exists. Commodities are directly exchanged for commodities and money is not widely used as a medium of exchange. But the success of the barter system requires double coincidence of wants which is created through the interlocking of different markets in agriculture (Double coincidence of wants necessitates that the set of goods or commodities each individual is willing to exchange must be exactly what is required by the other party.).

\*\*\*\*\*

#### Effects of Market Interlocking:

##### (a) Distress Sale and Purchase:

Due to such interlocking farmers have to make distress sale of their crops immediately after harvest at low price to be able to pay kind rent. Again, they may require to take loan from the moneylenders in cash to be able to buy food from the market at a higher price in the lean season to be able to keep body and soul together.

(b) Involuntary Exchange:

Because of such interlocking, exchange is not always voluntary. When the tenant borrows for consumption from the landowners--either in cash or in kind--he is required to pay interest in kind. For that he may be forced to sell his output to the landowner at less than the market price (because the landowner may also be trader in commodities) or to agricultural supply, his labour power in the peak season at less than the market wage. In most cases, the exchange relations are not voluntary. Due to loan contract, the tenant or sharecropper can neither sell his portion of output (left after rent payment), at the market price, nor sell his labour in the peak season at the market wage.

(c) Monopolistic Control;

Thirdly, as a result of interlocking, the control of the agricultural sectors gets into the hands of a few individuals who control all the markets. No such thing as free competition or voluntary exchange is found in any of the markets. Through the exercise of monopolistic control of all the four markets, it is possible to extract more surplus which is, ultimately, converted into property income.

(d) Greater Dependence on a Few Individuals:

Due to such interlocking the majority of people in rural areas have to depend for more and more on few such powerful and influential individuals.

For example, the tenants will have to depend on the landowner for leasing in land. The labourers will have to depend on the landowner for employment and wages, the debtors will have to depend on the landowners for the supply of credit. Similarly, the buyers of agricultural products will have to depend on the landowner for food and industrial raw materials. For these reasons, the landowner becomes a strong force in the rural areas.

e) Greater Surplus Extraction:

Fifthly, as a result of such interlocking the landowner, who is usually most powerful in the rural sector, extracts surplus from different markets. If the same person extracts surplus from all the four markets, the amount of surplus extracted becomes very large. If, for example, the tenant refuses to pay higher rents (as demanded by the landowners), the landowner will refuse to lend him money in times of necessity.

At the same time, the tenant may be asked to pay higher interests. If he refuses to pay it, he may be given the threat of eviction. These examples are just enough to prove that

interlocking of product and factor market in agriculture  
leads to greater surplus extraction.

(f) Obstacle to Technological Progress:

Some economists like Prof. Amit Bhaduri have opined that interlocking of different markets in agriculture acts as an obstacle to technological progress. If the landowner gives loans to the tenants at high rates of interest and if the former can make profits by selling agricultural products or if he can raise the level of rent, then he does not have any desire or inclination to apply modern (sophisticated) techniques in agriculture. He may live a quiet life without being bothered about the increase in land productivity.

\*\*\*\*\*

### UNIT-3

What is the individual behavior in social environment?

Ans: Human behavior in a social environment (HBSE) is a concept that describes a comprehensive view of people and is fundamental to the study of social sciences. Its concepts apply to all forms of clinical work, as it integrates concepts from the biological, psychological, and social sciences.

Why is human behavior in the social environment important?

Ans: The Human Behavior in the Social Environment (HBSE) Track advances knowledge to guide decisions about what social workers need to do and how they should do it. The comprehensive knowledge base of human behavior serves as the glue that holds the multiple facets of social work practice together.

How does social environment affect human behavior?

Ans: The environment can facilitate or discourage interactions among people and the subsequent benefits of social support). For example, an inviting space with comfortable chairs and privacy can encourage a family to stay and visit with a patient. The environment can influence peoples' behavior and motivation to act.

What are the theories of human behavior and the social environment?

Ans: Social work employs six core theoretical frameworks: 1. systems theory, 2. transpersonal theory, 3. psychosocial development theory; 4. social learning theory, 5. psychodynamic theory, and 6. cognitive behavior theory.

1. Systems theory:

Systems theory looks at human behavior and problems from the perspective of the individual in the context of complex and

interrelated systems. This holistic theory considers the needs, behavior, and experiences of all those interacting within the

system. In systems theory, a social worker must consider all the factors within the system impacting the client and work to

make that system healthy and supportive.

Those in the system include both the client and members of the client's family, as well as networks and communities such as

friends, counselors, teachers, mentors, classrooms, schools, and religious communities.

Systems theory also considers the

effect of societal values on an individual.

## 2. Transpersonal theory:

Transpersonal theory considers the spiritual nature of human development and change as a treatment focus. The approach

was originated by Carl Jung,

According to the psychology publication Good Therapy, transpersonal psychology theory "integrates the spiritual, social,

emotional, intellectual, physical and creative being into one complete element and addresses the six components equally for

the purpose of treatment. It strives to discover divinity through our own humanity and is a byproduct of a person's growth and

development." Transpersonal theory purports that we all experience spiritual and cosmic strivings to meaning in life and that

the absence of a healthy ego and alignment with such spirituality can lead to mental illness.

## 3. Psychosocial development theory:

Psychosocial development theory emanates from Erik Erikson's work on psychosocial development and identity. Erikson

asserts that every individual passes through eight interrelated stages of life during their life cycle:

a) Hope, which establishes trust

b) Will, which is defined as a crisis of autonomy vs. shame

c) Purpose, which coincides with the development of initiative

- d) Competency, which leads to self-worth and determination
- e) Fidelity, which fosters identity
- f) Love, which establishes the need for compassion
- g) Care, a later period in life that requires introspection and self-care
- h) Wisdom, which is the end stage and involves ego integrity and despair

#### 4. Social learning theory (also known as social cognitive theory):

Social learning theory was established by Albert Bandura, who developed a behavioral model of change based on B. F.

Skinner's early behavioral theories. Bandura advanced Skinner's work by theorizing that individuals learn behavior from

observation and modeling of that behavior. For example, a young child who sees a parent abuse a partner or sibling is likely to

emulate that behavior. Conversely, a child who sees a parent behave kindly and appropriately observes a positive behavior to imitate.

#### 5. Psychodynamic theory:

Psychodynamic theory was originated by Sigmund Freud. It puts forth the idea that all human behavior and feelings are

impacted by the conscious and unconscious mind. Freud identified the unconscious as made up of the id, the ego, and the

superego, theorizing that all three determine thinking and behavior. His insights were gleaned from what his patients shared

during talk therapy sessions as Freud worked with them to resolve their conflicts.

In psychodynamic theory, the id is defined as the primal part of our personality that seeks pleasure, avoids pain, and lacks

filters. An example of pure id is a toddler in the throes of a tantrum. Young children have yet to develop the superego, which

imparts impulse control and integrates societal expectations. Freud identified the ego as the mediator working to strike a

healthy balance between the primal tendencies of the id and the regulatory forces of the superego.

#### 6. Cognitive behavioral theory and therapy (CBT):

CBT relies on a cognitive model that connects how people experience, perceive, and interpret events to their emotions,

behaviors, and psychological functioning. People who experience negative, obsessive, and distorted thinking develop thoughts

and behaviors that cause them severe psychological stress and physiological responses, such as the need to wash their hands obsessively.

\*\*\*\*\*

What is multiple social equilibria?

Ans : MULTIPLE EQUILIBRIA: Multiple equilibria occur when several different local regions of the same phase space are dynamical attractors. The same system dynamics can lead to more than one stable state depending on the location in phase space of the system, and thus on initial conditions.

Why is multiple equilibria a problem?

The problem is that translating these mathematical conditions into easy-to-check and interpretable economic conditions, they lose their necessity" (1998, p. 38). Kehoe identifies the crux of the matter saying "it may be the case that most applied models have unique equilibria.

What are the types of equilibrium in economics?

The types of economic equilibrium include microeconomic and macroeconomic. In microeconomic, supply and demand between buyers and sellers are balanced. With macroeconomics, an economy achieves a balance of aggregate demand and aggregate supply. Competitive prices are an integral part of the theory.

Why governance is important for an organization?

Governance helps you to always act in the best interests of the business. More specifically, it can improve the performance of your business, help it become more stable and productive, and unlock new opportunities. It can reduce risks, and enable faster and safer growth. It can also improve reputation and foster trust.

What is the main role of governance?

Governance is a system that provides a framework for managing organisations. It identifies who can make decisions, who has the authority to act on behalf of the organisation and who is accountable for how an organisation and its people behave and perform.

What are the benefits of governance?

7 Benefits of Good Governance for Corporations. The benefits of good governance for any organization cannot be overemphasized:

- a) Efficient Processes.
- b) Visibility of Errors.
- c) Smoother Running Operations.
- d) Good Reputation.
- e) Clarity.
- f) Financial Sustainability.
- g) Effective Response to External Environment.

## 7 BENEFITS OF GOOD GOVERNANCE FOR CORPORATIONS:

The benefits of good governance for any organization cannot be overemphasized. Good governance is essential, as is a key

player in the actualization of the organization's goals and dreams. Below are some of the benefits that arise from good

governance.

### 1. EFFICIENT PROCESSES

To start, good governance ensures consistency and repeatability in a corporation. In turn, the overall productivity and efficiency

of the organization are boosted.

### 2. VISIBILITY OF ERRORS

Next, when the organization adopts the principles of good governance, transparency and accountability become the

watchword. As a result of this, board directors can quickly spot errors that can affect the organization. The equity between the

board directors also allows for experiences and opinions to be shared openly. This allows for a dependable corporate structure

that is error-proof.

### 3. SMOOTHER RUNNING OPERATIONS

With all members of the boardroom working in unity, there are smoother operations. The characteristics of good governance

ensure that the members of the boardroom are mutual in their decisions. This saves time for other essential company

discussions, thereby ensuring faster and convenient operations.

### 4. GOOD REPUTATION

The overall output of good governance is the right products and services. This leads to good business performance and

possible domination of the market. Since an organization's reputation can make or break it, good governance ensures it is the former, not the latter.

### 5. CLARITY

To continue, all organizations have issues that arise at some point. But an organization with acceptable governance practices

can easily tackle these problems. There will be a reduction in the market's impact, and very often, the risk will get contained

internally.

### 6. FINANCIAL SUSTAINABILITY

Good governance significantly reduces the threat of safety, legal, performance, and warranty issues that can affect the

organization. This is why the corporate body can reduce unnecessary expenses and spend more on progressive needs. It also

ensures that the stakeholders, shareholders, customers, staff, directors, and others are financially secured.

### 7. EFFECTIVE RESPONSE TO EXTERNAL ENVIRONMENT

Finally, the modern business world operates in an environment of constant change. The process of understanding these

changes does not happen due to chances. It takes leadership, commitment, and resources from the governing body. This

depicts the benefits of good governance to the appropriate response pattern of corporate bodies to changes in the environment.

\*\*\*\*\*

What is organizational inefficiency?

For any organization, its organizational efficiency is defined as how well its employees help reach the defined mission. We say an organization is efficient, if all employees work toward the common goal and help materialize the mission; otherwise, we say the organization is inefficient.

## 5 Strategies to Improve Organizational Effectiveness

Obtaining a career as a business professional after completing a higher education in organizational leadership online provides an opportunity to focus on improving the effectiveness of the company. Organizational effectiveness relates to the efficiency of a business; however, a professional must also focus on quality services. The key to organizational effectiveness is using the right tools and strategies to accomplish a specific goal.

### 1. Make Use of Human Resources

The human resources department of any company plays a key role in the organizational effectiveness of a company. According to Forbes, human resource personnel provide assistance with organizational effectiveness by helping with the design of new business

strategies. Since the human resources professionals in a company play an essential role in hiring new employees, they also impact the company goals.

Get human resource professionals involved in the design and implementation of changes within the company to improve the organization. They offer unique perspectives that leaders may overlook and play an active role in identifying the right professionals for new positions within the company.

## 2. Focus on Education and Growth

Organizational leadership requires active measures to work with different groups and individuals. A leader must understand the strengths and weaknesses of different professionals before making a plan of action to improve the effectiveness of the organization.

## 3. Keep the Customers in Mind

Organizational effectiveness only works well when evaluating the needs and interests of the customers. The National Academies Press states that quality management is just as important as the overall efficiency of the company. If a professional does not provide a quality product or service, then customers look for alternatives for their needs and goals.

## 4. Work on Quality Services or Products

Although clients play a role in the effectiveness of a company, a business must also identify an appropriate level of quality for the products or services provided. The key is focusing on a balance of quality with cost effective solutions. The goal of any business is improving the products without exceeding a set budget or price range.

## 5. Use Technology

Technological tools play an essential role in the efficiency and effectiveness of a company.

Make use of computers, tablets or smartphones to improve the efficiency of the company. Use software or sharing tools to keep different members of a team up-to-date with the state of a project, even when they are not actively working on a specific portion of the project.

\*\*\*\*\*