

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: Dyotona Dasgupta, ISI, Delhi.

TITLE: **Dynamic Contract, Progressive Lending and Savings in Microfinance.**

TIME: 11:30 AM - 01:00 PM

DAY & DATE: Friday, 20th September, 2013

PLACE: Seminar Room 2

Abstract:

This paper focuses on a particular aspect of micro-finance, namely progressive lending, whereby loan sizes are increasing over time. This is a common feature of many micro-finance schemes, both individual, as well as group-lending. This institutional feature, however, has been largely ignored in the literature. We examine this issue in a simple finite horizon framework with individual lending. We find that the optimal lending scheme exhibits progresivity whenever the continuation benefits from repayment are relatively large, or the discount factor is small. We also examine if our results are robust to the presence of savings institutions in the economy. One interesting result is that the borrower's utility may actually be lower in an economy where savings institutions are present.

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