Rajagiri Journal of Social Development
Volume 9, Number 1, June 2017

Book Review

ESSENTIALS OF MICROFINANCE: M.M Sulphey and Vivek Viswan, 2015, New Delhi, Viva Books, ISBN 978-81-309-2998-9 (pbk.) pp.vi+250, Price Rs.495

In developing countries, lack of access to quality financial services is viewed as a major constraint to economic development and poverty reduction. The formal banking systems are inaccessible to resource poor people as they do not have adequate and acceptable collateral for acquiring loans, and they are not able to bear the higher cost for financial transactions predominant in the money market. The emergence of microfinance programmes since the late 1970s resulted in the poor in developing economies beginning to gain access to small loans. The Grameen Bank model of Bangladesh is replicated in other developing economies with the establishment of Microfinance Institutions for the financial inclusion of the poor. The book titled *Essentials of Microfinance* is a detailed account of the various aspects of microfinance.

The first and Introductory chapter deals with the poverty scenario in India. The rural-urban divide in poverty, factors behind the poverty trends, poverty alleviation programmes of the Government of India, and poverty reduction initiatives by the World Bank are discussed to set an appropriate context to introduce the significance of microfinance and the relevance of Microfinance Institutions (MFIs) in development practice. Rural finance and its linkages with poverty alleviation, problems of financial exclusion, the financial requirements of a rural population, and the benefits of financial inclusion for accelerating the rural development process are the major deliberations of the second chapter. The third chapter on rural banking gives an account of the rural financial sector in India. The defects of traditional banking systems, problems of rural banks, and hurdles in rural finance, and the difference between informal and formal lending are the subtopics described under rural banking.

Chapter four is a comprehensive introduction to microfinance. The main distinction between microfinance and commercial lending is that MFIs refrain from taking any collateral and the group based credit lending model is followed in the delivery of financial services. The models of group based lending, namely, Associations, Community banking, Co-operatives, Self Help Groups (SHGs), Credit unions, Grameen banking, Joint liability groups, Rotating saving and credit associations, and Village banking are described in the chapter. The core principles, services, stakeholders, guidelines followed in micro-lending, and the challenges of the microfinance sector in India, are the major topics of this component. The case studies of The Grameen Bank and Cashpor Micro Credit (CMC) are useful for the readers to understand the application of microfinance theory in the field of practice.

Th*e* fifth chapter elaborates on the importance of appropriate organisational design and culture for MFIs. The need for pertinent vision and ideology becomes indispensable when the MFIs graduate from an NGO level operation to a regulated financial institution. The vision components for MFI are social commitment; focus on flexibility and creating economic value. The MFIs should have social commitment towards poor people as its main aim is to function as a financial intermediary. The products and services should be flexible and must be customised according to the varying needs of the resource poor clients. The focus should be on serving the poor and not mere capital generation. Financial freedom, women empowerment, social acceptance, and financial empowerment are the expected impact of MFIs. Growth oriented organisational structure with proper channels of communication and the importance of building up effective teams for MFIs are also analysed using various management practice models. The organisational structure of MFIs at start up phase, growth phase and stable phase are diagrammatically presented facilitating the better clarity of concepts for students and researchers in the subject of microfinance.

Chapter six on SHGs offers a brief outline of the evolution of SHGs in India. In the first part of this chapter the pivotal role played by NGOs in the formation and development of the SHG model in the 1980s is mentioned. In addition, the later involvement of financial institutions is commented on, such as NABARD and Small Industries Development Bank of India (SIDBI), in creating SHG-Bank linkages and RBI's directives for commercial banks to participate in the SHG-Bank linkage programmes to extend the financial inclusion policy of Government of India. The structure and features of SHGs, goals and principles of SHG groups, and process of formation of SHGs, models and process of SHG-bank linkage, are also described to give a detailed perspective on SHGs functioning in the Indian scenario. The impact of SHGs on society is discussed under the dimensions of governance, empowerment, social justice, social harmony, and community service. This analysis is helpful for researchers for the further conceptualising and designing of indicators for capturing the long-term impact of the SHG model in various realms of the society.

The sustainability of MFIs mainly depends upon their efficiency in financial management and strategic approaches to managing risks in governance, operations, and finance. The Seventh Chapter is a discussion on the financial sustainability and risk management frameworks suitable for MFIs, drawing insights from financial management concepts and practices. This is relevant for MFIs since most of them are in the emerging stage of business and financial sustainability and it is more critical for upcoming MFIs.

The marketing functions of MFIs are unique in nature and are dependent on the organisational mission, vision, goals, and values. The need for suitable marketing strategies for MFIs in the competitive environment, as well as major elements in the marketing programme of MFIs and relevance of branding for MFI products and services are explained with input from marketing literature. The importance of customer services for accomplishing the social mission of MFIs are also highlighted in the Eighth Chapter.

In the MFI sector a credit rating ensures quality standards. A good rating develops confidence and security among all stakeholders of the sector. The various models of credit rating used by MFIs across the world are explained in Chapter Nine. The important credit rating models discussed in the volume are GIRAFE Rating Model, PEARLS Rating Model, CAMEL Rating Model, MICRO RATE Rating Model, Philippines Coalition for Microfinance Standards, CGAP Rating Model, and CRISIL Rating Model. Approaches of Impact assessment of Microfinance along with variables of women empowerment to bring out the role of women empowerment in microfinance are also discussed.

The MFI sector in India has grown from rural credit to a variety of products. In Chapter Ten the allied products and services of MFI are discussed, especially microfinance housing and micro-insurance. The microfinance housing programme with eligibility requirements for housing loans, there need and importance, various delivery models, and the social risks and challenges of micro-insurance are detailed in this chapter. A few case studies of micro-insurance services are also presented to provide evidence for the delivery of the allied products and services of microfinance.

The final chapter has summarily analysed the recent crises in the microfinance sector in India and suggested a list of possible solutions. Adoption of cutting-edge technology, increased diversification of microfinance products and better field-level supervision are feasible solutions along with proper regulations to provide legal protection to the resource poor micro-investors in the sector. The major hurdles for appropriate technological adaptation in MFIs are affordability, profitability, sustainability, software availability and support, and lack of infrastructure, and long travel time required for delivery of services to the clients. The standardisation of the sector with the MFI Bureau where information about borrowers is exchanged among MFIs, MFI Scoring for Clients, online micro finance platforms, is defined as the changing trend in the sector.

The book delves more into the details of Human Relations, Organisational Structure, and the Marketing and Technological aspects of Microfinance. A shortfall of the book is that the development perspectives and processes which contributed towards the emergence of microfinance are not adequately analysed. The review questions given at the end of every chapter is beneficial for reflective learners for developing a critical perspective. The references and case studies connect the readers to the grassroot realties of microfinance practices in various parts of the globe.

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