Essentials of Microfinance
M. M. Sulphey and Vivek Viswan (Publisher: Viva Books)

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Microfinance is emerging as an effective tool in alleviating poverty through financial inclusion, empowerment and emancipation. It helps in promoting self-sufficiency and economic development among people who are poor and "unbanked". On account of its consistent and reliable growth, microfinance foresees a huge potential of development. Though there are a few books available on the subject, most of them can be placed in academic parlance only. The book by Dr. M. M Sulphey & Vivek Viswan takes a fresh and balanced look at the subject. The structure of the book is broadly categorized into three, where part I provides a setting for the exploration of the core concept of the book namely microfinance, part II focuses on the structure, concepts and approaches, and part III discusses the viability and way forward.

The book unfolds by tracing the evolution of microfinance in India after examining the status of poverty in the country, elaborating the causes there of, urban rural divide, various poverty alleviation programs by the Government, thus extending its arm to the poor and bring them out of poverty. Rural Finance is all about providing financial services for needy people living in rural area, on account of its large untapped potential forced by the low penetration level of modern financial architecture in rural markets. The second chapter on Rural Finance begins by identifying the need for rural finance and an elaboration about financial inclusion and exclusion. The series of reforms that documented on a positive note the impact on rural credit and economic development, failed by the non availability of credit to the backward regions has become extremely adverse. With this backdrop, rural credit and rural finance flow is also dealt with in detail. The chapter finally concludes with an explanation of financial requirement of rural population.

With an objective of providing basic banking services to the rural people, rural banking facilities are made more convenient. The chapter on rural banking highlights this premise while analyzing the problems in rural banks and exploring the hurdles in rural finance. The changing landscape of banking services to villages poses many threats or challenges often, during the disbursement of loans and lending resulting in unaffordable transaction costs. By adopting diverse business models, alternate business channels and integrating ICT, banking systems can march ahead positively.

One of the lengthiest chapters of the book deals with the evolution and emergence of Microfinance as a poverty alleviation tool. The step-by-step approach of drawing connections with the services and benefits of microfinance, working of successful credit lending models by understanding the global scenario and analyzing the current status of the sector in India, leading to the prediction of the growth of micro finance in India, though easy to comprehend, presents the complexity and challenges faced by micro finance institutions. Microfinance institutions are playing a catalytic role in the empowerment of the rural poor at the same time facing both micro and macro constraints. The chapter also refers to the different delivery models of micro finance in general and Self Help Groups in particular.

The fifth chapter titled Organizational design and culture of Microfinance institutions discusses the components that are critical and harmonious for managing the growth of Microfinance institutions namely: organization structure, leadership and
organization culture. Outlining the scenario, evolution of SHGs, structure of SHGs, features of SHGs, objectives of SHGs, principles of SHGs, stages for the formation of SHGs, the sixth chapter titled, Self Help Groups examines the impact of SHGs in the socio economic development of India.

The seventh chapter presents in detail approaches to financial sustainability and management, sound risk management measures that ensure development of MFIs, by elaborating the risk of management framework, categorizing risk, and providing risk mitigation guidelines. In order to maintain transparency and make informed judgments about microfinance institutions, The CAMEL model framework is discussed to be integrated into financial systems. In Marketing of Microfinance institutions, the applicability of marketing concepts are laid down by underlining the strategies for different MFIs, marketing environment for the MFIs, market segmentation, marketing program and developing a market strategy. As the money transfer market is in a constant flux, there is a need to understand the mechanics of transfers and ensure if it is capable enough to handle the impact of the new service. The book would have been incomplete without the presentation on money transfer system that presents the microfinance institutions with an opportunity to grow, expand and extend their services. Information on technological partnership and MFI bureau constitute the concluding chapter of the book.

One significant take-away of the book is its lucid explanation of Camel rating, CRISIL rating and other popular tools used for measuring credit worthiness. The significant characteristic of the book is its simple and straightforward style interspersed with diagrammatic representations and illustrations. The book makes an easy analysis of concepts with the use of case lets and the most note worthy of it being the KIVA story for stating the recent developments in MFIs. The authors present a holistic view of the multifaceted aspects of microfinance thus proclaiming that the book neither falls to the for-dummies-mode nor portrays an ivory tower financial knowledge, but remain accessible and useful to students, novice and professionals alike.