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OUTREACH OF MICROFINANCE INSTITUTIONS IN INDIA—A CASE STUDY OF SKS MICROFINANCE LIMITED

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Poverty is a major problem in India. Microfinance institutions are trying to reduce the poverty level by providing micro credit and other financial services to the poor to engage them in some income generating activities. The main reason for financial exclusion is the lack of a regular or substantial income. Microfinance institutions have become ideal vehicles for banks to achieve financial inclusion. The present study aims to find out the outreach of SKS Microfinance Limited by collecting data from various secondary sources such as web site of the company, reports such as micrometer published by microfinance institution network, and Bharat Microfinance Report by Sa-dhan, etc. Outreach simply means the number of persons assisted and volume of the services provided. Currently MFIs are operating in 28 States, 5 Union Territories covering 568 districts in India. SKS Microfinance is second only in terms of number of branches, clients, Gross Loan Portfolio and loan disbursed after Bandhan microfinance institution. Out of the top 10 MFIs in India, SKS has 14% share in clients, 12% in GLP and 16% in loan disbursed. Rural poverty in Odisha is very high. Microfinance operations are largely prevalent in 26 out of the total 30 districts in Odisha. SKS Microfinance started operation in the state of Odisha in the year 2005-06 and as on March 31, 2015, SKS is in operation in 26 districts of Odisha with a gross loan portfolio of ₹ 697.55 crore.

Keywords: Microfinance, Outreach, Gross loan portfolio, Joint liability group

INTRODUCTION

Financial inclusion which means the availability of affordable basic financial services like banking, insurance, investment, etc., to all, has been long on the agenda of successive governments in India. Time and again the government has taken steps to facilitate this. The nationalisation of major private sector banks in 1969 was the first major

initiative in this direction. In 1975, the government set up Regional Rural Banks and today we have 14,475 rural banks in the country of which 2,126 are located in remote rural areas. The government also introduced banking guidelines that require banks to extend 40% of their net bank credit to priority sector. However, as a nation we still have only 34% of our population that has access to

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banking services. The main reason for financial exclusion is the lack of a regular or substantial income of the people. In most of the cases people with low income do not qualify for a loan. Most of the excluded consumers are not aware of the bank's products, which are beneficial for them. The proximity of the financial service is another factor. It is very difficult for a low income individual to find collateral for a bank loan. Moreover, banks give more importance to meet their financial targets. So they focus on larger accounts. It is not profitable for banks to provide small loans to the low income groups.

Microfinance institutions which have a network across low-income groups in the country and a proven method of successful operation would be the ideal vehicles for banks to achieve their financial inclusion goals. Using the Business Correspondent and Business Facilitator Models, banks can reach out to these sections with very little risk and without incurring huge operational costs.

SKS MICROFINANCE LIMITED-AN OVERVIEW

SKS was started in 1996 by a young entrepreneur, Vikram Akula. When pursuing his Ph.D. in Political Science at the University of Chicago, Vikram had the vision of starting a microfinance institution to uplift the poorer sections of the society in India. His dissertation was in the area of poverty alleviation strategies which focused on 'How to scale microfinance faster'. While studying in the US, Vikram realized that microfinance institutions could sustain themselves in the long run only by following a for-profit model.

After returning to India from the US, he faced lot of difficulty in starting a new microfinance organization as he couldn't raise the required

funds. Finally, he started SKS by raising an initial amount of ₹ 2.36 million from 357 people (mostly from his family and friends). Vikram was inspired by Bangladesh banker Muhammad Yunus and SKS was established based on Yunus's Grameen Bank model. SKS was initially registered as SKS Society, a Non-Governmental Organization (NGO), in 1997 and it started its operations in Tumnoor Village in Medak District, Andhra Pradesh, in 1998. SKS expanded its operations rapidly and in course of time, it won several awards for its achievements. Most of the money it received in the form of awards was also reinvested to fund the expansion of its operations.

By the year 2003, Vikram had arrived at the idea of converting SKS into a for-profit organization to fuel its growth. So he founded a private company called SKS Microfinance Pvt. Ltd. and five for-profit Mutual Benefit Trusts (MBTs). The objective was to enhance the social and economic welfare of the company and MBTs' members. Vikram raised US\$ 500,000 in 2003 through donations via MBTs and invested the amount in SKS Microfinance Ltd. to become its sole owner.

In 2005, the Company was registered with and has since been regulated by the RBI as a Non-Deposit Taking Non-Banking Financial Company (NBFC-ND). In 2009, the Company became a public limited Company. The Company completed its initial public offering (IPO) and its equity shares were listed on Bombay Stock Exchange (BSE) Limited and the National Stock Exchange (NSE) of India Limited in August 2010. In November 2013, the RBI re-classified the Company as an NBFC-MFI permitting it to carry on the business of a Non-Banking Financial Company - Micro Finance Institution, a separate category of Non-

Deposit Taking Non-Banking Financial Companies engaged in microfinance activities.

The Company is one of the largest MFIs in India by Gross Loan Portfolio (GLP) as also number of borrowers and branches as on March 31, 2015, and the only microfinance Company to be publicly listed in India. The Company is primarily engaged in providing microfinance to economically weaker individuals in India, who are classified by the Company as its "Members". Further, the Company classifies Members whose loans are outstanding as "Borrowers".

The Company's core business is providing small value loans (₹ 2000 to ₹ 20,000) and certain other basic financial services to its Members. Its Members are predominantly located in rural areas in India, and the Company extends loans to them mainly for use in small businesses or for other income-generating activities like raising cows and goats in order to sell their milk, opening a village tea stall, opening of a vegetable shop etc. and not for personal consumption. These individuals often have no, or very limited access to loans from institutional sources of financing. The Company believes that non-institutional sources typically charge very high rates of interest.

In its core business, the Company utilizes a village-centric, group-lending model to provide unsecured loans to its Members. This model relies on a form of 'social collateral', and ensures credit discipline through peer support within the group. The Company believes this model makes its Members prudent in conducting their financial affairs and prompt in repaying their loans. Failure by an individual Borrower to make timely loan repayments will prevent other Members in the group from being able to borrow from the Company in future. Therefore, the group will use

peer support to encourage the delinquent Borrower to make timely repayments or will often make a repayment on behalf of a defaulting Borrower, effectively providing an informal joint guarantee on the Borrower's loan.

In addition to its core business of providing micro credit, the Company uses its distribution channel to provide certain other financial products and services that its Members may need. The Company offers loans for the purchase of mobile phones and solar lamps. The Company also operates a number of pilot programs that it may gradually consider converting into separate business verticals or operate through subsidiaries, subject to satisfactory results of the pilot programs and receipt of regulatory approvals. The existing pilot programmes primarily relate to giving loans to its Members for the purchase of certain productivity-enhancing products such as sewing machines, bio-mass stoves and loans against gold as collateral. The Company intends to expand its involvement in these other financial products and services to the extent consistent with its mission, client-focus and commercial viability.

Borrowers undergo financial literacy training and must pass a test before they are allowed to take out loans. Weekly meetings with borrowers follow a highly disciplined approach. Re-payment rates on collateral-free loans are more than 99% because of this systematic process. SKS microfinance also offers micro-insurance to the poor as well as financing for other goods and services that can help them combat poverty.

SKS operates in 19 states in the country like Andhra Pradesh, Karnataka, Maharashtra, Odisha, Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Uttaranchal, Haryana, West Bengal,

Jharkhand, Chhattisgarh, Gujarat, Kerala, Punjab and Delhi. SKS provides loans to women members in poor regions of India for a range of income generating activities. SKS offers insurance products and emergency loans to its members. It is an effective tool that can help reduce poverty and spread economic opportunity by giving poor people access to financial services, such as credit and insurance.

LITERATURE REVIEW

The term outreach generally connotes two dimensions: depth and breadth of outreach. Outreach is typically used to refer to the effort by MFIs to extend loans and financial services to an ever-wider audience (breadth of outreach) and especially toward the poorest of the poor (depth of outreach). Thus, reaching the poorest is depth of outreach, but reaching large number of people even if they are relatively less poor is breadth of outreach. On outreach, Hermes et al. express similar views. They contend outreach is to provide credit to the poor who have no access to commercial banks, in order to reduce poverty and to help them with setting up their own income generating businesses. Bassem include the number of female borrowers as an indicator of outreach. This may be due the fact that major clients of MFIs are women only. This holds true for India also where majority borrowers (median percentage of women borrowers is 100 per cent, MIX data) are women only. However, Schreiner provides somewhat more comprehensive definition of outreach and proposed outreach have six dimensions: Worth of Outreach, Cost of Outreach, Scope of Outreach, Depth of Outreach, Length of Outreach, and Breadth of Outreach.

Outreach at a glance means the number of clients served. But, Meyer (2002) noted that

outreach is a multidimensional concept. In order to measure outreach we need to look into different dimensions. The first is simply the number of persons now served that were previously denied access to formal financial services. Usually these persons will be the poor because they cannot provide the collateral required for accessing formal loans, are perceived as being too risky to serve, and impose high transaction costs on financial institutions because of the small size of their financial activities and transactions. Women often face greater problems than men in accessing financial services so the number of women served may be considered as another criterion. Although difficult to measure, depth of poverty is a concern because the poorest of the poor face the greatest access problem. Some measure of the depth of outreach is needed to evaluate how well MFIs reach the very poor. Finally, the variety of financial services provided is another criterion because it has been shown that the poor demand and their welfare will be improved if efficient and secure savings, insurance, remittance transfer and other services are provided in addition to the loans that are the predominant concern of policy makers.

Navajas *et al.* (2000), similarly, indicated that there are six aspects of measuring outreach. They are depth, worth of users, cost to users, breadth, length and scope. The depth of outreach refers to “the value the society attaches to the net gain from the use of the micro credit by a given borrower”, (Navajas *et al.*, 2000:335). This measure is to identify the poor clients. Because, the poor are the one who fail to get access to credit from formal financial institutions since they fail to signal that they can repay their loan (Conning, 1997). And, worth of outreach to users refers to “how much a borrower is willing to pay

for a loan,”(Navajas *et al.*, 2000:335). Similarly, cost of outreach to user refers to “cost of a loan to a borrower,” (Navajas *et al.*, 2000:335). These costs to users might consists of prices like interest rates and various payments that they have to pay, which could be revenue to the lender and other loan related transaction costs like expenses on documents, transport, food, taxes, etc. (Navajas *et al.*, 2000:336). Finally, “breadth of outreach is the number of users ... length of outreach is the time frame in which a microfinance organization produces loans,” and “Scope of outreach is the number of type of financial contracts offered by a microfinance organization,” (Navajas *et al.*, 2000:336).

The efforts that are made to extend the services of microfinance to the people, who are being underserved by the financial organizations, have been categorized as outreach. The outreach could be measured by the terms of depth and breadth. The depth is the socioeconomic range of the customers that the microfinance institutions reach, while breadth is the number of customers assisted and volume of the services provided (that is, overall gross outstanding portfolio).

In the literature, there is some divergence with regard to the comparative advantages of the breadth and depth of outreach. The approach of pro-poor microfinance would relatively spread out to the deprived persons of the humanity, thus encouraging that, the depth of outreach has been much more significant for attaining the social perspective of microfinance. However, the proponents of supportable microfinance have been much concerned in opening the access to a broad range of underserved or unserved customers (Rhyne, 1998). Concerning the significance of the measure of microfinance processes, it has been simply stated by Navajas

et al. Eds. (2000) that the breadth matters because the poor are numerous, but the support dollars are scarce. As per the logic of breadth, the industry of microfinance need to possess a huge – scale outreach so that to make a variation in the poverty levels in the world.

It is argued by Robinson (2001) and Navajas *et al.* Eds. (2000) that the shallow depth could be reimbursed by the breadth of the outreach or that it is still more significant compared to the depth. Thus, the important functions of the microfinance firms might vary in the significance assigned by them to various features of outreach.

Actually, women are the characteristic target group of the programs of microfinance. Often, women are credited – constrained compared to that of men in the developing nations, since, typically men work with huge businesses in a recognized sector, while women use to be self employed in an informal sector. Since they could not access credit from the formal financial organizations, women are much likely to agree the time consuming and peer pressure techniques that involve group lending. In addition to that, the lender would possess a financial inducement to offer loans to women, as typically, they are much more practical in their utilization of money and have been exposed to determine rates of repayment (Armendariz *et al.*, Eds. 2005). SKS India is the second largest player after Bandhan in market share.

OBJECTIVES OF THE STUDY

The objectives of the present study are;

1. To assess the outreach of MFIs in India
2. To assess the outreach of SKS Microfinance Limited in India and particularly in the state of Odisha

SOURCES OF DATA

The present study is a descriptive study based on secondary data which have been collected from web site and annual report of the company under study, MFIN Micrometer 2015 and Bharat Microfinance Report 2015.

OUTREACH OF MICROFINANCE INSTITUTIONS IN INDIA

Number of active borrowers is a measure of breadth of outreach, i.e., the number of poor people served by a microfinance institution. It is mostly supposed that the greater the number of borrowers the better the outreach and as a result, it leads to become better sustainable of the microfinance institutions. Number of active borrowers refers to the number of individuals who currently have an outstanding loan balance with the microfinance institution or are primarily responsible for repaying any portion of the gross loan portfolio. Outstanding Gross Loan Portfolio

Table 1: State Wise Distributions of Clients and Gross Loan Portfolio (as on March 2015)

| State | GLP (%) | Client (%) |
|--------------|---------|------------|
| Tamilnadu | 14 | 16 |
| West Bengal | 15 | 15 |
| Maharashtra | 10 | 10 |
| Karnataka | 11 | 10 |
| UP | 9 | 8 |
| Bihar | 7 | 7 |
| MP | 6 | 7 |
| Odisha | 5 | 5 |
| Assam | 5 | 4 |
| Other States | 18 | 18 |

Source: MFIN Micrometer 2015, Bharat Microfinance Report 2015

(GLP) is that all outstanding principal for all outstanding clients' loans including current, delinquent and restructure loans but not loans that have been written off. It excludes interest receivable and employee loans. This indicator is an indication of depth of outreach of MFI.

ANALYSIS OF DATA

The data presented in the above tables from 1 to 8 can be summarized as below.

1. According to MFIN Micrometer, 2015 taking into consideration all the MFIs operating in India and who are members of this MFI network there are maximum number of clients in Tamilnadu (16%) followed by West Bengal (15%). There is only 5% of the total number of clients in Odisha.

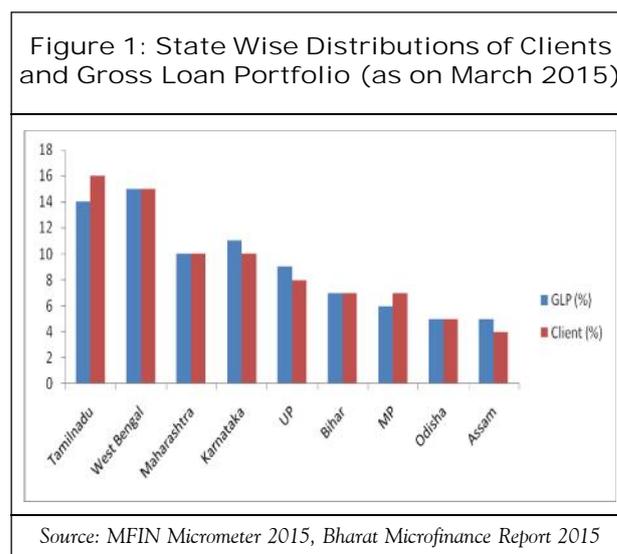
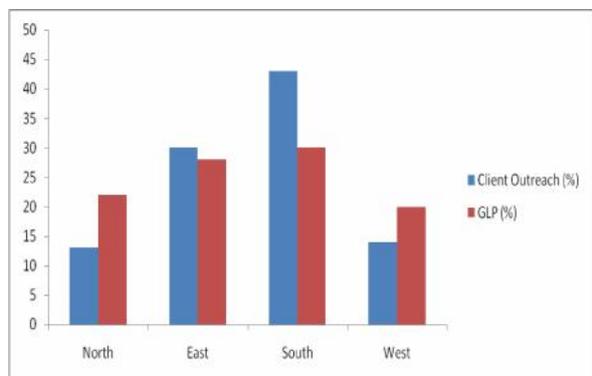


Table 2: Regional distributions of Client Outreach and GLP (as on March 2015)

| Region | Client Outreach (%) | Gross Loan Portfolio (%) |
|--------|---------------------|--------------------------|
| North | 13 | 22 |
| East | 30 | 28 |
| South | 43 | 30 |
| West | 14 | 20 |

Source: MFIN Micrometer 2015

Figure 2: Regional Distributions of Client Outreach and GLP (as on March 2015)



Source: MFIN Micrometer 2015

Table 3: State Wise Concentration of MFIs (as on March 2015)

| State | MFIs | State | MFIs | State | MFIs |
|----------------|------|------------------|------|------------------------|------|
| Madhya Pradesh | 27 | West Bengal | 13 | Meghalaya | 4 |
| Maharashtra | 27 | Haryana | 12 | Tripura | 4 |
| Karnataka | 21 | Uttarakhand | 12 | Sikkim | 3 |
| Bihar | 19 | Delhi | 10 | Chandigarh | 2 |
| Gujarat | 19 | Pondicherry | 9 | Arunachal | 1 |
| Tamilnadu | 19 | Kerala | 8 | Dadra and Nagar Haveli | 1 |
| Uttar Pradesh | 17 | Assam | 7 | Jammu & Kashmir | 1 |
| Chhattisgarh | 14 | Andhra Pradesh | 6 | Manipur | 1 |
| Jharkhand | 14 | Punjab | 5 | Mizoram | 1 |
| Odisha | 14 | Goa | 4 | Nagaland | 1 |
| Rajasthan | 14 | Himachal Pradesh | 4 | | |

Source: MFIN Micrometer 2015

Table 4: Top 10 MFI in India Operating in Indian States/Union Territories (as on March 2015)

| Name of the MFI | Number of Indian States/Union Territories |
|-------------------------|---|
| Ujjivan | 24 |
| Bandhan | 22 |
| SKS | 19 |
| Janakshmi | 17 |
| Basix | 15 |
| Share Microfin | 14 |
| Spandana, Asmitha | 12 |
| Satin Creditcare, NERFL | 11 |

Source: Bharat Microfinance Report 2015

Table 5: Top 10 MFI in India in Number of Branches (as on March 2015)

| Name of the MFI | Number of Branches |
|--|--------------------|
| Bandhan Financial Services Limited | 2022 |
| SKS Microfinance Limited | 1273 (19%) |
| Spandana Sphoorty Financial Limited | 784 |
| Share Microfin Limited | 618 |
| Ujjivan Financial Services Private Limited | 423 |
| CASHPOR Micro Credit | 422 |
| Asmitha Microfin Limited | 407 |
| Equitas Microfinance Private Limited | 361 |
| Grama Vidiyal Micro Finance Limited | 270 |
| Satin Creditcare Network Limited | 267 |

Source: Bharat Microfinance Report 2015

Table 6: Top 10 MFI in India in Number of Clients (as on March 2015)

| Name of the MFI | Number of Clients (in Lakh) |
|--|-----------------------------|
| Bandhan Financial Services Limited | 65 |
| SKS Microfinance Limited | 36 (14%) |
| SKDRDP | 33 |
| Janalakshmi Financial Services Pvt. Ltd. | 23 |
| Equitas Microfinance Private Limited | 23 |
| Ujjivan Financial Services Private Limited | 22 |
| Spandana Sphoorty Financial Limited | 20 |
| Share Microfin Limited | 14 |
| Satin Creditcare Network Limited | 12 |
| Grameen Koota Financial Services Pvt. Ltd. | 9 |

Source: Bharat Microfinance Report 2015

- According to MFIN Micrometer, 2015 considering all the MFIs of the country who are members of this network, Gross Loan Portfolio (GLP) is highest in the state of West Bengal (15%) followed by Tamilnadu (14%). This indicates in these two states-West Bengal and Tamilnadu have maximum disbursements. Odisha got only 5% of the total GLP as on March, 2015.
- MFIs now cover 32 states/union territories

| Table 7: Top 10 MFI in India in GLP (as on March 2015) | |
|---|-------------------------------|
| Name of the MFI | Gross Loan Portfolio (₹Crore) |
| Bandhan Financial Services Limited | 9524 |
| SKS Microfinance Limited | 4155 (12%) |
| Janalakshmi Financial Services Pvt. Ltd. | 3774 |
| SKDRDP | 3570 |
| Ujjivan Financial Services Private Limited | 3274 |
| Spandana Sphoorty Financial Limited | 2665 |
| Equitas Microfinance Private Limited | 2144 |
| Satin Creditcare Network Limited | 2141 |
| Share Microfin Limited | 1603 |
| Grameen Koota Financial Services Pvt. Ltd. | 1447 |
| Source: Bharat Microfinance Report 2015 | |

| Table 8: Top 10 MFI in India in Loan Disbursed (as on March 2015) | |
|---|-------------------------|
| Name of the MFI | Loan Disbursed (₹Crore) |
| Bandhan Financial Services Limited | 14989 |
| SKS Microfinance Limited | 6891 (16%) |
| Ujjivan Financial Services Private Limited | 4328 |
| Janalakshmi Financial Services Pvt. Ltd. | 4121 |
| SKDRDP | 3530 |
| Satin Creditcare Network Limited | 2366 |
| Equitas Microfinance Private Limited | 2129 |
| Spandana Sphoorty Financial Limited | 1981 |
| Grameen Koota Financial Services Pvt. Ltd. | 1894 |
| Grama Vidyal Micro Finance Limited | 1699 |
| Source: Bharat Microfinance Report 2015 | |

(489 districts) of India. The coverage of microfinance institutions is now geographically well dispersed with GLP in South at 30%, East at 28%, North at 22% and West at 20%. Thus, the south leads in terms of Gross Loan Portfolio.

4. According to Bharat Microfinance Report, 2015, out of the total client base of 371 lakh, South alone contributes to 43% followed by

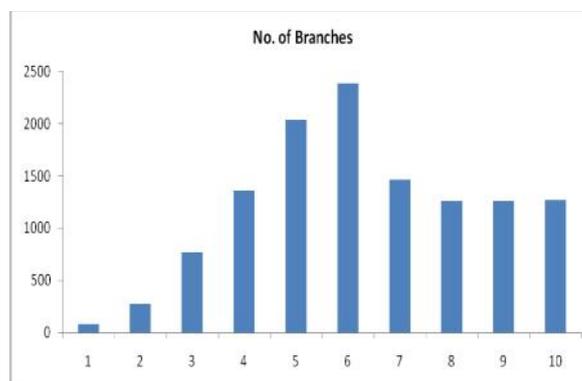
30% in East. Northern region and West have 13% and 14% of total outreach respectively.

5. We find more number of Microfinance Institutions in Madhya Pradesh and Maharashtra (27 MFIs in each state) while Arunachal Pradesh, Dadra and Nagar Haveli, Jammu and Kashmir, Manipur, Mizoram and Nagaland have one MFI each. In Odisha 14 MFIs are in operation as on March, 2015 as per MFIN Micrometer, 2015 report.
6. As per Bharat Microfinance Report, 2015, Ujjivan Financial Services has the largest geographical spread with operates across 24 states compared to 22 states in case of Bandhan Bank and 19 states in case of SKS Microfinance.
7. When it comes to Branch Network, Bandhan Bank has the highest number of branches, i.e., 2022 branches and this is substantially higher than the 1273 branches of SKS Microfinance which comes second. Only 4 MFI's in India have a branch network greater than 500.
8. With its extensive branch network Bandhan Bank has been able to ensure maximum client outreach and which has a client base of 65 Lakhs. SKS Microfinance occupies the second place followed closely by SKDRDP which follows the Self Help Group – Bank Linkage model of microcredit and is based mainly in the state of Karnataka.
9. In respect of GLP, Bandhan Bank is the leader followed by SKS Microfinance. Janalakshmi which is an urban focused MFI is placed third with ₹ 3774 Crore outstanding.
10. Bandhan Bank disbursed the largest loan amount of ₹ 14,989 crore which is 110% of

what SKS Microfinance disbursed during the same year. Ujjivan is in the third place at ₹ 4328 crore followed by Janalakshmi at ₹ 4121 crore as reported by Bharat Microfinance Report, 2015.

As per MFIN report 2015, Outreach grew by 13% and loan outstanding grew by 33% over the previous year. The Southern region continues to have the highest share of both outreach and loans outstanding, followed by East. The report also stated that outreach proportion of urban clientele is increasing at a higher rate than the rural clientele. The proportion of urban clientele which was 44% in 2013-14 increased to 67% in 2014-15. Women borrowers constitute 97% of the total clientele of MFIs, SC/ST borrowers constitute 28% and minorities 18%. Of the total, NBFC-MFIs contribute to 85% of clients outreach and 88% of outstanding portfolio, while NGO-MFIs contribute to the remaining. MFIs with portfolio size of more than ₹ 500 crore contribute

Figure 3: Outreach of SKS Microfinance (No of Branches)



Source: SKS Microfinance Annual Reports

significantly to the total outreach (82%) and loan outstanding (85%) of the sector.

OUTREACH OF SKS MICROFINANCE IN INDIA

Over the last decade, SKS has established its operations across 341 districts in 19 States out of which 315 have been identified by NREGA as

Table 9: Outreach of SKS Microfinance

| Year | Branches | Staff | Borrowers | Amount Disbursed (₹ in crore) | GLP* |
|---------|----------|-------|-----------|-------------------------------|------|
| 2005-06 | 80 | 2389 | 200000 | 153 | 92 |
| 2006-07 | 276 | 2381 | 604000 | 452 | 276 |
| 2007-08 | 770 | 6818 | 1879000 | 1679 | 1051 |
| 2008-09 | 1353 | 12814 | 3953000 | 4485 | 2456 |
| 2009-10 | 2029 | 21154 | 6780000 | 7618 | 4321 |
| 2010-11 | 2379 | 22733 | 7307000 | 7831 | 4111 |
| 2011-12 | 1461 | 16194 | 5351000 | 2737 | 1669 |
| 2012-13 | 1261 | 10809 | 5021000 | 3320 | 2359 |
| 2013-14 | 1255 | 8932 | 5783000 | 4788 | 3113 |
| 2014-15 | 1268 | 9698 | 6402000 | 6891 | 4185 |

Note: * Includes securitized, assigned and managed loan portfolio.

Source: SKS Microfinance Annual Reports

the poorest. SKS services reach out to millions of poor-including backward and scheduled castes. Approximately 57.3% of the members belong to the “weaker section” of Indian society.

Table 9 shows the growth of SKS Microfinance from 2005-06 to 2014-15. Number of branches of the company has been increasing continuously from 2005-06 up to 2010-11. Thereafter due to the Andhra Pradesh crisis, a lot of branches were closed particularly in Andhra Pradesh. Similarly number of employees also continuously increased year after year and in 2010-11, it reached the maximum of 22,733. Thereafter it started declining only to go up again in 2014-15. Number of borrowers and amount disbursed also reached a maximum level of nearly 73,00,000 and ₹ 7831 crore respectively in the year 2010-11. Gross loan portfolio also grew steadily up to the year 2009-10 and thereafter it fell continuously up to the year 2011-12 and then rose from 2013-14 onwards.

SKS MICROFINANCE IN ODISHA

Rural poverty in Odisha is still very high after six decades of Independence of the country. In recent years Odisha has been able to reduce poverty at faster rates. However, all regions have not shared the gains of development in an equitable manner. With a view to addressing the problem of regional disparities and expediting development of interior tribal dominated districts, the Government has implemented a series of development programmes such as Revised Long Term Action Plan (RLTAP), Biju KBK Plan, Biju Kandhamal O Gajpati Yojana, Gopabandhu Gramin Yojana (GGY), Backward Regions Grant Fund (BRGF) and Western Odisha Development Council (WODC). The Funding for RLTAP and BRGF has

Table 10: SKS Microfinance Outreach in Odisha (As on March 31, 2015)

| S. No. | List of Districts/States | Gross Loan Portfolio | Number of Offices |
|--------|--------------------------|----------------------|-------------------|
| 1 | Angul | 282,435,400 | 6 |
| 2 | Baleshwar | 285,831,273 | 5 |
| 3 | Baragarh | 499,630,110 | 10 |
| 4 | Bhadrak | 242,606,128 | 4 |
| 5 | Bolangir | 392,093,527 | 9 |
| 6 | Boudh | 89,949,858 | 2 |
| 7 | Cuttack | 511,532,586 | 8 |
| 8 | Deogarh | | |
| 9 | Dhenkanal | 200,844,290 | 4 |
| 10 | Gajapati | 37,142,514 | 1 |
| 11 | Ganjam | 605,307,743 | 16 |
| 12 | Jagatsinghpur | 141,176,947 | 3 |
| 13 | Jajpur | 198,053,967 | 4 |
| 14 | Jharsuguda | 203,040,757 | 3 |
| 15 | Kalahandi | 245,058,923 | 7 |
| 16 | Kandhamal | | |
| 17 | Kendrapara | | - |
| 18 | Keonjhar | 176,368,999 | 3 |
| 19 | Khordha | 631,623,255 | 14 |
| 20 | Koraput | 239,011,440 | 5 |
| 21 | Malkangiri | | |
| 22 | Mayurbhanj | 379,170,340 | 7 |
| 23 | Nabarangpur | 109,790,573 | 2 |
| 24 | Nayagarh | 164,613,034 | 4 |
| 25 | Nuapada | 97,096,807 | 2 |
| 26 | Puri | 315,961,716 | 6 |
| 27 | Rayagada | 129,170,668 | 4 |
| 28 | Sambalpur | 319,957,657 | 6 |
| 29 | Sonepur | 194,915,281 | 4 |
| 30 | Sundargarh | 283,105,218 | 7 |
| Total | | 6,975,489,014 | 146 |

Source: http://www.bfil.co.in/operational_information.php

been provided by Government of India. With support from Government of India, the State has implemented a new initiative, called Integrated Action Plan (IAP) in 18 tribal and backward districts of Odisha. These development initiatives aim at faster development of the backward regions of the State.

SKS Microfinance started operation in the state of Odisha in the year 2005-06 with an objective of significantly augmenting economic opportunities for poor families and in turn help improve their quality of lives. SKS is committed to creating a distribution network across underserved sections of society in order to provide easy access to the full portfolio of microfinance products and services. It also looks at using this network to add value to the lives of its members by providing quality goods and services that the members need at less than market rates.

According to a report on Business Standard dated February 12, 2011, SKS Microfinance India's largest and only listed microfinance institution (MFI), has disbursed loans worth ₹ 2034 crore in Odisha in the past five years, reaching out to 7.4 lakh borrowers in the state. The company has an outstanding loan amount of ₹ 430 crore (as on September 30, 2010) and has so far set up 197 branches in 28 districts of the state.

The report further quotes, "Our cumulative disbursements in Orissa in the past five years has been ₹ 2034 crore and we have reached out to 13002 villages and urban colonies in the state. SKS has set up 197 branches in Orissa and has an employee strength of 1804 in the state", Vikram Akula, chairman, SKS Microfinance Ltd said here in Bhubaneswar.

Table 10 shows that SKS Microfinance as on March 31, 2015, has 146 branches in Odisha. It

is in operation in all districts except Deogarh, Kandhamal, Kendrapara and Malkangiri. It has maximum number of branches in the district of Ganjam (16) followed by Khordha (14). However, Gross Loan Portfolio is maximum in the district of Khordha (₹ 63.16 crore) followed by Ganjam (₹ 0.53 crore). Gajapati district has only one branch office and has minimum amount of gross loan portfolio of ₹ 37.14 lakh. Total gross loan portfolio in Odisha is ₹ 697.55 crore as on March 31, 2015.

CONCLUSION

Microfinance institutions are trying to reduce poverty by providing financial services primarily to the weaker section of the society. Outreach simply means the number of persons assisted and volume of the services provided. Currently MFIs are operating in 28 States, 5 Union Territories covering 568 districts in India. SKS Microfinance is second only in terms of number of branches, clients, GLP and loan disbursed after Bandhan. Out of the top 10 MFIs in India, SKS has 14% share in clients, 12% in GLP and 16% in loan disbursed. Rural poverty in Odisha is very high. Microfinance operations are largely prevalent in 26 out of the total 30 districts in Odisha. SKS Microfinance started operation in the state of Odisha in the year 2005-06 and as on March 31, 2015, SKS is in operation in 26 districts of Odisha with a gross loan portfolio of ₹ 697.55 crore.

The objective of financial inclusion can be accomplished through microfinance institutions only if, government makes a conducive environment for the MFIs. This will bring transparency and more investment to the sector which will reduce the cost of funds resulting in increasing outreach of the MFIs.

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