

# AN ORGANISATIONAL STUDY ON SKS MICROFINANCE LIMITED

Mukti Kumar Nanda

Research Scholar (Ph.D.), Ravenshaw University, Cuttack, Odisha

---

**Abstract:** Microfinance is all about providing financial services such as small size credit, savings, insurance etc. to the poor to help them engage in productive activities in order to improve their standard of living. SKS Microfinance was started in 1996 by Vikram Akula and became a public limited company in 2009 and issued equity shares to the public in the year 2010-11 to become the first Indian MFI to be listed in Bombay Stock Exchange and National Stock Exchange. The present study aims to know the evolution of the company, the shareholding pattern, practices followed by the company, methodology adopted in product delivery, product portfolio and the organization and management of the company. The study purely depends on secondary data collected from the website of the company under study. The company provides income generating loan (IGL), mid term loan (MTL), long term loan (LTL) mainly to support business enterprises. The strategy of SKS Microfinance is to earn profit through standardization, automation and scalable best practices. Its mission is to empower the poor particularly women by providing them collateral free small value loan following joint liability group model of lending. In its endeavour, it achieved excellence for which various awards and recognitions were conferred on it. The company is predominantly owned by foreign institutional investors (FIIs) and the company is one of the largest MFIs in India by Gross Loan Portfolio (GLP), number of borrowers and by branches as on March 31, 2015.

**Keywords:** CRISIL, DII, DFID, FII, GLP, JLG, Microfinance.

---

## 1. INTRODUCTION

Microfinance started with the recognition that poor people had the capability to lift themselves out of poverty if they had access to affordable loans. High repayment rates in the industry have changed the perception that the poor are not credit worthy. With the right opportunities, the poor have proved themselves to be productive and capable of borrowing, saving and repaying, even without collateral.

Microcredit or Microfinance is the process of granting small loans to poor people, primarily to women, who have no collateral and are marginalized. These women tend to use their income to benefit their households and children. The process is accomplished through a microfinance institution that:

- a) Recruits and trains responsible and appropriate borrowers, each of whom establishes small business
- b) Helps them form groups that are accountable for each other's loans
- c) Distributes funds for loans
- d) Finances a group of borrowers, collect loan repayments through joint liability and guide the member-borrowers to uplift their economic standard

Examples of enterprises established include, buying a buffalo to sell its milk; manufacturing sweets; selling soft drinks; grinding spices; sewing clothes; candle making; incense stick making; papad making; collecting fallen hair for wigs and extensions; repairing watches; tea or petty shops; vegetable stands; bicycle repair; carpentry and welding shop or an auto rickshaw.

In groups of five to ten, the women support each other emotionally and financially by guaranteeing the repayment of each of their loans. With as little as INR 4,000, a borrower can start a kirana store (a small neighborhood retail store). With INR 10,000, a borrower can purchase a milking cow / buffalo, sewing machine, or set up an embroidery unit. Many of the women become leaders in their communities and undertake projects that benefit all the residents.

## **2. OBJECTIVES OF THE STUDY**

The objectives of the present study are;

1. To know the evolution of SKS Microfinance Limited
2. To understand the shareholding pattern of the company
3. To have a knowledge on practices followed by the company
4. To study the methodology followed by SKS Microfinance in products delivery
5. To analyze the product portfolio of the institution under study
6. To analyze the organization and management of the company

## **3. SOURCES OF DATA**

The present study is a descriptive study based on secondary data which have been collected from the web site of the company under study.

## **4. EVOLUTION OF SKS MICROFINANCE LIMITED**

SKS (Swayam Krishi Sangam) 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, 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. Toward that end, 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\$ 5,00,000 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 and 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 at the 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 a Non-Banking Finance Company-Microfinance Institution (NBFC-MFI), 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 in terms of number of borrowers and branches as on March 31, 2015. It is 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 to provide small value loans 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 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 that 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 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 for the benefit of its members. The Company offers loans for the purchase of mobile phones and solar lamps.

The Company also operates a number of pilot programmes that it may gradually consider converting into separate business verticals or operate through subsidiaries, subject to satisfactory results of the pilot programmes 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 per cent because of this systematic process.

SKS Microfinance believes that access to basic financial services can significantly augment economic opportunities for poor families and in turn improve their lives. The company is committed to create a distribution network across the society 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.

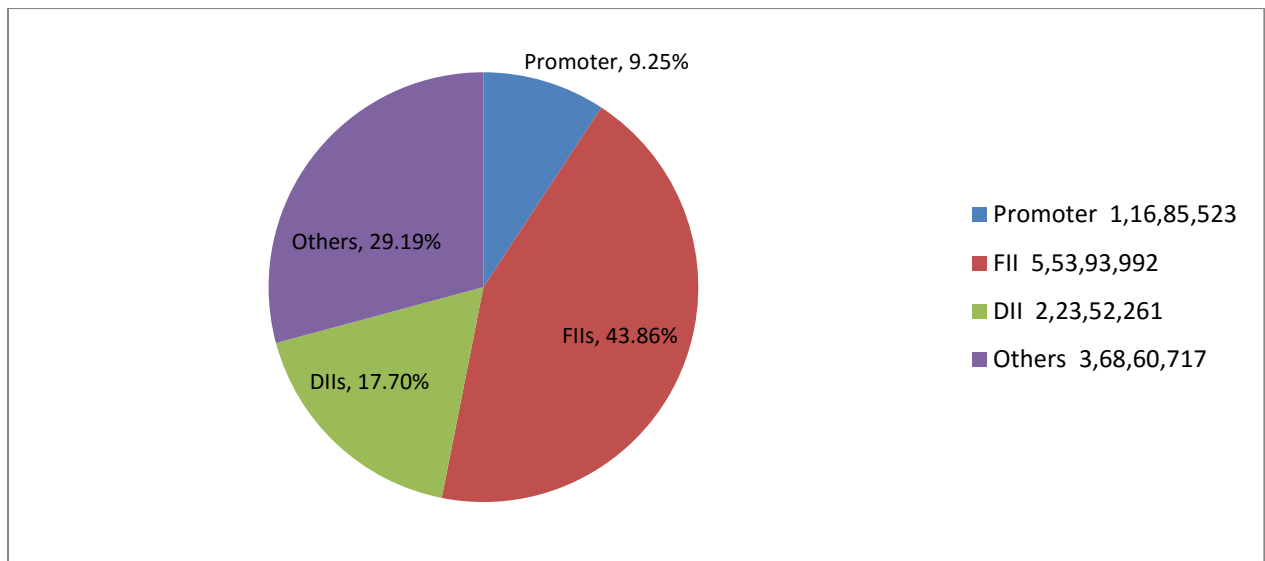
## 5. SHAREHOLDING PATTERN OF SKS MICROFINANCE LIMITED

The equity ownership of SKS Microfinance as on 31<sup>st</sup> March 2015 is shown in the following table.

**Table I: Shareholding Pattern of SKS Microfinance as on 31.3.2015**

| Shareholding Pattern as on 31.3.2015 |                     |             |
|--------------------------------------|---------------------|-------------|
| Shareholders                         | No. of Shares       | Percentage  |
| Promoter                             | 1,16,85,523         | 9.25%       |
| Foreign Institutional Investors      | 5,53,93,992         | 43.86%      |
| Domestic Institutional Investors     | 2,23,52,261         | 17.70%      |
| Others (Public)                      | 3,68,60,717         | 29.19%      |
| <b>Total</b>                         | <b>12,62,92,493</b> | <b>100%</b> |

Source: SKS Microfinance Annual Report, 2015



**Figure I: Shareholding Pattern of SKS Microfinance as on 31.3.2015**

Source: SKS Microfinance Annual Report, 2015

The data as presented in the above table indicate that the promoters hold 9.25 per cent of the total share capital. The maximum shareholding goes to Foreign Institutional Investors (FIIs) which account for 43.86 per cent of the total share capital. Domestic Institutional Investors (DIIs) have 17.7 per cent and others hold 29.19 per cent of the total share capital.

## 6. PRACTICES OF SKS MICROFINANCE LIMITED

SKS deploys standard, scalable best practices in order to reduce costs and quickly scale its operations. It uses the JLG model lending methodology to mitigate risk. It also identifies relevant, well-defined best practices around the globe and replicates them repeatedly. They are all applied to customers facing processes such as village selection, center formation, and financial transactions, and to non-customers facing processes such as branch office operations and recruitment and training of employees. Some of the best practices of SKS are;

### 6.1 Right focus - Customer first:

The products, processes and people are all focused on creating the highest value for the customer. This includes being respectful to customers, understanding the needs of customers and being transparent with customers.

### 6.2 Right means - Ethics always:

It follows ethical practices in all our relationships at all times, including following the law both in letter and spirit. This includes not offering bribes, not paying or taking commissions, and not taking any other short-cuts.

### 6.3 Right way - Consistent quality:

It has standardized processes as this will enable to reach out to most customers with less cost. It fosters innovation in order to ensure consistent quality.

## 7. DELIVERY MODEL OF SKS MICROFINANCE LIMITED

SKS Microfinance follows the Joint Liability Group (JLG) Model. The methodology involves lending to individual woman, where groups (five members) serve as the ultimate guarantor for each member.

Its approach is to provide financial services at the doorstep of members in villages and urban colonies. This is time saving, convenient and less expensive for the customers and enables SKS staff to promptly and fully collect repayments.

Loans are designed, for convenience, with small weekly repayments corresponding to the cash flows from the income generating activity. Interest and loan repayments are simplified for easy comprehension.

From village selection to loan disbursal, SKS follows a clear process in its operations. Details of its operational methodology are captured below:

#### **7.1 Village Selection:**

Before entering a village, SKS staff members conduct a comprehensive survey to evaluate the local conditions and potential for operations. Some of the key factors include total population, poverty level, road accessibility, political stability, safety and means of livelihood.

#### **7.2 Projection Meeting:**

After a village has been selected, SKS conducts a projection meeting with the entire village to introduce SKS, its mission, methodology and services.

#### **7.3 Mini-Projection Meeting:**

After the projection meeting, SKS holds Mini-Projection Meeting to further explain to interested parties and appeal directly to those who may not have attended the previous meeting due to some reason or other.

#### **7.4 Group Formation:**

After SKS has selected a village and conducted informal sessions with its residents, interested women form self-selected five-member groups to serve as guarantors for each other. This process is called Group Formation. A five-member group is small enough to effectively enforce group peer pressure and large enough to cover repayments in case a member needs assistance. Group members must be between the ages 18 and 59 and should not be related to each other and must live close to one another.

#### **7.5 Compulsory Group Training (CGT):**

CGT is a four-day process consisting of hour-long sessions designed to educate clients on SKS processes and procedures and to also build a culture of credit discipline. Using innovative visual and participatory teaching methods, SKS staff introduces clients the financial products and delivery methods. CGT also teaches clients the importance of collective responsibility, how to elect group leaders, how to affix signatures, and a pledge that serves as a verbal contract between SKS and its members. During this training period, SKS staff collects quantitative data on each client to ensure qualification requirements are met and to record base-line information for future analysis. On the fourth day, clients take a "Group Recognition Test" conducted by a different staff member other than the one who trained them. If they pass, they are officially accepted as SKS members.

#### **7.6 Center Meetings:**

When additional groups are formed within a single village, a Centre (sangam) emerges. During Centre Formation, groups are combined to form a centre of 3 to 10 groups or 15 to 50 members. Weekly Centre meetings serve as a time to conduct financial transactions. Meetings are held early in the morning, so as to not interfere with clients' daily activities.

A leader and deputy leader are selected to facilitate meetings and ensure compliance with SKS procedures. In addition to financial transactions, members use the weekly meetings to discuss new loan applications and community issues. Centre meetings are conducted with rigid discipline in order to sustain the environment of credit discipline created during CGT.

### **8. PRODUCT OFFERINGS OF SKS MICROFINANCE LIMITED**

The poor have no access to financial services they need. This financial exclusion leads to the creation of a society where the poor lack opportunity. SKS aims to bridge this gap and bring the complete range of financial services to the doorsteps of its members. It also aims at adding value by using its network to distribute quality products and services that its members need. SKS Microfinance Ltd offers a range of products and services, which have been developed basing on the financial needs of working of poor women. SKS classify offerings into proprietary and distributor products. SKS currently offers various micro loans and insurance products. SKS previously offered savings product as well, but had to stop when SKS was transformed into an NBFC. RBI rules are not favourable for NBFCs wishing to offer savings products.

Table II: SKS Product offerings (Proprietary Products)

| Product  | Features   | Benefits   |
|--|--|--|
| Income Generation Loans (IGL) - <b>Aarambh</b>   | <ul style="list-style-type: none"> <li>Loans range from Rs. 9,100 to Rs. 20,010 for the first loan; subsequent loan amounts determined by past credit history and increased each in set increments up to a maximum of Rs. 29,565</li> <li>Term of the loan is 50 weeks with principal and interest payments due on a weekly basis</li> <li>19.75 % annual effective interest rate and processing fee of 1%</li> </ul>  | Provides self-employed women financial assistance to support their business enterprises, such as raising livestock, running local retail shops, tailoring and other assorted trades and services         |
| Mid-Term Loan (MTL) - <b>Vridhhi</b>   | <ul style="list-style-type: none"> <li>Loans range from Rs. 9,100 to Rs. 15,010 for the first loan; subsequent loan amounts determined by past credit history and increased each in set increments up to a maximum of Rs. 15,010</li> <li>Available any time after the completion of 19th weeks &amp; till 46th weeks of an IGL cycle and till 96th week of LTL cycle.</li> <li>Term of the loan is 50 weeks with principal and interest payments due on a weekly basis</li> <li>19.75% annual effective interest rate and processing fee of 1%</li> </ul> | Same as above  |
| Long Term Loan (LTL)   | <ul style="list-style-type: none"> <li>Loans range from Rs. 30,915 to Rs. 38,635 for the first cycle loan; subsequent loan amounts determined by past credit history and increased each in set increments up to a maximum of Rs. 49,785</li> <li>Term of the loan is 2 Years 104 weeks with principal and interest payments due on a weekly basis</li> <li>Members must have completed 2 IGL Cycles</li> <li>19.75% annual effective interest rate and 1% processing fee of loan amount disbursed</li> </ul>   | <ul style="list-style-type: none"> <li>Same as above</li> <li>Given to Increase members' working capital for their business</li> </ul>   |
| <ul style="list-style-type: none"> <li>Biomass Cook-stove Loan</li> <li>Solar Light Loan</li> <li>Water Purifier Loan</li> <li>Mobile Phone Loan</li> <li>Bicycle Loan</li> <li>Sewing Machine Loan</li> </ul> | <ul style="list-style-type: none"> <li>Loan amount ranges from Rs. 1,799 to Rs. 5,290.</li> <li>Loan tenure is 25 weeks</li> <li>Annualized Interest rate ranges from 19.60 % to 19.70% depending on the product</li> </ul>  | Loans are offered to members for purchase of products like cook-stove/ solar light/ water purifier/ mobile phone/ bicycle and sewing machine to enhance their productivity and income generation ability |
| Housing Loans  | <ul style="list-style-type: none"> <li>Loans range from ₹ 50,000 to ₹ 150,000</li> <li>Members must have completed at least 3 IGL cycles to qualify or one ILP to be completed</li> <li>Term of loan is 3 to 5 years with principal and interest payments due on a monthly basis</li> <li>11.9% flat interest rate, 21% annual effective interest rate</li> <li>In addition, loan processing fee of 2% collected upfront</li> </ul>  | Provides financial access to women for construction of new houses or improvement & extension of existing houses  |



|   |  |                       |                      |               |                       |                      |   |
|---|--|-----------------------|----------------------|---------------|-----------------------|----------------------|---|
| Swarna - Pushpam Gold Loan  | <b>SKS MICROFINANCE SWARNAPUSHPAM GOLD LOAN SCHEME CHART (effective from November 1, 2012)</b> |                       |                      |               |                       |                      | Provides personal or business loans to our members and non-members secured by gold jewellery to meet their short-term liquidity requirements. |
|   | <b>Scheme</b>  | <b>Tenure In days</b> | <b>Interest rate</b> | <b>Scheme</b> | <b>Tenure In days</b> | <b>Interest rate</b> |   |
| <b>SP3</b>  | 0-30   | 15.00%                | <b>SP4</b>           | 0-30          | 19.20%                |                      |   |
|   | 31-90  | 20.00%                |                      | 31-90         | 21.00%                |                      |   |
|   | 91-180   | 22.00%                |                      | 91-180        | 24.00%                |                      |   |
|   | 181-360  | 24.00%                |                      | 181-360       | 26.00%                |                      |   |
| <p><b>Broad features:</b></p> <ol style="list-style-type: none"> <li>Loans range from Rs. 2,000/- to Rs. 2,00,000/-</li> <li>0.5% loan processing fee is applicable on the loan amount at the time of disbursement.</li> <li>The SP4 scheme has a maximum exposure of 75% loan to the gold value of that day whereas the SP3 scheme has a maximum exposure of 68% loan to the gold value of that day.</li> <li>The maximum loan tenure for SP3 and SP4 schemes is 365 and 270 days respectively.</li> <li>Simple interest only.</li> <li>No pre/ part-closure charges.</li> <li>No additional charge for late payment.</li> <li>Interest rate will be charged as per the relevant slab mentioned.</li> <li>If the loan is not repaid as agreed or on demand within the tenure of the respective scheme, the Company shall have the right to charge overdue interest at the highest rate of interest slab of the scheme agreed upon, on the outstanding after completion of the tenure till the date of recovery on monthly basis.</li> </ol> <p><b>Repayment method:</b></p> <ol style="list-style-type: none"> <li>Bullet repayment with an option to pay any amount at any time within the tenure</li> </ol> <p><b>List of enclosures required:</b></p> <p>As per RBI KYC norms, identity, age and address proofs are required for loan processing.</p> |  |                       |                      |               |                       |                      |   |

Source: SKS Microfinance Website ([www.sksindia.com](http://www.sksindia.com))

**Note 1:** "In accordance with the RBI's circular dated May 03, 2011 on 'Bank loans to Micro Finance Institutions (MFIs) - Priority sector status', with effect from June 01, 2011, the Company plans to charge a processing fee of 1 per cent (of the loan amount) on all microloans offered across India. The credit shield Insurance premium will be collected from the borrowers on actual basis without any administrative charges."

**Note 2:** As Per RBI circular DNBS. 204/CGM (ASR)-2009 dated January 2, 2009, SKS's Board of Directors has discussed and formally adopted an interest model based on cost of funds, operational costs, and risks involved for each product.

**Table III: SKS Product offerings (Distributor Products)**

| Product        | Features  | Benefits   |
|----------------|---|--|
| Life Insurance | Weekly payment of ₹ 20 for the term of five years | Upon death, the beneficiary will get the full sum assured of ₹ 5,000 plus the account value, which is equal to the aggregate of the premiums paid plus interest accrued, if any, less any charges for the administration of the policy<br>In case of accidental death, the beneficiary receives ₹ 10,000 plus the account value<br>Upon maturity in five years where no death has occurred, the policyholder gets the account value. |

Source: SKS Microfinance Website ([www.sksindia.com](http://www.sksindia.com))

Table II lists products currently offered by SKS. The majority of loans are offered to meet the working capital needs of small enterprises and are for income-generation purposes only. These include income-generating loans (IGL), mid-term loans (MTL), and individual loans. Both IGLs and MTLs are offered the group lending model. Individual loans are relatively a new product offered by SKS and are offered to those who have moved out of subsistence levels. This loan is offered following a thorough investigation of the individual's business and a personal guarantee. Interest-free emergency loans are also offered to SKS client to cope with extreme financial situations, such as hospitalization and/or death. Repayment terms for such loans are determined on a case-by-case basis.

The Company had conducted a pilot programme for financing the purchase of mobile phones to its members in eight branches of four states. After the success of this pilot with Universal Digital Connect Limited (UDCL), a subsidiary of Videocon Industries Limited, this initiative was extended to seven states in India during FY13. As of March 31, 2012 and March 31, 2013, Mobile Phone Loans constituted 1.3 per cent and 1.2 per cent respectively, of the Company's total loan outstanding portfolio.

India is one of the largest consumers of gold in the world due to a strong preference for gold jewellery among Indian households and its widespread use as a savings instrument. In FY11, the Company launched a gold loan pilot under the name of "Swarna pushpam" which provided personal or business loans to members in order to meet their short-term liquidity requirements. These loans are secured by gold jewellery. The pilot was extended to 40 branches, primarily across the states of Karnataka, Maharashtra and Uttar Pradesh. As of March 31, 2013, the Company had 198 employees servicing these 40 branches. Loan amounts range from ₹ 2,000 to ₹ 1,00,000 which can be repaid in full at maturity or as bullet payments, or equated monthly/ quarterly instalments with a maximum tenure of 12 months, at the option of the borrower. There are no penal or pre-closure charges and borrowers can choose to make partial prepayments. The annual effective interest rate for gold loans typically varies between 18.5 per cent and 25 per cent, and is determined by the loan-to value ratio, tenure of the loan and repayment frequency. As such, gold loan products do not qualify micro credit products. As of March 31, 2013 the company's gold loan portfolio stood at ₹ 55.9 crore, which constituted 3.8 per cent of the company's total outstanding loan portfolio. The gold loan business has seen encouraging results and makes the diversification foray into secure lending. The gold loan business may be operated in future through a subsidiary, based on successful results from the pilot project and receipt of the required regulatory approvals.

SKS Microfinance announced the launch of a housing microfinance pilot jointly with the Housing Development Finance Corporation Limited (HDFC), the country's premier housing finance company, to bridge a critical gap in housing finance needs of the poor.

The company will provide loans mainly for extension and improvement of dwelling units which double up for income-generating activities like eateries, kirana shops, papad and agarbathi-making etc. SKS member clients with at least three years of credit history will be eligible for these loans. Most SKS member clients belong to the low-income category and do not have any documented source of income.

HDFC is providing technology support to SKS and the first tranche of funding worth ₹ 10 crore. Towards this end, HDFC is utilizing funds available under a special arrangement with KfW, a German development bank. This loan to SKS would help fund about 1250 members, considering an average ticket size of ₹ 80,000/-.

The pilot of this initiative is being conducted in selected branches of SKS in Andhra Pradesh. SKS member clients can avail loans ranging from ₹ 50,000/- to ₹ 1, 50,000/- with a tenure between three and five years and the loans will be delivered at the borrowers' doorstep. Unlike other products of SKS, the liability would not be at the group level, rather these would be offered as individual mortgage-backed loans. After studying the results of the pilot programme and fine tuning the systems and processes, the initiative will be rolled out in several branches.

SKS offers insurance products to cover all loans provided to clients. Coverage is for the entire term of the loan and covers both principal and interest. Insurance is offered to all SKS clients and costs 1 per cent of the total loan amount. The plan covers the life of the member and his/her spouse. This product is offered through collaboration with the Life Insurance Corporation of India. SKS covers almost 1.2 million people with its insurance product.



## **9 ORGANIZATION & MANAGEMENT ANALYSIS OF SKS MICROFINANCE LIMITED**

### **9.1 SKS Mission:**

The mission of SKS is to provide financial services to the economically weaker sections of the society. SKS is most notable for developing the first MIS system among Indian MFIs for which it won awards. Its goal going forward is to raise money in order to scale up and reach as many customers as possible. Since its founding, SKS has delivered US\$40 million micro credit to over 1, 50,000 women in Southern India through 45 branches and 500 employees. Thus, it is interesting to study how it has fared as an NGO and what has driven it to transform. It then completes the picture of the various approaches to becoming an NBFC that an MFI can take and therefore, provides a wider and richer array of benefits. There is an even larger menu of options and paths an MFI can take and that the question might not even necessarily be NGO or NBFC.

### **9.2 Strategic Vision:**

The strategy of SKS to achieve its mission is to help poor people access small, low interest loans during times of crisis, so that they can avoid falling into debt traps. SKS endeavors to offer the poor alternatives from banks that require collateral and bureaucratic procedures as well as moneylenders that charge exorbitant interest rates. The company does so by delivering collateral-free microfinance in the form of small loans and savings facilities at the doorstep of the poor. SKS seems to have a strong strategic mission. The rapid growth of the organization shows its commitment to outreach and scale in the service of the mandate of microfinance. The main concern of SKS Microfinance surrounds its ability to balance its ambitious mission to serve the “poorest of the poor” in a financially viable manner.

### **9.3 Information Technology System:**

SKS has won numerous awards for its innovation in technology for microfinance and particularly its Management Information System, which it pioneered in India. SKS’s MIS system is the cornerstone of the organization’s technology platform that it enables the company to manage small transactions efficiently, to increase staff productivity, reduce operational costs, etc. It is designed for simple use, scale, and integrates all the accounts of the organization. SKS created a technology management team which has developed software applications to manage client’s portfolios and accounts. In addition, SKS developed a Smart Card Program that enables technology to replace the manual passbooks and collection sheets with Palm Pilots and smart cards that serve as “electronic passbooks.” While the effect of such technologies is not yet clear, the endeavour to employ technology to improve the impact and efficiency of the organization is a positive sign.

### **9.4 SKS Partners:**

SKS Microfinance is honoured to work with a world class group of partners and supporters. When it started as a small NGO, SKS received early support from close friends and family of the founder. As the organisation grew, so did its list of partners, starting with leading foundations and donor organisations, like Women's World Banking ([www.swwb.org](http://www.swwb.org)), CGAP ([www.cgap.org](http://www.cgap.org)), Grameen Foundation USA ([www.gfusa.org](http://www.gfusa.org)) and American India Foundation ([www.aifoundation.org](http://www.aifoundation.org)). Now as a Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI) registered and regulated by the Reserve Bank of India, some of the largest banks and investors work with SKS. HSBC ([www.hsbc.com](http://www.hsbc.com)) made its first microfinance loan to SKS and Citibank made its first microfinance loan in India to SKS. SKS is also an active participant in global microfinance associations, such as MIX Market ([www.mixmarket.org](http://www.mixmarket.org)) and Microfinance Network ([www.mfnetwork.org](http://www.mfnetwork.org)).

### **9.5 Awards and Recognition:**

Credit Rating and Information Services India Limited (CRISIL) has assigned "P1+" (Highest safety) rating to the ₹ 7.5 billion Short-Term debt program. SKS becomes the first and only MFI to have “P1+” rating from CRISIL.

CRSIL has assigned MFI grading of 'mfR1' to the Company on July 2, 2010 indicating the ability of a microfinance institution to conduct its operations in a scalable and sustainable manner. The grading is assigned on an eight point scale, with 'mfR1' being the highest grading and 'mfR8', the lowest.

SKS was rated first among top 50 MFIs in India by CRISIL in October 2009.

SKS was awarded the Silver Certificate in October 2009 by Consultative Group to Assist the Poor (CGAP) with Michael & Susan Dell Foundation, the Ford Foundation, and the Social Performance Task Force (SPTF), powered by

Microfinance Information Exchange (MIX) for implementing standards in microfinance operations providing services to the poor.

SKS was ranked the No. 1 MFI in the Country and No. 2 in the World in the annual composite rankings conducted by MIX Market based on the parameters of outreach, efficiency and transparency in 2009.

SKS received Certificate from IQ Net in May 2008 for the quality management system in compliance with the standard ISO 9001:2000 in relation to the conducting of internal audits as per the policies and applicable standards.

SKS bagged Social and Corporate Governance Award issued by BSE and Nasscom Foundation for Best Corporate Social Responsibility Practice in December 2007.

The Schwab Foundation presented the 2006 India Social Entrepreneur of the Year Award to SKS Microfinance. SKS Microfinance has been hailed as the “Starbucks of Microfinance” for adopting global business practices in microfinance leading to over US\$ 71.6 million in loans benefiting 1.5 million Indians in 2005 and 2006.

SKS Microfinance was honoured by PlaNet Finance and ABN AMRO with a Microfinance Process Excellence Award (MPEA) for Continued Excellence. MPEA is an initiative that encourages business excellence among the microfinance industry in India.

SKS Microfinance also received the MPEA award in 2005 on the basis of the clarity of the organizational vision and mission, the openness of the management to adopt tested management practices and approaches, level of IT&C adoption and transparency.

SKS Microfinance has won a Merit Award for financial transparency in February 2005 and January 2006 from The Consultative Group to Assist the Poor, a division of the World Bank. SKS won this award based on its compliance with international disclosure guidelines, including industry-specific CGAP Disclosure Guidelines and the widely accepted International Financial Reporting Standards.

SKS received the Excellence Award for its overall achievement in outreach to the poorest, financial performance and innovations that benefit both the organization and the industry by the Grameen Foundation USA Microfinance Practitioner Award for Excellence in 2005.

In September 2013 SKS Microfinance Limited was awarded the Seal of Transparency. The Seal is conferred upon microfinance providers who showcase transparency in their product pricing. MF Transparency represents an industry movement toward transparent practices and responsibility. Based in the United States, the group has organized transparent pricing efforts in 28 countries in four continents.

In December 2014, SKS received the Smart Campaign Client Protection Certification which testifies that SKS Microfinance Limited has been evaluated according to the standards of the Client Protection Certification Program and found to take adequate care to implement Client Protection Principles as promoted by the Smart Campaign, a global effort to keep clients as the driving force of the industry. The Smart Campaign has been co-founded by CGAP and The World Bank.

SKS wins ‘The Microfinance Organization of the Year’ award. The award is in recognition of SKS Microfinance Limited's efficient and responsible microfinance services at scale and its impressive efforts of reaching out to the low-income households in multiple regions across India, including several underserved regions. The award was received at the Annual Microfinance India Awards 2014, instituted by ACCESS Development Services, an organization set up with support from Department for International Development (DFID).

In July 1, 2014, SKS Microfinance Limited was assigned a ‘A1+’ short-term debt rating. Instruments with such ratings are considered to have “a very strong degree of safety regarding timely payment of financial obligations”. Such instruments carry the lowest credit risk.

In June 16, 2014, SKS Microfinance Limited's credit rating for bank borrowings was upgraded by ‘A1+’ from ‘A1’ for short-term facilities and to ‘A+’ from ‘A’ for long-term facilities for an aggregate sum of ₹ 2,000 crore.

In February 14, 2014, SKS Microfinance Limited was assigned ‘MFI 1’ grading. ‘MFI 1’ is the highest grading on an eight-point scale.

## 10. CONCLUSION

Microfinance is providing financial services such as small size credit, savings, insurance etc. to the weaker section of the society primarily to women to help them engage in productive activities such as buying a buffalo to sell its milk; starting a vegetable store; manufacturing sweets; selling soft drinks; grinding spices; sewing; candle making; incense stick making; collecting fallen hair for wigs and extensions; repairing watches; tea or petty shops; bicycle repair; carpentry and welding shop or an auto rickshaw etc.

Inspired by Bangladesh banker Muhammad Yunus, SKS Microfinance was started in 1996 by Vikram Akula with the objective of providing small income generating loans to the poor women of rural and urban areas in order to uplift their standard of living and empowering them. It was initially formed as a NGO and started its operation in Tumnoor village in Medak district of Andhra Pradesh. Then it was converted to a private limited company and became NBFC in 2005. The Company became a public limited Company in 2009. The company issued equity shares to the public in the year 2010-11 and became the first Indian MFI to be listed in Bombay Stock Exchange and National Stock Exchange.

The company is predominantly owned by foreign institutional investors (FIIs). FIIs and Domestic Institutional Investors (DIIs) hold 43.86 and 17.7 per cent of shares of the company. The promoter group holds only 9.25 per cent shares while others hold 29.19 per cent.

The company provides income generating loan (IGL), mid term loan (MTL), long term loan (LTL) mainly to support business enterprises. The strategy of SKS Microfinance is to earn profit through standardization, automation and scalable best practices. Its mission is to empower the poor particularly women by providing them collateral free microfinance. In its endeavour, it achieved excellence for which various awards and recognitions were conferred on it.

SKS Microfinance follows the Joint Liability Group (JLG) Model of lending. The Company is one of the largest MFIs in India by Gross Loan Portfolio (GLP), number of borrowers and by branches as on March 31, 2015. SKS Microfinance received a lot of awards and recognition from Credit Rating and Information Services India Limited (CRISIL), Department for International Development (DFID), World Bank, Consultative Group to Assist the Poor (CGAP) and many more.

## REFERENCES

- [1] [https://www.sksindia.com/know\\_sks.php](https://www.sksindia.com/know_sks.php)
- [2] <https://www.sksindia.com/partners.php>
- [3] [https://www.sksindia.com/our\\_approach.php](https://www.sksindia.com/our_approach.php)
- [4] [https://www.sksindia.com/awards\\_and\\_recognition.php](https://www.sksindia.com/awards_and_recognition.php)
- [5] [https://www.sksindia.com/about\\_microfinance.php](https://www.sksindia.com/about_microfinance.php)
- [6] [https://www.sksindia.com/our\\_products.php](https://www.sksindia.com/our_products.php)
- [7] [https://www.sksindia.com/share\\_holder\\_details.php](https://www.sksindia.com/share_holder_details.php)
- [8] <https://www.sksindia.com/methodology.php>
- [9] [https://www.sksindia.com/annual\\_reporting.php](https://www.sksindia.com/annual_reporting.php)