

## BOOK REVIEW

**Vikram Akula (2011). A Fistful of Rice: My Unexpected Quest to End Poverty through Profitability (Boston: Harvard Business Review Press), pp. 191, Rs. 495 (h/b), ISBN 978-1-4221-3117-6.**

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What is microfinance? Why does it matter? What are the different models of microfinance? And, most importantly, what are the misperceptions about microfinance institutions? These then are some of the more important questions that are addressed in this book; which is, strictly speaking, an experiential memoir of Vikram Akula's forays in setting up a microfinance institution called Swayam Krishi Sangam or SKS Microfinance. The significance of both the title and the subtitle of this book must not be overlooked; they cover most of the theoretical ground at stake in the area of microfinance and the development of microfinance institutions in the country. But, at the same time, this book is not a full-fledged theoretical account of microfinance; it is more of an extended case study from Akula's point of view. What makes the book interesting in terms of stylistics is that it can be read by both students of management and by those in the humanities and the social sciences, since it throws light on the challenges of social entrepreneurship in rural communities. The title of the book refers to an incident in which Akula encountered poverty for the first time at the home of an aunt; where, a woman pot seller, who received rice from his aunt, in exchange for her wares, bent down to pick up a few morsels that fell on the floor since she wanted to be sure that 'she hadn't missed a single grain'.

Akula's intention in setting up SKS Microfinance is to make available the financing necessary to help women like that escape from the endemic trap of poverty. It will however not be possible to help millions of such women in dire need, and scale up the process of providing the required number of microloans, purely through good intentions. Hence, Akula decided to strike a middle path between the non-profit model of Grameen and the only for profit model of Compartamos. This is where the perception problems are coming from: SKS can neither make the moral pitch of Grameen nor the profits pitch of Compartamos. Since opinion on microfinance institutions veers between these alternate business models, Vikram Akula often finds himself at the receiving end of the disaffection that these models inspire amongst the extreme ends of the ideological spectrum. It is easy for the critics to forget that he does not subscribe to either of these approaches to microfinance, and is not responsible for the main attributes of these business models. Given that rural poverty is a sensitive topic, there is a propensity amongst commentators to jump to conclusions without making the allowance necessary for a nuanced understanding of microfinance institutions (MFI). So, for instance, it is not widely known that MFIs are not allowed to accept deposits like banks; they themselves have to borrow from banks at around 11 percent, incur a number of documentation and transaction costs, set aside at least two percent capital for 'potential defaults', and work with a margin of just three percent. Akula, for instance, started off with a 36 percent rate of interest in order to break-even, but reduced it subsequently to 28 percent in rural communities where the only alternatives to microfinance for poor people are predatory lenders.

This is not the situation for Grameen; it not only charges a lower rate of interest, but is able to do so because it subsequently became a 'bank for the poor' by an act of Parliament in Bangladesh even though it started as an MFI. So though the point of departure for Grameen and SKS might have been similar in terms of a formative encounter with poverty for its Western educated founders, the point of arrival is bound to be different given that they have different business models. The Compartamos model, as pointed out previously, is an attempt to charge as much interest as possible; this is neither desirable nor possible without inviting criticism

from the regulators, and losing the professional identity that makes MFIs a force for good in rural communities. It is important therefore to go beyond the non-profit versus too-much profit approaches, and attempt 'something entirely different', like SKS is trying to do. What makes this 'third way' interesting is that it 'yields both low interest rates and high profits for investors' without the need for high interest rates. This, again, is a simple idea that is not well-understood. A common misperception, in this context, is that only high interest rates will lead to high profits. But, as any business ethicist will point out, there is nothing wrong in generating a high return for investors as long as interest rates are reasonable, which is the case for SKS. The secret of doing so is to use cross-selling techniques that leverage upon the trust that it has generated in rural communities.

It is at this point that microfinance converges with the 'bottom of the pyramid' framework of C.K.Prahalad, since a large number of kirana stores in the villages are financed through micro-loans. The owners of these stores who belong to the SKS network are able to source their supplies directly from Metro Cash & Carry, and thereby do away with middlemen. The deal with Metro was negotiated by Akula on behalf of the members of SKS. Akula was also able to provide loans to those who wanted to buy cell phones by tying up with Nokia and AirTel. Since cell phone companies wanted to break out of saturated urban markets, this was a great opportunity for them to enter the BOP segment; they were therefore willing to offer their services at affordable rates. Further instances of cross-selling include insurance products, which do not lapse even if the customer missed payments – as was often the case in villages. While most insurance companies might hesitate to commit to such an unconditional form of insurance, SKS managed to get precisely this from Bajaj Allianz, which has now drawn up a whole range of insurance products for the rural markets. A number of well-known companies also advertise in the passbooks issued to SKS members. Another interesting breakthrough was tying up with HDFC to provide housing loans by leveraging on the SKS database of houses.

SKS has also got involved in rural education and health by not only setting up village schools, but by making available medicines sourced from UNICEF to improve the health of children. SKS has also participated in providing flood-relief in Bihar (2008) and in empowering political participation by rural women – some of these women have even won elections by leveraging on the leadership skills that they learnt in the course of participating in microfinance projects. Akula describes a formative meeting that he himself had with Rahul Gandhi at Hyderabad in 2005, when the young Congress leader travelled with him to the villages nearby to see the work that SKS was doing. Rahul's support was absolutely crucial not only for Akula; but also for SKS, which became a household name in the country in the wake of the publicity that Rahul's trip generated in the media. But, most importantly, Akula understood the importance of getting his ideas heard by progressive politicians like Rahul who are in a position to make a difference. SKS has also provided policy input on the challenges of tackling rural poverty to the Congress party before the elections of 2009, and to the states of Bihar and Rajasthan.

What is at store then for SKS Microfinance? Having raised \$75 million in capital investment during the height of the crisis in 2008, Akula now hopes to export his framework abroad; a number of countries which hope to replicate the miracle of microfinance have started to approach him to serve as an advisor. Microfinance, as he points out, is not just an economic tool for developing countries, but is of relevance even in the United States. And, as Akula puts it, in the conclusion of this memoir: 'Microfinance is a thriving, world-changing business, and we don't intend to stop growing until every poor person in the world has access to it'.