

A Fistful of Rice: My Unexpected Quest to End Poverty Through Profitability by Vikram Akula



Review by: Daniel Zoltani

I decided to read Akula's *A Fistful of Rice* after returning from a recent trip to India. The trip took me to southern India where I visited Whole Planet Foundation's partner, Microcredit Initiative Grameen (MIG) Kerala Project, as well as to Uttar Pradesh in north east India to conduct a site review for a potential new partnership with CASHPOR Microfinance. The visit made clear the India microfinance sector is still recovering from the 2010 Andhra Pradesh microfinance crisis and the events of the crisis continue to impact microfinance operations throughout the country. SKS Microfinance, among other players and factors, arguably contributed towards the 2010 crisis. The SKS IPO and the crisis in Andhra Pradesh that followed shortly thereafter postdates this book's publication.

A Fistful of Rice is a quick and easy read taking the reader through Vikram Akula's personal journey of establishing micro-financing business, SKS Microfinance, and his ethical argument for for-profit microfinance. Basically, his main point is that if investors can make money providing loans to the poor, more of the poor will get the entrepreneurial loans they need to bring themselves out of poverty. If an established model that is both efficient and scalable has no capital constraints, the organization would be able to reach far more poor people than a non-profit lender constrained by funding could ever imagine. A financial return to the investors rewards them for their investment but more importantly ensures access to additional future funding; a "win win" for everyone.

Akula walks the reader through his experiences that led him to this argument and the processes put into action to move from theory to practice. Launched in 1998, SKS operations exploded and by 2010 had over 6.2 million borrowers with an organizational loan balance outstanding of \$925.8 million. SKS focuses entirely on women, targets the very poor, utilizes the group solidarity model, maintains interest rates similar to both the non-profit projects I recently visited in India (and that would be considered low from a global even regional perspective), and even has an ultra poor program similar to that of Grameen Banks' or BRACs International ultra poor program. So what's the big deal if it is for-profit or not?

In 2010, SKS becomes the second microfinance institution to sell shares of the company to the public, prompting Yunus to make this derisive comment in *Microfinance Focus*: "The concern is

that when you put an IPO, you are promising your investors that there is a lot of money to be made and this is a wrong message. Poor people should not be shown as an opportunity to make money out of.”

As a public company, SKS is legally obligated to make the most money it can for its shareholders. According to Akula, establishing brand recognition and achieving scale through rapid expansion was the best way to do so, referring to it as “Google territory”. Yet finding balance between aggressive growth while maintaining the relationships, discipline, respect and consistency that makes microfinance work is a challenge when profit maximization is the bottom line. Compromising the wellbeing of the stakeholder for the shareholder is dangerous business when the stakeholders of the company include 6.2 million of the worlds poorest. For example, it was hard to envision SKS prioritizing the maximization of customer satisfaction over profit maximization when for example Akula mentions in the book that at one point he started taking a stopwatch into the field to time how long his employees spent with customers in order to streamline the business in line with a McDonald's like management approach. For me, the legal structure of non-profit or for-profit is far less important than the direction, objectives and priorities of ownership that strike a balance between profit and pro-poor.

Vikram Akula pioneered aggressive growth, for-profit micro-finance. His argument for profitable micro-finance is compelling and the book outlines this argument in a simplistic and straightforward approach; with substantial profit margins, his company was able to expand at a pace that would be impossible to match by similar non-profit organizations and serve millions of micro-entrepreneurs. Hindsight is 20/20, and it was with this perspective that I enjoyed reading *A Fistful of Rice*. The quick read is worth it if you would like to better understand the advantages of taking a full business approach in development yet keep in mind it sheds little light on the disadvantages regarding the astonishing growth achieved that has since led to serious issues for SKS and the sector as a whole.