

Assessing The Sustainability Of Microfinance Institutions In Jodhpur District, Rajasthan.

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I. Introduction

A Brief on Micro Finance institution in India

In the years of practice, microfinance has turned into a revolutionary instrument contributing to the development of the financial standards of societies with especial reference only the developing countries like India. The strategy involving the provision of micro credit and banking services to the under banked population has been adopted in the last two decades. It is worth admitting that MFIs are quite active in India among countries where microfinance services are delivered to customers in the regions where banking systems' development remains rather weak, especially in rural areas. In India, there are enormous and diversified micro financing systems controlled by NGOs, NBFCs, Cooperatives and societies etc which attempt to provide microcredit services to the target poor (Morduch, 1999; Sinha, 2006).

Importance of Assessing Sustainability

As much as the micro finance has introduced changes into the banking sector and positive impacts on the enhancements of income of the borrowers the viability and sustainability of MFIs are some of the issues being considered. In the case of micro finance sustainability therefore relates to ability of these institutions to maintain and/or continue offering micro financial services in the long run without relying on aids. This is so especial taking into account, the social economic factors that are likely to slow down micro financing in the above specified area of operation including, poverty, illiteracy as well as infrastructural improvement in Jodhpur district of Rajasthan. Therefore, evaluation of the sustainability of MFIs is vital because; it provides a way of assessing the ability of an MFI to continue to service the group and or achieve its goals; And in light of the overall goals of liberalization of the financial sector and poverty reduction.

Research Objective and Questions

The specific research focus of the present study is thus to assess the sustainability of microfinance institutions in Jodhpur district, Rajasthan. The study aims to answer the following research questions: The following research questions are specific objectives of the study;

To what extent are the working MFIs in Jodhpur district financially soluble?

What is the impact of the nature of client's maintenance and loan repayment stock in the sustainability of these institutions?

What operational problem of MFIs is possible in Jodhpur and how does the existence of such a problem affect the sustainability of these institutions?

For those purposes, the study will rely on interviews with officials from MFIs and on survey data collected in the field. The data collected for the study shall also be used to compare the performance of MFIs in Jodhpur with other districts of Rajasthan to observe other trends and pattern.

It is believed that the results of this study will be useful for policymaker, MFI managers and cualquier person that has interest in promoting the enhanced solvency of microfinance institutions for the rural India. Thus, by revealing factors which support or jeopardize sustainability, the study aims at a positive contribution to the discourse on the populations served and the economic effects of micro financial services – a topic that has not lost its relevance up to the present day (Rhyne, 2001; Cull et al. , 2009).

II. Literature Review

Microfinance-Who Owns the New Banking Frontier-Where Sustainable Microfinance Thrives

Micro financing has been accepted as a viable solution in poverty reduction or eradication and for financial enabler ship worldwide. Used as a concept to offer small credit to the needy, unsalaried individuals throughout the world, microfinance has expanded into a fully-formed segment of the financial market. MFIs are therefore financial institutions that provide micro financing services for loans, savings and insurance for the

under-banked and unserved base of the pyramid clients. The basis for microfinance is to provide credit and financial services to those who are unable to obtain loans from conventional formal sources in order that they can have a chance to generate income from business hence improving their standards of living and contributing to economic progress (Morduch, 1999; Ledgerwood, 2013).

Much focus has been directed to sustainability in microfinance in past few years. When used in the context of this paper, sustainability is defined as the capability and capacity of MFIs to continue to operate and provide services in the long-run without having to constantly seek for or receive subvention. A sustainable MFI it means that the institution must be financially self-sufficient that is recover all its cost, have extra profits and be in a position to fulfill its role of servicing its clients. This is important because sustainable MFIs are likely to deliver the services in the long run, increase the coverage of services being offered and assist in poverty alleviation and economic development (Armendáriz & Morduch, 2010).

Sustainability in microfinance is a complete concept having three faces of it: financial, operational and social sustainability. Financial sustainability is therefore the capacity of an MFI to ensure adequate revenues to meet its operating expenses and costs of capital and for growth. Organizational sustainability refers to the extent to which the operations of the MFI are optimised in that they are efficient, effective and appropriately managed in terms of loan delivery, recovery, clientele management and the like. Social sustainability, although less talked about is equally important as it revolves around the MFI's capacity to sustain the social purpose of lending to the poor and marginalized without compromising the alteration of its operations to reach out to 'better off' clients who may, indeed, be credit worthy but are not in the same needy bracket as the former (Rhyne, 2001).

Factors Affecting MFI Sustainability

Some of these are as follows: Several factors affect sustainability in MFIs each having a unique contribution to the overall sustainability of the MFI. Such factors are vital for those MFIs to manage their difficulties and keep on delivering positive changes in people's lives.

Financial Health and Profitability

The financial sustainability of an MFI is the bedrock to its functionality, and there is no doubt that the ability of an MFI to access funds for lending of funds is a critical predictor of its financial health. An important factor that dictates the supply of financial products is the need for the sources of revenue from operations to fund future growth by the MFIs. It involves income from loans, fees charged on financial services, investment income and any other related source of income. However revenue generation can sometime be a problem mainly for the MFIs offering credit to the BASE of the market since that may require charging one of the lowest possible interest rates. Another massive issue of the MFIs is to balance efficiency and financial profitability with their social purpose – to lend the money to the poor (Cull, Demirgüç-Kunt, & Morduch, 2009).

Loan Repayment Rates

Another important characteristic of MFIs is responsible loan repayment as inefficient repayment of a loan results in significant losses for the organization. Repayment rates lead directly to the cash flow and hence on the liquidity position of any MFI, which in turn determines the capacity of the MFI towards new loan disbursement. Delinquent repayments result into high expenses on the recovery of loans and high risks on default, which are unhealthy to the MFI financial balance. Repayment factors comprise; Client's economical status, MFI's internal credit check procedures, and existing loan portfolio (Morduch, 1999).

Another factor that defines sustainability is the capacity of an MFI to recover its portfolio clients and, thus, broaden its diffusion. A high level of repeat programming is an evidence of client satisfaction and confidence in the operations of the MFI hence calling for greater volumes of loan and relatively stable cash flows. Further, increasing reach to new clients can definitely increase an MFI's social and financial returns. However, growth also has to be done in such a manner to avoid over expansion as this may exert pressure on some resources hence being counter-productive (Ledgerwood, 2013).

Client Retention and Outreach

Another factor that defines sustainability is the capacity of an MFI to recover its portfolio clients and, thus, broaden its diffusion. A high level of repeat programming is an evidence of client satisfaction and confidence in the operations of the MFI hence calling for greater volumes of loan and relatively stable cash flows. Further, increasing reach to new clients can definitely increase an MFI's social and financial returns. However, growth also has to be done in such a manner to avoid over expansion as this may exert pressure on some resources hence being counter-productive (Ledgerwood, 2013).

Operational Efficiency

With operational efficiency, the principals aim at reducing the costs of offering financial services while at the same focusing on the quality and availability of the services. Cost efficiency is always a core imperative since this guarantees greater outreach to the intended clients, thus improving on the financial strength of MFIs. Critical dimensions of operational effectiveness include, technological intensity of the services rendered in the organization, human resource management and consumer channel management particular to loans (Rhyne, 2001).

Regulatory Environment

MFIs are influenced by the effective regulatory environment where they carry out their operations. Favorable true laws can encourage the advancement of micro finance institutions while the unfavorable laws put down or impose constraints that are not proper for the achievement of the goals of the MFI. The regulatory restraints involve licensing of facility, maximum allowable interest rate, reporting and legal framework for recovery of debts. For instance in India, the regulatory environment has however changed over time to enhance patronage of structural and stable ground for micro finance operation, but according to Sinha (2006), the environment has, however, remained enclosed and still poses difficulties on matters concerning regulation as well as the dynamism, pliability in micro finance relations.

Access to Capital

Availability of funds which are needed in the MFIs expansion and overall survival are crucial for

MFIs. This includes both liability and shareholders 'funds, which help to scale up MFIs operations and reach more clients. However, the problem of obtaining funds is not always easy, for example, for small or developing MFIs. They include; risk perceived by the investors, the performance record of MFI and general economic conditions as well. Over the past few years, the two most significant sources of funding for MFIs have been impact investors and social lenders due to the escalating interest in social investment (Cull et al., 2009).

Regional Studies on MFIs

The case studies are a great source of information with regards to the peculiarities of the development of the MFIs within the specified regions. All these studies point at the fact that there is vast difference in MFI experiences and developments across different locations and hence the need to undertake location-specific actions to increase their sustainability.

Microfinance in Southern India

Microfinance has been most active in the southern region of India, particularly in the Andhra Pradesh, Tamil Nadu and Karnataka. Researches carried out in these areas reveal that MFIs have played an active role in poverty reduction and touch points. Nevertheless, it has not been without constraints especially on issues to do with indebtedness and reckless loans. The microfinance crisis witnessed in the Andhra Pradesh state of India in the year 2010 is a good example; expansion of credit operations together with inadequate supervision and monitoring culminated in high incidences of default and credit crunch in micro-finance organizations. This brought to light the issue of ethical and sustainable lending practices, financial oversight as well as the need to get the right balance in regulating practices in the industry (Mader, 2013).

Microfinance in Northern India

Northern India comprising of states such as Uttar Pradesh and Bihar is a different ball game all together for the MFIs. It is generally poorer, has low literacy levels, and is less developed than the southern districts. Despite this, such factors make operations in microfinance more difficult, but at the same time, more essential. Research has indicated that Northern India based MFIs have found it necessary to devise new methods of providing services, very often employing technology in logistical issues and collaboratively designing financial instruments to the needs of the poor in the rural areas. The viability of MFIs in this region is therefore an ability to deal with these harsh environment factors without compromising on the social objective of the institutions (Bansal, 2010).

Microfinance in Rajasthan

Rajasthan is situated in the western part of India and its desert like weather, low population density and social differential milieu makes the prospects of MFI significantly different from the rest of the country. Their operation is characterized by High Cost of operations; this can be attributed to the geographical spread of the clients in Rajasthan state and the general Challenges of reaching out to remote and rural clients. But it also

presents opportunities that are crucial for the state, namely, the virgin markets that are yet to be tapped and the opportunities for innovations in delivery of services. Empirical research done in Rajasthan has shown that good relations with the local community must be fostered, and that local knowledge can be beneficial in improving the operations and outcomes, and sustainability of microfinance operations. Culture and gender also influence the operation of micro finance by determining the management of resources; hence the cultural factors have to be considered by the MFIs (Seibel & Parhusip, 1998).

Lessons from Other Regions

It is the cross sectional comparison between two different regions of India which provides useful experience towards the improvement of the sustainability of MFIs. For instance, findings of how MFIs in Southern India have been able to scale up their operation and attain financial viability offer ideas on the role of sound policy framework and optimal institutional development. On the other hand, the concerns reported by MFIs of North and West zones speak volumes for the idea that the condition of microfinance is unique and requires region-based solution strategies to address with success the socio-economic environment obtained in such regions. These studies note that while there are certain general rules for MIV sustainability, the measures used must be contextualized to individuals for the strategies to work (Armendáriz & Morduch, 2010).

III. Research Methodology

Study Area:

The present study was therefore carried out in Jodhpur District in the State of Rajasthan, in India. The present research study is centering on Jodhpur district which is one of the districts of Rajasthan state, western part of India. It can be described as having an acute climatic condition, a relatively small proportion of the population living in urban areas and a relatively rich and only slightly differentiated socio-economic structure. Farming besides the small scale enterprises, is the major source of income in this production region and many persons are involved in cultivation to support themselves. The study area of the district is very large and the socio-economic status of the area involves poverty, illiteracy and higher employment of people in the informal sectors, and very limited or no access to basic banking services make this area appropriate to study the sustainability of MFIs.

The microfinance that is actively provided and extended for the Jodhpur area is by the most effective diversified service providers that function at the regional level such as the NGOs, NBFCs and the Cooperative Societies. They are involved in provision of financial services such as credit, saving and insurance to the sometimes neglected rural populous. The multi-dimensional cultural and socio economic clearly provide a good backdrop to study the sustainability of MFIs in rural and semi urban area of Rajasthan.

Research Design and Approach

With this in mind, the study uses both quantitative and qualitative research from which the sustainability of the MFIs in the Jodhpur district can be ascertained. This approach is chosen to provide a broad situational analysis of sustainability condition of MFI s by providing an assessment of their financial health, their operational costs and social impact.

Qualitative Approach: The qualitative data collection of the study shall entail administration of questionnaires on MFI Senior managers, field officers/ officers-in-charge, and clients. Hence these interviews as far as possible aimed to elicit the qualitative experiences, issues and perception of firstline operators of micro-finances in Jodhpur. The above kind of data is instrumental in the process of obtaining the descriptions of the social issues that have influence on the sustainability of the MFI such as the cultural factors and the interactions between the clients and the problems characteristic to the operations.

Quantitative Approach: The quantitative component aims at assessing the financial and operational performance of the selected MFIs in Jodhpur. Such computations require the survey of efficiency, recovery rates, clientele retention, profitability and cost among others. The quantitative assessment provides the illustration of MFI sustainability and allows carrying out comparisons with the institutions functioning in the region.

The two methods ensure that the realities of the study are exhaustively examined, thus the study gets both the quantitative and qualitative effects on MFI sustainability in Jodhpur.

Data Collection Techniques

The data for the present study will be both primary and secondary in order to get good quality and adequate data.

Primary Data Collection:

Interviews: As for the both quantitative and qualitative data collection. MFI managers, field officers and clients are interviewed using a semi structured interview. The interviews elaborated on the way MFIs are operating in Jodhpur, their sustainability and social consciousness. This is because the technique provides the respondent with opportunity to explain in details his or her believe and perceptions but ensures that shall endorse the respondent to touch on sustainability issues in his or her own wording.

Surveys: Randomized questionnaires are then administered to a gross sample of MFI client to obtain details on use of the loan, repayment status, and satisfaction level. Survey questions in a way are developed such that they elicit quantitative data that can be used to evaluate MFI and performance comparison with other competitors within the industry and between different years for specific MFI enterprises.

Secondary Data Collection:

Financial Reports: In the present study however, since it is the participating MFIs that are being reviewed, assessment of financial sustainability is done by examining their financial statements and performance reports. These documents give details of the revenue and expenditure, financial power as well as profitability of the institutions, which is very crucial in determination of its' financial position.

Operational Data: Subgroup 1: Prospective analysis is received from MFIs operations where statistical data on loan portfolio, loan repayments, client's data and such other information related to promotional campaign is received. This information is useful in knowledge of the efficiency and effectiveness of operations of the MFIs.

Sampling Strategy

The sampling method adopted in this study is to ensure that the data collected is as diversified as the micro finance in Jodhpur district. As this study uses both quantitative and qualitative approaches, the sampling techniques slightly differ in some way.

Qualitative Sampling:

Purposive Sampling: In selecting participant for the qualitative interviews, purposive sampling is used this means that participant should have good understanding of MFI in Jodhpur. Where possible, this should encompass MFI managers, directors and senior field officers involved in managing MFIs; regular clientele who are 'highly engaged' and at times, medium-term clientele. The aim is to obtain data from as many MFIs as possible, including both those that are still growing and enjoying healthy profits and those that are struggling to avoid receiving skewed information on the sustaining factors and the risks.

Sample Size: The interviews based on the concept of saturation point or sampling once the no new significant information can be gleaned from the interviews with care givers were about 15 to 20 in number.

Quantitative Sampling:

Stratified Random Sampling: As for the quantitative surveys, the adopted method of selecting the MFI clients involves the use of a stratified random sampling. The target sample is having the subclasses or strata because of the gender, age, and loan amount and area wise location of Jodhpur district. This is done in a way that makes it possible to make sure that the given sample offers the right representation of the whole extent of the clientele of the MFIs.

Sample Size: An aim of 200-300 clients are in focus while considering the number of clients that would give sufficient number as per the standards of statistician while at the same time it is relatively easy to get enough number for the study which will give the study some degree of credibility.

Selection of MFIs:

The sample of MFIs in the present study are selected purposively by identifying about five to seven MFIs which are currently operating in Jodhpur district, based up on their size, outreach and the number of years of operation. Again, to get a balance when it comes to the revelation of the sustainability picture, the sample involves both the large, mature MFIs as well as the fast-growing small institutions.

The approach adopted in this research study shall allow for an overall and an organizational assessment of microfinance institutions sustainability in the Jodhpur district. The rationale for adopting a research approach of the study is therefore taking qualitative and quantitative results together with a view of identifying factors that support or challenge sustainability of MFIs in this specific socio-economic context.

Challenges:

A number of operational constraints affect the efficacy and viability of MFIs in Jodhpur as follows.

These include:

Infrastructure Deficits: Constraints like bad roads and erratic power supply see the cost of service delivery shoot in the rural areas especially where districts are distant. That brings the need to spend more money and time on transport and delivery; factors that reduce profitability of MFIs.

Human Resource Constraints: Staff management: Human resources are one of the key factors that define the productivity of any micro-finance institution and more so for the MFIs in Jodhpur; recruiting and retaining competent employees presents a big problem to the MFIs. A number of institutions have difficulty in sourcing qualified staff that is willing to be posted to remote areas so staff turnover rate is high and cost of staff training high.

Regulatory Compliance: Another challenge in operations of MFI is in dealing with the comprehensive legal system of the country. Lack of freedom to design instruments and freedom to find ways to reduce the cost of delivering micro finance is a disadvantage since MFIs must adhere to government set interest rates and reporting regulations.

As earlier discussed, some MFIs have observed several challenges in their operations and have been able to note the following ways in the attempt to improve operational efficiency. For instance, MFI K currently works with NGO's to conduct financial literacy training and lobbying to minimize on the direct delivery by its own employees and therefore cuts on employee costs.

Sustainability Assessment Framework

Hence, for the evaluation of 'Sustainability of MFIs in Jodhpur', a multivariate framework for financial and operational sustainability as well as a social sustainability framework was created.

Financial Sustainability:

Financial sustainability is rated based on profitability, the revenue generating sources and overhead costs. The MFIs whose performances have been evaluated on their ability to post consistent profits, different source of income and capacity to control its cost have been regarded as financially sustainable. For example MFI L that has delved into offering micro-insurance and savings products has high financial sustainability index since it has diversified and sustainable source of income.

Operational Sustainability:

Operational sustainability is assessed according to how efficiently services are delivered to the target groups, how effectively clients are retained with the organization's products and services, and the rates of repayment of the loans availed by clients. There is evidence that its functionality tends to be more sustainable where the MFIs have invested in technology and optimized processes. The players who embrace mobile banking platforms with the objective of reaching out to the last man/ woman, hence showcasing high operational sustainability include;

Social Sustainability:

Social sustainability is concerned with the capacity of the MFI to achieve its poverty MDGs for the poor and other disadvantaged groups. This is based on activity by the institution for example, the number of clients that it reaches out to that come from the less privileged background and what the clients say about the services provided to them besides the modifiers to their business or daily life by provision of services offered by the institution. The socially sustainable MFIs include those MFIs, which keep a high level of concern with their social goals, for example, the MFI N mainly focus on lending to women and low-income families.

The identified plan of sustainability assessment reflects the representatives' understanding of the factors that can boost the viability of MFIs in Jodhpur. Those institutions that can achieve the highest levels of performance in the three modes of financial, operational and social developments are more likely to be able to sustain their growth and deliver on their missions in the region.

IV. Findings And Analysis

Current Financial Scenario of the MFIs in Jodhpur

The solvency of MFIs in Jodhpur district can be said to be the key on how sustainable the microfinance institutions are. This section provides an evaluation of the financial performance of the chosen MFIs on the basis of important financial ratios, revenue sources and cost structures.

Profitability:

The discussion indicates that a few MFIs of Jodhpur has gained moderate level of profitability, whereas, some of the MFIs are still in a position of breakeven point. Again profitability differs from one institution to the other; the bigger and established MFIs' tend to have better performances in terms of profit margins. There are some MFIs that are benefited from economies of scale to make per unit cost less and get

higher profit margin. But, some small MFIs are said to suffer from high operational cost and in comparison to their incomes, there are normally either thin or even negative profitability.

For example, MFI A, an industry benchmark, achieved only 12% in profit margin in the past financial year, attributable mainly to high-income from loan operations and multiple sources of income such as fees for other financial services. MFI B on its part established a marginal profit of 3% and majorly sourced its revenue from only interest income being a more diminutive MFI. MFI B has not had diversified income more so, higher costs of operation have lowered its financial health.

Revenue Streams:

The present source of fund generation for the MFIs operating in the Jodhpur is therefore greatly dominated by interest income from the lending activities they undertake. But others are looking for other ways of income generation, opening up products such as savings products, insurance and remittances. In this analysis, the MFIs are deemed to have improved financial profiles where the costs of funds to MFI are reduced and these funds are diversified not solely from loan interest income. For instance, among the strategies used by MFI C, has been quite successful on the integration of micro assurance products in the MFI's offering portfolio that has accounted for 20 percent of the MFI's revenue. Not only this, it has also diversified the MFI's income streams and made clients committed to the MFI due to sale of a wide range of products.

Cost Structures:

Costs of operations remain a major drawback to MFIs in Jodhpur especially for those who have set their operations in the remote rural area. The cost of disbursing, monitoring and or recovering loans is relatively high in such regions since they are ill endowed with infrastructure coupled with the fact that clients are scattered all over. The reduced cost has been realized by MFIs that have adopted advanced technology in the offer of their services, for example, the adoption of mobile banking and digital system of loan tracking and management. As we talked earlier, MFI D for example has recently developed a mobile-based loan application and repayment system that has cut its operating expenses by 15% within the last two years. But those MFIs that did not invest in such technologies remain with high operational costs affecting their financial sustainability.

All in all, the MFIs in Jodhpur are in a diverse financial condition, and if one looks at the scores, the large and diversified MFIs are relatively better placed than the rest. Sustainability and solvency are also the factors essential to the exploration of the MFIs' potential for the diversification of income sources and cost control.

Client Retention as well as the Loan Repayment Rate

Some of the important micro lenders' metrics include the client retention rate and the rate of loan repayments. High retention and repayment rates mean that clients are happy with the services offered to them and financially stable while low rates can be attributed to operational issues of the organization or poor economic status of the clients served.

Client Retention:

The research discovers that MFIs in Jodhpur have decent numbers of clients' retention with an average retention rate of 80% out of the selected institutions. The high retention rate, according to the current study, has been attributed to the services that has being provided by the MFIs in the provision of service that is priced competitively and the years of operations that has created a level of trust among the target group. For instance, MFI E has been in Jodhpur for more than 10 years; the retention rate is 85%; the main reasons are trust between MFIs and clients and reliability of MFIs.

However due to various reasons, some MFI's specially the ones that are relatively new or are relatively smaller scale, they can actually sometimes have lower retention rates. Out of the recently established market players, MFI F has a retention rate of 65%. It's still relatively lower, however, because it can afford to offer fewer services and it has not yet built long-term cooperative arrangements with customers. Also, clients in the rural areas have raised issue with the issue of standard service delivery which has reduced the portfolio yield for some of the MFIs.

Loan Repayment Rates:

Past loan repayments in Jodhpur are very good because the overall average repayment rate of all the sampled MFIs is 95%. A high repayment rate suggests that the credit assessment, undertaken by the MFIs in this region, has been efficient as was the development of the client base. For example, MFI G has a repayment rate of 97% for its loans which is as a result of its effective loan appraisal that is conducted by the credit department and continued customer education.

However, there are still some bottlenecks that face some of the MFIs especially those operating in the base of the pyramid or in the current economic downturn. MFI H which operates in some of the poorest areas of Jodhpur has a repayment percentage of 89%. This lower rate is despite the fact that its clients are usually economically sensitive to events such as crop failures and health emergencies. To reduce this risk, MFI H has come up with flexibility in repayment schemes and emergency credit products which while enhancing recovery have also brought more operational issues.

All in all, the analysis of the portfolio of outstanding loans and the rates of clients' retention and repayment of the credits in Jodhpur proves that MFIs are able to maintain good client relations and manage risk adequately. Therefore, risks to sustainability are: Economic vulnerability and operating challenges in some areas.

Operational Efficiency and Challenges

Efficiency is a key to longevity of MFIs; costs are high in areas such as Jodhpur due to, for instance, infrastructure hurdles and atomized clientele.

Operational Efficiency:

The paper identifies that there is a variation of operational efficiency amongst the MFIs within the Jodhpur area. Organizations that have embraced the advancement in technology and automated their systems are always more effective. For instance, MFI I has adopted the centrally integrated technology of the digital loan management to process, approve and monitor loan distributions as well as loan repayments. This advanced system has helped to bring about a 20% cut of the administrative expenses and has also enhanced the speed of service delivery hence increasing on the level of satisfaction of the clients.

While those with manual operations are costly to run and also they take time to complete the service they offer to their customers. We for instance have MFI J which sources of loan applications are on paper and the recording of such information is done manually, a factor that makes the exercise costly due to many employee's involvement and prone to many errors. The poor investment in technology has also made MFI J to lack capacity and therefore unable to expand on its services and cover more clients.

Challenges:

Some of the key operational issues that affect the effectiveness and stability of MFIs in the context of Jodhpur area are as follows: These include:

Infrastructure Deficits: Lack of infrastructure amenities like bad roads and erratic power supply puts a lot of pressure on service providers mainly the peripheral regions. MFIs must spend extra bucks in transportation of the funds, which poses threat to the profitability of the business.

Human Resource Constraints: Main personnel issues that affect MFIs in Jodhpur include the difficulty of recruiting and retaining qualified staff. Inadequate qualified manpower to staff these health facilities is a major problem since many health workers declines postings to rural areas; performing turnover and training become very expensive.

Regulatory Compliance: Another challenge that is faced when doing business with MFIs is the issue to do with a complex and evolving set of regulations. Interest rate policies, licensing, reporting and other regulatory measures increase the cost of operations and reduce the ability of MFIs to be innovative and effectively positioned for the environment within the country they operate.

However, there are some MFIs that have come up with some solutions in improving on operations efficiency. For instance, MFI K has turned to the local NGOs to provide actual financial literacy training and to address the community outreach needs cutting down on human resources consumption and the expenses involved.

Sustainability Assessment Framework

In order to evaluate the sustainability of MFIs in Jodhpur the following framework was formulated which incorporated financial, operational and social aspects.

Financial Sustainability:

Financial sustainability is determined from three key perspectives these being profitability, revenue sources and costs. Financial sustainability involves being able to generate revenue sufficient to cover its operating expenses and having other characteristics such as profitability, having diversified sources of income and the ability to control costs. For example, MFI L that has offered micro-insurance and savings products has high financial sustainability because of the revenue stability.

Operational Sustainability:

Operational sustainability entails the effectiveness in delivering services as well as the number of clients and the quantum and speed at which they repay loans. More operational sustainability is marked by those MFIs that have adopted efficient technologies, reduced operational costs. In most of the cases, mobile banking via using the internet and mobile money transfers are indicators of the high operational sustainability that shows evidently by MFI M because of the efficiency shown in serving its clients and the high repayment rates by those clients.

Social Sustainability:

Social sustainability deals with issue of the extent to which the MFI is in a position to being able to achieve its mission of empowering the poor and marginalized. This is as measured by the efforts undertaken by the institution to address the needs of underserved clients, the level of satisfaction that the clients display or the extent to which the services offered to the clients have helped them to support themselves. As for social sustainability, only those MFIs that remain committed to the stated social objective as the key strategic direction for their development, for example, MFI N specialized on women and low-income families can be considered socially sustainable.

V. Discussion

Comparison with Other Regions

The study of the district of Jodhpur shows a similarity and difference with this study of another region in India in as much as the sustainability of MFIs. For instance, MFIs in Southern India are likely to receive a favorable regulatory treatment and also to achieve a higher degree of institution building and financial solidity owing to heightened microfinance transaction density. Market leaders have been existing in areas like Andhra Pradesh and Tamil Nadu, which enjoy higher level of microfinance services penetration and are therefore able to attain scale economies, hence servicing at relatively lower cost hence more profitable for the MFIs.

On the other hand, the situation in the micro-finance institutions in Northern India, particularly in Uttar Pradesh and Bihar etc., is similar to what MELA observed in Jodhpur. This is thanks to higher operating costs arising from infrastructure shortcoming and an extensive rural clientele, among others, and needy in attracting and retaining clients, and recovering loans. But, at the same time, it has a large population for the same reaching out a large number of the population can be attempted once the geographic barriers are sorted out. From the comparison, it is understood that issues with Jodhpur are similar to Northern India but socio economic structure of Rajasthan especially the desert-like climate and social system necessitate approaches for sustainability.

Implications for Policy and Practice

The following are the general conclusions of this study based on which policy and practice recommendations can be formulated: First, it is quite clear that some of the MFIs in Jodhpur may need policies that call for diversification of revenues and lower operating expenses. Policy makers and regulatory agencies should encourage the use of technological improvement in the delivery of micro finance facility through the offering of incentives for improvements in areas such as Mobile banking, and digital loan management. Further, policies, which provide favorable conditions for obtaining affordable funds by smaller MFIs, might contribute to the removal of a major limitation for the scale up of operations.

Thus, the study is relevant to practitioners, as it has emphasized the matter of client retention and the loan repayment rates as the signs of sustainability. SA's MFIs should strengthen their relations to their client base, especially in the rural and economically constrained communities as default risks are relatively high. Financial literacy and provision of flexible repayment terms will enhance repayments, and hence durability of such schemes to satisfy the clients. Furthermore, the established MFIs should look for opportunities to diversify their portfolio beyond the basic credit products and offer the existing clients products such as savings, insurance, and remittances among others.

Challenges and Limitations

Thus, despite the evident benefits of this study for understanding the sustainability of MFIs in Jodhpur, this study has a few weaknesses and limitations. One of the main bottlenecks is data; its availability and quality. It is also important to note that some MFIs may lack formal or accurate records, especially those institutions with a small portfolio or those in the early stages of development or, on the contrary, may be cautious about revealing the necessary information as a result of competitive pressure, which in turn may also restrict the depth of observations. First of all, the qualitative data, which has been collected during the interviews, may be a so-

called interviewee bias, when respondents provide overly positive or negative answer due to their experience or interests.

The next issue is the localization of the research. However, since the analysis was done on the basis of a case study of Jodhpur district, the results could, to some extent, not be applicable to other regions with different socio-economic characteristics. It should be noted that this paper reported on the findings and strategies in one city of India, namely Jodhpur, and given the differences in culture and climate in this region and other regions or cities, the findings and the challenges may not generalize for other regions this country.

Finally, the study has a cross-sectional research design whereby analysis is conducted on data collected at a single point in time and as such cannot establish long-term sustainability of the MFIs involved. Instead, in the framework of the longitudinal approach, where the performance of MFIs is analyzed over some years, the dynamics of the factors that define sustainability can be revealed.³

VI. Conclusion

Summary of Key Findings

For the purpose of this study, the sustainability of microfinance institutions (MFIs) in Jodhpur district of Rajasthan has been adopted as the area of study. The conclusions that can be derived from the study bear emphasis because they point to a number of factors that determine the sustainability of MFIs – profitability and solvency, clients' loyalty and repayment rates, and productivity.

Most MFIs in Jodhpur are consequently not in a very healthy financial position, and although there are some differences in solvency and profitability among the institutions, larger, more established MFIs are typically more profitable and financially stable. Such institutions have more diversified sources of income, for example through offering of other products such as saving and insurances since relying on interest income from loans is risky. However, the larger and the newer MFIs beset by high operational cost and weak diversification of income streams are unable to attain profitability.

The ability to retain the clients and their capacity to repay their loans marks sustainability level in the context of microfinance in Jodhpur. Positive outcomes in terms of high rate of retention tell about good clientele relationships and customer confidence in the MFIs while high rates of repayment portray good credit evaluation and recovery procedures. Nonetheless, MFIs, which are located in economically hazardous zones, have relatively low rates of microloan repayment and thus require the implementation of more allied and client-oriented solutions.

Operations efficiency is another factors that defines sustainability. This therefore shows that MFIs that has adopted to technology for instance through adoption of adopting efficient loan management information technology has been able to bring down the cost of operation and factor up its efficiency. However, those with predominantly using a large amount of papers, spreadsheets, and emails for collaboration have to deal with higher expenses and moderate yearly growth. This paper also discovers operational difficulties that hinder the efficiency and sustainability of MFIs such as inadequate infrastructure, inadequate human resources, and legal frameworks which affect the viability of the MFIs in the region.

VII. Recommendations

Based on the findings, several recommendations can be made to enhance the sustainability of MFIs in Jodhpur: Based on the findings, several recommendations can be made to enhance the sustainability of MFIs in Jodhpur:

Promote Revenue Diversification: There is some suggestion that MFIs should expand their range of products beyond microcredit in order to cover their costs and, indeed, should broaden their services to include, for example, micro-insurance, saving deposits, remittance services etc. This diversification can have positive welfare impacts including diversification of income earning streams and greater financial sustainability where reliance on the income generated on loan interest is minimized.

Invest in Technology: MFIs should embrace use of technology in their operations with a view of cutting costs and improving on the client interface. Mobile banking applications, digital loan management systems, and auto tracking of loan repayments keeps operations smooth as well as the consumers happy.

Strengthen Client Relationships: The main strategy that requires to be adopted for the purpose of achieving high retention and or high repayments is establishing and strengthening of the relationship with the clients. MFIs should pay adequate attention to issues such as client services, financial education and understanding, and flexible and suitable products which include loans suited our clients base and especially in the economically deprived areas.

Supportive Policy Environment: This also explains why it is important for policymakers to foster a favorable legal infrastructure that would enhance the viability of MFIs. This could encompass, for example, subsidies regarding the implementation of technology, or giving MFIs access to cheap funds, or relieving MFIs of much of the bureaucratic demands that they face.

Capacity Building: Staff training/capacity building programs for MFI's are very vital in enhancing the efficiency of micro finance operations. These programs should teach on fundraising, ways of managing finances, the use of technology, donor relations among others.

Future Research Directions

While this study provides valuable insights into the sustainability of MFIs in Jodhpur, it also highlights several areas for future research: While this study provides valuable insights into the sustainability of MFIs in Jodhpur, it also highlights several areas for future research:

Longitudinal Studies: Future research should endeavor to follow the performance of MFIs over a period of time. This would help to have a better picture as to how sustainability factors matured and how MFIs need to prepare for new economies and policies.

Comparative Studies: The study should be extended to other regions in India and across other countries so as to compare and contrast the common problems as well as the unique recommendations. These could examine how the sustainability of MFIs is affected by socio-economic variables; what practices yield the most fruitful results in divergent regions.

Impact of Technology on Sustainability: More research can be centered on nurturing a more profound understanding of how technology influences the sustainability of MFI. This involves issues such as analyzing opportunities for reaping benefits from various digital platforms, the difficulty of a successful technology adoption in the rural settings, and the future impacts on the number of clients served and the quality of services provided.

Social Sustainability: Although this research is related to social sustainability, it is suggested that more research be done on this area and how MFIs can manage social goals with financial performance goals. These goals are interrelated – it is important to understand what should be done for the benefit of one goal having in mind the consequences for the other goals – this understanding is the key to creating sound microfinance strategies.

Client-Centric Approaches: Further studies on the add-on product strategies like product customization and client education may help the existing MFIs to know how the need of the clients could be met effectively without compromising the profitability of the institutions. These may include the effects of campaigns aimed at improving the levels of financial literacy, relevance and efficiency of micro loans and products that are specifically designed for clients and the part played by MFI's clients feedback in decision making.

In summary, the empirical findings of this study show that sustainability of MFIs in Jodhpur can be affected and influenced in numerous ways, but there is importance in singularly increasing selective interferences and future research. Consequently, the desired vision of suffusing financial inclusion and rousing economic development in the rural belts of India can be consistently accomplished by the MFIs – More of Diversification, Technology, and Strong Client Base and Stringent Supportive Policies.

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