ABSTRACT

Poverty is a persistent problem in almost all developing and underdeveloped nations. These nations do not have the required capital and resources to ensure that there is no inequality in the financial system. It is here that the role of Microfinance institutions came into light. These institutions help in providing easy access to cheap credit at low interest rates, to the poor clients for their production purposes. Unfortunately the trend has been changing along with the focus of the MFIs. There has been a gradual shift in motive from a social objective to a commercial profit making objective, termed as microfinance “Mission Drift”. Previously the MFIs strived towards increasing their outreach, which is reaching out to as many poor clients possible. Sadly this situation has changed leading to a trade-off between outreach and Profitability. This paper helps explain the estimation of this trade –off amongst 15 MFIs across 11 states in India with the use of the Outreach Score Analysis and Outreach regression models. The results help elucidate the fact that MFIs are shirking from their original mission of poverty alleviation and instead treading on the path of commercialization and financial sustainability of their institutions therefore proving highly detrimental to the weaker sections of the society in India.