

SKS MICROFINANCE WELCOMES THE MALEGAM COMMITTEE REPORT

Report gives seven merit-based reasons to withdraw the Andhra Pradesh Microfinance Institutions Act

Hyderabad, January 20, 2011: SKS Microfinance, the largest microfinance institution in India, has welcomed the recommendations from the Reserve Bank of India's Malegam committee. "The recommendations of the Malegam committee have provided a tremendous boost to the microfinance sector and reaffirm the critical role microfinance plays in financial inclusion. We feel the committee's recommendations will lead to an orderly and healthy growth of the sector, enabling microfinance institutions to continue to provide access to finance for millions of unbanked households across the country." S. Dilliraj, CFO, SKS Microfinance

Mr. Dilliraj also stated that SKS was delighted by timing of the committee's recommendation as the 65-page report clears the regulatory ambiguity that existed in the microfinance sector since the promulgation of the Andhra Pradesh Microfinance Ordinance, which later became an Act. In this regard, Mr. Dilliraj said, "The Malegam committee's specific request to withdraw the Andhra Pradesh Microfinance Institutions Act on seven merit-based arguments provides much-needed relief to the industry. It clarifies that the Reserve Bank of India regulates MFIs that are non-banking financial companies (NBFCs) and that there is no "regulatory void" for the State government to fill."

Mr. Dilliraj also outlined other positive features of the report, including (1) the reaffirmation that microfinance is a national priority with its recommendation to continue priority sector status for MFI loans, which augments the flow of credit to the sector; (2) that interest rate caps and regulation of operations such as recovery practices should fall under the RBI's jurisdiction, not the State government, according to the report; (3) the recommendation that MFIs should be exempt from State money-lending acts; (4) that the RBI should create a separate classification of MFI-NBFCs.

About SKS: SKS Microfinance Limited (SKS) is a non-banking finance company (NBFC), registered and regulated by Reserve Bank of India. SKS operates across 19 states of India and serves over 7.8 million borrowers. The states include: Andhra Pradesh, Karnataka, Maharashtra, Orissa, Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Uttaranchal, Himachal Pradesh, Haryana, West Bengal, Jharkhand, Chhattisgarh, Gujarat, Kerala, Tamil Nadu, Punjab and Delhi.

SKS has been the recipient of many awards, which include the Social and Corporate Governance Award by BSE; NASSCOM Foundation for Best Corporate Social Responsibility Practice (2007); Social Performance Reporting Award (MFIs) - Silver Category for Social Performance Rating conducted by MIX market (2009).

About SKS Microfinance

SKS Microfinance is a non-bank finance company (NBFC) whose mission is to eradicate poverty by providing financial services to the poor. Launched in 1998, SKS Microfinance is India's largest and one of the world's fastest growing microfinance organizations with an annual growth rate of 200 per cent. It currently serves 3.3 million clients across 50,000 villages and slums in 18 states and has disbursed Rs. 5141 crore (\$1 billion) in loans with a 99 % repayment rate. SKS also provides life and health insurance to its clients.

SKS operates in the states of Andhra Pradesh, Karnataka, Maharashtra, Orissa, Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Uttaranchal, West Bengal, Jharkhand, Chhattisgarh, Gujarat, Kerala, Punjab, Haryana and Delhi.

SKS has received numerous awards including the CGAP Pro-Poor Innovation Award, the ABN-AMRO/Planet Finance Process Excellence Award, Information Integrity Award, the Digital Partners SEL Award and the Grameen Foundation USA Excellence Award. It was founded by Vikram Akula, who was named by TIME magazine as one of the 100 Most Influential People in the World (2006).