

ET Investigation: Vikram Akula clarifies and our response

THE articles, "Uplifting Promoters in the Name of Downtrodden" and "The Poor as Puppets" in *The Economic Times* of January 31, 2011, created an inaccurate portrayal of SKS Trusts (MBTs), which are devoted to benefiting borrowers of SKS Microfinance.

The inaccuracies begin with the headlines, which group SKS with two other entities, where, as the reporter puts it, "the promoters appear to have bought shares from the MBTs in a manner that appears to benefit them over poor women." The reporter admits that "this has not happened in the case of SKS Microfinance." Yet the headlines and the article club all three groups. This guilt by association is inaccurate and irresponsible.

The reporter contends that poor women beneficiaries of SKS Trusts were deprived of wealth created in the IPO of SKS Microfinance. The reporter writes, the "trustees, in July 2010, decided to give the entire amount to SKS NGO," elaborating, "MBT members did not receive that money." These statements are misleading. The fact is that, in January 2011, an independent board—that did not include me—transferred ₹7.1 crore (1% of the fund) to SKS NGO for programme implementation (along with necessary safeguards, including an independent audit). They did so *not* as a gift to the SKS NGO and certainly *not* as a means for depriving the beneficiaries of any wealth created. Instead, they did so because the Trust Deed—which has been reviewed by reputed law firms Amarchand Mangaldas, AZB Partners, and Mayer Brown—specifies that funds can be given to SKS NGO to "facilitate programmes approved by the Trustee which are in consonance with the objectives of the Trust and implemented by the Settlor principally for the benefit of the beneficiaries." The role of SKS NGO is merely that of a facilitator since it has the infrastructure and expertise to implement programmes for the beneficiaries.

The reporter also criticises the replacement of community representatives on the Trustee Board with independent directors, but fails to mention that the purpose of appointing reputed independent directors with requisite experience was to ensure that the now significant corpus of the SKS Trusts was professionally managed for the benefit of the beneficiaries (to whom the trustees owe a fiduciary duty). Moreover, to state, as his article does, that the participation of the beneficiaries in the

management of the SKS Trusts was eliminated is incorrect given that they constitute the general body, to whom the Trustee is accountable and which can replace the Trustee. In addition, the new structure ensured that all potential conflicts of interest were eliminated.

Another false allegation is the claim that "there are governance issues brought on by the powers the MBT structure confers on promoter Vikram Akula." What powers is he referring to? After all, he failed to cite a single clause of the Trust Deed that confers any such powers. To the contrary, the Trust Deed—which is accessible to the public from the Government Registrar—has a specific provision to prohibit any fund transfers to SKS NGO (albeit for the sole purpose of implementing programmes for the beneficiaries of the Trust) while someone is simultaneously a member of the Trustee Board as well as the Board of SKS NGO or SKS Microfinance. So the trust structure not only does not confer any special power to the promoter but, to the contrary, denies all power to the promoter.

What is heartbreaking is the ridicule of my efforts in creating SKS Trusts (including fundraising to minimise their dilution and the decision to exit part of their holding in the IPO) as well as my efforts in leading SKS Microfinance to create one of the world's largest trusts for the benefit of poor women. The trusts have a net value of over ₹650 crore and they have begun to deploy those funds to create schools for children of poor women beneficiaries. The articles unfairly cast a shadow on that effort.

**DR VIKRAM AKULA
CHAIRPERSON,
SKS MICROFINANCE**

ET's response:

We stand by our story.

ET's investigation has revealed that the quality of governance and level of transparency in the mutual benefit trusts (MBTs) that own/owned substantial shareholding in many microfinance institutions are unacceptably low. As a result, poor women, who are/were majority shareholders in the MFIs through these trusts, don't have their rightful say.

The case of SKS Microfinance, as is clearly spelt out in the stories, is vastly different from the other two MFIs that were also covered. The headlines may not have adequately conveyed this. However, the stories clearly spelt out these differences.

EDITOR

