

Muhammad Yunus Debates Microfinance Models at Annual Meeting of Clinton Global Initiative (CGI)

At the annual meeting of the Clinton Global Initiative, a forum on international development founded in 2005 by former US President Bill Clinton, Nobel laureate Muhammad Yunus and Vikram Akula, founder of Indian SKS Microfinance, which recently went public, discussed different models for microfinance institutions (MFIs).

Dr Yunus claims that he does not oppose MFIs making a profit, but stresses that there should be a cap on profits. In addition, Dr Yunus also urges SKS Microfinance to convert from being a non-bank finance corporation (NBFC) into a bank, a process that would enable SKS Microfinance to accept deposits and place them under the deposit guarantee scheme of the Reserve Bank of India (RBI). On the other hand, Mr Akula emphasizes that having access to commercial capital markets is the only way to raise sufficient funds to meet the needs of the poor. In addition, he argues that it is extremely difficult to secure a banking license in India. In response, Dr Yunus warns of the volatility of the commercial capital markets and argues that the “microcredit is not about exciting people to make money off the poor.”

About SKS Microfinance

SKS Microfinance is an Indian microlender that delivers microfinance products through a group-lending model to impoverished women in India. It is a for-profit, non-banking finance company which converted to a public limited company in May 2009 and launched an initial public offering on July 28, 2010, after which trading commenced on the Bombay Stock Exchange and the National Stock Exchange of India on August 16, 2010. Equity investors include Quantum Hedge Fund, Sequoia Capital, Vinod Khosla, Small Industries Development Bank of India, Bajaj Allianz, Yatish Trading, Kismet Capital, Sandstone Capital, Silicon Valley Bank and Unitus. SKS Microfinance reported total assets as of March 31, 2010, of USD 791 million. As of March 2010, according to the Microfinance Information Exchange (MIX), the microfinance information clearinghouse, SKS Microfinance reported a return on assets of 4.96 percent, return on equity of 21.56 percent, gross loan portfolio of USD 961 million and 5.8 million active borrowers.

About Grameen Bank

Grameen Bank is a Bangladeshi microfinance institution that provides collateral-free loans to poor entrepreneurs in rural areas. It was founded in the late 1970's by Mohammed Yunus, who, along with Grameen Bank, won the 2006 Nobel Peace Prize for their work in developing the concept of microfinance. As of February 2010, it reports 8 million borrowers, 97 percent of whom are women. With 2,563 branches, Grameen Bank provides services to 81,343 villages. Grameen Bank has the equivalent of USD 1.2 billion in assets.