

Rejected in AP, MFIs move to other States

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BUSINESS BUZZ

HYDERABAD: The Microfinance Institutions (MFI) in Andhra Pradesh are being driven away by the provisions of the APMFI Act and the developments that followed, according to the industry. While the largest and only listed MFI has shifted its base to Mumbai, others like Basix, Spandana, Share and Asmitha are spreading to other States in India and abroad.

The MFIs in the State clocked losses of over Rs. 6,500 crore in Andhra Pradesh following the APMFI Act, 2011 which is intended to control high interest rates, coercive collections and illegal insurance practices by the MFIs. Within a year, the operations of the MFIs in the State have come down to less than 10% besides reduction of over 30,000 staff. Companies that bore the brunt include the first listed MFI SKS and others like Share, Basix and Spandana.

"It's ironic that we are unwanted in Andhra Pradesh

but welcomed all the way from Asia Pacific to sub-Saharan Africa. Basix is working with nine countries around the world starting from Papua New Guinea to East Timor on eastern side to Cameroon, Mozambique, Tanzania and Ethiopia in Africa," said Vijay Mahajan, founder chairman, Basix Microfinance.

"The framework of AP MFI Act is complicated, burdensome and impossible for MFIs to operate. It should be repealed at the earliest," said Alok Prasad, CEO of Microfinance Institutions Network (MFIN).

After a turn around last quarter, SKS has shifted its head office from Hyderabad to Mumbai a few days ago and is focusing over 90% of its operations in States other than AP. Besides, the company has hired a US based international marketing firm Jack Trout for brand building. "We are

MARKET WATCH

HUGE LOSS

MFIs in the State registered losses of over

Rs. **6,500** crore following the implementation of APMFI Act, 2011

Operations of MFIs in the State have come down to less than 10% besides reduction in over **30,000** staff

MIGRATION

SKS shifts head office from Hyderabad to Mumbai

Basix expands in sub-Saharan Africa, Asia Pacific

SKS, Spandana, Share and Asmitha also shift their majority of operations to other States

ACT PURPOSE

APMFI Act, 2011 is intended to control high interest rates, coercive collections and illegal insurance practices by the MFIs

SILVER LINING

Private equity players showing interest in MFIs according to the industry analysts

have almost shifted majority of operations to other States. After finding greener pastures elsewhere in India and abroad, the MFIs say that they are portrayed as villains in AP but the whole world wants them.

Repeal Act, State urged

The companies desire that some sense prevails in the State government so that the APMFI Act gets repealed at the earliest.

"After all if the United Nations wants us, World Bank wants us the IFC wants us, the Swiss wants us and the Government of India wants us, so there must be something right with us. We can't be the villains that the government of AP is trying to paint us as," Vijay Mahajan said.

However, the silver line for the industry is that the private equity players, who shunned the sector past couple of years, have started showing interest in the MFIs according to the industry analysts.

back at the threshold of steady growth post our recent turnaround, and require expert counsel in ending the dichotomies/ambiguities

related to branding and positioning," said S. Dilli Raj, CFO, SKS.

The other players, Spandana, Share and Asmitha too

