

“poverty is not just a lack of money; it is not having the capability to realize one’s full potential as a human being.”

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Varta



VFS salutes India’s small businesses who kept the economy going during these trying times. Meet the women who won the war against COVID on business front on [page 4](#)



Editor’s Note: Uncertainty unlimited

The last time the world was hit by a pandemic in 1918, the virus came via ships. Airplanes were then just discovered. Ships were practically the only mode of inter-continental travel and used to take months to complete the voyage from London to Mumbai.

Modern technology changed all that. When COVID struck the world, people used to take a flight from Mumbai to Dubai in the morning for meetings and come back in the evening.

But everything changed since then. From the Prime Minister to the common man - everyone is equally scared; everyone is holed up. A virus brought the world to its knees. There is no way one can plan a tour anymore. Because no one knows when this mayhem will stop.

And, when you cannot move, cannot plan, how can you do business? And, if you cannot do business, how can you run establishments? If cities remain closed, people do not go out and buy goods, how will the economy survive?

Four months have gone by since March, when the Lockdown was announced first. Since then everyone is living in a flux. The world is suddenly looking so uncertain.

In this issue of Vaarta, we focused on this uncertainty on life and economy. Our MD and CEO, Kuldip Maity, elaborated the challenges and the way forward. Read it to know where we are heading and how soon we can expect normalcy to return.

But whatever you do, please take maximum care of your health. Follow social distancing and never forget to wear masks. That’s your insurance to see a better tomorrow.

Wishes!



MD’s INTERVIEW
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“*Microfinance is crucial to ensure liquidity at the bottom of the pyramid that holds the key to demand boost and economic recovery.*”

‘Microfinance is crucial for fast economic recovery’

Mr. Kuldip Maity, MD and CEO of VFS shares his views on the importance of MFIs in ensuring faster turnaround of the COVID-hit Indian economy.

Q) How deep is the impact of COVID-19 pandemic on Indian economy and microfinance sector? Any prospect for early revival?

Ans. The pandemic created serious uncertainties in business. However, I am confident that Indian economy will overcome the crisis.

So far, COVID infections are mostly concentrated in urban centres. To prevent the spread of the virus to rural areas, the authorities are resorting to restrictions on movement of people, which is impacting business.

MFI activity is largely linked to the health of the farm sector, which is unaffected by the pandemic. However, our collections are suffering due to restrictions on movement and the overall health concern.

The mismatch between collection and outgo is a challenge, as issues regarding moratorium on loan repayment by MFIs remained unresolved.

Credit rating agency ICRA pointed out that in the absence of any relief from lenders, 29 MFIs, with sizable market-share, may suffer an estimated liquidity gap of Rs 2600 crore vis-à-vis projected outgo (including loan repayment obligations) of Rs 8000 crore.

The recent trends suggest the impact of the pandemic is slowing down in worst affected areas of the country. This makes me hopeful of removal of restrictions in large parts of the economy by September.

If infection remains under control; a good Kharif crop and infrastructure spending can trigger reasonable improvement in economic sentiments in the October-December quarter.

Q) What the significance of microfinance in Indian economy?

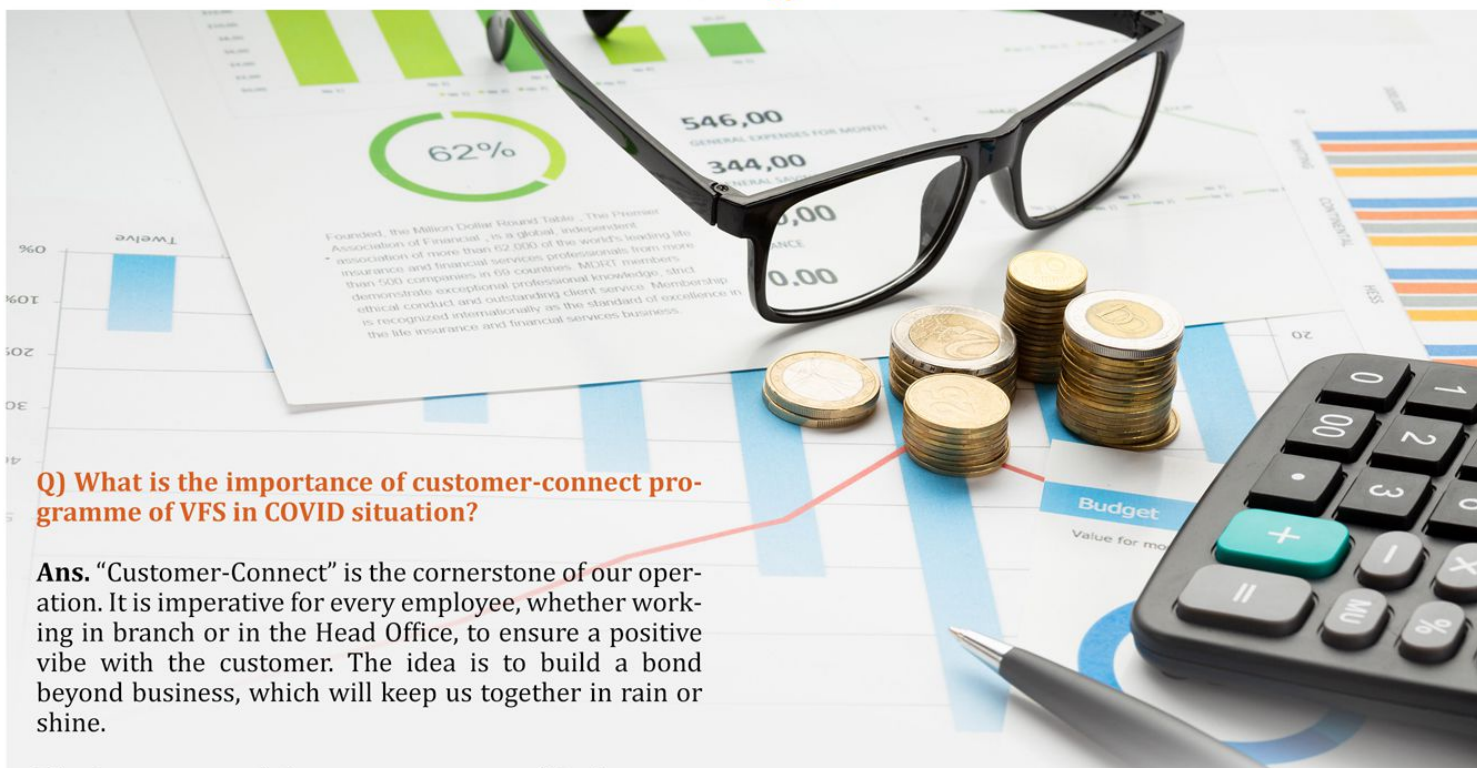
Ans. Microfinance is crucial to ensure liquidity at the bottom of the pyramid that holds the key to demand boost and economic recovery.

With over 10 crore women borrowers, credit portfolio of over Rs 3 lakh crore, (which is growing by 30-40% a year), and collection efficiency of 99%; microfinance ensured rural liquidity even in the face of recent collapse of NBFC sector.

I am extremely confident that the sector is capable to repeat the story once again.

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Q) What is the importance of customer-connect programme of VFS in COVID situation?

Ans. “Customer-Connect” is the cornerstone of our operation. It is imperative for every employee, whether working in branch or in the Head Office, to ensure a positive vibe with the customer. The idea is to build a bond beyond business, which will keep us together in rain or shine.

The importance of the programme was felt the most, during the lockdown. VFS ground team kept in touch with each borrower on a daily basis through telephone. We shared their concern, assured every support, encouraged them to take precautions against COVID, provided them with masks and sanitisers, etc.

Business is a function of life. Customer-connect was the livewire when life itself became uncertain.

Q) With banks and NBFCs consolidating presence in the microfinance sector, what is the future of NBFC-MFIs?

Ans. The microfinance sector is diverse with presence of banks, NBFC-MFIs, Small Finance Banks (SFB), NBFCs and not-for-profit entities etc.

The total microlending market is expanding by 30-40% every year. So, there is space for all, and each serves a definite purpose to help the nation reach dual objective of financial inclusion and social equity.

With 38% market share, NBFC-MFIs hold a special position in microlending sector. This was possible due to hard work and innovative business models.

India still has a significant portion of population in the low-income band, who lack access to bank credit. I, therefore, do not see any threat on the MFI business due to entry of banks.

However, there is scope for level playing field. The issues over extension of moratorium to MFI segment is a case in point.

Q) How microfinance fits into the “Atmanirbhar Bharat” programme to rebuild the COVID-hit Indian economy?

Ans. India is driven by entrepreneurship, big or small. “Atmanirbhar Bharat” aims to encourage entrepreneurship. Ensuring easy availability of credit is a corner stone of this initiative.

It is anticipated that the formal sector of the economy will take longer time to recover. In comparison, the rural and informal sectors are potent to bounce back quickly. Any such recovery will mitigate livelihood issues and help revive demand for the formal sector.

However, informal and rural sectors are perennially credit starved. As India will remove lockdown restrictions, there will be increased demand for loans by farmers and micro enterprises to fund working capital requirements. This can only be serviced by microlenders - like MFIs, SFBs etc.

Q) What kept you most concerned during the last few months?

Ans. Our biggest challenge was to ensure that the staff remains in good health, both physically and mentally, during the pandemic.

As the lockdown began on March 25, we designed a standard communication and health-hygiene protocol. Branches were asked to follow strict sanitization measures.

Parallely, various motivational and training sessions were conducted digitally to keep the morale up.

COVID scare is not yet over. I will once again ask everyone to ensure safety. Please remember, we can face challenges only if we remain alive.

VFS इन्होंने

Only doctors, policemen, bank employees are not COVID warriors. There are scores of small businessmen, the local grosser, vegetable or fish vendor, goods transporters and others, who kept us going during the lockdown. In this section we will discuss women entrepreneurs, who denied to give up to the disruption in businesses. At a time when many or most opted for moratoriums on loan payments, they took fresh loans and redesigned their businesses. Most of these women were existing borrowers of VFS. They repaid dues and took fresh loans. There are also some who took loans for the first time during the pandemic. VFS respects their spirit. Salute!



1) The 47-year old **Ambalika Manikpuri** is a mother of three from Mahasamund district in Chattisgarh and single-handedly runs a general-stores. An old customer of VFS, she denied the option of moratorium and continued paying instalments during the pandemic months. In June she raised a new loan of Rs 30000 to meet the growing working capital needs of the shop.

2) **Jhulan Dey** (35) of Kanchan Nagar Village in Purba Bardhaman district owns a beauty parlour. Her business suffered some temporary setbacks during the early phase of lockdown in March-April. But Dey didn't give up. With Rupees 40,000 Sribiddhi loan from VFS, she made necessary arrangements to ensure health safety at the parlour. To compensate for the reduced footfall for fear of infection, she also started selling personal safety products like hand sanitizers, masks etc.



3) **Kalpana Barman** (38) from Jorpatki village in Coochbehar in West Bengal was doing well in her ladies tailoring business when the COVID struck. She had already taken a loan from Mathabhanga Branch of VFS and was getting orders from the wholesalers for stitching blouses and petticoats which are sold in towns and cities. The pandemic disrupted the order flow. With cities going under strict lockdown and/or people are afraid to go out shopping, the order flow was dwindling. Barman was down but not out. She identified an opportunity in stitching masks that is now a mandatory wear for people to step out of the house. The rest of the story is like a fairy-tale. Barman didn't opt for a moratorium. She kept paying her instalments during the pandemic months and is now busier with her business than ever.

4) The 38-year-old **Sona Bibi** of Duliya Sankrail village of Howrah in West Bengal is a fish seller. She had put up a stall at the local market with the help from VFS, a few years ago. The lockdown posed two specific problems to her business. First, her working capital requirement has gone up. Second, the footfall in the market was down due to fear of attracting infection. Sona Bibi solved both puzzles. She took a bigger loan from VFS to meet the working capital needs and retained her customer base by door-to-door selling.

