



Equity Infusion in VFS

Village Financial Services (VFS) has raised equity from two private equity firms. In the near future VFS would tap other PE investments. The PE investment would help VFS in expanding to newer states and trying out new financial products so that it would add value to its customers meaningfully and constructively.

Upgradation from ISO 9001:2008 to 9001:2015

In VFS we have upgraded from ISO 9001:2008 to 9001:2015. ISO 9001 is a standard that sets out the requirements for a quality management system. It helps businesses and organizations to be more efficient and improve customer satisfaction. The challenges faced by business and organizations today are very different from a few decades ago and ISO 9001 has been updated to take this new environment into account. A new version of the standard, ISO 9001:2015, has been launched, replacing the previous version (ISO 9001:2008).

The most noticeable change to the standard is the focus on risk-based thinking. While this has always been part of the standard, the new version gives it increased prominence. ISO 9001:2015 requires an organization to construct its quality management system from the specific context within which it exists. An organization requires to take into account the needs and expectations of interested parties which needs to be integrated with the internal and external strategic drivers. At last but not the least, it ensures better process integration – by looking at the overall process interactions through the process approach of ISO 9001.



Launching of SME Loan

In India SME is the most neglected sector in the economy; India has an estimated 50 million MSMEs, 99% of them being micro enterprises. They contribute around 44% of all the manufactured goods India produce and around 50% of total employment of manufacturing sector. But unfortunately they struggle for adequate financial support. They neither qualify for priority sector loan nor have the collateral to get the loan from the Bank. The financial service sector understands the demand in this segment, but most of them either do not have the expertise to fund them or do not have means to reach to the actual borrower. Based on this backdrop and understanding and motive to serve this sector VFS has launched SME loan. To VFS's advantage, we have 2 decades of experience of serving the underserved and have a delivery platform spreading across 10 states. We want to leverage our skill set to serve this segment better. We have plans to reach 1 lakh customer over a period of 5 years with a gross loan portfolio of 1000 Cr.

MFIs have vital supportive roles to play in the economic development process

KULDIP MAITY

Managing Director & CEO



Dear Well Wishers,

I am excited to bring out our Village Barta, Volume I for 2018-19. It is my honor with privilege to be able to stay connected with you through this medium. I believe

this is a platform, through this I am able to share my thoughts with you regarding Micro Finance Industry, where me and my team members are tirelessly working for the common cause of Human Empowerment, Employment Generation and Poverty Alleviation.

Coming in broader views, the rural development and the alleviation of poverty are the two major goals of the developing nations, all we can say India is no exception. The major concern of any government today is to bring down the increasing poverty, empowering, and enabling the most neglected sections of the society through organized support to all poverty alleviation programs. The proper mobilization of domestic resources is one of the key factors in the economic development of a country. Similarly, integrated and agile development of the country is only possible when competitive and reliable financial institution services are reached and operated to every corner of the country. MFIs have vital roles in the process of economic development. Financial performance, especially of microfinance institutions has long term impact not only on their growth and sustainability but also on the economic development of the country.

A year-on-year growth of 43 percent was registered by non-banking finance company-microfinance institutions in the third quarter of this fiscal, a report said. The report was released by Microfinance Institutions Network, the first RBI appointed Self-Regulatory Organization (SRO) for NBFC-MFIs and an industry association. In comparison to the gross loan portfolio of last year that stood at Rs 29,800 crore, Rs 42,701 crore was recorded in Q3 of this financial year. That means MFIs are able to playing the right cord to reach the needed one. There was an increase of 19 percent to 2.37 crore in the total number of clients while Q3 FY 2016-17 had a client base of 1.98 crore. According to report NBFC-MFI industry contributed around 33 percent of the total microfinance industry portfolio with a share of Rs 39,916 crore as loan outstanding in the Q3 of the last fiscal year.

Apart from the market overview, on the way to create a new India with confidence I can say Microfinance can be a propagator for generating employment for generations ahead and also will open the various doors for Underprivileged people. Even, if we take the example of VFS precisely we can see that we do have presently 3.5 lakhs customer base. In

the last financial year we were able to achieve near about 40% growth in customer base. According to our internal survey after third cycle loan we can expect a customer to generate indirect employment for minimum four or more members. That means we are basically helping not only our customers but also her related people. To help them more apart from our regular micro loans we have launched our new Individual SME loans and also giving them all around support with our home loans. Because if we look at the housing need of the poor, it is beyond the need for a shelter, we clearly see that it is also an empowering infrastructure to boost their

productivity and also their homes are being considered as their production centers too. Hence, it can be considered as the need of the hour.

I need your valuable advice and support to maintain the consistency of VFS's growth for the sake of actual Human Empowerment and real Poverty Alleviation

In near future we are also planning to provide more and more supports for the needy people. All these landmarks that we crossed so far, are the signposts in our long march to achieve real financial inclusion in India. This may take decades. It cannot be done by us alone but by building a successful industry unified by the mission with the help of all of you. During the course of journey I need your valuable advice and support to maintain the consistency of VFS's growth for the sake of actual Human Empowerment and real Poverty Alleviation

All I can borrow a line from Mr. Frost...

"And miles to go before I sleep"!!



Customers seeking loan advisory at our Ariadaha branch



THE NEST SHOULD BE COMFORTABLE AFTER A DAY OF HARD WORK

**VFS INTRODUCES
LOANS FOR AFFORDABLE HOUSING**

The first step to prosperity is to have a safe and healthy environment for the family to live in.

Agriculture is the key contributor

Nationally the sectoral contribution to the Gross Domestic Product (GDP) has an overwhelming contribution from the services sector with agriculture & allied services jostling with the manufacturing for a second place, while with a share of 29 per cent manufacturing is just four percentage points ahead.

resemblance with the GDP profile. The more interesting fact that has emerged from the field level interviews is worth its mention here. We found every single rupee invested from the advances given out by VFS, has not only led to direct livelihood support, it has also led to indirect employment generation.

In short, our study shows the impact of a VFS loan goes beyond our direct customers by generating indirect livelihood opportunities.

The analysis of customer data further shows that 49 per cent of our customers have stayed with us for more than three years. The stickiness is attributed to factors beyond advances. VFS has been successful in conducting regular customer training, monitoring the progress of customer business and whenever required holding the customers' hands to help them ride out the roughs.

The talk of demographic dividend is the toast of the country. With the youth population turning out to be the majority and the driving force we are talking about reaping a rich



Arati Roy Maity

Peanut Business

Arati along with her husband and mother-in-law procures raw peanuts and sells them in packets locally. They add value proper processing of the peanuts by roasting and adding salt. The loan from VFS helped her procure more and making the business feasible in volume. From the daily struggle of supply basic necessities, she can now dream of having a secure future for her son, since she can spend more on education and a decent living environment

Training in focus to meet new challenges

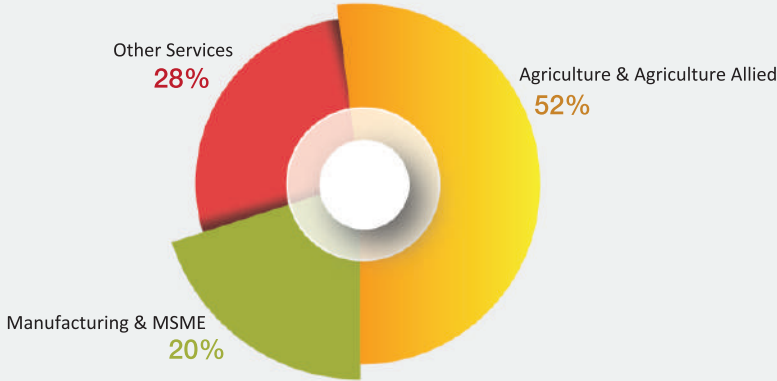
Indian microfinance industry is growing at a very fast pace topping an annualised rate of 45 per cent. With a low default rate, a low average operating cost ratio and an uninterrupted flow of funds from the commercial banking system, the sector has started attracting the interest of the private equity funds as an investment destination. However, as is universal, a growth of this magnitude is also bringing in its wake a slew of new challenges for the industry.

Of all, the biggest challenge lies in the area of training and capacity development. While on the one hand there is a lack of service providers with required skill sets exacerbated by a lack of comprehensive, and relevant training modules; on the other, not enough attention is being paid to training the senior management.

Understanding the importance of sharpening skill sets on a continuing basis, VFS has been consistent in training and capacity building of its human resource across hierarchy.

It has in place training centres in Kolkata and Siliguri and one is in the pipeline in Tripura. From this facility we will build capacity, and provide training and skill development support to our customers as well. The strategy adopted would definitely address the issue of capacity building both at the customers as well as at the level of internal resources.

Industry Analysis of VFS customer



If we look at the story that the data throw up about the business profile of the VFS customers we find a reasonable rationale that derives from the GDP narrative.

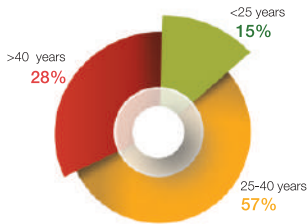
In our study of the sectoral distribution of the VFS customers in terms of their activity engagement, we find an overwhelming bias towards agriculture. With the cohort being rural and semi urban, the manufacturing activity bears a measly weight. But agriculture and allied services add up to a substantial 52 per cent, which is in line with the GDP, a little over though because the figures for VFS largely emanate from rural sector. If we add services to it and factor out grouping errors in the calculation we find a very close weightage

A customer who has taken loan to invest in goat rearing has had to employ helping hands in proportion to the expansion of the herd. What was previously a family engagement at the subsistence level now starts engaging others. With a monthly wage register of around Rs15000, not only does the primary investor step out of the near poverty zone into the zone of 'surplus generator', but also set up a chain of employment creation.

In other cases unable to keep up with the demand, VFS customers have started encouraging neighbours to start production of materials in the backward supply chain, so that their output can be bought and the demand met.

dividend. Even from the VFS customer profile we find a similar reflection with 25-40 year age group accounting for 57 per cent of our customers.

VFS Customer Age Analysis



Sujata Mullick

Mat Making

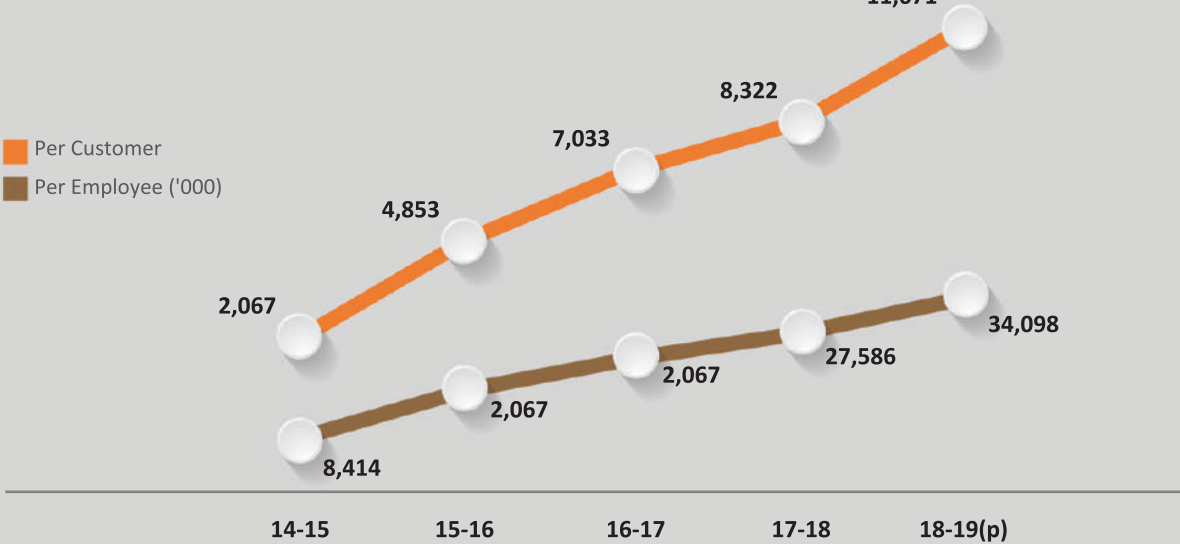
One of the oldest and regular borrowers of VFS, Sujata had initially taken loan to start making mats and become financially independent. She works from home, and a decent isolated workshop on the premise might just be the boost she needs to beef up the production level. However her primary need for savings will always be for child education and care. The affordable housing loan products of VFS might just be the solution she would be looking for to renovate her work environment while not having to touch her savings

Goal 2018-19



After successful completion of FY 2017-2018, in which the company's loan book has touched 731 crores from 413 crores last fiscal, a growth of more than 70% from the previous year. We are now operation in 10 Indian states. With this stupendous performance, VFS is geared to grow and grow well in the next financial year. We are planning to expand our business Operations to another 5 States with total projected portfolio outstanding of 1500 crores during FY 2018-2019 and a customer base of 7.5 lakhs.

Disbursement Analysis



Press Corner

Financial-Express

VFS raises ₹25-cr private equity from Param Capital

MICRO-FINANCE INSTITUTION Village Financial Services (VFS) has raised ₹25 crore from private equity firm Param Capital by offering around 12% equity. This has been the first investment by any PE firm in VFS. "We raised ₹25 crore PE from Param Capital yesterday (Wednesday) by offering around 12% equity," MD of VFS Kuldip Maity said. Next fiscal, VFS would tap other PE investments before an IPO, Maity said.

TheTimes-of-India

BUSINESS DIGEST

Village Financial bags awards

Village Financial Services (VFS) has bagged MSME Banking Excellence Awards - 2016, instituted by CIMSME, under the 'Best NBFC-MFI for Promotional Schemes' category. VFS was also adjudged as the runner-up in 'Eco-Tech-savvy NBFC-MFI' category.

Poor needs insurance too



KULDIP MAITY

Managing Director & CEO (Personal Blog)

In the literature dealing with poverty the proposition that the uninsured risk has significant welfare cost not just in the short run but also in the long run by perpetuating poverty has taken up almost an axiomatic character. The fact that it has done so does not require a deep mind to reflect on it if we take some time out to think through the way

the poor live and the consequent risks they are exposed to.

The poor are generally exposed to two types of risks. One of course stems from the personal level like illness, unemployment or theft of meager savings. Then there is the macro level risk like drought, flood or recession affecting earning capacity. All these have significant welfare implications by creating road blocks in the way of alleviation of poverty.

The poor tend to create their own risk hedging or trading off mechanism. The most common one that comes to mind to anybody is stashing away of cash for the bad time to come. A very unproductive no-return strategy as the surplus is hoarded whereas an investment with that amount might have provided some return to add to the surplus already generated.

There are other ways and all of them have a huge welfare cost to the society. For example, the way the deprived ones hedge against unemployment is debilitating in terms of welfare cost. To hedge against unemployment the poor tend to engage themselves in multitude of employment options so as to create a bouquet of earning sources. What it leads to is a cost to the society as it loses the best productivity option of its members. It also in the ultimate analysis leads to lower earning for the poor thus pinning them down to the vicious circle of poverty and reduces their ability to generate surplus.

The only way out for them is to go for the financial hedging against such risks through insurance. The poverty alleviation policy of the government also recognises it. But to take it down to the bottom of the pyramid needs the active involvement of the microfinance institutions. Given their level of individual level interaction and understanding of the needs of the poor, they can bring the segment concerned on board through awareness building and providing them with the exact product to satisfy their individual need thus closing a big gap in the financial inclusion. (Visit <http://kuldipmaity.blogspot.com> to follow the blogs written by Dr. Kuldip Maity)

Anamika Panda

Happy Family

She started with three goats, and acknowledges that without a loan from VFS, the number would not have increased much. Anamika, along with her family, was living a life of extreme poverty, when VFS helped her turn around. Now, with 39 goats and 2 cows, she can dream to bring up her children and provide them with education. But, as far as housing goes, she is very clear on her priorities. "We shall first proper infrastructure for the goats and cows, before constructing a pucca house for ourselves. Till then we will live in our mud house." With this attitude, its not far, that she shall achieve both.



Kalpana Dhali

Bangle Factory

The journey of Kalpana was not easy. They used to live in one room mud house, her husband was a meager contract worker. The loan from VFS facilitated a small metal bangle factory from which the bangles went to neighbouring states. Now they live and run their factory from a modern brick and mortar house, use mobile phone, AC, and other modern white goods. She has also purchased a small patch of land for future.

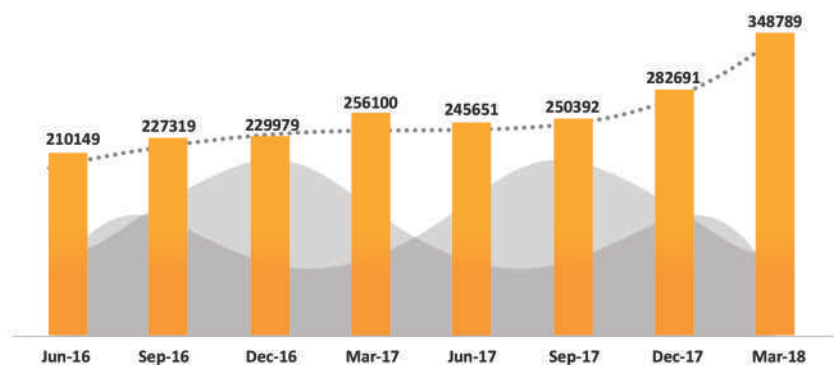


Rina Jha

Cut piece Selling

"When I was in trouble, nobody helped me. Banks, friends, even close family turned me down. I was forced to borrow from private lenders at with very high-interest rate. They used to abuse me, hurled slangs at even a single instalment default. It was like hell. Whatever you see today- this house, fridge, TV, so much of stock, respect are all because of VFS."

Customer Focus



Over the years VFS have been consistently trying to impact at the lives and livelihoods of the population it has reached out to and in the process have created a robust customer base for its business. In fact for VFS growth at all cost is not important but it considers an orderly growth is the way forward to give a meaningful life to the clientele and sustainable growth of an organization. Today VFS has successfully reached out to nearly 3 and ½ lakh customers and envisaged to reach out to about 15 lakhs customers by 2020



VFS has crossed 200 operational branch

VFS has opened its 201st branch at Dhamtari under Dhamtari district, of Chhatisgarh. With the Dhamtari branch, the microfinance company now has crossed 201 branch offices across Uttarakhand, Madhya Pradesh, Chhatisgarh, Tripura, Odisha, Sikkim, Assam, Jharkhand, Bihar and West Bengal covering over 13,500 villages with a total customer base of 3.70 lakhs. VFS is geared to expand to 5 more states in FY 2018-19 through 250 branch offices with a projected customer base of 7.5 lakh and loan outstanding of 1500 crore.

VFS inaugurates it's maiden branch in Madhya Pradesh at Mandidip.

Initiative towards climate change

Trees protect soil, provide wildlife habitat, shade our home, create windbreaks, and keep streams and rivers clean, while helping to fight global warming and climate change. As trees grow, they help addressing global warming and climate change by removing carbon dioxide from the air, storing carbon in the trees and soil, and releasing oxygen into the atmosphere. Trees provide many benefits to us, every day. They offer cooling shade, block cold winter winds, attract birds and wildlife, purify our air, prevent soil erosion, clean our water, and add grace and beauty to our homes and communities. Planting trees is a simple thing everyone can do to reduce carbon dioxide, a principal greenhouse gas that contributes to climate change. No matter where we live, we can plant trees...and take a proactive, positive step toward keeping our planet healthy.



The very leitmotif of the micro credit operations of VFS is promoting socio economic development. VFS also has strong commitment towards ensuring sustainability of the environment in which we work. With environmental degradation, that we are faced with, we strongly committed towards preservation of the earth and its resources in any manner that we can. A small initiative on our part in this regard is that on the foundation day of each of our operational branches, we plant or help others plant a tree, preferably a fruit bearing tree, in the open places in the village. Beside in all our customer interface and orientation programmes, we keep sensitizing our clients who are essentially women, about the need for sustainability of the planet earth, climate and its ecosystem.

Dedicated to Societal Cause

VFS has never shied away from responding to the calls of help whenever there was any from the nation. Its staff members have always gallantly extended their helping hands in rescuing or supporting people in times of natural calamities. The organisation in turn has always appreciated and encouraged such efforts from them. These acts not only go a long way in building team loyalty but also inspire others to excel.



A recent example being the inundation in many parts of West Bengal due to heavy downpour causing enormous loss to the people in the affected areas, including our customers. Rivers were flowing well above the danger level. VFS employees dedicatedly worked at various affected areas. VFS salutes and acknowledges their contribution to the society.



Dr. Kuldip Maity, MD & CEO of VFS, receiving "Excellence Award" at the 3rd MiNE INDIA 2018

Thought leadership

Dr. Kuldip Maity, MD & CEO has participated in the 3rd Microfinance & NBFCs Exhibition Cum Conference as a speaker held on 25th May 2018, in Mumbai.

It is India's leading event for business development in the Microfinance & Non-Banking Financial Company sector. It brings along decision-makers of MFIs & NBFCs, senior officials from RBI/NABARD/SIDBI, leaders and influencers from industry on a unique platform. With a view to spreading and strengthening the Microfinance & Non-Banking Financial Company Sector B2B Infomedia and Sa-Dhan had organised & hosted respectively the 3rd MiNE INDIA 2018 on 25th May 2018 at Hotel Taj Lands End, Mumbai.

In the same conference VFS have also been awarded for its business excellence.

Industry updates at a glance

Jan Dhan Yojana success: Put women at forefront for better, stronger 'banking for all'

The objective of Pradhan Mantra Jan Dhan Yojana (PMJDY) was to bring Indian citizens under the financial inclusion program. Currently, the mission is progressing with the aim to be a part of transformation which has been promised to all. While the future of the banking sector is growing increasingly digital, it ensures that these innovations are used to expand the connect with a larger number of people who were either not covered or fully covered.

Rural India has always been India's biggest strength, with 60% of the population. A combination of policy or regulatory initiative has brought forth disruption in the payments landscape. There are a collective set of mandates, which has been initiated and these have made headway in the recent years, moving the field of financial inclusion forward, which include: priority sector lending, branch opening, credit expansion, Pradhan Mantri Jan-Dhan Yojana (PMJDY), Mudra Scheme (for small loans), small finance banks, payment banks, etc. Alternately, the market-based approach holds promise to break the cycle of financial distress. For instance, "Base of Pyramid (BoP) Sourcing", as a market approach, has been contemplated as a strong solution to poverty and growth in the economy, through an increase in money cycle and eventually capital available for expansion.

MFIN

Microfinance Institutions Network (MFIN), a self-regulatory organization and an industry association, organized the state's first conclave around Financial Inclusion on 26th April 2018 in Bhopal. The theme of the event was "Financial Inclusion - An Imperative for Inclusive Development". Shri. Vishwas Sarang, State Minister- Cooperation, Panchayat & Rural Development, Govt. of Madhya Pradesh was the chief guest at the event and shared his views during the inaugural address. Shri Manoj Govil, Principal Secretary, Finance & Commissioner Institutional Finance, Govt. of M.P presented the key note address at the conclave.

According to Mr. Rakesh Dubey, President, MFIN "Microfinance has been crucial source of formal credit to the low income segment, providing collateral free unsecured loans. Financial entities such as NBFC-MFIs, Small Bank Finance and Banks have played an important role in furthering the financial inclusion agenda of the government in the

state. Despite several entities working together towards furthering this agenda, there are still gaps in easy accessibility to financial services that need to be addressed. Both financial institutions and the population face hurdles such as higher cost of delivery of services and lack of financial literacy among others and require innovative solutions. Fintech can play a crucial role in addressing these difficulties."

Giving India's Urban Cooperative Banks Another Chance

Twenty-one government owned banks. Another 21 private banks. Ten small finance banks. Six payments banks. Those are the banking entities which have received a bulk of the policy attention in recent years. The Reserve Bank of India now wants to give UCBs a shot

at mainstream banking. In the 1st week of June 2018, the central bank said that it would allow a subset of these lenders to voluntarily convert into small finance banks (SFBs), in line with recommendations made by a committee headed by former RBI Deputy Governor R Gandhi in 2015... They find the market has significant headroom and some of the 'Inclusion' focused banks have cracked the microfinance and micro enterprise lending model. So, in general Institutional investors have warmed up to the potential of the theme and, of course, some of the small finance banks are well run, backed by private equity funds in the past and have a previous track record that makes them attractive. - Gautam Chhugani, Senior Analyst - India Financials, Sanford C. Bernstein.



BUSINESS LOANS

VFS PROVIDES BUSINESS LOANS FOR SME

We would like to stay with you on your entire journey of business growth

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Please send your feedback to us at contact@village.net.in
Phone: +91 33 66551414

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