

The Champion of Change

Dr. Kuldip Maity, Managing Director & CEO of VFS was adjudged Champion of Change by the Interactive Forum of Indian Economy. The award was handed over to him by the honorable Vice President of India Mr. Venkaiah Naidu at 'Vigyan Bhawan', Delhi on December 26, 2018.

Dr Maity was selected for his contribution in financial inclusion which triggered broad spectrum improvement in social indicators in 115 'Aspirational Districts' identified by the NITI Aayog. The initiative was launched by the Prime Minister Narendra Modi in January 2018, to ensure faster improvement in areas lagging behind in terms of various development indicators.

The awardees were selected by high-profile committee headed by former Chief Justice of India and Chairperson of the National Human Rights Commission of India, Mr. K G Balakrishnan. Other members of the selection committee were former Supreme court justice, Gyan Sudha Mishra; senior journalist, Ved Pratap Vaidik; veteran film makers Subhash Ghai and Pahlaj Nihlani; Mr S.Y Quaraishi, former Chief Election Commissioner and; Padma Vibhusan Sonal Mansingh.

The jury looked at the development rankings of Aspirational Districts, studied the factors of change, and those responsible for it. The change was measured against developments in health & nutrition, education, agriculture, water resources, financial inclusion, skill development and infrastructure.

2018 - A Great Year For VFS



Dear well-wisher,

Every year leaves with the gift of experience. All experiences cannot be good. Nonetheless they make you stronger to achieve the

goals.

Over the past 20 years, VFS covered a long way from a village initiative to free the poor from the clutches of loan sharks to one of the largest microfinance institution (MFI). The ride was not smooth. But we draw immense satisfaction that VFS succeeded in overcoming all odds through innovations, hard work, strong commitment and last but not the least, the unstinted support of its members and their families.

India, we all know, is entering a high-growth phase. Financial inclusion is important to make this growth sustainable and equitable. I am confident that MFIs have a significant role to play in furthering this goal.

The year 2018 saw VFS opening new windows of opportunities for the nation's poor by opening 76 new branches. This takes our branch network to 236 with over 4.38 lakh borrowers, all are women, spread over 71 districts and 18364 villages of India.

Unlike conventional banks, VFS carries its services to the door steps of the poor, who suffer from inhibitions and inconveniences to visit a formal financial institution, usually located away from their homes. In contrast, barring the sole exception of loan disbursement, VFS conducts all its businesses at the

village level.

Apart from door step service, we consider our relationships with our customers as an asset. That is why we are blessed with 99.78% repayment rate with 0.57 % PAR (Portfolio at risk) which is praiseworthy for any financial institution. To further improve the PAR ratio, VFS is making the system cash-light.

Digitalization has impacted almost all aspects of the financial services

industry, resulting higher financial inclusion and increased benefits for customers. Majority of MFIs have moved towards loan

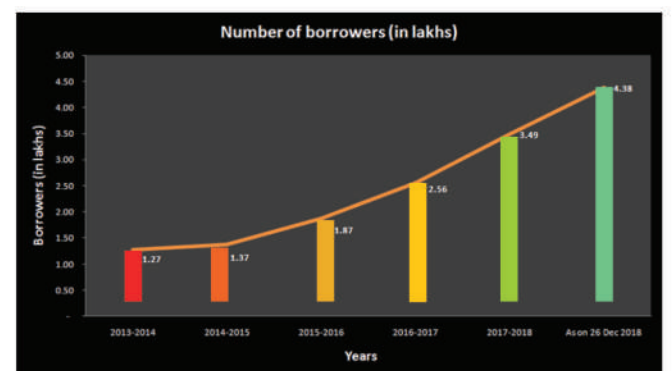
disbursements through bank accounts. The Union government not only asked the country's banks and payment companies to boost the volume of digital transactions to 30 billion in the current fiscal year; but it had also laid out specific year-on-year targets for individual institutions to boost digital transaction by 50 percent during the year.

Meanwhile, VFS is planning to expand its operations to Meghalaya, this will take our geographical coverage to 11 States. We are looking to increase our outreach to microfi-

nance customers through organic and inorganic channels; and to the MSME customers through MSME lending segment in newer rural, urban and semi urban areas of India.

In 2019 we will continue our focus on improving product offering, passing on benefits of lower cost of funds to the customers and enabling them to move forward steadily while facilitating digital financial inclusion.

To become a preferred employer in the



sector and geography in which we operate, VFS launched a new initiative called Great Place to Work (GPW). It will help us to improve performance and will be a critical driver of success in VFS's onward journey.

I wish that 2019 gives you wonderful moments to cherish. Happy New Year to You and Your Family!!

With Warm Regards
Kuldip Maity



When Social Welfare & Profitability shake hands

KULDIP MAITY

Managing Director & CEO (Personal Blog)



There is no free lunch in this world. Even in charities there are costs. And then we all know that we tend not to appreciate a freebie as much as we would have had we been made to bear the cost.

Traditionally we are not used to thinking that social welfare may not be in conflict with a profit seeking operation. And someone believing that to a point of obsession may not be entirely faulted either. The instances of society feeling challenged by the operations of a specific company's operations are far too many to be just wished off. But the guilt of a few cannot be held as evidence of crime against all corporates. Unfortunately, however, logic and evidence notwithstanding, the inclination to think to the contrary is far too strong in the minds of the people for the logic to win.

In the case of operations focused on finance the feeling is even more entrenched – specially in the cases of

the companies operating in the rural areas. In this specific instance, public perception has been colored by the operations of unscrupulous money-lenders who have traditionally and for ages held the hapless poor in their ruthless clutches.

And this perception has indeed not been a particularly easy thing to contend with for microfinance operations. Microfinance was introduced and specific rules framed for their operations for the purpose of rural development with a focus on alleviation of poverty. The goal here is to create enterprise capacity at the grassroots levels at a sustainable level so that through creation of direct and indirect employment, the country gets to address the plague of poverty without direct intervention from the government agencies.

The premise on the basis of which the whole concept took off was the belief that the poor are the greatest entre-

preneurs. It's argued that the way the poor fight to survive every day of their life needs a great degree of innovativeness. Without the innovativeness the uncertainty of procuring the necessities of life on a daily basis cannot be met. A business operation is also about meeting challenges to survive, sustain and grow.

The premise that flowed from it was that circumstances make the poor to face challenges innovatively on a daily basis. Given the fact that they are used to the basis requirement of entrepreneurship, the remaining components for turning them into business persons are access to finance and training them into putting the funds accessed into productive use. They may require to be provided with literacy specific to their needs.

The trick was to innovate a structure that would be a one-stop shop for a) easy access to finance, b) monitoring the use of funds lent out, c) facilitating expansion of knowledge capacity at the grassroots, d) empowerment in its broadest sense of the term.

Experiments with delivering on these

requirements through a multitude of agencies – regional rural banks, rural banks, cooperative banks, literacy missions, except for the last, all operating on cost plus basis – having failed to deliver the desired results, the microfinance model was pushed. The equation was simple. A cost plus model of delivery will not strain the government coffer and as a consequence the taxpayers' purse and it will be a win win situation. The model that has evolved makes it, from the pure business point of view, a compulsion for the microfinance units to ensure that their customers productively use the borrowed funds. If they don't they won't be able to pay back and microfinance units would run up NPAs. So the system itself has built-in efficiency driver and deliverables need to be ensured to avoid closure.

"There is no free lunch" model therefore is not only win win, it's also a sustainable model to create a solution to fight the curse of poverty. It's here therefore like any many other properly crafted business policy environment profitability and social welfare shake hands.

10,528 Customer Awareness Training Programs by VFS



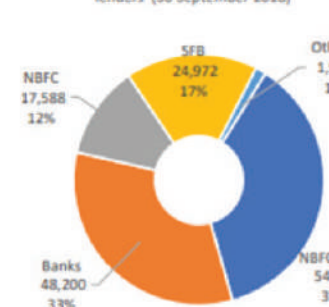
Poor people's access to finance is diverse and complex – they borrow from family, friends, pawnbrokers and microfinance institutions (MFIs). Accessing microfinance services empowers the poor, makes them proactive, protects them against risks, opens up new opportunities and increases their self-confidence.

Microfinance and financial education complement each other helping the poor to make effective choices and manage their financial resources. However, there are cases of information gaps between MFI and its clients. To remove them, VFS conducts training and capacity-building Customer Awareness Trainings (CAT).

The training helps customers understand the importance of money, compare interest rates and terms between financial institutions. These modules cover a range of topics, from understanding financial services to maintaining accounting records for their small businesses.

The objective of CATs is to provide people with the knowledge and tools for informed financial decisions. We have conducted 10,528 customer awareness training programmes, covering 84,671 customers in the October-December 2018 quarter. We are sure that the efforts will have a ripple effect on other customers across geographies.

Micro-credit loan amount outstanding across lenders (30 September 2018)



Portfolio quality of the microfinance industry

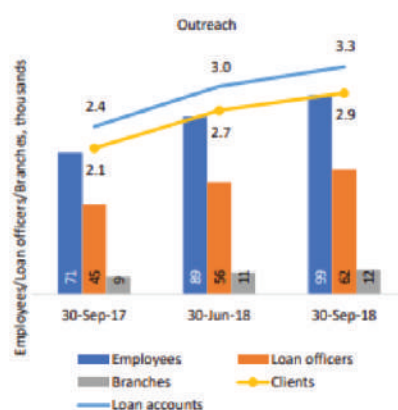


Outreach

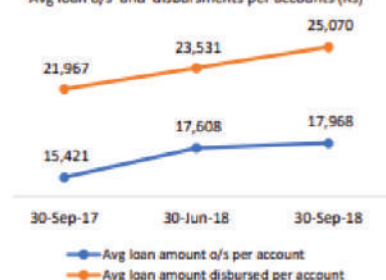
As on 30 September 2018, NBFC-MFIs on aggregated basis have a network of 12,094 branches and employee base of 99,214 staff, of which 63% are loan officers (62,633) who provide door-step credit to low-income clients served by the NBFC-MFIs. There has been growth of 12% in employees, 12% in loan officers and 12% in branches compared with last quarter. On YoY basis, there has been an increase of 38% in branches, 40% in employees and 40% in loan officers.

As on September 2018, MFIs have reported 2.93 Cr clients with 3.31 Cr loan accounts. It may be noted that client number given here is not unique and does not factor for overlaps. Compared with Q2 FY 17-18, there has been YoY growth of 38% in clients and 36% in loan accounts.

Average loan outstanding per account is Rs 17,968 representing a growth of 17% over Q2 FY 17-18.



Avg loan o/s and disbursements per accounts (Rs)





This was a quarter when the efforts of VFS was recognized by multiple institutions. We thank them all.

ABP News Banking Financial Services and Insurance (BFSI) Awards

Village Financial Services (VFS) has been awarded as "The most admired service provider in financial service sector" and its MD & CEO, Dr. Kuldeep Maity, is adjudged as the "CEO of the year" by ABP News Banking Financial Services and Insurance (BFSI) Awards held on 28th November, 2018 at Taj Lands End, Mumbai.

The BFSI Awards 2018 was organised to recognize the best performers in banking, finance and insurance sectors. The awards focused on best practices; based on the strategy, security, customer service and the future technology challenges and innovations. The jury said the award is a recognition

to the hard work by people who are making the industry move in this testing times. Accepting the award Dr. Maity said: "The rising population and its share of the poor, traditional providers of capital like banks, NBFC-MFIs like VFS have scope to grow at a sustainable and unhindered pace."

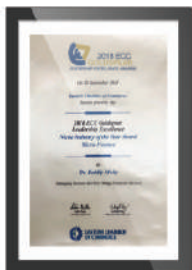
Skoch order of Merit

VFS was also awarded the SKOCH Order-of-Merit for qualifying amongst the Top Projects in India, for its 360 Degree Financial Inclusion initiatives. The Order-of-Merit award is bestowed on the top private and public organizations, recognizing them for their best practices and governance models towards efficient implementation of social programs and service deliveries. Mr. Sameer Kochar, Chairman, Skoch Group presented the award to Dr. Kuldeep Maity, MD & CEO, VFS at an event in New Delhi last week.

Skoch Group is a think tank dealing with socioeconomic issues with a focus on inclusive growth since 1997. The Order-of-Merit award recognizes the innovative approaches and efforts by organizations, in providing banking and financial services to people in rural and unbanked areas.



Niche Industry of the Year Award 2018 by Eastern Chamber of Commerce



It is our Proud Privilege to announce that Dr. Kuldeep Maity, MD & CEO, was conferred the Niche Industry of the Year Awards: Microfinance, 2018 from Eastern Chamber of Commerce for outstanding contribution in the microfinance sector and towards poverty reduction and women empowerment in various states.



Acknowledging this achievement, Dr. Kuldeep Maity, said, 'We are honoured to receive this prestigious award from Skoch Foundation. It is a hard earned acknowledgment which illustrates our efforts in elevating the underprivileged section of the society. We look forward to many such achievements in future. While these may come as part and parcel, we at VFS, remain committed towards empowering customers in rural India though our contribution in the field of banking and financial services, and improving their livelihoods'.

As part of its commitment towards empowering the underprivileged section of the society, VFS has taken massive strides contributing towards the cause of financial inclusion. VFS also diversified into affordable housing and SME segment loans earlier this year. It has also taken a slew of measures in reaching out to customers in remote rural areas and unbanked regions, for helping them open their own bank accounts with various private and PSU banks – either by sending Customer Service Representatives (CSRs) or setting up camps with the help of bank representatives for collecting their documents. VFS set up more than 200 such camps in various regions.

Building Human Capital



Indian micro-finance industry is witnessing average annual growth of about 45 per cent in the past few years. This giant stride is characterized by low default coupled with low average operating cost ratio, high flow of fund from the commercial banking system and investment by private equity funds. VFS believes that well-trained human resource is a major attribute to success of any organization. To address this issue, VFS has been consistent in its approach and methodology for training and capacity building of its human resource across hierarchy.

The company organized near about 45 training programs participated by 547 employees at different training centers of in Kolkata, Siliguri, Tripura and Raipur in this year. With this capacity building programs VFS believes to be a better service provider to its customers for skill development supports. The strategy adopted by our experienced training department may definitely address the different needs of customers as well as at the level of internal resource, and would make its human resource tuned to serve its clientele more professionally and objectively. The customers would also be able to utilize the credit in a more meaningful manner.

We are honored to announce that, measuring all our effort for employee well being and rigorous training programs VFS had received Asia's Best Employer Award by World HRD Congress.



Achievers Corner: How VFS shaped lives.

Alka Kumari

Alka Kumari's family could barely meet both ends, when she approached VFS for support in 2016. Resident of Bhagtoali village at Haridwar district in Uttarakhand, her husband was another poor labourer and Alka's life revolved around collecting firewood and running household chores.



That's life for crores of women in this country. But Alka was different in her aspirations. She had an entrepreneurial trait which failed to flourish due to inability to access finance. VFS trusted in her abilities and offered Rs 20,000 credit to start a grocery store. Alka's self-belief touched her husband and the couple gave the venture their best shot. Two years later, Alka now owns a large grocery store. She has repaid the first loan and got a second of Rs 40,000.

While Alka manages the store, her husband delivers to customers' doorstep. The home delivery service has become an instant hit.

"VFS has helped us realize our dream. We can now afford a decent life. Thanks to VFS, our children will enjoy a better future," Alka told VFS Barta.

Anita Devi



With four children, Anita Devi and her husband from Singtam in East Sikkim had a tough time making ends meet. She had put up a small stationery store in the local market but sales failed to pick up, as she lacked stock. Anita had no idea how to solve the riddle, when VFS stepped in. The Singtam branch of VFS offered her a loan of 15,000.

There was no looking back. Anita successfully utilized the loan, business got better, VFS had a sound customer. In her 3rd loan cycle. The last loan was as big as Rs. 90,000. All their four children attend school. The family owns a television. Her husband is planning to buy a motorbike. She is saving for a house.



NBFC-100 Tech Summit

NBFC-100 Tech Summit Mumbai, held on 20th November, 2018 organised an exclusive one-day program featuring key developments in the Microfinance & NBFCs Industry. The Conference was focused on, the inclusion of non-developed segments in the MFI & NBFC sectors, social impact, latest market trends and innovations. Dr. Kuldip Maity, MD & CEO, Village Financial Services was invited as the 'Key Speaker'. Dr Maity spoke on 'Existing Road Blocks and Emerging Opportunities for NBFCs: Key to new dawn for Financial Inclusion Endeavour'. The event was graced by: Dr. Amitabh Rajan, IAS, Reserve Bank of India Services Board; Dr. Kavita Gupta, IAS amongst others.

Achievers Corner: How VFS shaped lives.

Gita Rani Tanti



Gita Rani Tanti from Champahour village in Khowai district of Tripura, wanted to tap rubber trees and set up a small-scale facility to make latex sheets.

Rubber plantations are common in Tripura. But, normally, the land owner leases out the plantation to

tapers, who sell the liquid latex to rubber-sheet makers.

Gita Rani wanted to tap the value. She had will power but no money. She approached VFS to fill this



important gap, in 2016.

VFS trusted in her abilities and lent Rs 15,000. The business proved successful. She converted a part of

the three-room residence into factory. To the surprise of VFS, Gita Rani repaid the loan well ahead of the schedule. In 2017, she took the second loan of Rs 40,000.

From farmer, Gita Rani and her husband became entrepreneurs. They employed three locals in the business, marking success of the entrepreneurship.



Deepa Sharma

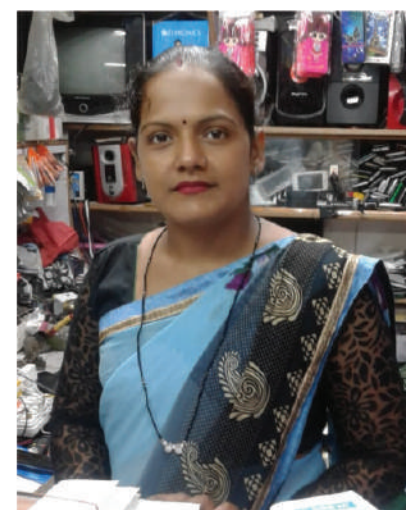
Deepa Sharma from Chhatisgarh state. They are a family of 4 members- Deepa, her husband and their two children.

Deepa, a home maker and the husband used to be a daily labourer. To add to their small income, she engaged herself in tailoring, working out of their home. Still the family income was not enough for a decent life as the family size was big. Then she started working at a mobile repairing shop. She began to start all the technical thing which may benefit her in learning mobile and other technical knowledge for goods repairing, but she always dreamt for her own business.

But this new trade required both the knowhow and the capital. The couple approached VFS branch and at once it came to their rescue. She had taken loan and started their business. Today she is in her 2nd cycle of loan. They have taken Rs. 50000 and have been well established in their TV and Mobile business repairing business. Not only that they bought a new shop to start another business of selling

electronic goods.

"It was important for us, to get the initial capital that we have got from VFS; at that juncture no lender had trust on us. We feel indebted to VFS" says the entrepreneur Deepa Sharma. She adds "It is not only the capital but VFS has also arranged required inputs in terms of giving us the basic skills of running a business. We have not only enhanced our income but now are able to take care of the education and health needs of the family members, comfortably".



Access to finance

Through its Access to Finance business line, VFS helps to increase the availability and affordability of financial services, particularly to the resource poor and micro, small, and medium enterprise clients.

It's priorities in the 10 states it works is to build robust financial network; diversify and customize financial products, develop financial infrastructure and improve the legal and regulatory framework.

It tries to broaden the scope of the service so that the region's smallest businesses can access finance, they need to thrive.

Keeping in line with vision, we surveyed 17,456 households at 231 branches of VFS across the country. Through this survey we are able to do our gap and need analysis and design various customer awareness programs according to that.

The study also helps VFS to launch new products and services, which the clients would find affordable and suited livelihoods. VFS is run on the core belief of ensuring higher returns for customers, to make the engagement sustainable.

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

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