



VFS Launches Dengue Awareness Campaign

Village Financial Services Ltd (VFS), has embarked on a dengue awareness campaign by providing a safer and healthier environment in its operational areas. To begin with at Shyamnagar Branch in West Bengal, it has celebrated its foundation day by spreading awareness on dengue in rural areas. The villagers were briefed about the cause of dengue, preventive methods and the role of the denizens in preventing the disease, it was insisted that the villagers should wash water tanks periodically and remove stagnant water anywhere to prevent mosquito breeding. It was also insisted that the participants further spread dengue awareness among the family members and others. With this VFS is planning to vouch for remedial action to combat dengue through its 215 branches spread across ten states of the country in the coming days.

Sa-Dhan Hosts 14th National Conference



The conference focused on giving stakeholders a platform to deliberate on specific sectoral concerns and challenges. The conference is aimed at building partnerships between regulators, investors and bankers on the one hand and clients, microfinance institutions and academicians on the other hand. The conference sought to build a future work agenda and action plan keeping in mind various aspects to both widen and deepen the scale of financial inclusion in the country.

The conference engaged itself with various important issues of financial inclusion viz. empowering the Invisible workforce, sustainable development goals, payments and digital credit as a gateway to financial inclusion, MSME financing, self help group movement, micro insurance, responsible lending, affordable homes, clean energy, microfinance and health among others.

We are happy to bring to your attention that this Conference has been graced by Nobel Laureates, Union Ministers, Senior government officials, academicians, bankers, practitioners and MFIs/SHPs.

This Conference also had a session on "Revamping Insurance for the Informal Sector". Dr. Kuldip Maity also shared his insights and learning as a Speaker.

Rural Development Process

MFIs Play a Vital Supportive Role

KULDIP MAITY

Managing Director & CEO



Dear Well Wishers,

India is decked up with all its glory while celebrated 72nd Independence Day. In the morning of 15th August with the waving tricolor every Indians heart throbbed with a

feeling of Patriotism and oneness; and commemorating the freedom fighters who made it possible for the nation and it's citizens to breathe air, free from the mighty British rule. With this feeling of Proud Indian I welcome you all to the 2nd edition of Village Barta, 2018-19 !!

On the occasion of 72nd years of Independence, I also want to share a great news on behalf of MFI Industry that NBFC –MFIs have posted more than 50% growth in Gross Loan portfolio at Rs.51,878 in April-June compared to the same period of last year. Not only that As on 30th June 2018, 2.63 Cr clients have loan outstanding from NBFC-MFIs, which is an increase of 30% over Q1 FY 17-18.

Being a frontline microfinance practitioner, VFS is also dedicated to providing help to the small entrepreneurs. to make rural entrepreneurs self-sufficient as well as financially stable

Considering the robust growth in the sector VFS has taken essential measures to maintain the healthy portfolio under the guidance and supervision of RBI (Reserve Bank of India), MFIN (Microfinance Institutions of India) and Sa-dhan. Not only that recognizing the importance of small and medium entrepreneurship and economic participation in enabling the country's growth and prosperity, the Government of India also ensured that all policy initiatives are geared towards enabling the opportunities through MUDRA. VFS is also working tirelessly to make entrepreneurship more viable in rural India.

Being a frontline microfinance practitioner, VFS is also dedicated to providing help to the small entrepreneurs through various literacy campaigns to make rural entrepreneurs self-sufficient as well as financially stable even in extreme rural areas. The financial awareness such to pick up help to develop a financial road map to identify what they earns, what they spends and what they owes. In a nutshell, VFS plays significant role in combating both providing strategy to them to earn more for alleviating poverty and also fighting for gender inequality as we are mainly dealing with Woman borrowers.

At the end of this quarter we now can proudly say that VFS is now giving light to near about 4 lakhs and 20 thousand households. Although we have shown a remarkable growth to our business and profitability but we need to accept the fact that for the sake of sustainability, profitability is an indispensable

ingredient to any organization as we have too.

Looking back to our inception, when we created VFS with an enormous self esteem and patriotic exhilaration, we dreamt to make a poverty free country, and still we are fighting for it but when we see that there are lakhs of VFS borrowers who has graduated from the poverty line after getting our loans it

gives us an incredible sense of achievement towards the society. During this course the journey of VFS was always been eventful and your support was like vigor to me.

With your love and support I am confident that VFS will continue to scale milestones of success for this year too.

Encouraging New Ideas in Entrepreneurship



Dr. Kuldip Maity was invited as jury panelist during the final round of pitching and showcasing business ideas in Y4BIZ (Youth For Business) Program Finale on Sep 7th.

Y4BIZ is a part of Global Entrepreneurship Summit in collaboration with the U.S. Consulate General, Kolkata, Contact Base and

Nexus Incubator, New Delhi in support of promising and early stage entrepreneurs from eastern India to develop their business ideas.

Promising entrepreneurs, selected through an on-line business idea contest from West Bengal, Assam, Jharkhand and Bihar, were taken through a specially designed online capacity building program run by the IC² Institute, University of Texas, Austin followed by a business skill development program delivered by 'The Strategy Academy'.

Dr Maity was impressed by the innovative ideas presented by all the participants, not only those who won the awards. The enthusiasm of all participants was commendable.

The US general consulate was also one of the Jury member along with Dr. Maity. During discussions he appreciated & acknowledged the contribution and work that VFS is making towards empowerment of rural India.



2020

vision

Ensuring Footprint In 20 States, by Year 2020

Thoughts from Leadership...

Technology Will Remain a Facilitator and Not a Replacement of Human Touch in Microfinance

Microfinance as a facilitator to cut the vicious cycle of poverty and lay out a clear direction towards capacity creation for triggering a revenue stream as an instrument for development has been debated in all its nuances. Yes, it is also true that despite the decades of debate there are still areas that need to be thought through. This is only natural as the perspective of the relevance of microfinance is dynamic and changes in sync with the changing economic and technological reality.

The current idea that is almost about to put a blinker at the level of implementation is the thought that the tremendous progress made in the realm of technology will make human intervention irrelevant in the microfinance industry. The argument is that, technology by itself will lend its might so overwhelmingly as to make what we at the microfinance industry are doing through ground level direct engagement irrelevant.

This is a thought that doesn't get supported by the reality and experience of the industry as this idea of rejecting the need for human interaction tends to ignore the reality at the beneficiary level. The requirement of the



human engagement is dictated by the quality of the functional level of literacy. In the current complex social situation, knowing the alphabet and the ability to put signature on documents don't count as literacy. The definition of functional literacy assumes understanding of the material read. And the financial inclusion requires financial literacy and access to financial products. Add the requirement of business and fit that into the swath and you will start realising the need for the spread of the engagement required for the microfinance customers.

To illustrate the logic of the situation let us take the case of a beneficiary or a customer who supplements the family's income by rearing goats. If she needs a loan to expand she will have to repay it. But given her station in life the requirements that she needs to satisfy to obtain the loan is beyond her skill. Training and financial judgment will be key in her case. And no digital intervention can make the need for human interaction redundant in cases of this nature. The microfinance industry is therefore compelled to dedicate itself not merely to disbursement

of loan to help create economic capacity but is also required to lend its hand in creating human resource without which economic capacity creation will remain a pipedream. In other words, the model followed in this segment focuses on her functional literacy as well.

There is an indirect statistical support to what I have reasoned. The fact that human intervention is so relevant is supported by the growth statistics contained in the MFIN Micrometer, March, 2018 issue. It says that the loan outstanding growth in FY 2017-18 compared to the previous year for banks has been 23 per cent. Compared to that NBFC-MFIs (excluding banking correspondents) have chalked up a figure of an impressive 48 per cent. This can be straightway attributed to the model of handholding that the NBFC-MFIs follow.

Therefore while the evolving digital technology may help connect, but when it comes to addressing the social roadblocks like literacy that stands in the way of cutting the Gordian knot of vicious cycle of poverty in the subcontinent, human intervention still holds the key.

The Changing Dynamics of Microfinance – from JLG to Individual Based Business

At the beginning of the microfinance movement, the thought of how to secure the credit was paramount. With the poor being the focus, it was quite natural that a collateral as a pledge against any loan would be hard to

staff representing the micro finance institutions. The group members needed to be taught ways of managing the credit they are accessing and its efficient deployment. This of course involves an intensely detailed

demand for funds made by the member concerned.

The changing characteristics as discussed above are leading to a rising demand for individual loans from the micro finance

institutions. Unless these demands are met the members will not be able to convert their initial success into a sustainable one. This would call for a new and different approach in microfinance.



come by. The concept of joint liability group was thought of as a solution that could address the issue of loan without conventional concept of collateral. The logic behind it was quite ingeniously simple.

Within a small locality neighbours are known to each other. Each one knows the others' credit and trustworthiness. So if a group is formed by a set of neighbours and together they bear the risk of default by any member the problem of credit risk would be largely addressed by the group taking up the liability jointly. Should any member default, the group would take up the liability of repaying the defaulter's debt. Hence it is dubbed as the Joint Liability Group or JLG. However, the process couldn't be an automatic one. Given the low level of literacy and corresponding low level of financial awareness, the process involved a direct engagement of

engagement between the credit institutions and the group.

The logic worked and the system, as we can see, is thriving. However, with the changing times the need for products focused on individual requirements is being felt more pressingly every day. The JLG logic requires acceptance by the group concerned of an individual member's loan requirement and also the purpose for which the loan is being taken.

With the growing opportunities, requirement spectrum of the customers is also exponentially getting wide. In the initial days, within a group, the deployment purpose of the credit used to be almost homogeneous. Therefore, acceptance of a member's need by the others within the group was not a challenge. Now, however, it is as various members have varied deployment purposes that may not be acceptable as a liability risk by the group concerned. There is also another factor that is looming large. Within the same group some members perform better than others in terms of entrepreneurial ability. As a result their fund requirement to sustain their next stage of growth is often found to be beyond both the ability and willingness of the group to bear the liability involved in the

Industry Trends

While credit growth in traditional financial segments has begun recovering, the microfinance sector has far outpaced these segments. For Instance, data reported by lending institutions show that the total microfinance portfolio grew by 39 per cent year-on-year during the first quarter of the fiscal year.

source: MFIN

Portfolio

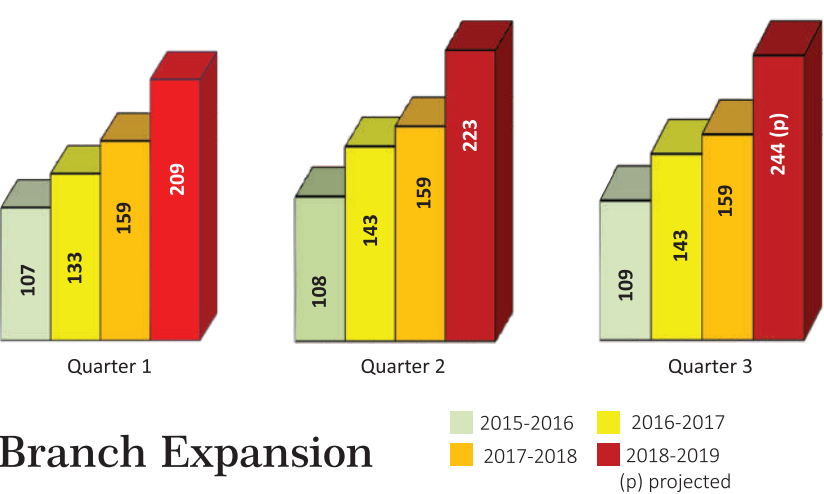
Period	Balance sheet	Off-balance sheet	Gross
Q1 FY 17-18	28,961	4,990	33,950
Q4 FY 17-18	38,803	9,409	48,211
Q1 FY 18-19	42,402	9,161	51,563

- As of 30 June 2018, 2.63 Cr clients have loan outstanding from NBFC-MFIs, which is an increase of 30% over Q1 FY 17-18.
- The aggregate gross loan portfolio (GLP) of MFIs is Rs 51,563 Cr as on 30 June 2018. This represents a YoY growth of 52% as compared to 30 June 2017 and 7% in comparison to 31 March 2018.
- Average loan amount disbursed per account during Q1 FY 18-19 was Rs 23,822, an increase of 12% from Q1 FY 17-18.
- MFIs now cover 30 states/union territories.

Outreach

Period	GLP (Rs Cr)	No of clients (Cr)
30 Jun'16	27,484	1.73
30 Sep'16	30,758	1.94
31 Dec'16	29,412	1.95
31 Mar'17	31,663	2.00
30 Jun'17	34,402	2.06
30 Sep'17	38,288	2.16
31 Dec'17	42,701	2.37
31 Mar'18	48,094	2.53
30 Jun'18	51,563	2.63

VFS Dashboard

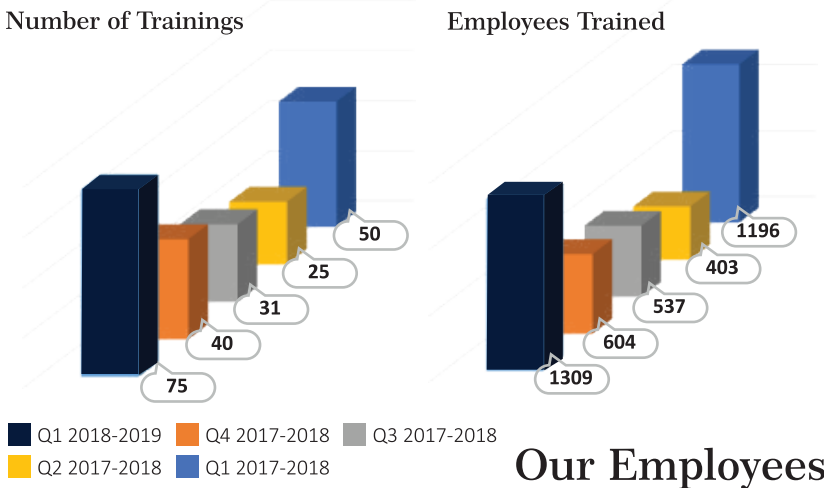


Branch Expansion

In our pursuit to become a pan India micro finance institution of repute and choice we are extending our operations to newer states and locations. In the last two months, we have opened new branch offices in Tripura, MP and Chhatisgarh. In the process, we have crossed 200 branch offices and at present having 215 functional branch offices. While doing the same we are in sync with the methods that we use to reach our business objectives. Our operational strategies as a matter of principle are about examining and implementing effective and efficient systems for using resources, personnel and the work process on an on-going basis.

VFS has done exceedingly well in terms of reaching the unreached. We have successfully created value proposition for the people who matters (women and their household), investors, community and the society at large. As on 31st August, 2018 we have a loan outstanding of more than 830 crore. In this journey, it would not have been possible to do so well without a concerted team effort.

We are proud to inform you that VFS has touched the milestone of 215 branches with a healthy portfolio, across all the 10 states that we are present.



Our Employees

The VFS team works with responsible action in heart and soul and respect for underprivileged households as its ethos. We value each and every individual, and that's why we carry a different DNA. We believe in not doing business just for mere transactions and games of numbers but in creating transparent relations and in improving standard of living of poor households.

As with any inclusive growth organisation it was critical to translate and combine our vision with the team. This year, we paid special emphasis in building a line to mesh HR strategy with business and cultivating competencies to enable VFS to be future-ready. Complementing the field solution was our implementation of Human Resource Management System (HRMS), through which we digitised our HR processes, including benefits, administration, payroll, recruitment, training, performance analysis and review. This will go a long way towards operating, standardising and managing the HR systems and processes in VFS, a crucial efficiency retention step. The safety and security of employees is VFS's top priority.

It was a proud moment when VFS was bestowed with the Kolkata Best Employer Brand Awards 2017, selected through by intensely researched by a competent Team of World HRD Congress.

Loan Portfolio

Global Micro Finance growth rate is 10% to 15 % while India is experiencing a growth of 27%. We have maintained disbursement per customer with a steady upward trend. The same is also observed at the JLG level. One of the key reasons for the trend is the enhanced maturity of business planning at the customer level coupled with handholding of VFS field team. As the businesses of our customers expand, the need for credit would also grow.

With the introduction of SME loan products and those for affordable housing, we expect this trend to continue. For any organization on a fast growth path, it is critical to get inorganic growth. The disbursement per employee, is a key metric that we track to understand the productivity levels of the team.

Enablers like digital solutions, regular trainings and process improvements have helped us achieve more productivity from our team members. Another feather got added to our achievements. Across India, SBI selected four partners in their financial inclusion model. VFS features as the single partner from the east in their market penetration through 'business correspondent' model.

The drive for new innovations continues even in the financial planning of the organisation. After having reached a major milestone of Rs950 crore loan outstanding we are on our way to reach 1500 crore portfolio very soon. On the accord of the private investors, we saw the transformation from a private limited to a limited company and infusion of capital by a private equity entity, Param Capital and Capital First for the first time in the history of VFS.



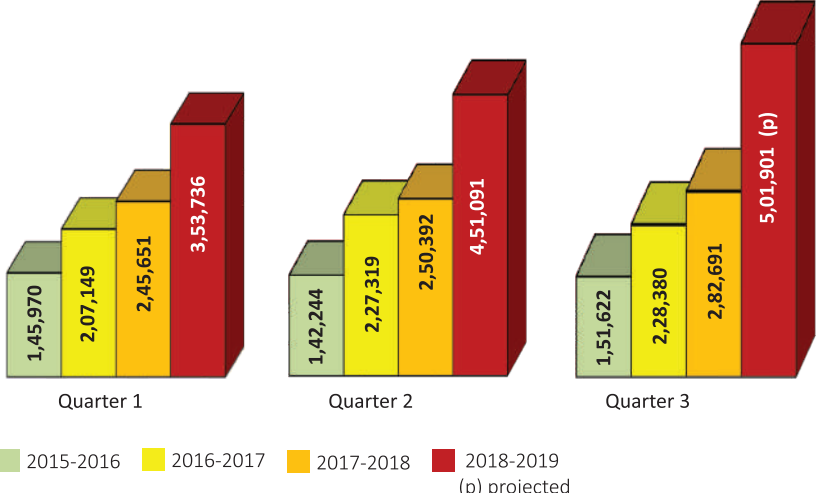
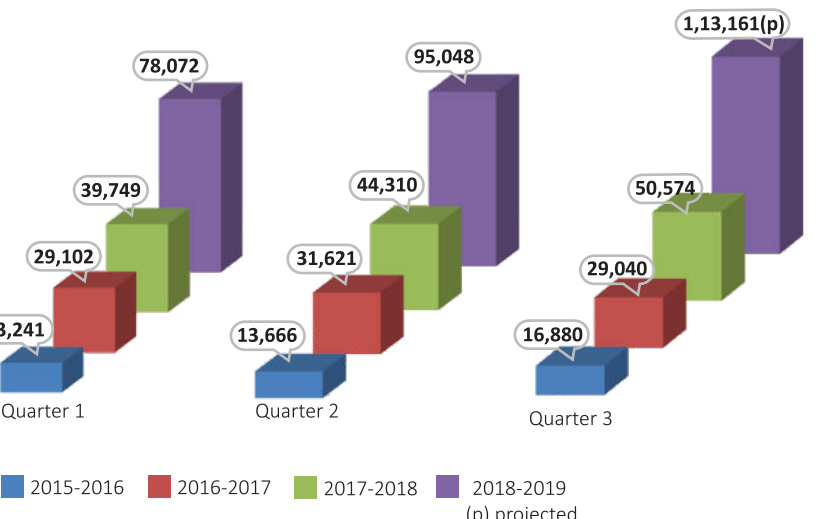
Customers

Our customers are our strength. They all are inspiration to us because of their constant fight to overcome the curse of poverty and financial illiteracy. We are doing nothing but encouraging them by financing their dreams to make them self-sufficient and to establish their own business.

VFS customer base is largely rural. In our study of the sectoral distribution of the customers in terms of their trade, it is but natural that the manufacturing activity would bear a measly weight. But agriculture and allied services add up to 20 per cent, which is in line with the GDP 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 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 both direct and indirect employment generations too.

VFS customers have started encouraging neighbors to start production of materials in the backward supply chain, so that their output can be bought and the demand met. In short, our study shows the impact of a VFS loan goes beyond our direct customers by generating indirect livelihood opportunities. This is how we are reaching towards the unemployed section of our society, especially women, to encourage them to be self sufficient. As we say, to empower a woman results in the empowerment of all in the family.



Training – as a Guiding Light

To any organization training is an indispensable need for self improvement. VFS is no exception. Although there are many categories of training, our focus always remains on holistic approach of overall development. Our employees receive regular trainings, including job knowledge, self management and other effective managerial skills. In fact, training

Apart from conducting regular Training module for employees, we do have elaborate awareness programmes for our customers too which is another unique contribution in the micro finance sector, towards overall inclusive growth of the society.

Over the years, certain benefits which we

5) Our ongoing training and upskilling of the workforce at VFS we encourage creativity. Which creates another form of self-confidence.

6) Increased awareness about Financial Literacy in the borrowers so that they can have sustained growth over time.

Training at VFS focuses on building individual sense of responsibilities, and can be delivered by appropriate method like on-the-job learning, mentoring or coaching schemes, in-house training, new employee orientation programme, individual case study method or leadership offsite etc. We are also in a process of exploring the viability of virtual class room based T-sessions.

At VFS we do have effective training of new employees too which creates the basic knowledge on what they're doing, time management, positivity generation, work motivations, get off to a good start, etc.

Last but not the least, our blended learning approach is becoming more and more popular and as a company we have seen a definite upgrade in this method of training over the last year. As we all know that blended learning is the effective combination of online learning and classroom learning. At VFS, we are rigorously working on the methods of training to improve ourselves for creating better opportunity for leaning and motivation.



programs are so inevitable for us that we are planning to open at the least one training center at each VFS operational state.

Keeping this plan in mind, we have recently embarked upon setting up of multiple training centers in different states for the benefit of our employees and also for customers to educate them. Apart from our Kolkata Training centre facilities, we have recently started training centers at Siliguri and Agartala of Tripura and Raipur. In August, 2018 our MD & CEO, Dr Kuldeep Maity personally visited Tripura and inaugurated a big training and skill development centre, which is now successfully running. There are more training centers in our pipeline in various other states.

have observed accruing due to training are:

1) An employee who receives the training is better able to perform in the job.

2) The investment in training that we make shows employees that they are valued. Our training creates a supportive workplace too.

3) Most employees will have some weaknesses in their workplace skills. VFS training program allows to strengthen those skills that each employee needs to improve.

4) A robust training and development program at VFS ensures that employees have a consistent experience and background knowledge.

Shabana Begum



As the four children come of age, the economic expectations increase. Shabana Begum from Bihar started her journey towards prosperity with her cosmetics business. When she started her own business, it is not only a source of sustenance but also an avenue of establishing her independent identity. She now stays in an owned home and carries a mobile phone to be in touch while on the move.

With her 3rd loan cycle from VFS, she is steadily growing towards her goal.

Nutan Devi



Nutan Devi of Bhagalpur was only a homemaker with eager longing to supplement her husband's income when contributing to the family expenses.

But she lacked funds to start laundry business. After she approached VFS, everything seemed smooth. She easily got the loan for capital and started her laundry. Now, she also has her own house and plans to take more loans from VFS.

Tusia Devi



Lack of schooling and age did not dampen the determination of Tusia Devi. She realised that the only way her children could have a better future was through financial prosperity.

VFS came in as a ray of hope and facilitated her with the required financial support to start her creative pottery business.

Now, Tusia lives in a home she is proud to own and is able to afford all basic needs of her family and her. The phone she carries, the bank account in her name is symbolic of her financial independence.

As a successful entrepreneur, Tusia Devi is a true inspiration for all of us. We are hopeful that her business will prosper further and her family will never have to think about basic sustenance.

Sahnaz Begum

It always takes a catalyst to transform one into a success. But a catalyst is not enough unless the person has an urge to see herself better off and metamorphose into one to reckon with. This in someone in the throes of abject poverty becomes a role model for others. The story of Sahnaz Begum is exactly that.

While she was fortunate to get access to education, the responsibilities of raising her kids with proper exposure were no less with her shoulders.

The first step has been achieved and she is proud to own her home.

While the fragrance of Sahnaz Begum's incense sticks stokes obeisance in the customers, it also boosts her prosperity.



VFS solution for all



DREAMING BIG

VFS SME Loans help customers who have grown beyond microloans and growing further

A STEP FORWARD

VFS Sri Briddhi Loans are designed for those having stable business and starting on growth path



VENTURE INTO BUSINESS

VFS Briddhi Loan is ideal for women who want to start their entrepreneurial journey

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