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MAINSTREAMING THE MARGINALISED

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Targeting Segment Leadership



Sudesh Chinchewadi, CFO & CS receiving the award from Rajeev Kumar Agarwal, Whole-Time Member, SEBI (3rd from right)

Vistaar Financial Services is a Non-Banking Financial Company (NBFC) with focus on credit to Micro, Small & Medium Enterprises (MSMEs), primarily in rural and semi-urban areas. This, in an attempt to be the catalyst to the underserved so that they can achieve greater economic and social well-being.

Objective

The company focuses on the missing middle segment, which is not effectively served by the formal financial system. The objective was to make finance available at a reasonable cost and deliver in a transparent manner. The target has been the micro-enterprises (both registered and un-registered) who do not have access to organised capital to fund their growth. These include businesses such as retail shops, small manufacturing units, services (hotels, bakeries, garages, workshops etc), agri-allied activities, home-based industries etc. Many such businesses have regular income but most of their transactions are in cash and therefore cannot establish regular flow of income through bank account. These entrepreneurs need larger amounts for expansion but find it difficult to get loans of required amount and from a proper channel.

Solution

Vistaar recognised the need

and developed a unique credit methodology for serving the different customer segments and is one of the few NBFCs with complete focus on MSME loans. The company follows a unique credit methodology:

1. In-depth study of a customer business to draw out the assessment peculiarities of that trade.
2. Income assessment through non-traditional documents (cash-flow assessment).
3. Reference checks – supply-chain players, neighbours, etc.
4. Collateral of required amount.
5. Continuous refinement of product and credit methodology.

The key attributes, which distinctively differentiates Vistaar from other players are as follows:

Zoning: The objective of this activity is to carry out detailed household survey of catchment area identifying micro-enterprise financing opportunities, risks, negative catchments and also to divide the catchment zones to be serviced by each Customer Relationship Officer (CRO).

Product Templatisation: This is carried out before commencement of the business. Product and credit managers visit branch catchment to meet with key micro-enterprise profiles of customers, local banks, societies etc and study the supply-chain, risks, cash-

flows and gaps of a business.

Origination: Pre-marketing activities include distribution of fliers, meeting prospective customers identified during the zoning etc. The emphasis is on those who are engaged in productive activities such as retail trading, small manufacturing units, power loom, handloom and so on.

Credit Bureau Checks: To assess the credit worthiness and level of indebtedness of the customer.

System Driven Transactions: All loans are booked online based on decisions taken by the Branch Manager as per approved credit limits. All information regarding the branch operations is available real-time from branch to the head office.

Expansion Strategy

The distribution of livelihoods/micro-enterprises across the country is characterised by geographically proximate clusters with similar kind of activities such as power looms, home-based industries, etc. The company's approach to opening branches is to find out these clusters and open branches in these locations, catering to the needs of those customers, through its customised range of products. Strong understanding of the different micro enterprises/businesses is translated into standard templates, which help our credit officers to arrive at assessments of the customers in a pre-defined manner, improving the quality of assessment substantially.

Benefits

- Vistaar is spread across 12 states with 198 branches (more than 90 per cent are in rural and semi-urban areas).
- Catered to 1.4 lakh small entrepreneurs with cumulative disbursement of ₹1,700 crore.
- Currently servicing around 85,000 customers (74 per cent are women).
- It has generated over 2,000 direct employment opportunities in rural areas and over 50,000 indirect employments through its credit support and positively impacted half-a-million livelihoods. ●