



## Economic and Social Council

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### Commission for Social Development

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**Follow-up to the World Summit for Social Development and  
the twenty-fourth special session of the General Assembly:  
priority theme: strategies for the eradication of poverty to  
achieve sustainable development for all**

### **Statement submitted by Vivekananda Sevakendra-O-Sishu Uddyan, a non-governmental organization in consultative status with the Economic and Social Council\***

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 36 and 37 of Economic and Social Council resolution 1996/31.

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\* The present statement is issued without formal editing.



## **Statement**

### **Innovative Small-Savings based Credit Model for Sustainable Social Inclusion**

#### **Introduction and Objective of VSSU**

Vivekananda Sevakendra-O-Sishu Uddyan (VSSU), a social developmental organisation, registered in 1986 with a vision of community development through community resources, is presently serving 130,000+ direct families of 710 villages of 10 Blocks of South 24 Pgs (Coastal Sunderban Area), West Bengal India. VSSU began by providing basic social development programs for the local community through engagement with education, environment and other community activities. To sustainably support these social development activities financially; VSSU started its Small Savings Based Micro Credit Programs in 1994 to support marginal farmers, micro entrepreneurs and small business owners. In accordance with its mission statement “Poverty alleviation and sustainable social development through microfinance and allied services”, VSSU is gradually expanding its area of operation to skill, education, employment generation and sustainable agriculture.

#### **Strategies used to Alleviate Poverty**

The area where VSSU operates is considered as one of the poorer districts of India. The density of population is high and the demographic profile is varied. As the biggest deltaic region of the world, this region is highly disaster prone and people’s lives are constantly threatened by flood, cyclone and wild animals. With 74% of total population living in a rural area most of them depend on agriculture and allied livelihood programs for survival. In this area 37.8% of people are still living below the poverty line and lack of education, employable skill and medical hazards make their lives miserable. VSSU has been relentlessly working towards the cause of bridging the gap and meeting the basic needs of the deprived communities living in precocity and helplessness.

VSSU is known for its self-sustainable small savings-based credit services. VSSU is not primarily a lending facility, but an organisation that aims to create a savings habit among its underprivileged clients, in order to strengthen their financial position and help them avoid future instabilities and emergencies. VSSU also offers loans to its clients, but the risk incurred by VSSU is quite low because of the savings balances it also holds. Clients are less likely to get defaulted on their loans because they understand that they also have savings invested in VSSU, which helps the clients to be loyal and utilise their resources appropriately. In addition the savings program helps bring about confidence of the client and the gradual growth of savings in course of three to five years makes the client self-sufficient. At the macro level the small savings of poor people without much effort and suitable time frame is contributing to a large extent in the capital formation and ultimately to the growth of GDP to the developing country of India.

VSSU offers several savings plans (frequency basis) for its customers including daily, weekly, recurring and one off deposits, all savings plans come with loan facilities. The daily deposit scheme is the best option for low income clients as their savings and assets do not usually qualify them for access to formal banking

services. Due to the low cost of VSSU funds VSSU can provide loans to its members at relatively cheap rates with easy instalment facilities. The VSSU door step service prevents clients from having to sacrifice valuable income earning hours during the day to go to the bank. All mentioned savings products help VSSU to mobilise enough resources for the long term development of the communities VSSU operates in.

### **The uniqueness of VSSU model, it's achievements and remaining challenges**

Our innovative initiatives focus on delivery of client-oriented products and services. Most microfinance institutions work with bank loans but we have always focused on savings based credit. And using that, we have proven that a savings led model can lead to a win-win situation for both the client and the institution in the long run. The root of uniqueness is that VSSU employs a savings-based credit system, while other organisations use conventional credit systems using bank finance or grants. VSSU's approach to microfinance is much more flexible; lending's are secured with guarantor's deposits and tailored to the client's needs. VSSU's loan amount & repayment, tenure's flexibility which is determined jointly based on the proposed project that the client wishes to invest in, and with the balance of their savings account and history with VSSU. Clients are encouraged to save a minimum amount regularly for their self-confidence and to enjoy hassle free loan facilities on demand.

To serve the community VSSU have implemented programs including, Bengal's largest residential skill training schools, academic institutions (elementary to higher secondary), colleges, libraries, crèches, homes for destitute persons, monthly food security programs for the elderly and persons with disabilities, medical centres, 150 acres of agricultural based eco-tourism projects, renewable energy promotional centre, 40 acres of rain water harvesting zone, basic health and hygienic centres and rural infrastructure development programs in collaboration with community without any external fund or grant support. VSSU has used revenues from its microfinance activities to fulfil the objective of the MDGs and now the SDGs. This demonstrates an immense and pure commitment to the community.

In this context we quote the Nobel Laureate Md. Yunus who said "I am trying but Kapil has already achieved, 100% loan from savings, whereas I am getting funds from National and International financial institutions. Further, VSSU's model has proven that people living in rural communities are also bankable; they have the power and inclination to save and also have good intention and habit for regular repayment of the loan. The strategies used have been replicated successfully in several parts of the country. The Founder and CEO was invited to USA's top universities incl. MIT, Tufts, SNC, Purdue, Fletcher School of Law and diplomacy, College of Wooster etc. to share his experience on innovative financial inclusion."

In 2003 in a 56 page study report The World Bank stated "international microfinance can learn from VSSU." To date, 35 plus interns and visitors from 55 countries of 5 continents have visited us and experienced a holistic developmental approach to strengthen the nation. Unlike other business oriented organisations, VSSU has only been focusing on a small part of Bengal for the past three decades, and still thousands of inhabitants are deprived from basic needs.

VSSU doesn't want anyone left behind and there is still a lot more to do to enhance sustainable development for all

**A story of Entrepreneur who becomes an employer**

Ramprosad Mondal of Ramlochanpur, an unemployed and illiterate youth from a below poverty line (BPL) family, always wished to be self-reliant and to support his family. In 2002 at the age of 23 he started a small plastic recycling business in Kolkata with a VSSU loan of \$US 167. Over the years, with the help of his wife and son the business expanded and at present he earns approximately \$US 500 per month. Ramprosad utilised his business surplus to develop his business, household expenses and son's higher education and today his son is working as an engineer at a government office. Mr Mondal is the proud proprietor of a recycling business worth \$US 20,000 and employs eight youths from his village in Kolkata city.

**Future recommendation: Microfinance alone is not enough; credit plus is required**

We have realised credit alone is not enough. There is also a need for a product including free insurance, incentive, skill training, exposure, marketing delivered as a package so that all clients can create a habit of regular deposit and repayment. The microfinance sector in India has recently been witnessed the impact of excessive focus on numerical achievements. Development does not follow any scientific formulae of progression, and needs to be client focused; process oriented and have a holistic approach with sustainable impact as its goal.

Poverty is the main cause of poverty, if you are poor then poverty will pull you down and if you are rich, wealth will bring you up. In India the poor pay two to four times more interest than the wealthy with the poor paying 24% interest p.a. on loans for business development and the rich only paying 10-12% interest p.a. for luxurious aspiration. To progress to substantial social inclusion, we need a more supportive regulatory environment, openness from bankers to see beyond traditional banking and for donors and lenders to view financial inclusion in sync with other aspects community development.

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