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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.

* The present statement is issued without formal editing.



Statement

Theme: “Strategies for the Eradication of Poverty to Achieve Sustainable Development for All”

Inclusion of excluded through a Self-Sustainable Savings based Credit Model

Introduction & Objective of VSSU

Vivekananda Sevakendra -O- Sishu Uddyan (VSSU), a social development organization, registered in 1986 with a vision of Community Development Through Community Resources, is presently serving 152,721+ direct families of 715 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; viz. Education, Environment etc. 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 owner etc. VSSU is gradually expanding its area of operation” to Skill, Education, Employment generation, sustainable environment & Agriculture etc.

The issues and strategies used to alleviate poverty:

VSSU operates in a poorer district of India. The density of population is high and demographic profile of people is varied. The biggest deltaic region of the world, this region is highly disaster prone and people’s lives are constantly threatened by floods, cyclones and wild animals, 74% of total population lives in rural area and most of them depend on agriculture and allied livelihood programmes, 37.8% people are still living below the poverty line and lack of education, employable skill and medical hazards make their lives miserable. Since the beginning, VSSU has been relentlessly working towards the cause of bridging the gap and innovating for meeting the basic needs of the deprived community living in precocity and helplessness.

VSSU is known for its self-sustainable small savings-based credit services. This means that VSSU is not primarily a lending facility, but an organization that aims to create a savings habit among its underprivileged clients to strengthen their financial position and help them avoid future instabilities. 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 default on their loans because they understand that they also have savings invested in VSSU, which helps the clients to be loyal and utilize their resources properly. In addition, the saving programme helps to bring in confidence in the client and the gradual growth of savings in course of 3 to 5 years makes the client self-sufficient and he/she does not require further loan from outside agencies to maintain her/his activity at their own scale. And at the Macro level the small savings of poor people without much efforts 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 like India.

VSSU offers several savings plans (frequency basis) for its un-bankable customers. viz. Daily, Weekly, Recurring & Onetime deposits etc, all savings plans come with loan facilities, the daily deposit scheme is most ideal for low income clients as the savings amount does not even qualify them for formal banking services. Due to low cost of fund VSSU can provide loans to its member’s relatively cheaper rates with easy tailor-made instalment facilities. Additionally, as VSSU door step services prevents the client from having to sacrifice valuable income earning hours during the day to go to the bank. All these savings products help VSSU to mobilize enough resources for the long-term development of the societies.

The uniqueness of VSSU model, its achievements and remaining challenges:

Our innovative initiatives focus on delivery of client-oriented products and services. Most MFIs 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 organizations use conventional credit systems using bank finance/ 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. Besides 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 with VSSU. Clients are encouraged to save a minimum amount regularly for their self-confidence and to enjoy hassle free loan facilities. VSSU have implemented programmes like, Bengal's largest residential Skill schools, academic institutions, B.Ed Colleges, Libraries, Crèches, Destitute home, Eco tourism projects , Renewable energy center, rain water harvesting zone ,basic health centers etc. (without any external fund or grant support). Over the years, VSSU has used the revenues from its microfinance activities to fulfil the objective of MDGs of United Nations. This shows 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/ International financial Institution. Further, VSSU model has proved that the rural people of the backward areas are also bankable, they have the power and inclination to save and have good intention and habit for regular repayment of loans. The strategies used have been replicated successfully in several parts of the country. The Founder & CEO was invited to USA's top several universities including MIT, Tufts, SNC, Purdue, Fletcher School of Law & diplomacy, College of Wooster etc. to share his experience on "Innovative Financial inclusion"

In a 56-page study in 2003, the World Bank stated that: "... International micro finance can learn from VSSU." So far over 356 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 organizations, VSSU is only focusing a small part of rural Bengal since last 3 decades, and still thousands of inhabitants are deprived from all basic needs, a lot more to do to enhance sustainable development for all, intensively.

A story of an entrepreneur who becomes an employer

Vombol Mondal is a 21-yearold unemployed & illiterate youth from BPL family. After his father's death in 2015 it was miserable to run his 5-member family due to crucial financial crunch. Vombol's family had no other options other than continuous starvation. VSSU approached him and offered an Engine –VAN, the cost of the VAN of USD 1230 and it was agreed that Vombol will repay the loan within 24 months with subsidized interest rate. Vombol was diligent, his tireless efforts enabled him to repay the loan within a year and now he is maintaining his family smoothly, his one son got admission at VSSU crèche school and his present earning is like US\$15 /day. Vombol utilized his skill and his zeal for a poverty free life instigated his success.

Future recommendation: Microfinance alone is not enough; we need Credit Plus

We have realized Credit alone is not enough. There is also a need for facilities like free insurance, incentive, skill training, exposure, marketing, these delivered as

a package so that even all poor clients can create a habit of regular deposit & repayment. The microfinance sector in India has recently witnessed the catastrophic impact of excessive focus on numerical achievements. Development does not follow any scientific formulae of progression, and needs to be client focused, process oriented, must 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 itself and if you are rich, wealth will bring you up, here a poor pays 2-4 times more interest than rich. It is very unfortunate that In India, a poor pays 24% interest p.a. on loans for business development where a rich man pays only 10-12% interest p.a. for luxurious aspirations. To make real social inclusion, we need a more supportive regulatory environment, openness from bankers to see beyond traditional banking, donors and lenders to view financial inclusion in sync with other aspects community development.
