

MISSING MIDDLE – An Attractive Business Opportunity



Mr. Brahmanand Hegde
Exe. Vice Chairman

Kotak Institutional Equities’ 2018 Edition of BFSI, held its annual summer conference in Mumbai, hosting 47 companies and 21 speakers across 28th-30th May. Our **Executive Chairman Mr. Brahmanand Hegde** was one among the various speakers from various Banks, Non-banks & Service providers, including rating agencies and consultants.

Following are the highlights from Mr. Brahmanand: “ If one looks at the population pyramid, there are many MFIs and select banks that target the bottom of the pyramid and most FIs are at the top of the segment. There is a big opportunity to lend between the two segments, popularly called **missing middle**.

MSME space offers large opportunity, more specifically micro & small businesses. No. of MSMEs in India is growing at **7.2% CAGR**. MSMEs contribute to **29% of GDP**. This sector can contribute more than 33% of GDP in medium term.

MSME space is seeing structural changes. There has been strong push from the government (ex: Mudra) to grow the MSME space and improve ease of doing business. GOI also has launched **MSME venture fund** and **Credit Guarantee Scheme** through SIDBI for MSMEs. **Mudra** has seen more successful through the refinancing channel of MFIs for MSME lending. Many new players /NBFCs/Banks have entered this segment in the last few years increasing sources of institutional credit. Technology adoption by financial intermediaries has improved in this segment enabling easy delivery of credit (ex: development of credit score). There have been additions of new players in various parts of the value chain (ex: many banks are leveraging presence of BCs for MSME lending, Fin-tech companies are developing new way of origination).

Impact of GST on borrowers of Vistaar has been low. **Less than 1%** of customers have a GST record. Vistaar operates at the lower strata of MSME sector, where average ticket size is **₹0.6-0.7mn** and these companies mostly do not come under the GST ambit. Any business which has lower value transactions like restaurants, Kirana stores, etc. faced significant stress in the initial 2 months post demonetization but returned to normalcy post that within few months. However, businesses with bulky cash transaction took 6-7 months to return to normal mode of operations.

Vistaar's focus on **MSME business** continues to offer large and attractive opportunity. With investment in **people, technology and credit processes**, Vistaar is will continue to lead this space, more specifically **rural and semi-urban space**.

Vistaar Celebrates “World Environment Day”



“Be the Change you want to see in the World” each one can make a difference!

“Go Green, There is no Planet B”

Snapshot - May, 2018

States	13
Branches	225
Districts	153
Customers	46,611
Employees	2,053
Disbursements (YTD) (₹ Crs.)	112
Portfolio (₹ Crs.)	1,291