

# V Vaidyanathan

Executive Chairman, Capital First



“When we say ‘Rise with India’, we also want to see the rise of the tiny India, meaning the rise of the ‘Tiny enterprises of India’. By enabling digitization, the government has ensured that growth is not just for large enterprises anymore. Today, even a small micro-entity can get credit. For example, now, it’s not unheard of for a small shopkeeper to get finance to buy a laptop, mobile or cash-counting machine anymore. Why? Because digitization is enabling it.”

The core purpose of existence for Capital First is to provide financing to India’s 50 million self-employed entrepreneurs, MSMEs and fast-emerging middle class. Unlike traditional models of financing, Capital First has successfully created new, technology-led models to sustainably finance MSMEs and Indian consumers in hitherto unbanked and under-served segments. Within just eight years of its launch, the company has disbursed over ₹58,000 crore, and built up loan assets of ₹26,997 crore (\$4.15 billion) as of 31 March, 2018, with over 6 million customers. From CIBIL records, it is clear that traditionally, NPAs of MSMEs have been between 5 per cent and 12 per cent in India, but in Capital First’s experience, small enterprises are actually excellent paymasters. The gross

and net NPAs of the company are 1.62 per cent and 1 per cent, respectively, as of 31 March, 2018, on 90 DPD NPA recognition basis. Capital First was founded by Mr V Vaidyanathan by way of a management buyout. He acquired a stake in the company and secured equity backing of ₹810 crore (\$159 million) from Warburg Pincus in 2012, and created a new brand and entity called Capital First. Mr Vaidyanathan spoke at the very start of the India Economic Conclave 2018 on ‘Rise with India’, and outlined why everyone should be bullish about the future of India. He said that small enterprises should be taxed at a significantly lower rate. He also said that the government has shown extraordinary entrepreneurial skills in implementing GST despite the various pulls and counter-pulls.



One of the reasons for optimism in the financial services sector were the reforms the government had implemented, he said. An example of significant reform brought about by the government is Digital India. What is important is that Aadhaar, Jan Dhan, the mobile ecosystem, the India Stack, the borrows have all come alive at the same time, he said. The RBI wants the system to go down the chain, the government wants to go down the chain in the ecosystem – so the whole ecosystem is moving towards ‘tiny’. Today, even a small micro-entity can get credit. For example, now, it’s not unheard of for a small shopkeeper to get finance to buy a laptop, mobile or cash-counting machine anymore. Why? Because digitization is enabling it now. This was not possible ten years ago. That shows the ecosystem is moving downwards towards the ‘tiny’ economy, and that sort of growth is more powerful, more enabling, more liberating and more democratic for us Indians.”