



NeoGrowth
2015 Social Impact Report

Foreword

In our two years of commercial operations, the impact NeoGrowth has made to hundreds of lives is clearly visible. I am glad to present to you, an independent assessment of the results of these actions. As we grow, we will continue to be relevant to small businesses, enabling them to enter the mainstream of our economy, create jobs, reduce gender inequality and for entrepreneurship to flourish and prosper.

Regards,

Piyush Khaitan

Founder & Managing Director
NeoGrowth



“More than just a lender . More like a Stakeholder”



INTRODUCTION

NeoGrowth 2015 Impact Report explores and reaffirms its core vision of being an enabler in the Small & Medium Enterprise (SME) ecosystem .

NeoGrowth Credit Pvt Ltd (“NeoGrowth”) started its present business from August 2012. In a short span of time, NeoGrowth has achieved considerable growth .

NeoGrowth has supported more than 1000 merchants & retailers till March 2015.

NeoGrowth has been funded by three well known Impact Investors : Omidyar Network, Aspada Investment & Khosla Impact

NEOGROWTH'S KEY ENABLING INITIATIVES IN SME LANDSCAPE

- Pioneer in Merchant Cash Advance (MCA) in India
- Enabling scaling up of business
- Increasing credit worthiness of its clients
- Nurturing business Ideas
- Flexible repayment schedule
- Development of Entrepreneurship
- Pre closure facility
- Easy and simple paperwork

**“A loan is not just getting money,
but finding people who show trust
in you, who value your business
ideas”**

NeoGrowth Credit Pvt Ltd (“NeoGrowth”) assigned Anuj S Sharma & Co (“ASCo”) to conduct an independent & transparent Social Impact Assessment of its lending program & beneficiaries on sample basis in April & May 2015

KEY ABBREVIATIONS

- ASCo: Anuj S Sharma & Company , legally registered under Institute of Chartered Accountants of India
- CIBIL: Credit Information Bureau Limited
- EMI: Equated Monthly Installment
- INR: Indian National Rupee
- MCA: Merchant Cash Advance
- Mn: Million
- NBFC: Non Banking Finance Company
- NeoGrowth: NeoGrowth Credit Private Limited, an NBFC registered with RBI
- RBI: Reserve Bank of India
- SME: Small & Medium Enterprise (retailers/merchants)

SCOPE OF WORK

Parameters reviewed

- Lending to Small & Medium Enterprises
- Job creation for low income group
- Job retention by low income group
- Opportunity to improve credit history and integration into formal banking system, over a period of time.
- Lending to women entrepreneurs
- Staff employed by Small & Medium Enterprises
- Additional bank lending from mainstream banks after disbursement to such retailers and merchants
- Best practice indication based on survey interviews regarding facilities/ benefits provided



SAMPLE SELECTION METHODOLOGY

ASCo conducted field reviews of 28 merchants & retailers in Mumbai, Thane and New Mumbai region out of 615 unique live merchants & retailers spread in different cities / municipal areas.

Sample selection methodology & rationale

We determined interview sample size of random 28 merchants & retailers using the following complementing / associated factors (*to maintain independence and transparency of field reviews*)

1. ASCo's prior work with NBFCs (Microfinance & SME lending), Regional Rural Banks, Non-profit entities and Development Bank field reviews conducted for impact funds and social enterprises in past 6.5 years
2. On-field experience during the present field survey and similar geography field work
3. Time available for reviews
4. Best practices in field surveys for social impact
5. Random mix of different segments to which lending was given by NeoGrowth based on quantum of loan, number of cycle of lending, gender etc
6. Understanding of NeoGrowth's business

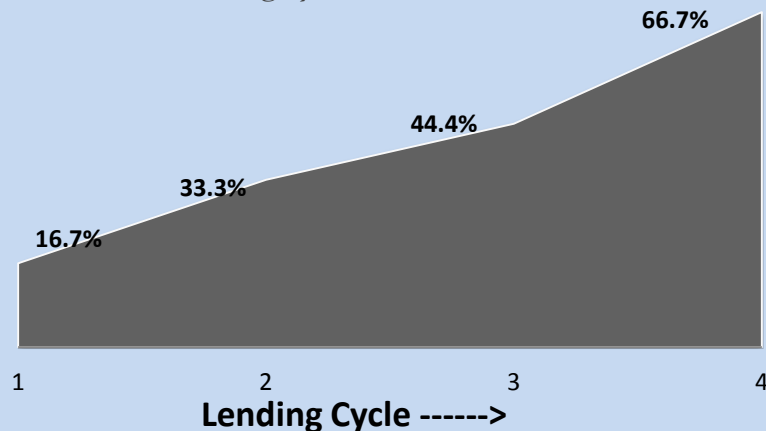
To maintain effectiveness and transparency, we took pictorial evidences of 93% of our sample interviewed at merchants/retailers place of business.

EVIDENCE OF ENABLING & ENHANCING CREDIT HISTORY

IMPROVEMENT IN CREDIT HISTORY

Our review indicated a steady trend of improvement in credit bureau (CIBIL) score of participants. Merchants & retailers (“ Client”) in the first cycle of loan from NeoGrowth generally show a dip in CIBIL score due to their access to an unsecured loan instrument.

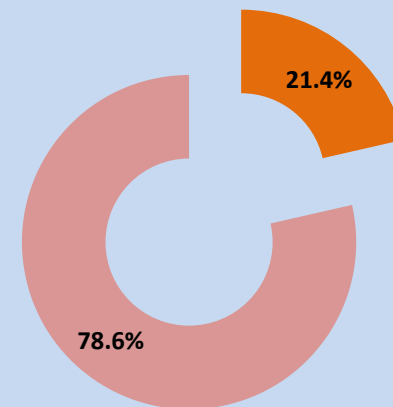
For every repeat lending, the CIBIL score showed a marked increment. CIBIL score increased from 16.7% of first lending cycle clients from the sample reviewed to 66.7% in fourth lending cycle clients.



FINANCIAL INCLUSION

There were 21.4% cases wherein clients were introduced to a formal credit system for the first time.

This assumes significance due to the fact that post formal introduction in credit bureau , client will be able to integrate into banking & other prevalent lending systems. This will enable clients to access a wide range of debt instruments in future for their business growth .



Sample Client feedback

Featured four (4) clients were not part of formal credit system earlier.

For these clients, borrowing requirements were fulfilled through informal segments, family or friends . These sources of funding were either irregular, inadequate or expensive.

NeoGrowth identified their potential and gave them loans based on their business turnover and future income scenario enabling them to sustain and grow their business.

Client like 'C', dealing in beauty products (in his 4th lending cycle) was introduced to formal credit mechanism post borrowing from NeoGrowth. He was also able to increase the credit score significantly making his venture eligible for a formal bank loan .

He has added another shop recently with more staff and higher turnover.



Client A (Apparel Shop)



Client B (Electronics Shop)



Client C (Beauty Products Shop)



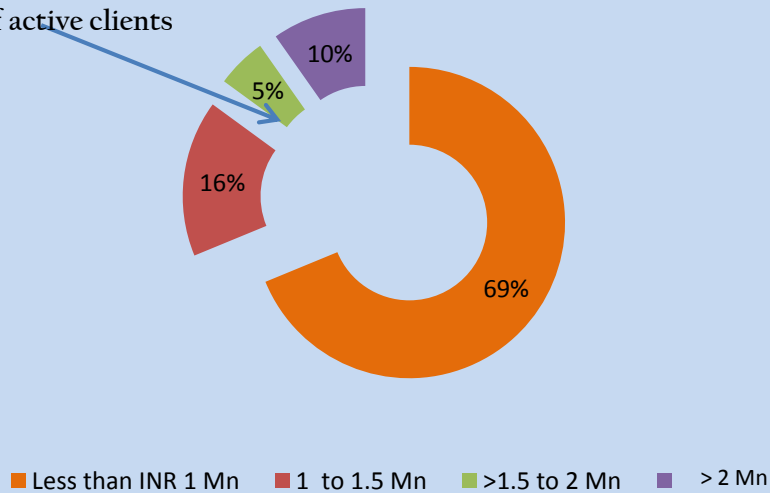
Client D (Beauty Products Shop)

SMALL & MEDIUM ENTERPRISE LENDING

NeoGrowth's key focus is on lending to Small & Medium Enterprises specifically merchants & retailers across multiple business segments.

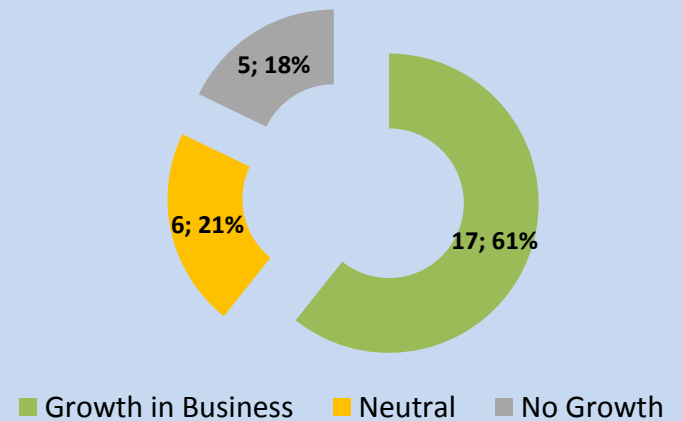
615 unique clients were funded. Out of this, 69% clients were provided loan of less than INR 1 Mn each

No of active clients



BUSINESS ENABLER

NeoGrowth supports clients in growing their businesses. 17 clients (61%) witnessed growth in business after borrowing from NeoGrowth, based on our interviews.



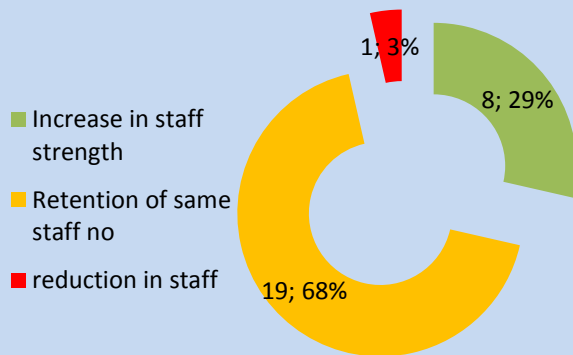
Our field analysis of 28 clients indicated that due to flexible EMI and direct debit from their account post credit card transactions, clients find NeoGrowth product easier to manage in terms of cash flow and convenience.

JOB CREATION

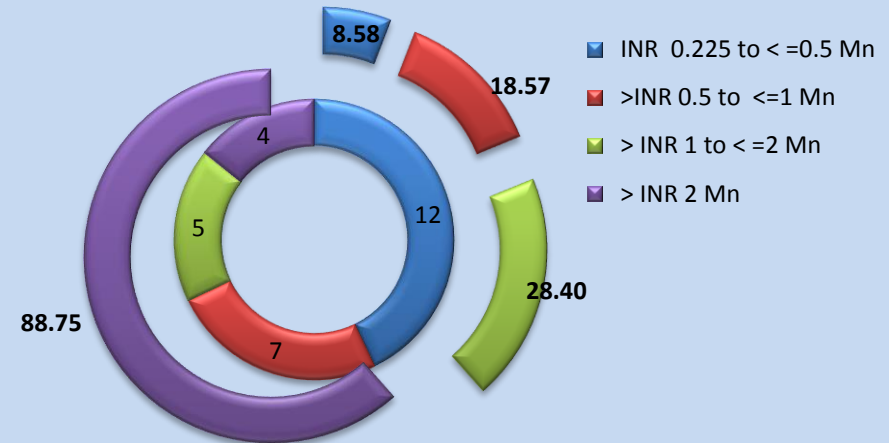
Due to assistance provided in growth of business, NeoGrowth enables clients to either retain their staff in slowing economy or increase the headcount .

As per general feedback received, during our review, businesses in general have faced pressure due to multiple factors such as reduced spending power, preference of on-line purchases , reorganization of small retailers & merchants, increase in rentals etc.

NeoGrowth clients were able to retain their staff in 68% cases (with increase in salaries) and in 29% cases there was an increase in staff strength.



Clients which took higher loan generally had more staff indicating favorable job support. Almost all staff were from low income segment.



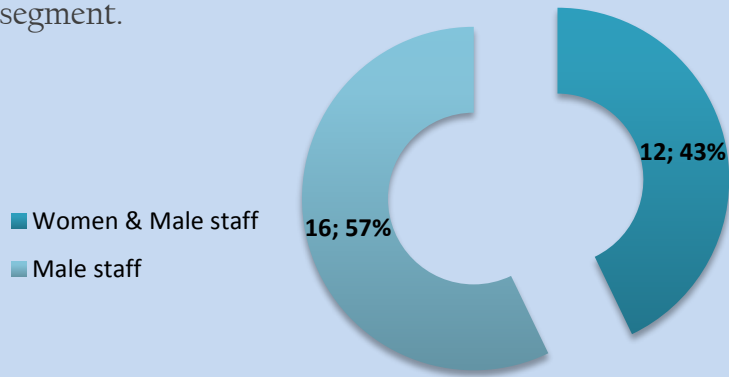
Lending amt slab	No of clients surveyed	Avg staff	Total no of staff	No of women staff
INR 0.2 to <=0.5 Mn	12	8.58	103	17
>INR 0.5 to <=1 Mn	7	18.57	130	4
> INR 1 to <=2 Mn	5	28.4	142	12
> INR 2 Mn	4	88.75	355	44
Total	28	26.07	730	77

GENDER

Out of the total 28 clients interviewed, three (3) were headed by women entrepreneurs.

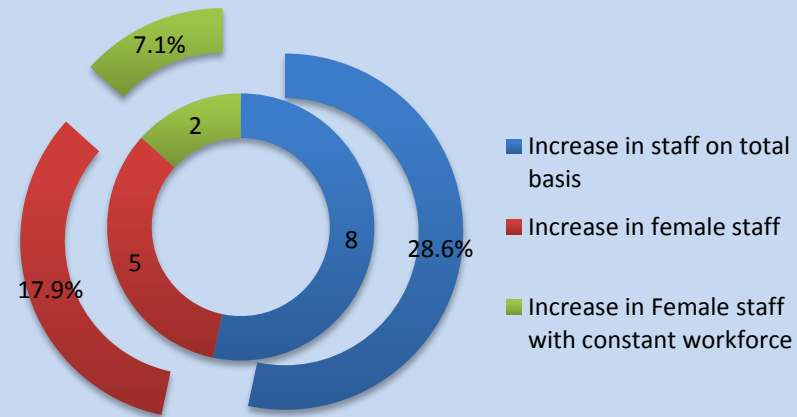
Twelve clients constituting 42.9% had women staff. In one entity, all staff were women.

Almost all women staff employed were from low income segment.



Out of the total 615 unique clients reviewed, 69 clients (11.26%) were women

Out of 12 clients having women staff, five clients (17.9% of total clients) witnessed growth in their women workforce as well.

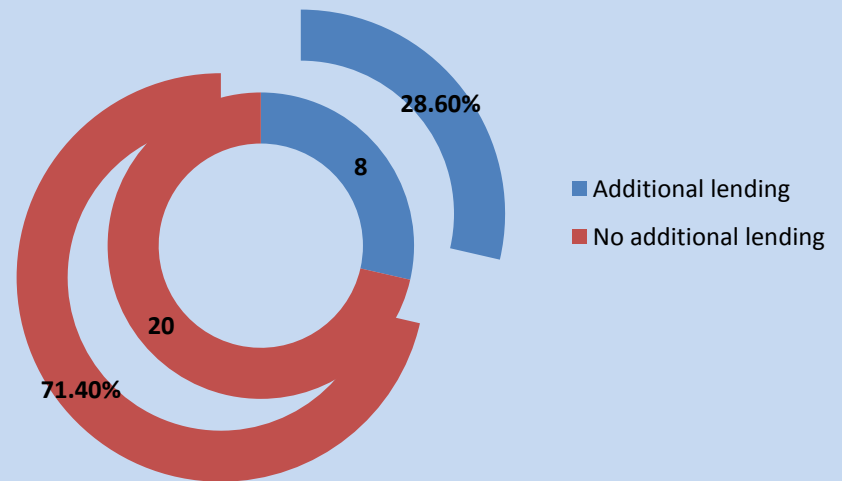


In two cases, there was no growth in total workforce but women representation increased post lending by NeoGrowth.

MAINSTREAM FINANCIAL INCLUSION

ASCo interviewed 28 clients and reviewed their credit data.

Post NeoGrowth lending, 8 clients (28.6%) out of 28 clients were able to get additional funding from formal lenders.



JOB ENVIRONMENT & FACILITY PROVIDED

- Most of the clients provided accommodation to their staff
- Select clients provided insurance to their staff (5 out of 28 clients interviewed)
- In two cases, one of the key staff was made a stakeholders in business by the business owner
- Majority of clients provided their staff access to clean water (all 28 clients) and good sanitation (26 out of 28) while working

SAMPLE CLIENT STORIES

Spa & Salon

A woman entrepreneur, started a spa and salon, with her family & friends' capital with no access to formal lending institutions. In this line of business there is a constant need of upgrading interiors and facilities in order to retain and attract customers for which extra capital is needed.

Due to lack of eligibility for loans from formal lending institutions, she reached out to NeoGrowth which was referred to her by an existing client of NeoGrowth.

NeoGrowth's intervention helped her in upgrading her salon's interiors and retaining the clients.

She has given 50% stake in her venture to her key staff. All staff is from low income group. 50% of staff is women. She has provided accommodation to all her women employees.

She was able to increase her staff by 4 people post lending from NeoGrowth



A RESTAURANT

An NRI woman entrepreneur, started a stand alone restaurant. It got good response.

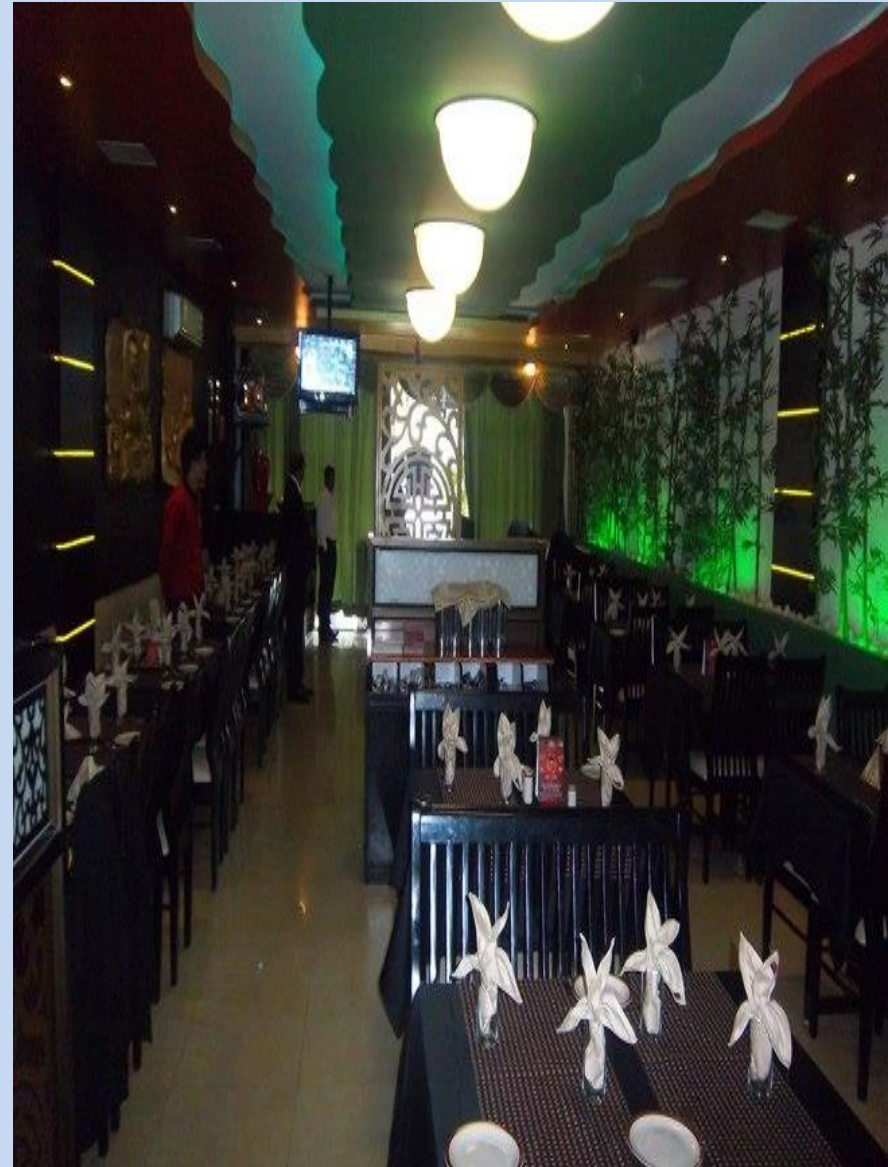
Based on the encouraging response, she decided to start another restaurant. She took a nearby place on rent for establishing the new restaurant but it took her more than a year to get all requisite licenses . Due to the bottlenecks, funds were stuck and cash burn was higher.

During the same time, her co-founder tried taking a loan through banking institutions. Due to low credit score ,his loan application was rejected.

Business sustenance was becoming increasingly difficult therefore she contemplated closing her business.

NeoGrowth understood her needs and bottlenecks and provided her a loan . Post NeoGrowth's support, she was able to grow her business considerably. Her new restaurant is operational now and is quite popular with youngsters.

The loan from NeoGrowth helped her to fill the gap of working capital requirement and sustain her business.



“Good thoughts naturally culminates
into good actions”
-Yajur Veda

Acknowledgements

NeoGrowth:

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ASCo Team:

- Anupama Naidu
- Chintan Mhatre
- Ami Shah
- Anuj Sharma

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