



# SOCIAL IMPACT REPORT 2020

**NEOGROWTH**

Lending simplified. Growth amplified.



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# Key Abbreviations

- 1 AUM: Assets Under Management
- 2 Bn: Billion
- 3 CAGR: Compounded Annual Growth Rate
- 4 EMI: Equated Monthly Installment
- 5 FY: Financial Year
- 6 GST: Goods and Services Tax
- 7 INR: Indian National Rupee
- 8 MSME: Micro, Small and Medium Enterprises
- 9 Mn: Million
- 10 NBFC: Non-Banking Finance Company
- 11 NeoGrowth: NeoGrowth Credit Private Limited
- 12 POS Machine: Point of Sale Machine
- 13 RBI: Reserve Bank of India
- 14 UN SDG: United Nations Sustainable Development Goals
- 15 USD / INR Exchange rate: 75.0

# Message from Managing Director



It is with great pleasure that I present you with our Sixth Social Impact Report for the year 2020 which is an annual effort to engage with our key stakeholders - our customers, to understand their financial needs, challenges faced by them and assess the impact of our lending activity on their lives. This report is an outcome of an intensive on-ground activity conducted to understand the direct as well as indirect social impact created by NeoGrowth's lending. It gives a deep insight into the difficulties faced by our customers and how NeoGrowth has addressed their problems of capital and growth, thereby becoming a partner in fuelling their ambitions for growth. This report also summarizes our efforts in fostering entrepreneurship, promoting women entrepreneurship, furthering financial inclusion, indirect employment generation, strengthening credit history, accelerating digitization of MSMEs and driving economic growth.

I would like to take this opportunity to share that we are grateful and proud that during the financial year 2019-20, our loan assets under management (AUM) grew by 27% to reach INR 1,340 Crores (USD 179 Mn). We reported a total income of INR 352 Crores (USD 47 Mn), an increase of 16% over the previous year.

Our performance stands testimony to our long-standing relationship with channel partners, alliances with financial and strategic business partners which has helped us deliver a superior and rewarding experience for our customers. In continuation with our strategy of "Deeper, Wider and Newer", we have focused on deepening our reach in existing cities through our core retail lending product offering to the unserved and underbanked MSMEs by leveraging digital payments data. By 'Newer' approach, we have strengthened our offerings by launching a new product, namely Purchase Finance. With Purchase Finance and Vendor Finance, NeoGrowth now caters to the supply chain needs of small and medium businesses. During FY2019-20, we also introduced a low-ticket size and faster variant of NeoCash Retail called NeoCash Express. And by 'Wider', we have expanded our presence in newer markets by opening branches in 8 new Tier-II cities and opened up 5 more branches in existing Tier-I cities. Our tech & touch model along with our customer centric business philosophy has helped us emerge as market leaders touching customers across all industry segments. We have remained focused on maintaining deep local connect with market and customers.

This report aims to summarize our efforts in helping entrepreneurs access funds for scripting their growth and success. Our financing not only helps our customers grow but also drives financial inclusion making a positive social impact. At NeoGrowth, we have always focussed on creating strong positive social impact on MSMEs by lending to first generation entrepreneurs, assisting women entrepreneurs and enabling our customers in job creation and improvement of credit scores via our loans.

Sincerely  
Piyush Khaitan  
Founder & Managing Director

# About NeoGrowth

NeoGrowth was founded by Dhruv Khaitan and Piyush Khaitan in September 2012 and is a RBI registered Systemically Important NBFC (non-deposit taking). NeoGrowth is a 'tech and touch' based fintech lender that provides loans to consumer facing, retail oriented, under-served MSMEs. We have pioneered an unique business model in India wherein a retailer can avail a collateral free loan against digital sales (credit/debit card payments, UPI and online sales). Having piloted the product in 2012-13, NeoGrowth now operates across 29 cities pan India. The unique feature of this product is that it enables automated, hassle-free, daily, digital repayments for the customers at the ease of their convenience.

NeoGrowth believes in being a financial partner with the small business owners to drive their growth. We provide financing to retailers, restaurants, apparel shops, kirana stores, petrol pumps, groceries, pharmacies and other MSMEs with flexible repayment options and customized products addressing multiple business needs. Our financing not only helps our customers grow but also drives financial inclusion making a positive social impact.

The value NeoGrowth has created for its customers is reflected in a high repeat customer rate and the positive social impact the company has created. Besides, NeoGrowth has all types of loan products for catering to the supply chain requirements of small and medium businesses.

**To know more about NeoGrowth's impact and footprint, click the link below.**

**NEOGROWTH**  
Lending simplified. Growth amplified.


[About NeoGrowth](#) 

## Customer Success Stories




[SportsXS, Bengaluru](#) 



[Purna Bramha, Bengaluru](#) 



[Sams Studio, Mumbai](#) 

# Our Mission

To fund small businesses by leveraging the digital ecosystem. Our financing not only helps our clients grow but also creates a positive impact.

# Core Values

NeoGrowth is a values driven company and that is reflected in our following three values. All our products, processes and services are built around these values and we proudly adhere to it. It is what makes us tick in the competitive market that we operate in.



## Accountability

Goes hand in hand with empowerment and brings in a sense of ownership in all that we do



## Customer Focus

All our actions need to have a positive impact on the customer



## Innovation

We are a new-age financial services company and innovation is in our DNA

# FY 2019-20: A Glimpse

The Indian economy has witnessed a slow pace of growth in 2019-20 owing to decline in industrial growth, subdued expansion in manufacturing, agriculture, government expenditure and depressed consumer sentiments. Even then, India started showing signs of recovery in January 2020 with sharp pick in business activity, rise in rural demand, government spending in welfare schemes and private consumption. However, with the outbreak of COVID-19 which has forced Governments worldwide to take severe measures of lockdown, the Indian economy will continue to remain under strain for a while. Faced with sustained challenges in raising capital at competitive prices and sluggish pace of growth in the economy, the NBFC sector is set to record the lowest loan growth in over a decade in FY 2019-20, as per CRISIL research. However, with the Govt. taking up several measures to support and strengthen the NBFCs and various fiscal incentives given to the financial sector will be favourable for NeoGrowth's operations.

In spite of the sluggish growth, the year 2019 has ushered in positive regulations and directives for the new age digital lenders and the entire financial services and payments industry. Aiming towards a cashless economy, there has been a continuous thrust by the Government on accelerating adoption of low-cost digital payments by merchants and consumers. With government focus on increasing MSME contribution to India's GDP from present 30% to 50%, this augurs well for us.

Despite the challenging economic scenario, our company has continued to grow at a healthy disbursement rate with our AUM scaling up from 48 Crores (USD 6 Mn) in FY 2014-15 to 1,340 Crore (USD 179 Mn) in FY 2019-20. This growth emanates from our continued focus on the target segment, deepening relationships with our customers and our pan India presence across 35 branches in 29 cities.

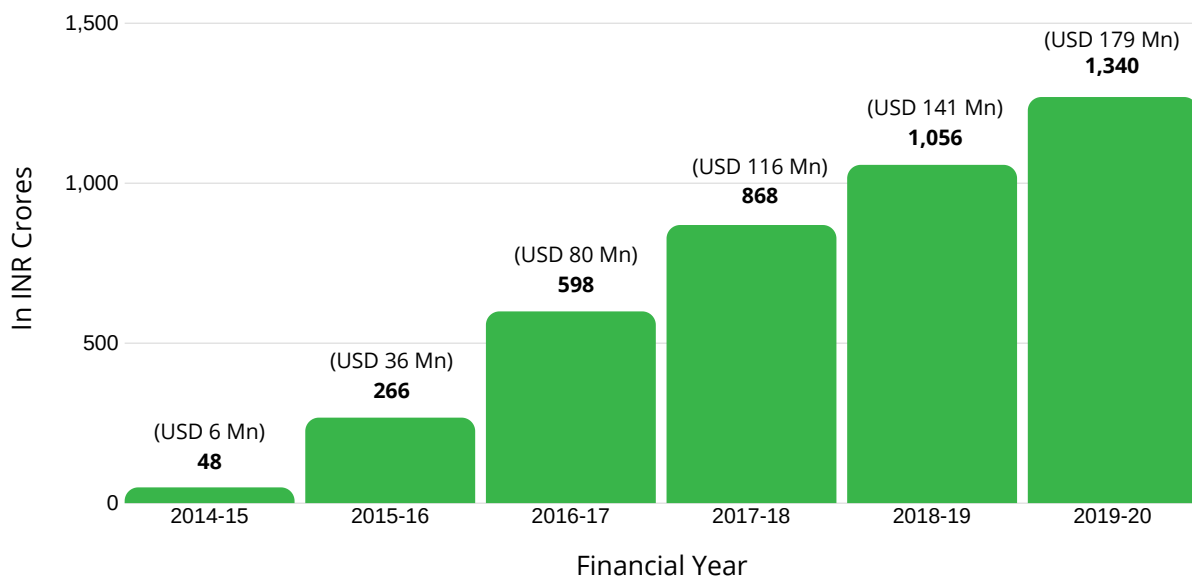
We continue to focus on customer delight and achieved a healthy renewal rate of ~60% demonstrating high customer satisfaction. NeoGrowth has a highly granular loan book by virtue of low ticket size disbursements across 17,000+ live customers. We are constantly leveraging our technology and analytics platform for automated underwriting, customer profile selection and devising collections strategy. NeoGrowth has always focussed on creating a strong positive social impact on MSMEs by lending to first-generation entrepreneurs, assisting women entrepreneurs, enabling our customers in job creation and in the improvement of credit scores via our loans. Presently, NeoGrowth operates in 29 cities where we will continue to expand and aim to build a billion-dollar balance sheet in the next 4 years while maintaining our pillars of growth.

# FY 2019-20: A Glimpse

## Loan Portfolio Growth

NeoGrowth has grown from INR 48 crores (USD 6 Mn) in FY 2014-15 to INR 1,340 crore (USD 179 Mn) in FY 2019-20, witnessing a nearly 28-fold increase in the last 6 years.

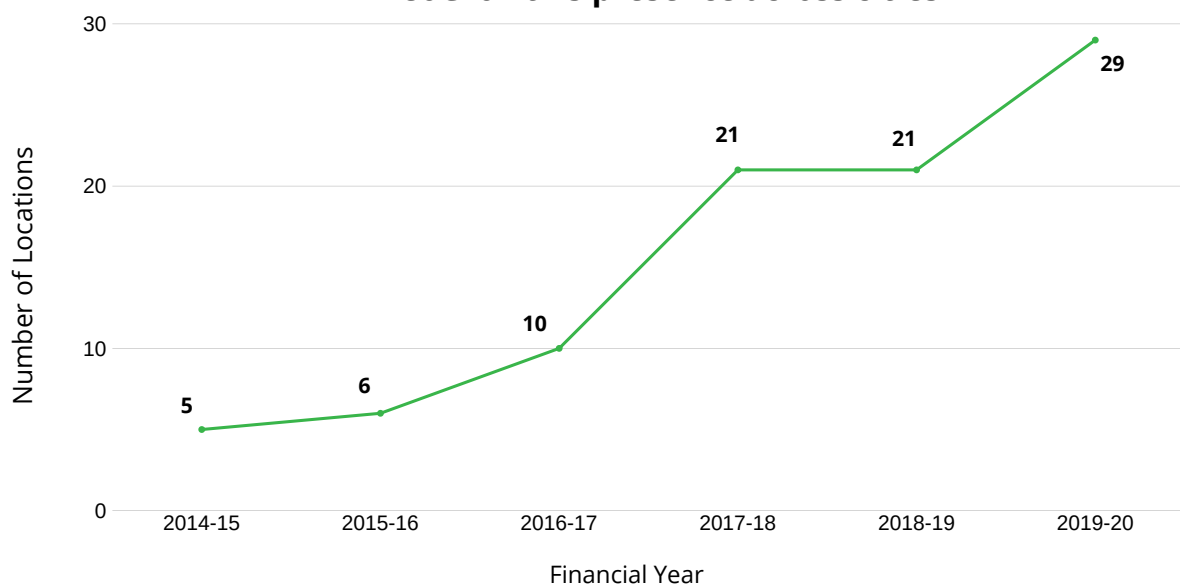
### Loan Portfolio Growth



## Increased Presence

NeoGrowth's presence has grown over the years with a steady increase in the number of locations from 5 in FY 2014-15 to 29 in FY 2019-20. This enables us to widen our customer outreach through our 'tech and touch' model and we are able to service customers across both Tier-1 and Tier-II cities. Presently, NeoGrowth has 35 branches across 29 cities.

### NeoGrowth's presence across cities

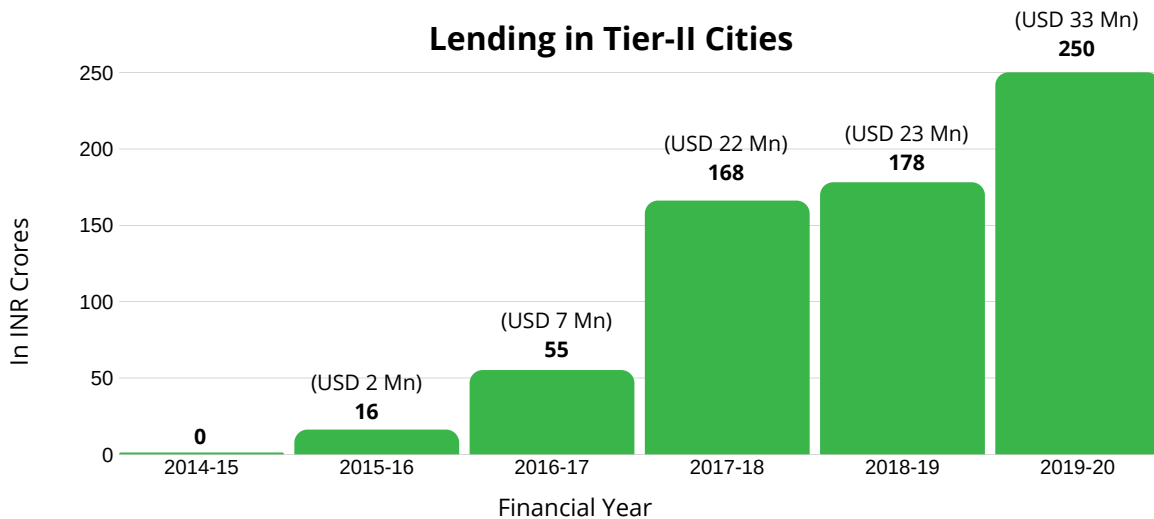




# FY 2019-20: A Glimpse

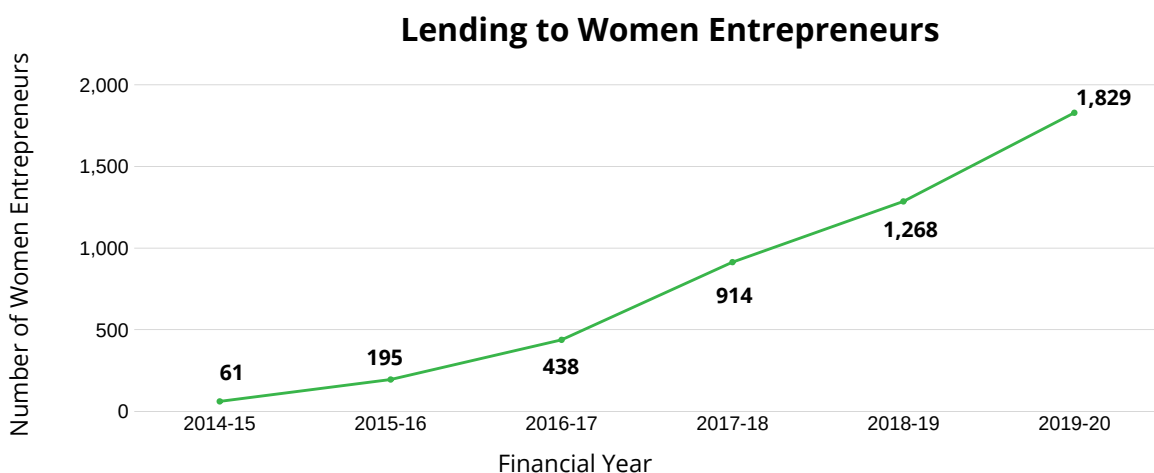
## Lending in Tier-II Cities

The seven Tier-I cities constituted the majority of NeoGrowth's portfolio in 2014. However, taking into consideration the changing demographics, proliferation of MSMEs and the growing credit demand from Tier-II cities, NeoGrowth forayed into lending to merchants in Tier-II cities as well. As of FY 2019-20, the Tier-II portfolio accounted for about 19% of the total lending activities in NeoGrowth.



## Supporting the Women Entrepreneurs

NeoGrowth's portfolio witnessed a substantial upsurge in the number of women entrepreneurs from 61 in FY 2014-15 to 1,829 in FY 2019-20. These numbers include loan disbursement to businesses run by women either as sole proprietors, partners or directors and also to businesses in which a woman was a co-applicant for the loan demonstrating NeoGrowth's non-discriminatory approach towards lending to women borrowers. The increase in lending to women applicants and commencement of lending in Tier-II cities also demonstrate NeoGrowth's active contribution towards furthering financial inclusion.



# Key Highlights

<p><b>Average loan ticket size</b> ~ INR 12 Lakhs (USD 16,000)</p>	<p><b>Serving 6,300 pincodes in India</b></p>	<p><b>Touched 70,000+ Customers since inception</b></p>	<p><b>Presence in 29 Cities across pan India</b></p>
<p><b>1,340 Crores AUM (USD 179 Mn) in FY 2014-20</b> 154% CAGR over last 5 years</p>	<p><b>Over INR 5,500 Crores (USD 733 Mn) disbursed till date</b></p>		<p><b>Total equity raised since inception INR 500 Crores (USD 67 Mn)</b></p>
<p><b>70% of portfolio is on daily repayment mode</b></p>	<p><b>~ 60% of maturing customers renew their loans</b></p>	<p><b>Self-financing business model: nearly 70% of cash flows ploughed back to business towards disbursals</b></p>	

# Executive Summary



**Fostering Entrepreneurship:** NeoGrowth nurtures first generation entrepreneurs by providing loans to borrowers with no prior formal business experience. About 77.5% of the total NeoGrowth customers interviewed were first generation entrepreneurs.



**Promoting Gender Inclusion:** In an effort to support women entrepreneurs, NeoGrowth extended loans to 1,829 women in FY 2019-20 which comprised of 10.8% of the total borrowers.



**Strengthening Credit History:** NeoGrowth takes into account the underlying performance of the business rather than concentrating only on the credit history of the borrower. Accessibility to debt and timely repayments result in an improvement in credit scores of the borrowers. As per the survey, 6.5% of the interviewees had no credit history. 91.5% of the interviewed NeoGrowth customers who had previous credit history showed improvement or consistency in credit bureau scores after availing loans from NeoGrowth.



**Financial Inclusion:** As surveyed, 51.4% of the interviewees were first time borrowers. Each of these parameters indicate the contribution towards financial inclusion by NeoGrowth.



**Indirect Employment Generation:** As per the survey, 28.0% of the interviewed NeoGrowth customers showed an increase in the number of their employees post availing loan from NeoGrowth.



**Environmental Sustainability:** As per the survey, 81.3% of the interviewed NeoGrowth customers are taking different environmental initiatives out of which 84.6% of the customers have moved away from using plastic.



**Accelerating Digitisation of MSMEs:** The unique model of NeoGrowth to provide loans against future credit and debit card sales has helped in accelerating digitization in India. As per the survey carried out for the NeoGrowth customers, the average digital sales transactions per day at their businesses accounted for around 50.8% of the total daily sales transactions.



**Driving Economic Growth:** As per the survey, 84.1% of interviewed NeoGrowth customers registered an increase in revenue post availing a loan from NeoGrowth. NeoGrowth also supported early stage entrepreneurs, 28.0% of the interviewed NeoGrowth customers have been in their businesses for less than 5 years.

# Purpose of the Study

NeoGrowth strongly believes in creating a positive impact through its lending activities while also solving the financing needs of the MSME sector. NeoGrowth commissioned ALSiSAR Impact Pvt. Ltd. ('Agency') to conduct an independent study to analyse and estimate the social impact created by NeoGrowth through its business and thereby assessed the social impact on the lives of the borrowers. For the same, the agency reviewed the following parameters:

- Fostering Entrepreneurship - Lending to first generation entrepreneurs
- Gender Inclusion - Lending to women entrepreneurs
- Strengthening Credit History - Improvement in the credit bureau score of the customers post availing loans from NeoGrowth
- Financial Inclusion:
  - a. Lending to first time borrowers
  - b. Lending to borrowers from lower income groups
  - c. Making access to finance easier for the entrepreneurs
  - d. Lending in Tier-II Cities
- Indirect Employment Generation in the MSME sector - Staff employed by Small & Medium Enterprises
- Accelerating Digitisation of MSMEs
- Driving Economic Growth
- Contribution to Environmental Sustainability



**Biker's Lab, Bengaluru**



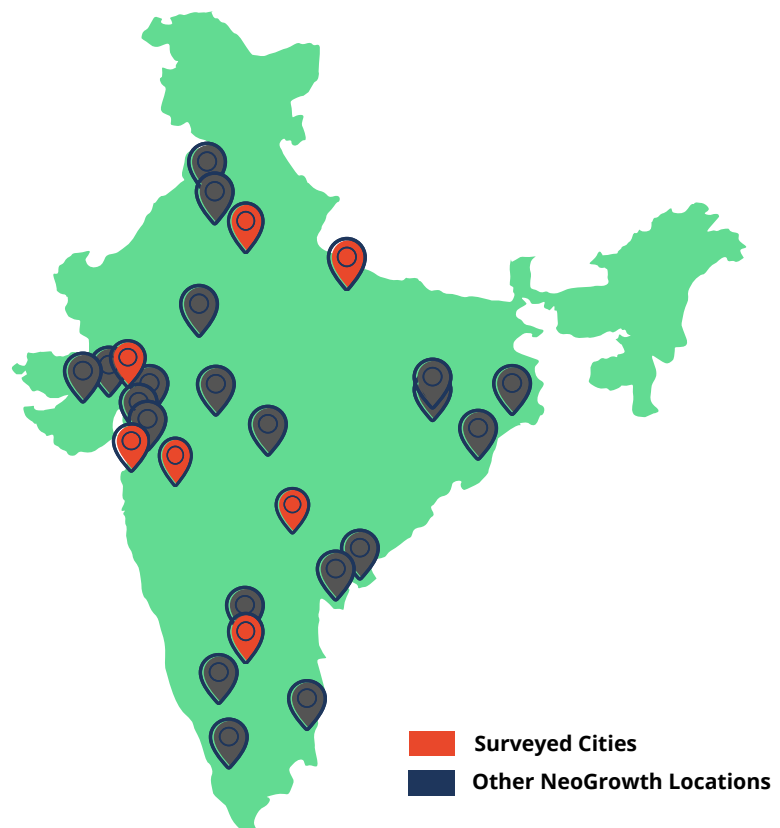
# Sample Selection

The agency met a randomly selected sample of customers that had availed loans from NeoGrowth from a base of over 17,000 live customers of NeoGrowth as on 31st March, 2020. This sample was collected across Mumbai, Pune, Delhi, Lucknow, Ahmedabad, Bengaluru and Hyderabad. The sample selected was in proportion to NeoGrowth's overall share of the lending activity carried out in these 7 cities.

The sample contained a mix of NeoGrowth customers based on the following factors:

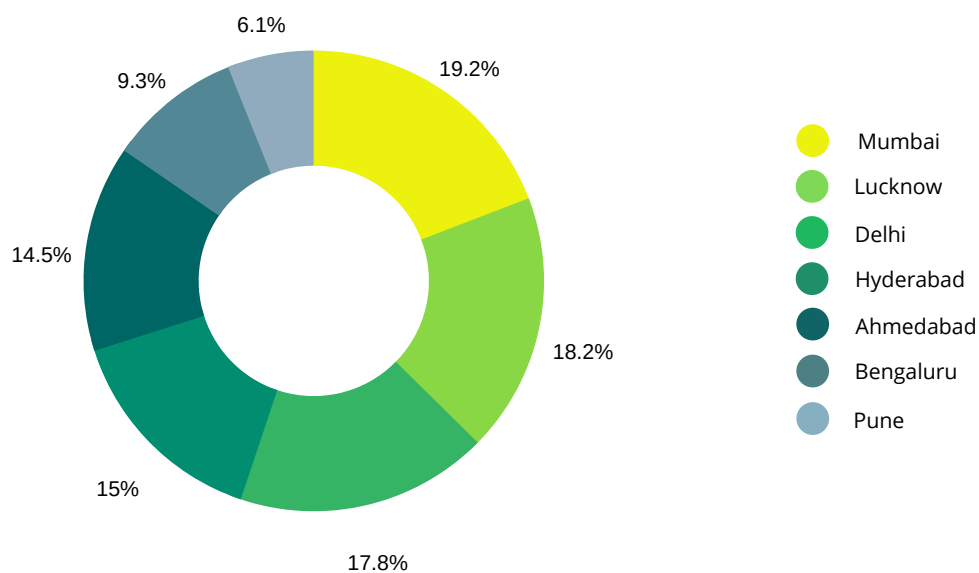
- Industry;
- Loan size;
- Gender of customers; and
- Business constitutions

Cities Covered:
• Mumbai
• Pune
• Delhi
• Lucknow
• Ahmedabad
• Bengaluru
• Hyderabad



# Methodology

From the sample selected, the agency interviewed 214 customers of NeoGrowth across 7 cities. A questionnaire was designed to address the parameters as set forth previously. The Agency's researchers conducted on-field interviews by individually visiting the selected customers of NeoGrowth at the site. Pictorial evidences of 95% of the sample interviewed were taken at their locations of business.



# 214

on-field interviews conducted  
with NeoGrowth customers  
across

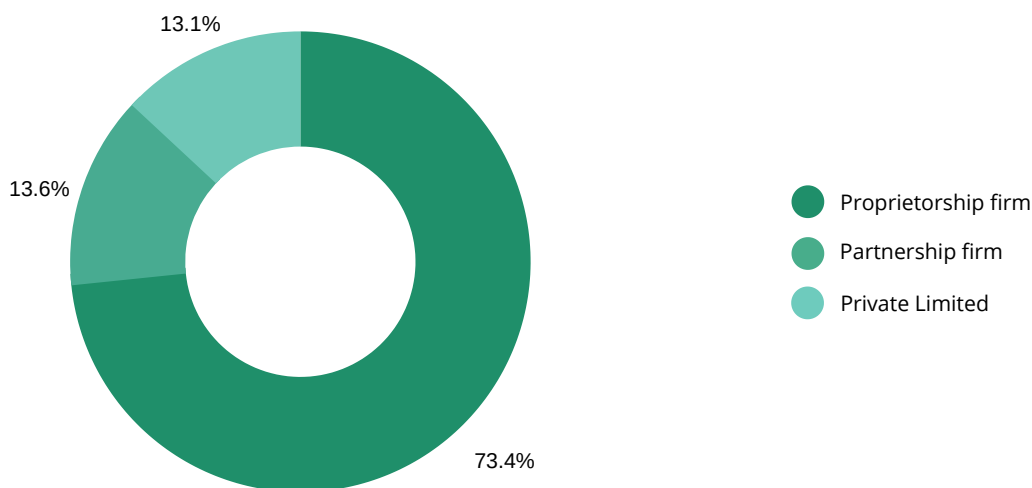
# 7 cities

# NeoGrowth Customers Interviewed: Categories

Customers from diverse Industries were interviewed for this survey



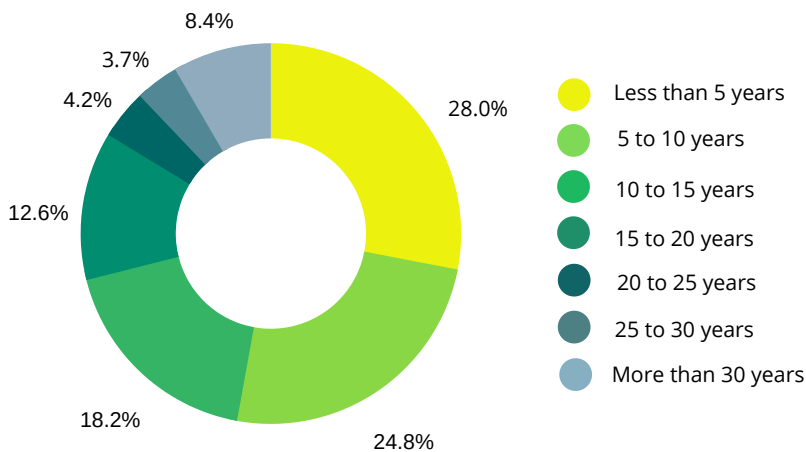
Customers from different constitution types were interviewed



# NeoGrowth Customers Interviewed: Categories

NeoGrowth has always aimed to facilitate access to finance for an entrepreneur with different levels of business vintage. 28.0% of the interviewed NeoGrowth customers had been in the business for less than 5 years. With NeoGrowth's flexible repayment model, entrepreneurs find it easy to manage cash flows effectively. NeoGrowth's simple loan application process helps entrepreneurs to access quick funding with only necessary documentation, thereby enabling them to get timely credit. Majority of the interviewed NeoGrowth customers preferred NeoGrowth because of the quick turnaround time. Besides, they also valued convenience and doorstep service offered by NeoGrowth.

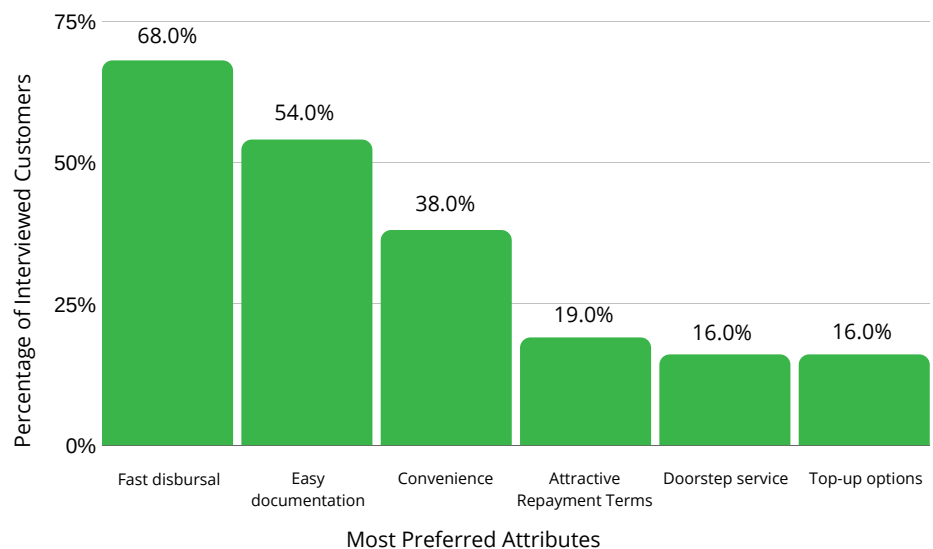
## Customers from varied business vintages



**28.0%**  
of the interviewed  
NeoGrowth  
customers had been  
in the business for  
less than 5 years

## Most preferred attributes of NeoGrowth's loan

**68.0%**  
of the  
interviewed  
NeoGrowth  
customers  
valued 'Fast  
Disbursal'

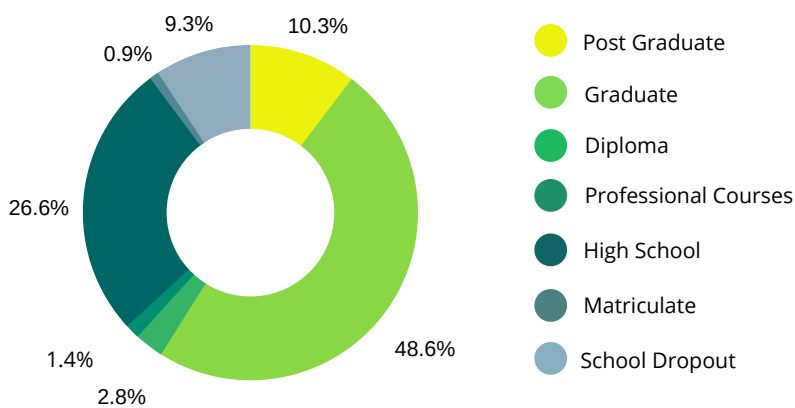




# NeoGrowth Customers Interviewed: Demographic Profiles

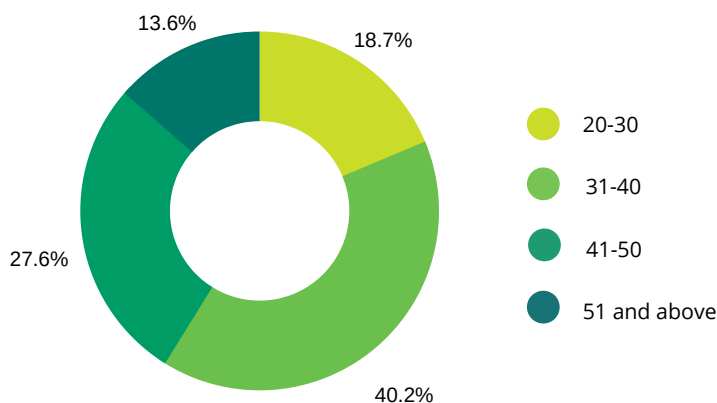
Banks are generally hesitant to give loans to entrepreneurs who lack formal education. As per the 2011 Census data, there are only ~5% of Indians who are college graduates and above by educational qualification. Going by this metric, a large proportion of the population gets excluded for a loan merely due to the lack of a formal degree. Unavailability of easy and affordable financial support to entrepreneurs may result in them feeling excluded from traditional lending channels. Out of the total NeoGrowth customers surveyed, around 26.6% could not pursue further education after high school due to financial difficulties. This provision of financial support by NeoGrowth, helps in fostering entrepreneurship and ensures increased access to financial resources for the traditionally disadvantaged groups.

## Supporting entrepreneurs across all educational backgrounds



**26.6%**  
of the entrepreneurs interviewed could not pursue further education after high school.

## Supporting entrepreneurs across all age groups



**13.6%**  
of the NeoGrowth customers interviewed were above 50 years of age.



**Apsara Trending Collection, Hyderabad**



**ADA Enterprises, Bengaluru**

# Contribution to United Nations Sustainable Development Goals (UN SDGs)

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (UN SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

## SUSTAINABLE DEVELOPMENT GOALS



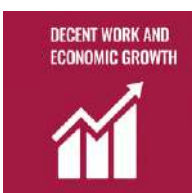
NeoGrowth contributed to the primary UN SDG of eradicating poverty by indirectly generating employment and extending credit to MSMEs, in turn helping them improve their livelihood.



NeoGrowth also contributed to the UN SDG aim of providing quality education by indirectly impacting the livelihood of their customers. In the assessment survey, it was found that around 41.1% of the interviewed NeoGrowth customers were able to provide better education to their children, post availing loan from NeoGrowth.



Promoting women entrepreneurship and thus empowering more and more women to lead businesses, has been one of the focus areas of NeoGrowth. Around 10.8% of the total NeoGrowth customers were women entrepreneurs who took loan for growing their businesses.



NeoGrowth is working towards bringing more entrepreneurs into formal sector to support the UNSDGs in the reduction of informal employment. About 14.5% of the interviewed NeoGrowth customers moved out of the informal sector and joined the mainstream business line after availing loans from NeoGrowth.



NeoGrowth is committed to increasing the access of small-and medium enterprises to financial services. As per the survey, NeoGrowth provided loans to customers in varied sectors - 68.2% in retailing business, 29.4% from different segments in the services sector and manufacturers which comprised of 2.3% of the total interviewed customer base.



It has been a constant commitment from NeoGrowth to support equal access to financial services across the underbanked population. Our simple loan products make it easier for MSMEs to start or grow their businesses. This helps the entrepreneurs to sustain themselves, contribute to the country's economy and reduce financial inequality.





**V R Fashion, Bengaluru**



**Top Tiles, Bengaluru**



# Fostering Entrepreneurship

Micro, small and medium-sized enterprises (MSMEs) are the backbone of the Indian economy.

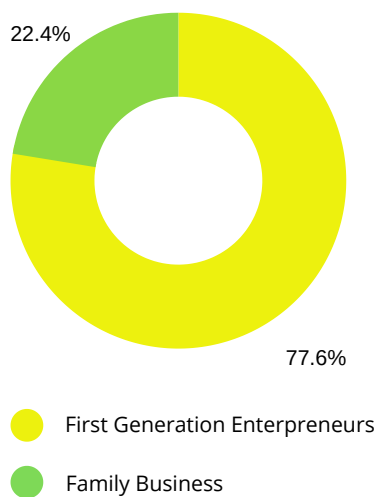
The Indian Government considers MSMEs and entrepreneurship as key to driving economic growth, innovation, job creation and social upliftment across the nation.

By generating 120 million employment opportunities, MSMEs boast of being the second largest job creators in the country.

# Fostering Entrepreneurship

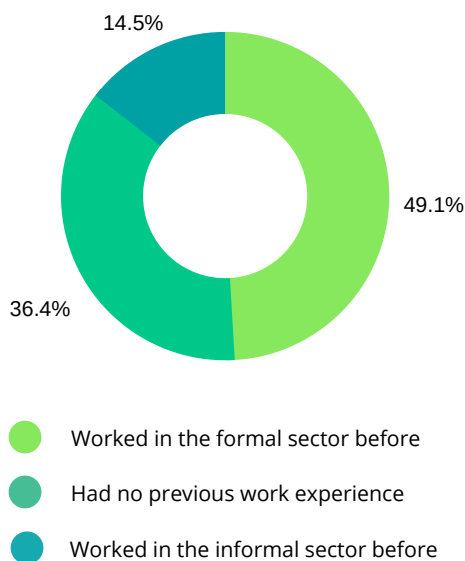
With the growing wave of startups in the country, more and more people want to start their own business. However, starting a business may require a lot of capital. Traditionally, availing a loan while starting a formal business can be very difficult for entrepreneurs who have no relevant past experience in the field or no experience at all. As per the survey, NeoGrowth helped 77.6% of the interviewed customers in scripting their entrepreneurship journey. About 14.5% of the interviewed NeoGrowth customers moved out of the informal sector and joined the mainstream business line after availing loans from NeoGrowth.

## NeoGrowth Supporting First Generation Entrepreneurs



**77.6%**  
of the interviewed  
NeoGrowth customers  
were first-generation  
entrepreneurs

## Contribution of NeoGrowth in propelling the growth of formal sector



**14.5%**  
of the interviewed  
NeoGrowth customers  
could move out of the  
informal sector with the  
help of NeoGrowth's  
loan

# Voice of Customer



## Nilesh Mehta, The Mobile Corner

Nilesh Mehta has been in the business of selling mobile phones since last 21 years. He has witnessed the evolution of mobile phone industry. He has sold and serviced most iconic mobile phones since last two decades. Technology innovation and its diffusion through market excites him a lot. Most of his old customers could keep up with the ever-changing technology with his guidance. He was able to purchase stock for his business through NeoGrowth's loan. He has also opened bank accounts for his employees. He seizes every opportunity and adopts new market trends to sustain in this business.

**"I would 100% recommend NeoGrowth to my friends and family if they need to take a loan since their service is great and the loan application process is extremely convenient."**

**5%** Increase in income, post funding from NeoGrowth





**Classic Chemist, Hyderabad**



**Sindhu Logistics, Hyderabad**



# Promoting Gender Inclusion

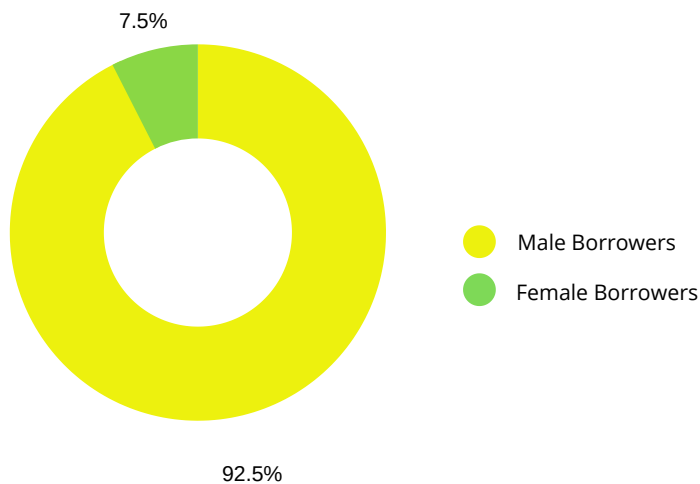
India is among a group of countries where women business owners as well as women leaders and professionals struggle with less favorable conditions, pronounced cultural biases, and a lack of business resources such as finances, capital, training and development. Women led businesses are among the leading ventures that lack financial support. It is also common for women to be denied loans because of gender and cultural biases—many institutions tend to ask for male guarantors or co-applicants. Recent studies estimate that advancing women's equality in India could boost its GDP by USD 0.7 trillion in 2025, which translates into 1.4% per year of incremental GDP growth for India. A society in which women cannot realize their full potential loses out on the significant potential for innovation, economic growth, and job creation.

A joint report by Bain & Company and Google emphasizes that fostering women entrepreneurship can help generate employment for up to 170 million people by 2030, which is more than 25% of the new jobs required for the entire working-age population.

# Promoting Gender Inclusion

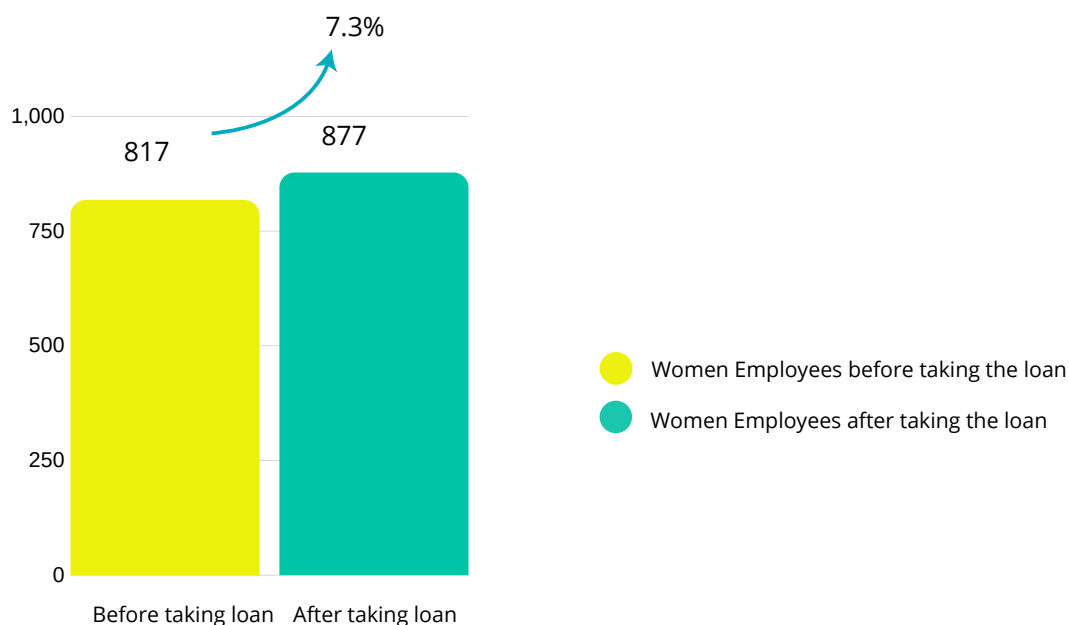
According to the Sixth Economic Census released by the Ministry of Statistics and Programme Implementation in 2018, women constitute around 14% of the total entrepreneur base in India i.e. 8.05 million out of the total 58.5 million entrepreneurs. NeoGrowth has continued to be a financial partner in the entrepreneurial journey of women across diverse industries, diverse educational backgrounds and experience levels. As per the sample surveyed, women owned businesses constituted around 7.5% of the total interviewed NeoGrowth customers. The survey also revealed that our interviewed customers employed 7.3% more women in their businesses after availing the loan amount.

## Supporting entrepreneurs across genders



**7.5%**  
of the business  
owners supported  
by NeoGrowth are  
women

## Entrepreneurs providing employment to women





# Voice of Customer



## Thangneikim Serto, In Style Salon

Thangneikim Serto is a first-generation entrepreneur and a professionally trained beautician. She always wanted to be independent and took her first job at the age of 18. She had worked before but her belief in creating jobs rather than doing one led to starting her own beauty parlour. She had trained many aspiring beauty and hair enthusiasts through her workshops. Her beauty salon has six hair and beauty experts trained by her. After a year, she wanted to expand her salon and increase profits. She approached NeoGrowth for the expansion capital leveraging the fact that around 90% of her daily transactions are digital.

**"I have been able to timely purchase stock because of the loan which has made my business more efficient. I am also able to invest in my employees, I pay them an annual incentive as well as regular training for their professional growth."**

**90%** of sales transactions being digital per day on an average

**10%** Increase in income



**SLMS Hospital, Bengaluru**



**Shri Heramb Trading Company, Mumbai**



# Strengthening Credit History

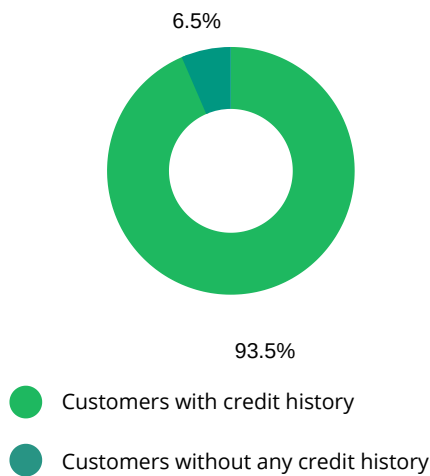
Credit bureau scores are said to be a report card of one's credit history and repayment behavior. A truly empowered borrower is the one who has a high credit bureau score. Low credit bureau scores usually makes it difficult for the borrower to get loan approvals. As per the International Finance Corporation (IFC) Report 2018, the huge financing gap is pegged at INR 45 lakh crore out of which 40% is presently served by informal credit, 25% through personal loans and only about one-fifth of the total credit demand is fulfilled by formal credit. Evidently, a significant funding gap still exists. The lack of credit availability not only hinders the MSME growth potential, but it also limits their vendor choice and bargaining power if they go for supply chain financing. This is where a new era of lending has dawned. With technology at their disposal and a new business model based on creating ease of business, alternate finance companies have taken this challenge head-on. Their goal is to serve the small and medium businesses of this country without having to make things further difficult when all they need is just credit.

NeoGrowth takes into consideration the business performance and does not rely merely on the credit bureau scores of the loan applicants. The applicants with no or low credit bureau scores are able to get the required capital to start or expand their business and improve their creditworthiness.

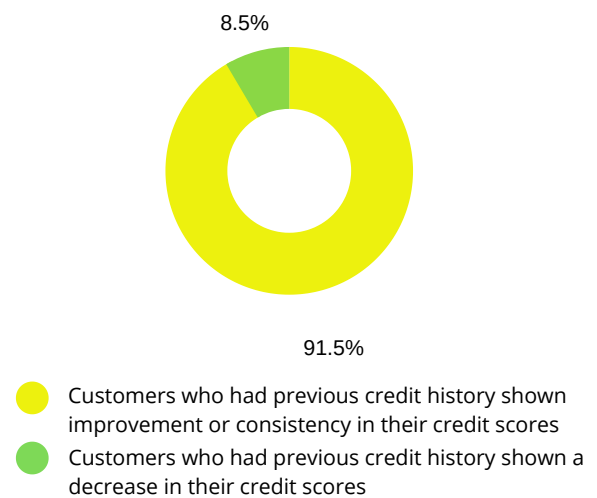
# Strengthening Credit History

Micro and small enterprises together account for 95% of the addressable credit debt gap that can be addressed by financial institutions in the near term. NeoGrowth evaluates the underlying performance of the business instead of just relying on the credit bureau score of the borrower and hence businesses with poor or no credit bureau score are also able to get approvals for loans. This gives NeoGrowth's customers an opportunity to increase and improve their credit scores and thereby merge with the formal lending space.

## Helping Customers without previous Credit History



## Helping Customers enhance their Credit Bureau Scores



**6.5%** of the interviewed customers could avail loans from NeoGrowth without any previous credit history

**91.5%** of the interviewed customers who had previous credit history showed improved or same credit bureau scores after availing loans from NeoGrowth



Tulsi Kirana Store, Ahmedabad



# Voice of Customer



## Afroz Ahmed, MS Brand Nation

Afroz Ahmed runs a small garment store and comes from a family of doctors. Despite lot of friction from his family, he pursued his dreams of running his own business. He has expanded his business line with continuous purchase of new stock and wanted to open a much bigger outlet. He was faced with a funding challenge due to lack of a credit history. It is then that he got approached by NeoGrowth and his loan application was processed quickly. Post availing loan from NeoGrowth, he has been able to expand his business in leaps and bounds and make his dreams a reality. He has a good credit score now and is grateful to NeoGrowth for helping him at this stage of his growth.

**"I wanted to expand my business and was struggling to get a loan because of insufficient credit history. I was rejected every time I applied for a loan. Because of NeoGrowth, I not only got the capital required to expand my business but could save more for my family's future."**

**20%** Increase in Income after taking the loan



# Financial Inclusion

With 64 million MSMEs, India has the second largest base of MSMEs globally. However, less than 50% of these enterprises have access to formal credit options. Today, the potential of India's MSMEs remains underutilized. The MSME sector contributes to 29.8% of the overall gross domestic product (GDP) and employs 20% of the country workforce. Lack of collateral, insufficient or lack of credit history, lack of proper documentation and long approval or disbursal periods are the major challenges faced by the small and medium businesses in accessing credit. Many a times, aspiring entrepreneurs are denied loans from traditional banks and are forced to rely on friends and family or even on the informal lending system for initial start-up capital.

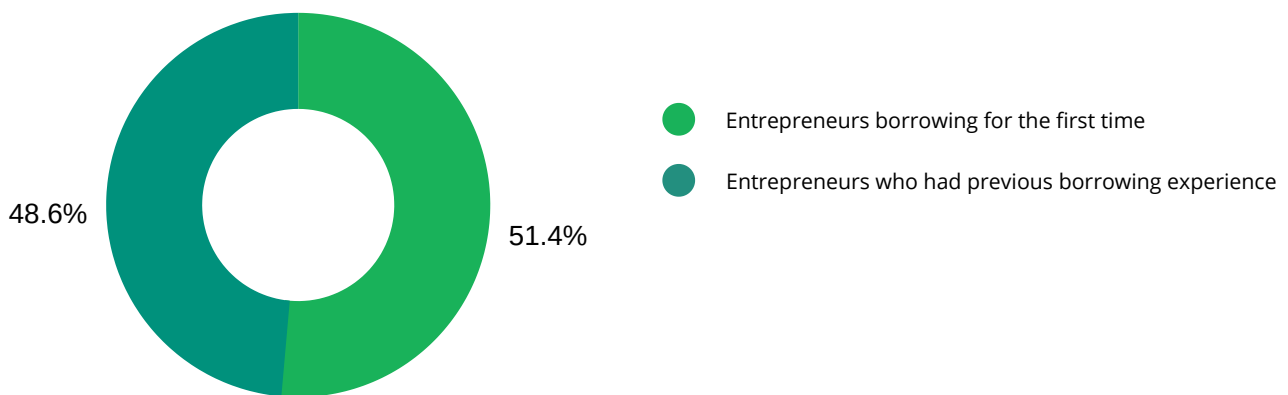
MSMEs account for more than 90% of total enterprises in most economies and also contribute a major share of industrial production and exports.



# Financial Inclusion

In the quest for Government's vision of a USD 5 trillion Indian economy by FY 2025, it is envisaged that MSMEs will contribute 50% of the GDP. As per a Dun & Bradstreet research, for every 100 companies in India, there are more than 95 micro enterprises, 4 small-to-medium businesses and less than 1 large company. In contrast to this highly skewed distribution in India, developed countries have much lower proportion of micro and small enterprises. This gap, which is the absence of small and medium companies in the optics of the Indian enterprises' distribution, is referred to as the "Missing Middle" by many economists. But a major barrier to their growth has been the ease of getting credit – today, around 50% of total MSME credit demand is still served by informal sources of credit. It is thus essential to address this large segment by providing the right avenues for growth. As per the survey, 51.4% of the interviewed borrowers were first time borrowers.

## Lending to first time borrowers



# 51.4%

of the interviewed NeoGrowth customers were first time borrowers ,i.e, they did not avail of any other financing options prior to the loan from NeoGrowth

# Voice of Customer



## Asif Ismail Khan, Suleban Collection

Asif Ismail Khan hails from one of the drought affected districts of Maharashtra. Unfortunately, he had to stop his education to start earning for his family. He started a business with whatever little savings he had with the determination to expand and scale up the business. With the loan from NeoGrowth, he was able to buy another place to set up another apparel shop. He has future plans to expand his business to other districts in Maharashtra.

**"This is my first loan and I was expecting it to be a difficult process but the documentation was quite easy and the loan disbursement took less time."**

**80%** of all sales transactions being digital per day on an average

**10%** Increase in Income after taking the loan





**Fashion quotient Unisex Salon and Spa, Bengaluru**



**Flytech Automotive Operations Private Limited, Bengaluru**



# Indirect Employment Generation

The importance of 64 million MSMEs, which account for about 120 million jobs and 30% of the country's economic output, cannot be underestimated as it forms the backbone of the industrial landscape of the country contributing 49% to the exports and 45% to the manufacturing sector. MSMEs contribute around 30% of total employment generation in India and have emerged as a highly vibrant and dynamic sector of the Indian economy over the last few decades. They contribute significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture.

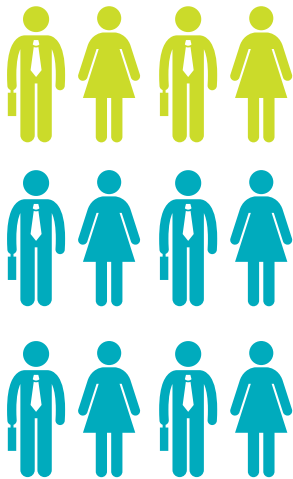
India needs 6 to 7 million jobs a year and global data shows that it is the MSMEs including start-ups, not large enterprises that create net new jobs in any country.



# Indirect Employment Generation

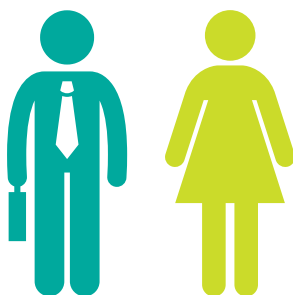
Employment remains a challenge for the country because of the growing population and MSMEs can play an important role in bridging the employment gap. NeoGrowth provides finance to small and medium enterprises to support their business growth and stability. As per the survey conducted, 28.0% of the interviewed NeoGrowth customers showed an increase in the number of their employees post availing loan from NeoGrowth.

## Improvement in the employment at NeoGrowth Customers



**28.0%**  
of the interviewed  
NeoGrowth customers  
showed an increase in  
the number of their  
employees post availing  
loan from NeoGrowth

## Gender Diversity in Employment at NeoGrowth Customers



**14.3%**  
of the total employees  
hired by the  
interviewed NeoGrowth  
customers were women

# Voice of Customer



## Vijay Kumar, VK Fashion

Vijay Kumar started working when he was in the seventh standard as a helper in a garment shop to be able to support his family. Apart from completing his graduation, he got promoted and became the Sales Manger in the same shop. Few years later, he opened a garment shop in partnership with one of his friend but unfortunately it did not work out well. After several such trials in different types of businesses, he started V K Fashion with his wife with the help of some savings. As the business grew, he needed more capital to purchase stock and thus reached out to NeoGrowth for a loan where he found the process to be convenient, fast and easy. Because of the loan he was able to employ more people and increase the efficiency of the business.

**"I will reach out to only NeoGrowth for another loan for opening more branches of my shop."**

**25%** Increase in Income after taking the loan





**Chembur Chana, Mumbai**



**Srinivas Traders, Hyderabad**



# Environmental Sustainability

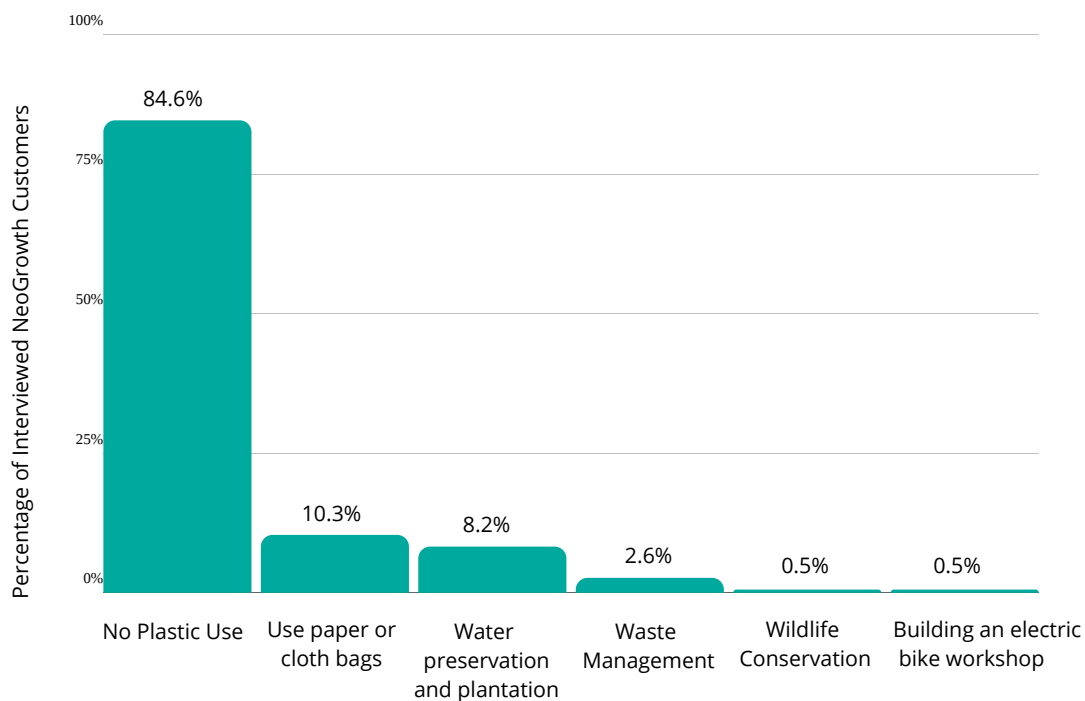
According to the United Nations, Indian MSMEs, given their sheer size and spread, can play a significant role in strengthening the idea of inclusive and sustainable industrial development. The idea of sustainability has economic, social and environmental considerations and contributes a long way to furthering UN SDGs. MSMEs are extremely crucial for sustainable development through the economic growth, employment creation, poverty elevation and reduction in inequality. Sustainability can be achieved through the inclusive growth that maintains prosperity and dignity.

In India, it is projected that MSMEs contribute roughly 70% to the industrial pollution. Environmentally conscious MSMEs ensure green and inclusive economic development.

# Environmental Sustainability

With the entire world experiencing climate change effects in the form of increasingly extinct species and a rise in natural disasters, everyone has a role to play. Considering this, it has become quite imperative to contribute towards mitigating the harmful effects of climate change and pollution. As per the Intergovernmental Panel on Climate Change (IPCC), limiting global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society. Our customers who are mostly retailers are taking steps to lower their environmental impact in different ways. As per the survey, 81.3% of the interviewed NeoGrowth customers are taking different environmental initiatives out of which 84.6% of the customers have moved away from using plastic.

## Customers contributing to Environmental Sustainability



Environmental Initiatives undertaken by the Interviewed NeoGrowth Customers

**84.6%** of the interviewed NeoGrowth customers have moved away from using plastic



# Voice of Customer



## Jay Kishan, Balaji Steel Center

Jay Kishan belongs to the Bishnoi community from Rajasthan, known for their movements to save the environment. His family actively supports wildlife conservation. At a young age, Jay moved to Mumbai and started learning business lessons from his uncle who ran a wholesale unit. After gaining some experience, he started his business with help from family and friends. Today, he has his own shops in Borivali and Andheri. Jay had availed a loan from NeoGrowth because he needed working capital and wanted to increase his stock. He chose NeoGrowth because of attractive repayment terms and easy documentation. More importantly, he is now able to spend on sales training of his resources and marketing of products and services. He believes this will enable him to position himself better in the market. Jaykishan believes in word of mouth marketing and strives hard for customer satisfaction.

**"I live in a joint family where only few of us are bread-earners for the entire family. When I started, my uncle supported me but as I continued, I needed a huge amount to purchase stock. Getting a loan seemed difficult but NeoGrowth made it very simple for me. I am glad that I am able to make profits and save as well."**

**15%** Increase in Income after taking the loan





**Inventive Enrich Unisex Salon and Spa, Bangalore**



**New Kanishka Mishthan, Lucknow**



# Accelerating Digitisation of MSMEs

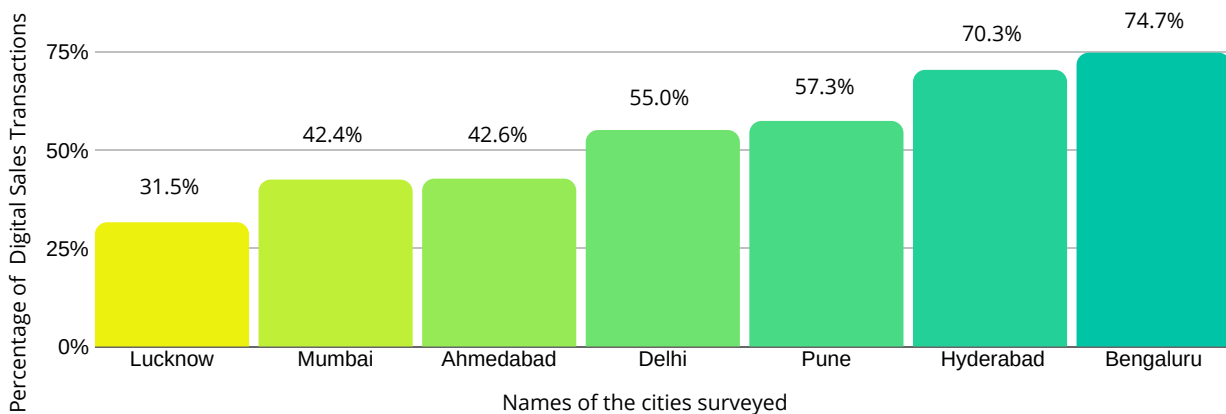
India is digitising faster than all other countries. The MSME sector is poised to be a USD 866 Bn industry by 2020, as per a DataLabs report, and it is unlikely that the existing rates of low technology penetration will continue. In fact, IDC research states that, worldwide, MSME spends on technology and allied services will touch USD 684 billion by 2021, with India being the fastest emerging market, growing at 7% CAGR between 2016-21. Across India, the MSME lending landscape is now shifting, with formalization and digitisation driving the market toward disruption. In fact, MSMEs are rapidly digitising across various dimensions, including business processes, payments, and online sales.

Between 2014 and 2017, India has grown 90% in terms of digitisation. Its digitisation growth rate creates a USD 435 Bn opportunity by 2025, as per McKinsey's Digital India Report.

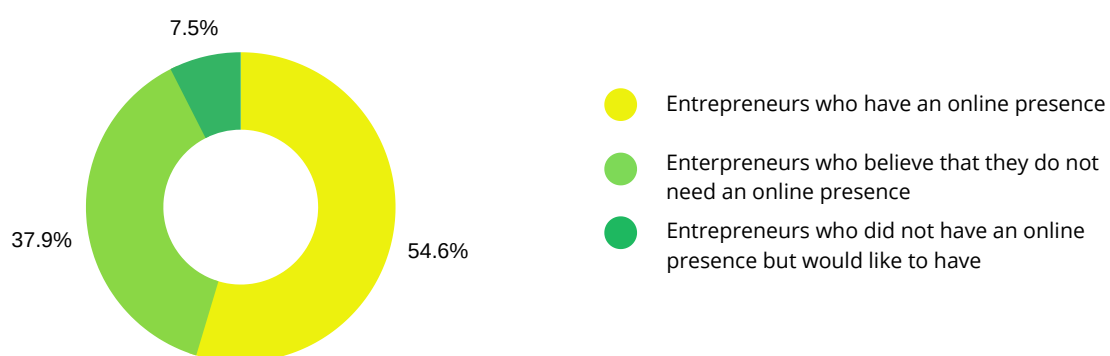
# Accelerating Digitisation of MSMEs

In our continuous endeavor to help, support and nurture Indian MSMEs, we have adopted a unique business model of providing loans against digital payments acceptance by MSME retailers who use point of sale (POS) swipe machines. As more MSMEs and their customers are adopting digital payment modes, NeoGrowth is able to support them in becoming a part of this digital revolution. 50.8% of the total sales transactions carried out by the interviewed NeoGrowth customers on an average per day, were in the form of digital transactions. As per the survey, Bengaluru leads in the rally in terms of the percentage of daily digital sale transactions carried out by the interviewed NeoGrowth customers.

## Promoting Digital Transactions (City-wise data)



## Supporting the Entrepreneurs who have an online presence



**54.6%** of the interviewed NeoGrowth customers had an online presence i.e. their business that can be found via an online search



# Voice of Customer



## Azeem Ramireddy, Flamingo World Ways

Azeem Ramireddy, after completing his studies in tourism, started his business with the help of his friend. In order to bring in economies of scale in business, he needed to extend his reach to more customers for which he needed capital and sought help from NeoGrowth for the same. Due to his hardworking nature and efforts in coming up with innovative marketing strategies and promotion schemes, he could increase the turnover of the company from INR 25 lakhs to INR 25 Crores over a period of seven years. Today, he is catering to clients all across the world. All his transactions are made digitally supporting the country's vision of becoming a digital economy.

**"The repayment terms of NeoGrowth seemed very attractive which is why I was able to take the loan for the extensive marketing and promotion of my services."**

**20%** Increase in income after taking the loan **100%** of all sales transactions being digital per day on an average

# Voice of Customer



## Srinivas Rao, SS Hotel and Resort

Srinivas Rao has been in the hotel and tourism industry for 13 years as a businessman. He was running a hotel business in Singapore which was doing well. However, his heart was at home in India and years later, he decided to come back to India. One of his friend helped him network and setup the business in Hyderabad and now he has 2 branches. He wanted to expand his business and thus needed growth capital. An acquaintance suggested him to approach NeoGrowth. This was his first loan application and he was thrilled at the minimal documentation required. With this timely help, he not only was able to grow his business but also had more dispensable income to provide higher standards of education to his children.

**"I would rate the loan application process of NeoGrowth as 10! I did not expect the loans to get disbursed so fast and conveniently."**

**20%** Increase in income after taking the loan

**100%** of all sales transactions being digital



# Driving Economic Growth

MSMEs are recognized as the backbone of the Indian economy and thus play a significant role in the growth of the GDP. And, there is a continuous thrust by the Government on stepping up MSMEs contribution in GDP from existing 29.8% to 50%. Also, MSME sector has maintained a higher growth rate vis-à-vis the overall industrial sector during the past decade. According to a survey, exports from these enterprises have been on the rise, despite increased cost of raw materials, sluggish global demand and stiff international competition. Today, the sector produces a wide range of products, from simple consumer goods to high-precision, sophisticated finished products. It has emerged as a major supplier of mass consumer goods as well as a producer of electronic and electrical equipment and drugs and pharmaceuticals. An impetus to the sector is likely to have a multiplier impact on economic growth. Accelerated growth of MSME sector has the potential to help India achieve USD 5 Trillion GDP.

The MSME segment accounts for 29.8% of India's GDP and 45% of exports. There are an estimated 64 million MSMEs employing close to 120 million people.



# Driving Economic Growth

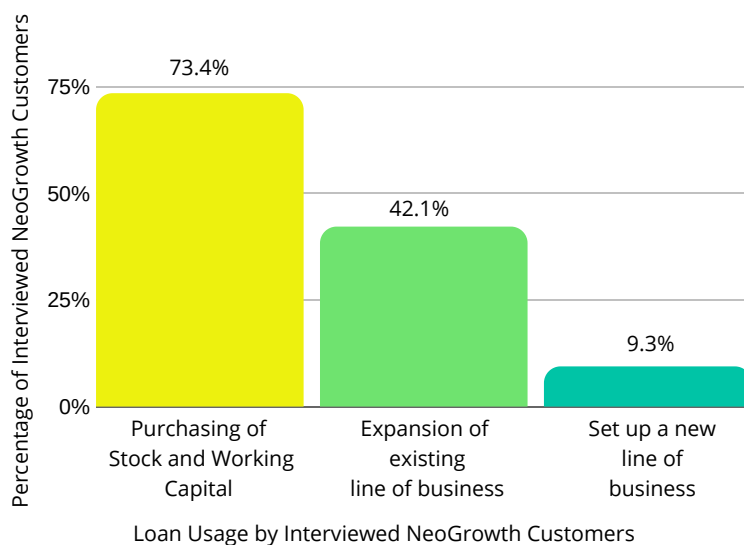
The survey revealed that majority of the merchants had utilized the loan amounts towards purchase of inventory, meeting working capital needs and in some cases, for capital expenditure. This results in both direct and indirect generation of economic activity.

## Helping Entrepreneurs to achieve business growth



**84.1%** of interviewed NeoGrowth customers have registered an increase in revenue after taking a loan from NeoGrowth

## Supporting Entrepreneurs in Business continuity



**73.4%**  
of the interviewed NeoGrowth customers used the loan for purchasing of stock and working capital

# Voice of Customer



## Mohd. Arshad, CL Car Decors

Mohd. Arshad has more than 15 years of experience in car repairing domain. When he started the business, it only catered to repairing services but now he has also grown into a full stop shop for car accessories and parts, including wheels, tyres, sound systems etc. He entered into this business to fulfill his father's wishes of having a car retail store but earlier he had to take up a desk job. Even though Arshad took the plunge of following his father's passion, he realised that he needed more working capital to run the shop. With the help of NeoGrowth, he got a loan disbursed in less than a week's time. His revenues increased by 10% and he also trains his employees on the necessary skills required in this industry.

**"This loan came by within a week's time and helped me at the right time to manage the working capital requirements. This helped me generate more income and profits."**

**10%** Increase in Income after taking loan

**50%** of all sales transactions being digital per day on an average



# Driving Economic Growth

## Funding Early Stage Businesses

Early stage businesses are an important tool to driving economic growth. Not only do they create jobs, but also increase productivity through their innovative ideas. However, many a times, early stage businesses are not able to grow due to the lack of availability of funds. Unlike traditional banks, NeoGrowth offers collateral free loans to meet the short term funding requirements of MSMEs. Apart from this, NeoGrowth offers funding against the future credit and debit card sales through POS machines. This kind of flexibility goes a long way in aiding early stage businesses to not just survive, but also to thrive and prosper. This in turn generates economic activity through payment of wages, vendor payments and taxes.

**28.0%** of the interviewed NeoGrowth customers were in their businesses for less than 5 years



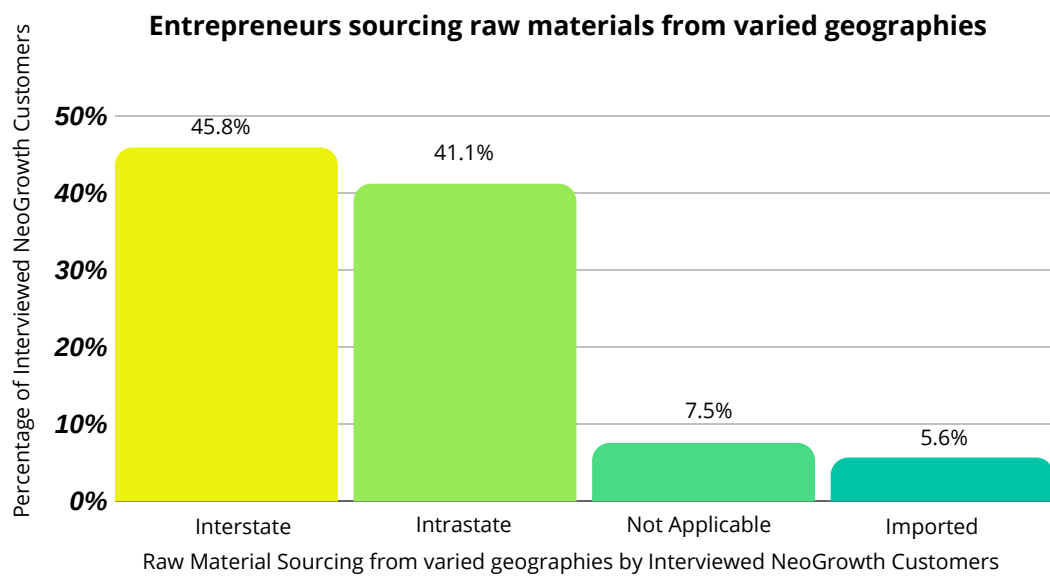
Venus Plus Auto Mobile shop, Hyderabad



# Driving Economic Growth

## Indigenisation

Several measures have been taken to manufacture locally in the country like the 'Make in India' initiative which works towards building domestic capacity and self-sufficiency. The survey revealed that about 45.8% of the enterprises procure their raw materials from different states within India helping their local consumers have access to more commodities. Furthermore, around 41.1% of interviewed NeoGrowth customers sourced their raw materials from local manufacturers benefiting both the enterprises as well as its suppliers. The enterprises save investments on transport and storage while empowering the local suppliers to grow their business.



Shree Ganesh Gadi Karkhana, Pune

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