

# SOCIAL IMPACT REPORT



## INTRODUCTION

Faircent.com is an online lending platform that directly connects borrowers, looking for funds, with lenders, looking for investing their surplus funds.

Faircent.com is committed to serve the credit needs of the underserved segments of the society. Traditionally, the business model of banks and other financial institutions is based on the cost at which they are able to raise funds for lending. This cost of funds directly correlates to the type of borrower segment being addressed and the rate of interest offered to the borrowers by them.

Lenders on Faircent.com invest their surplus funds and hence their opportunity cost of funds decides the rate of interest at which they are willing to invest in a borrower. Hence, as a platform, we have a potential to serve the borrower at the best rate possible.

Since, Faircent.com's revenue model is not based on the interest margin from the borrower's EMI; the aim is to maximize the borrower's chance of getting funded over the borrower's cost of funding.

This report demonstrates how as a platform Faircent.com is able to service the underserved section of the society along with some case studies of borrowers who have benefitted due to financing through the platform.

## FINANCIAL INCLUSION BY DESIGN

There is a fundamental difference in the credit assessment approach of Faircent.com vs. other financial institutions offering unsecured loans in the country. While, all financial institutions have their own proprietary algorithms for making credit decisions; they still rely on a lot of 'hard policy rules' to exclude potential borrowers – e.g. self-employed borrowers or young salaried borrowers with no bureau history and not having a permanent house are highly unlikely to get an unsecured loan from any financial institution.

Faircent.com on the other hand uses multiple factors in its credit algorithms and very few 'hard' policy rules. This is aided by the fact that as a business it is not bound in a narrow interest rate band like most financial

institutions and can price the borrower at as low as 12% p.a and as high as 36% p.a. As a result, we are able to accommodate a very high proportion of borrowers.

Faircent's business model is completely online and paperless which enables anyone and everyone from any part of the country and any part of the society to apply for an unsecured loan. There is no need for the borrower to visit any physical branch to submit copies of their documents. This ensures wider coverage geographically and lower cost of operations.

## DATA POINTS

### Dimension 1 – Borrower location

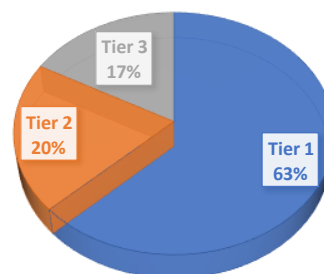
Borrower location plays a key part for traditional financial institutions as they require either the borrower to visit a local branch or a representative from the local branch to visit the borrower. As a result, borrower reach is limited to the physical access of these financial institutions.

As per various industry reports published by the credit bureaus – approx. 15% to 17% of personal loans are from Tier 3 or Semi-Urban areas. Most of these personal loans in these cities are given to customers who have salary or main business account with the same bank.

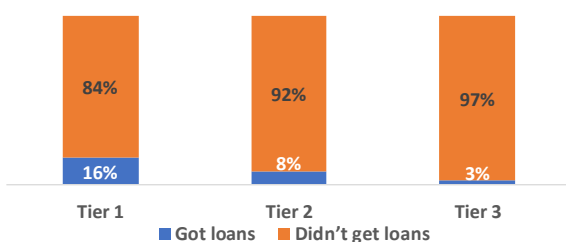
Faircent.com, offers a completely online process and gets 25% of registrations from Tier 3 and other semi-urban cities; in terms of disbursed loans 17% are from Tier 3 cities.

A study of the bureau reports of these borrowers revealed that only 2.5% of the borrowers from Tier 3 cities who received funds from Faircent.com; were able to access credit from other banks / FIs.

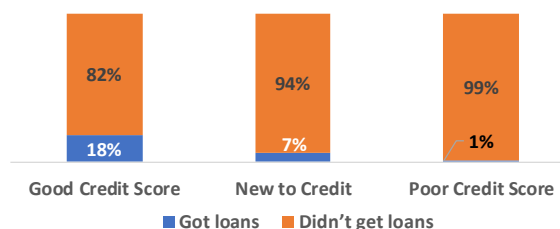
**% DISBURSED BORROWERS**



**% borrowers who got loans from other FIs after Faircent application**



**% borrowers who got loans from other FIs after Faircent application**



### Dimension 2 – New to Credit

Past performance of a borrower on existing loans to a large extent determines the future availability of unsecured credit from financial institutions. However, this also means that New to Credit (NTC) borrowers face a lot of difficulty in getting unsecured credit from traditional financial institutions.

Transunion Industry Insights report (Sep'16) shows that NTC borrowers getting personal loans stands at approx. 20%. Most banks provide unsecured loans to NTC borrowers only if they have a salary account with that bank.

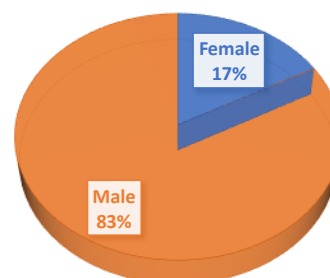
As discussed previously, with the Faircent.com credit assessment approach, past credit behavior is only one of the various factors which decide the borrower's eligibility. Hence, borrowers with no past history but with other positive factors such as good average bank balance, stable job or business, self-owned house etc are likely to get some loan offering from Faircent.com, albeit at a slightly higher annual rate of interest.

### Dimension 3 – Gender

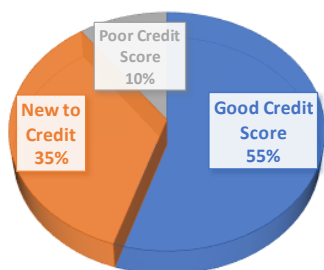
Although no banks / FI has a documented policy on gender; however, the access to credit for female borrowers is still low.

Although the proportion of female borrowers registering on Faircent.com as a representation of the market is still quite low; disbursement of funds to a number of female borrowers – including young females starting corporate careers or as entrepreneurs have been done.

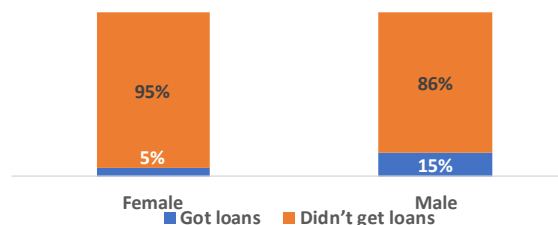
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## CASE STUDY 1

### (Business owners in Tier 3 cities)

For business owners in Tier 3 cities, access to credit is limited to either unsecured loans from the informal sector where interests can be as high as flat 3% per month or loans against self-owned residential property. Of all borrowers made live on Faircent.com; about 10% are business owners in Tier 3 cities.

#### Rice mill owner in remote Ranchi, Jharkhand

In a remote area of Ranchi, dozens of rice mills have been set-up which primarily work in grading and packaging of rice for many different agri-traders. Some of these areas are so remote, they are not even on the google maps yet.

One such rice mill owner Mr. Rahul, registered with Faircent.com to access loan for setting up a water purification plant at his work site and setting up water testing and purification plants across the nearby areas.

With a 17-year-old business history, 1 crore monthly turnover and 2 self-owned factories, Rahul, was unable to secure funding from banks and other FIs.



After getting an unsecured loan from Faircent, his requirement was fulfilled and the new projects have successfully started.



#### Furniture manufacturer in Bhatinda, Punjab

Mr. P Kanwal, owns a furniture business in Bhatinda, Punjab. He wanted to send his daughter to Canada for further education and also expand his business.

Since, most of his business is in cash, banks were not giving a loan to him. After he registered with Faircent.com, his credit profile was evaluated thoroughly and although his transactions in formal banking were found to be weak, his business profile was strong and he also owned a house and a factory.

Faircent.com facilitated an unsecured loan to meet his personal and business fund requirements. Although the initial credit facility given was a small amount; the credit limit can be increased further after he serves the existing loan without any delayed payments.





## CASE STUDY 2 – Female entrepreneurs

In most of the analysis done by credit bureaus; default rates for female borrowers are significantly lower than those for male borrowers; still access to credit, especially for female entrepreneurs is weak.

### Trader and exporter of items made by disabled, tribal / rural artisans

Ms. Mamta, is an entrepreneur and the owner of Company “Blue Lotus” which is her fourth start-up and is a creative social enterprise. It works with NGOs, designers & organizations which are working with the disabled, rural clusters & rural crafts people.

It is into creation, promotion & marketing of brands and products. Blue Lotus has 22 brands & deals with retail customers, a few wholesale clients and exports products to a few stores in USA & Canada with which it has a tie-up.

Although, she has a thriving business but the fact that she is more than 50 years old made it extremely hard for her to get finance from formal banking channels.

Faircent.com, after evaluating her personal credit profile and the strength of her business, was able to facilitate a loan of INR 5 lacs.

With this funding, she was able to secure more clients, expand her exports business and also renovate her office space.



### Manufacturer of plastic granules

Ms. Bhavika, has a business of manufacturing PVC and plastic granules which are sold to wire manufacturers. She has a rented business premise in Jaipur, Rajasthan.

She needed to expand her business facility and add more machinery for fulfilling a large order she got recently.

With an excellent credit bureau record, she could easily secure unsecured funding from banks. She decided to register on Faircent.com due to the convenience of its online process and easy document submission.

With her excellent personal and business profile, Faircent.com was able to facilitate a INR 5 lacs loan to help her expand her business.





### CASE STUDY 3 – Small scale industries

There are various government initiatives which encourage small scale industries to expand their businesses. However, most of the finance schemes are only open to PSU banks which have a largely paper based and time-consuming process. Faircent.com with its online process provides faster and cheaper access to credit for these SSIs.

#### Short-term fund requirements to pay labourers

Mr. N Sharma, is an exporter who manufactures garments in Ludhiana and exports them to the gulf countries.

He has two offices - in Delhi and Ludhiana. Due to cheaper manpower and rental cost, he gets the garment production done in Ludhiana and exports directly from there to avoid the transportation cost.

He needed funds to make payments to the laborer's employed in his factory ahead of Diwali.

Although his documented income would have made him ineligible for bank financing; Faircent.com's fully-automated credit evaluation mechanism established that his business was strong enough and facilitated access to credit through the platform.

#### Investment in father's agri and dairy business

Mr. Navin, works in HCL technologies in Delhi NCR and wanted funds to invest in his father's business. His father ran an agricultural and dairy business in their native town in Bihar.

Given, the nature of his father's business, there were no documents to support a loan application; however, Mr. Navin's own profile was strong enough to merit an unsecured loan.

His father was successfully able to invest the funds secured through Faircent.com in his business in Bihar.

### CASE STUDY 4 – Disabled / Age > 50 yrs

#### Cerebral Palsy patient running an investment business from home

Mr. Sonu suffers from Cerebral Palsy and is running his business from home. He needed a loan to develop his office space for his business of Investment Advisory services like investment in stock broking, mutual funds etc.

He is a business partner with ANGEL BROKING PVT LTD and is associated with different financial institutions like Edelweiss, ICICI Pru AMC, Birla Sun Life AMC SBI AMC, HDFC AMC etc.

Due to his illness, he was unable to visit a bank branch for a loan application and hence approached Faircent.com for accessing funds online.

### 54-year-old private employee looking for funds for daughter's education

Mr. Verma has been working with a private employer for almost 30 years. Though he had fund of his own, he wanted to take a loan for his daughter's education to teach her the value of financial independence from a young age.

Due to his age and employment in an 'unlisted' private company; he was unable to secure a loan.

Faircent offered him a low tenor loan which would cover the first year of his daughter's education. Based on loan performance, further loan enhancement can be offered to cover his daughter's entire education cost.

## CASE STUDY 5 – Education

### Loans to students

In the current education scenario, electronic devices like mobile phones and laptops are necessities that assist in formal education and help in overall personality development.

However, students from remote areas don't have access to funds to purchase these items. To help these students, Faircent.com has tied up with companies who work with these students to help them get financial assistance. These companies have deep tie-ups with the colleges and can narrow down to

educationally bright students who get a decent pocket money from their parents to help repay the loan.

Some of these students were:

1. Mariam, who took a loan to pay her 3rd Year Fee (42,000/-). She repays from the pocket money she gets from her father who is working as a technician in Bangalore.
2. Thomas, took a loan to purchase a mobile phone for keeping in touch with his family and for studies. He gets close to Ra. 10,000/- as monthly expenses from his parents and uses its partly to repay the loan.

## CASE STUDY 6 – Medical

### Father's cancer surgery

Mr. Raghavendra who works as a Business development officer in a private company needed funds urgently for his father's mouth cancer surgery.

He was able to raise funds through Faircent.com with his personal credit details.

### Mother's knee replacement surgery

Ms. R Jain, works as an Assistant Manager with a private company in Delhi. She was able to raise Rs. 2 lacs from Faircent.com for her mother's knee replacement surgery.