

Public Information Summary

Host Country(ies)

India

Name of Counterparty / Issuer

APAC Financial Services Private Limited

Project Description

APAC seeks a \$40 million, ten-year direct loan from DFC (the “Loan”) to expand its portfolio of microenterprise lending in rural and semi-urban India (the “Project”). This Project is expected to finance more than 6,500 loans to microenterprises with an estimated average transaction size of \$6,340. 100% of the loans under this Project will benefit microenterprises with less than \$100,000 in annual turnover and with ten or fewer employees. At least 30% of the loans under this Project will benefit borrowers who are new-to-formal credit.

DFC Product Type

Debt Financing

DFC Investment / Insured / Equity Amount

\$40,000,000

Total Project Costs

\$44,000,000

U.S. Involvement (If not applicable, put N/A)

NA

Policy Review**U.S. Economic Impact**

The Project is not expected to have a negative impact on the U.S. economy.

Developmental Objectives

Microenterprises make up approximately 99% of India’s 64 million micro, small, and medium enterprises (MSMEs) and 21% of India’s MSME credit exposure. Despite the important role of microenterprises in the Indian economy, these businesses face an annual credit shortfall of \$9 billion. Only 11% of all MSMEs – typically the largest – have access to credit. Women entrepreneurs face disproportionate barriers to accessing credit, with 70% of women-led microenterprises never having borrowed from a formal financial institution. This issue is also exacerbated in rural areas, which receive 21% of credit in India despite being

home to more than half the country's microenterprises. The Project is expected to have a positive impact in India by expanding access to financial services for microenterprises, with an emphasis on rural, women, and new to credit borrowers. The average loan tenor is approximately seven years, with tenors up to ten years, allowing for more flexible repayment rates for this underserved segment of the Indian economy. Given the Project's characteristics, it is categorized as Exceptionally Impactful per DFC's Impact Quotient.

Environment and Social Assessment

Screening:

The Project has been reviewed against the DFC's 2020 Environmental and Social Policies and Procedures manual ("ESPP") and has been determined to be categorically eligible. DFC loan portfolio guarantees to financial institutions who will utilize the loan to expand their micro, small, and medium enterprise lending are screened as a Financial Intermediary C (FI-C) for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all those downstream investments have been pre-screened as low risk and further review and consent is not required for these investments.

Applicable Standards:

To ensure that the Borrower's investments are consistent with the DFC's statutory and policy requirements, the DFC loan will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy ("ESP") that meets the 2012 IFC Performance Standards.

Under the DFC's ESPP, the Borrower is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation's Performance Standard ("PS") 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support the expansion of the Borrower's MSME lending in India, significant adverse impacts concerning biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated; therefore, PS 3, 4, 5, 6, 7, and 8 are not triggered at this time.

The Borrower has a basic environmental and social policy, grievance mechanisms, and human resources policies that generally align with the expectations listed in the DFC's 2020 Environmental Policy and Procedures and IFC PS 1 and 2. The Borrower will be required to provide updates to its human resources policies and its Environmental and Social Policy to align with DFC's expectations as a condition of receipt of DFC support.

Environmental and Social Risk and Mitigation:

NA