

INFORMATION SUMMARY FOR THE PUBLIC

Host Countries:	India
U.S. Sponsor:	Omidyar Network, LLC
Name of Borrower:	NeoGrowth Credit Private Limited
Project Description:	<p>A recent Asian Development Bank Institute report¹ underscored how the financing gap that exists in India for its 58 million small businesses is a key constraint to their growth. The funding needs of these small businesses are greater than the \$1,500 loan size cap placed on microfinance institutions by local regulations, but typically lower than the minimum loan size required by commercial banks. For this reason, Indian small businesses are trapped in the so-called “missing middle” of business finance. A recent IFC study estimated the financing gap for micro, small and medium enterprises in India at more than \$58 billion.</p> <p>To address this gap, NeoGrowth, a Mumbai-based non-bank finance institution, is providing debt financing for small and medium enterprises that operate in the Indian retail space. NeoGrowth uses technology in an innovative way to serve the financing needs of these businesses. By analyzing daily turnover data from a merchant’s point-of-sales (POS) terminal, NeoGrowth uses proprietary credit scoring systems to help determine creditworthiness. Repayments are captured electronically on a daily basis and on flexible terms in line with the daily turnover volumes of these merchants. Loan sizes range from \$3,000 to \$120,000 with an average tenor of about one year.</p> <p>OPIC will provide a loan guaranty to an Indian commercial bank (RBL Bank Limited) to enable it to lend \$5,000,000 in Indian Rupee equivalent to NeoGrowth for up to five years. The guaranty will unlock debt financing to retail small businesses across India, which in turn is expected to have positive impact on job creation and economic growth.</p>
Proposed OPIC Guaranty:	\$5,000,000 (up to 5 years) with currency appreciation coverage of 12%.
Total Project Costs:	\$11,228,699
Other U.S. Sponsors:	Accion Frontier Inclusion Fund, LP
Policy Review	

¹ Bridging the “Missing Middle” between Microfinance and Small and Medium-Sized Enterprise Finance in South Asia (ADB 2016)

<p>U.S. Economic Impact:</p>	<p>The Project is not expected to have a negative impact on the U.S. economy. There is no U.S. procurement associated with this Project, and, therefore the Project is expected to have a neutral impact on U.S. employment. The Project is expected to have a positive five-year U.S. balance of payments impact.</p>
<p>Developmental Effects:</p>	<p>The Project will have a highly developmental impact in India by increasing access to finance for Indian SMEs. According to the World Bank, only 30% of Indian SMEs use banks to finance investments and 15% of Indian firms identify access to finance as a major business constraint. According to the IFC, only 3.1% of women-owned MSMEs in India obtain funding from formal financial institutions. This Project will help increase access to finance for women-owned businesses because an estimated 25% of Project funds will target women-owned enterprises. This Project will leverage NeoGrowth’s technology, innovative credit analyses, and flexible financing to help reach these underserved markets. This Project will also align with the Government of India’s objective to advance the MSME sector and increase access to finance for Indian MSMEs as part of India’s 12th Five Year Plan.</p>
<p>Environment:</p>	<p>Projects involving loans to non-bank financial intermediaries for the purposes of SME on-lending are screened as Category C projects under OPIC’s environmental and social guidelines. Environmental, health, safety and social impact concerns are minimal. However, in order to ensure that NeoGrowth’s loans are consistent with OPIC’s statutory and policy requirements, the loan to NeoGrowth will be subject to conditions regarding use of proceeds. NeoGrowth has an environmental and social policy as well as an adequate grievance mechanism in place.</p>
<p>Workers Rights:</p>	<p>The Project will be required to operate in a manner consistent with the International Finance Corporation’s Performance Standard 2 on Labor and Working Conditions, OPIC’s Environmental and Social Policy Statement and applicable local labor laws. OPIC’s statutorily required language will be supplemented with provisions concerning the rights of association, organization and collective bargaining. Loans to SME borrowers will be restricted with respect to the operations, including employment of minors and other applicable labor law requirements. Standard and supplemental contract language will be applied to all workers of the Project.</p> <p>The Project has developed and implemented a labor management system that addresses labor risk commensurate</p>

	with its employment-related risks and consistent with the IFC Performance Standards, OPIC's Environmental and Social Policy Statement and applicable local labor law.
Human Rights:	OPIC issued a human rights clearance for this project on August 18, 2016