



A DIGITAL LENDING FINTECH TARGETING A MULTI-BILLION-DOLLAR
CREDIT OPPORTUNITY, IN INDIA'S MICRO BUSINESSES



HAPPY PRESENTS
SOCIAL IMPACT REPORT - 2019

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RESEARCH PARTNER





EXECUTIVE SUMMARY

This social impact report measures the socio-economic impact created by HAPPY by providing loans to its customers. The study for the report was conducted across metros and tier 1 cities covering field based survey of 200 merchants. The impact is evaluated and summarized around the below mentioned themes.

Inclusive Growth: Over 70% of the participants do not have a formal degree. Happy is encouraging self employment among these lower educated groups and transforming them from being job seekers to job givers.

Access to Credit for Small Businesses: Over 50% of the respondents were small retail merchants involved in trading – typically also called mom-and-pop stores.

Fostering Entrepreneurship: HAPPY has provided financial support to first generation entrepreneurs as they find borrowing from traditional sources a bit difficult due to lack of credit score. Over 63% of the respondents had set-up their own businesses.

Employment Generation: HAPPY has facilitated employment of over 56,000 people in last year primarily in the age range of 26 to 35 years. The economic value generated for those employed is to the tune of INR 37 crores.



HAPPY is a very innovative concept aimed at helping small-time businessmen financially by facilitating quick loan processing through the use of advanced technology. Money should not come in the way of realizing dreams, this is what HAPPY strives to achieve. By helping the small but important players, HAPPY is literally in the business of spreading happiness.



Dr. CA. Varadraj Bapat

Faculty in Finance | Indian Institute of Technology Bombay

QUOTE FROM MAHARASHTRA GOVERNMENT

The Fintech industry in India is growing at an unprecedented rate with multiple companies starting up led by Technologists, ex-Bankers and new economy Entrepreneurs desirous of bringing about disruptive positive changes in the way India transacts. This flourishing of start-ups in turn sees a lot of investment activity in terms of raising equity from Promoters, Angel investors and VCs. In the calendar year 2018 between Fintech and Financial services the total funding raised was approximately INR 14,000 Cr. The major fields of the world of traditional finance being digitised improved on and transformed are payments, lending and insurance. The key field of lending in India is seeing a lot of activity in terms of innovative tech enabled business models. Digital lending witnessed a lot of fund-raising activity in the calendar year 2018 with equity of approximately INR 6,840 Cr. with 69 deals. Over and above this, Fintech digital lending space received debt funding of INR 1,340 Cr. This rapid growth of digital lending in India serves a burning need of closing the credit gap and increasing Financial Inclusion in the country.

In India the aggregate retail credit demand is in the range of INR 33 Tn. In the MSME space this overall credit demand is approximately INR 26 Tn. Traditional established banks and financial services companies operating mostly in the brick and mortar model serve only a part of this credit demand. For example in the MSME space it is estimated that the unmet credit demand is INR 15 Tn. This unmet credit demand has historically been fulfilled by what is called community finance - comprising family, community members and

unregulated private lenders. Some experts estimate that community finance is as big as traditional bank consumer lending. This space is entirely unregulated with borrowers facing onerous terms and conditions, usurious interest rates and coercive collection tactics. Closing this credit gap is a major service provided to the economy by Fintech companies focused on digital lending.

Happy (ArthImpact Finserve Pvt. Ltd.) addresses this problem of unmet credit demand in the country by providing small ticket sized, short tenure business loans to retail merchants in India. Happy's business model is of tying up with Merchant Aggregators and accessing merchants in their network. Happy uses electronic transaction data of transactions enabled by the Aggregator to underwrite credit, disburses loans directly into bank account and electronic wallets, and collects repayments through split settlement of daily electronic commerce at the merchant outlet. With its entire processes end-to end digital, Happy is representative of the success of the Fintech revolution underway in the business of lending. In this report Happy establishes the fact that through running a digital lending company serving the underserved, Happy creates a distinct socio-economic impact in the lives of their borrowers. We are pleased to release this Social Impact report 2019 for Happy.

Ms. Suniti Nanda
(Fintech Officer Government of Maharashtra)

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SOCIAL IMPACT RESEARCH METRICS

OUTCOME

Inclusive Employment

56,724

Total Jobs sustained

17,255

Customers served
per annum

IMPACT

Sustained and
Inclusive Growth

114 CR

Economic Value
added per annum

77,648

Total family members
supported per annum

OUTPUT

Successful Growing
MSMEs & Micro-entrepreneurs

35,614

MSMEs &
Micro-entrepreneurs
financed



Priya Jadhav, Aquarium Show Owner

ABOUT **HAPPY**

HAPPY is the fastest growing fully Digital Lending Fintech focused on delivering flexible & easy short-term access to credit to first time borrowers who are small business owners & proprietors in urban & city settings in India.

Happy extends small ticket size loans to MSMEs & Micro-entrepreneurs in India. The company was founded by Manish Khera, Gautam Ivatury and Shweta Apremeya in 2016 with a mission to support and increase the financial strength of MSMEs & Micro-entrepreneurs, the heart of Indian economy.

ABOUT THE FOUNDERS



Manish Khera

Founder & CEO

An entrepreneur, investor and experienced banker having pioneered the digital financial inclusion with core focus on the micro-finance and micro payments sector. In 2006, he founded FINO -India's largest banking correspondent network which served over 70 million customers and has now become the FINO Payments Bank. He is known for taking banking to the under-banked in India. He was also the CEO of Airtel Money Services Ltd where he drove the business to higher levels and laid the foundation for Airtel Payments Bank.

He holds an M. Phil in Environment and Development, Master's degree in Business Administration (Finance) and B.Electrical Engineer. He is also a DFID Scholar.



Gautam Ivatury

Co-Founder

A serial entrepreneur, an aspiring pianist and a cryptocurrency dabbler; Gautam Ivatury is a recognised pioneer with decades of experience in digital finance. He has headed the World Bank's digital finance program which is backed by Gates Foundation. Gautam has played an instrumental role in the world of mobile banking and has started, advised and funded mobile ventures and Fortune 500 players globally with an aim to create a new-age, fairer way of banking that will make people's lives simpler and happier.



Shweta Aprameya

Co-Founder

A dynamic & multi-faceted leader, she has held several leadership roles in multinational corporations in UK & India, focused on emerging mass market consumers' use of self- service technology & mobile financial services leading to Financial Inclusion, Mobile Payments & Digital Financial Services. She has served as the COO & SVP of India's first Payments Bank.

She has advised IFC – World Bank Group in India, Srilanka and Bangladesh on Digital Transformation and Financial Inclusion initiatives across financial institutions. She holds MBA from MIT Sloan School of Management.

OUR ADVISORS



M. V. Nair

M V Nair - He is the Chairman of India's largest credit bureau – CIBIL in addition to being the chairman of SWIFT India and top 3 training solutions provider for banks and financial services organizations in India. Previously a banker, Nair was one of the longest serving chairman in the history of Indian banking, having served as chairman and managing director of Union Bank of India for six years and Dena Bank for one year.



Anil Sinha

A regional head of International Finance Corporation, he has over 25 years of experience in banking and finance. He was not only the chairman, Strategic Advisory Board of Millennium Alliance, but also an Advisor for the Global Impact Investors Network.



Jitendra Gupta

He was the founder and MD of Citrus Pay, a leading digital payments company in India, which got acquired by PayU. He has more than 16 years of work experience in banking and financial services industry and is considered an expert in payments industry.

OUR PRODUCT

Loan types	Ticket size & tenure
Unsecured Business Loans to small and micro merchants.	Loan ticket size INR 2000 to INR 2 lakh
For purposes of business or personal use towards cash flow mismatch	Duration of 30 days to 6 months

Average ticket size of INR 20,000 with an average tenure of 60 days

SOURCING CHANNELS

Happy partners with merchant aggregators that enables assessment of potential customers based on data on business transactions through the partner's platform.

HAPPY's digital lending engine, has a multi - layered product structure that includes customer credit origination capabilities, advance multi category underwriting with risk profile enrichment tools and customer engagement frameworks to include repayments and sentiment predictability.



Payment
platforms



e-Wallet
providers



Distribution
platforms



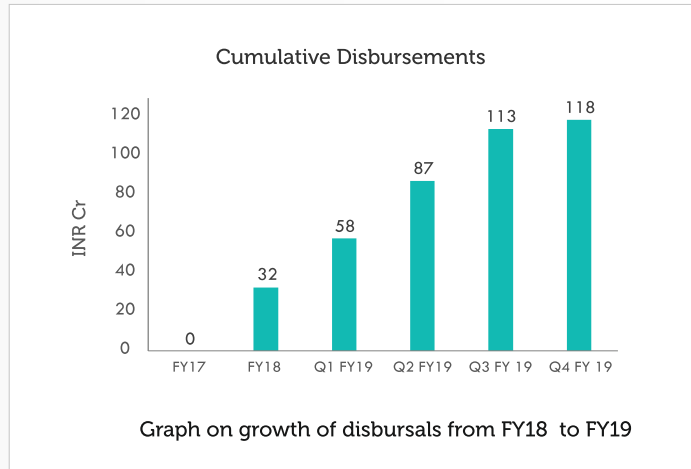
e-Commerce
platforms

LIVES IMPACTED

Beneficiaries since inception

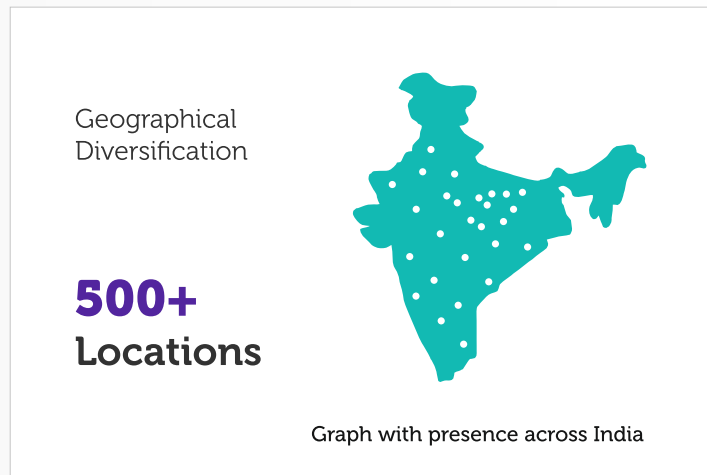
(Feb. 2017) : 35614

Beneficiaries in FY19 : 12969



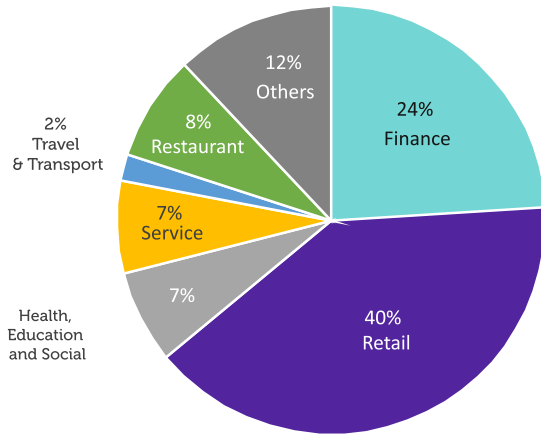
BUSINESS REACH

Happy has presence across
500+ locations in India
through its partner network.



PORTFOLIO DIVERSITY

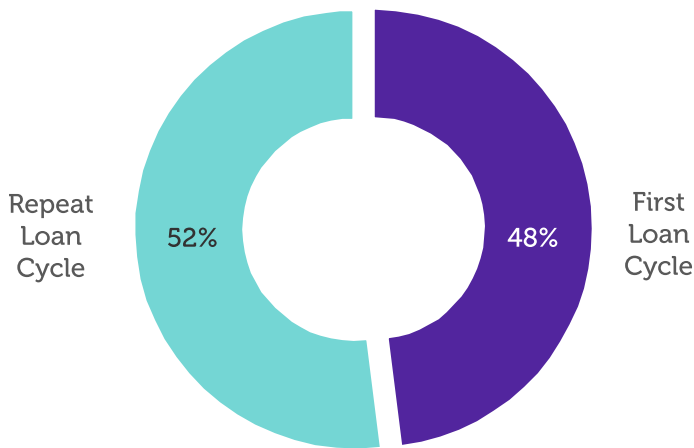
Sectoral diversity



Happy is focussed on mass-market retail stores and this customer category contributes over 40% of the customers. This is a lower concentration from previous years and reflects on the company's efforts to diversify the portfolio.

Takeaway: Happy has a well-diversified portfolio across multiple sectors. The largest customer segment for Happy covers micro-merchants involved in retailing.

Loan Renewal



Happy provides speedy top-up loan options to customers. 52% of customers were on renewal cycles.

Repeat customers are an indication of the trust enjoyed by Happy among the small businesses, good selection of customer profiles, as well as a good growth outlook for the company.

Takeaway: Happy enjoys high trust among small business based on their positive experience and ease of loan processing.

IMPACT ASSESSMENT STUDY

OBJECTIVE

Happy partnered with Positron Consulting Services with the objective of evaluating the socio-economic impact of its credit services on the business and life of the micro entrepreneurs.

Business Impact	Efficacy of loan	Client profile	Personal Impact
<ul style="list-style-type: none"> • Access to credit • Growth • Financial planning • Income perspective 	<ul style="list-style-type: none"> • Awareness • Perception • Product focus • Service quality 	<ul style="list-style-type: none"> • Occupation • Demographics • Credit profile • Income profile 	<ul style="list-style-type: none"> • Financial independence • Family finances

METHODOLOGY

Out of the total database of 35000 merchant and retailer customers, an impact assessment survey was conducted using detailed questionnaire coupled with open interviews.

- Baseline customer impact data at the time of financing
- Impact data captured and assessed during telephone conversations with clients
- Impact data captured and assessed during regular client visits
- Impact data captured and assessed through extensive field surveys
- Captured data reviewed by Happy's impact assessment team



The sample for the study covered detailed field-based survey of 200 merchants across metros and tier 1 cities.



Mumbai : 50 nos.

Pune : 40 nos.

Bangalore : 40 nos.

Hyderabad : 40 nos.

Delhi : 30 nos.

To support the field-based survey, additional open-ended discussions and personal interviews were done with a select set of customers across these locations.

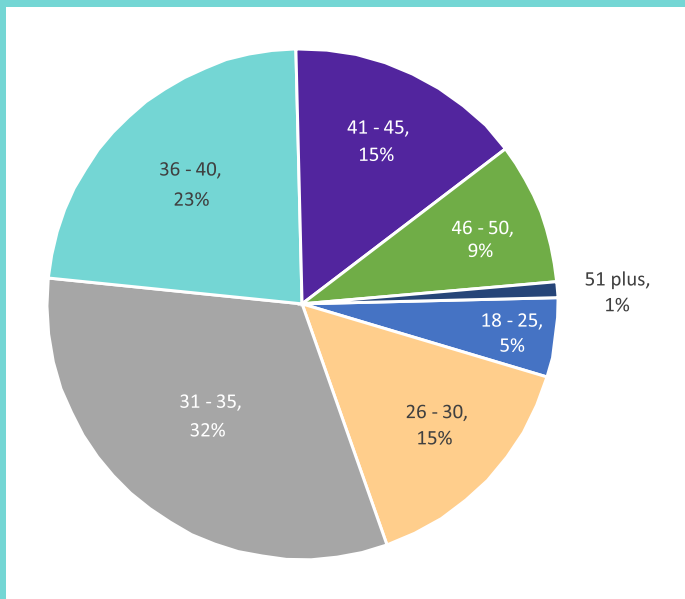
ACCESS TO CREDIT FOR MICRO BUSINESSES



Mukesh Sharma, Chemist

INCLUSIVE GROWTH FOR CUSTOMERS

Age Profile



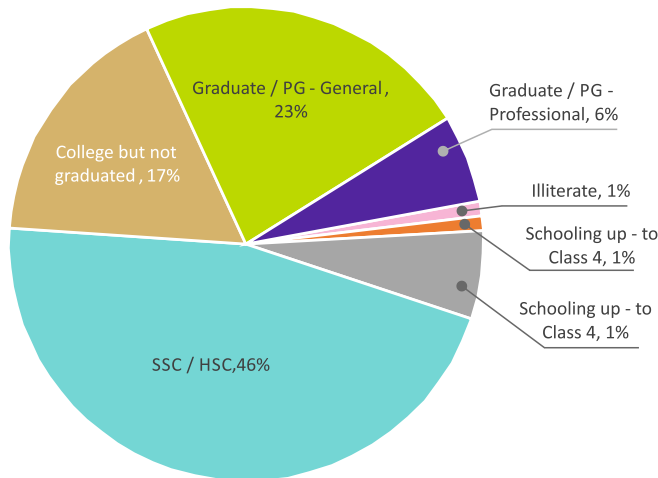
The mean age of the participants in the study is 36.4 year with 92% of them being married. Marriage represents a signal of higher creditworthiness.

Almost all the married respondents have 1 or 2 kids. The average family size is 4.5. A large family size implies stability and lack of mobility, thereby reducing the default probability.

94% of the respondents surveyed were male, which is a lower concentration than previous years. This indicates the ongoing efforts at Happy to increase the share of women borrowers in its portfolio.

Takeaway: Happy has a concerted focus on improving demographic profile of customers as well as improving gender disbalance through micro-lending to women entrepreneurs

Education Profile



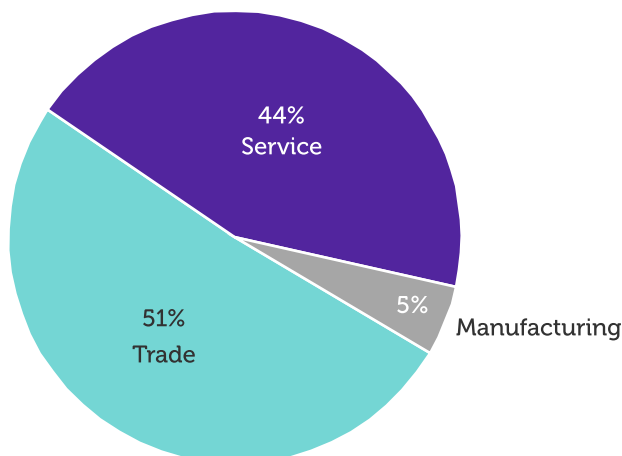
Over 70% of the participants do not have a formal degree.

Customers with low educated profiles find it harder to get loans to initiate any meaningful economic activity. The micro-loans from Happy, based on cash flow analysis and business transaction analysis, enable these customers to grow their businesses and achieve financial independence irrespective of the educational degree they have.

Takeaway: Happy is encouraging self-employment among the lower educated groups and transforming them from being jobseekers to job-givers.

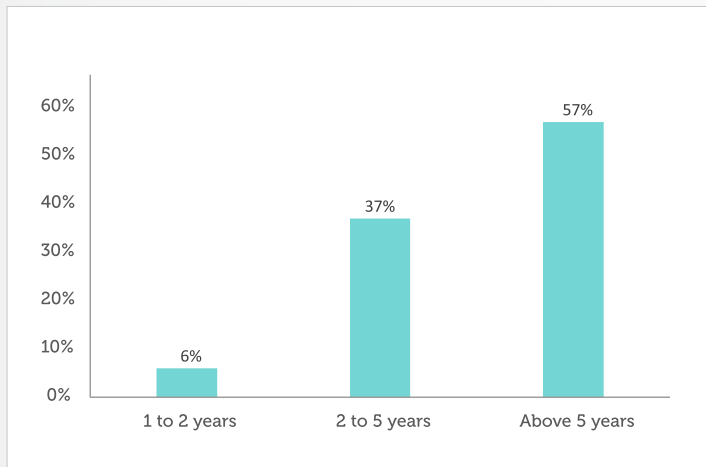
ACCESS TO CREDIT FOR SMALL BUSINESSES

Business Type



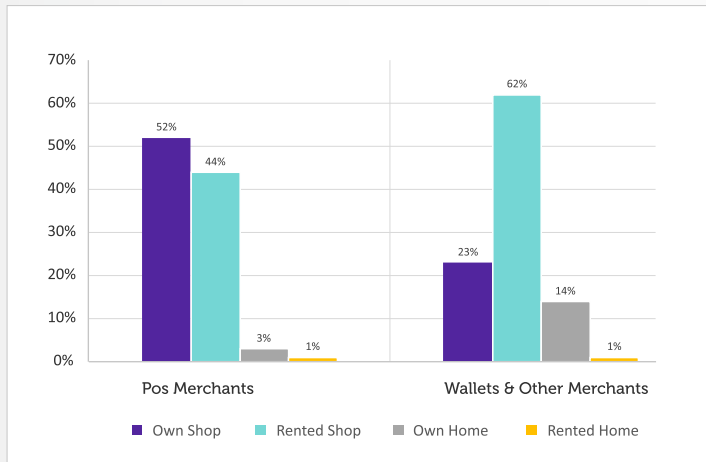
Over 50% of the respondents were small retail merchants involved in trading – typically also called mom-and-pop stores. Service providers like automotive repairs, beauty parlours, money transfer agencies also form a significant portion.

Business Vintage



57% of the businesses surveyed are more than 5 years old. Thus, higher the vintage, more stable is the business and less likelihood of loan defaults. Early stage businesses have difficulty in getting loans from formal sources of lending like banks and NBFCs. Through partnership with e-payment and e-commerce aggregators, Happy can assess the potential earnings of these businesses, and provide them credit for business growth.

Shop Ownership

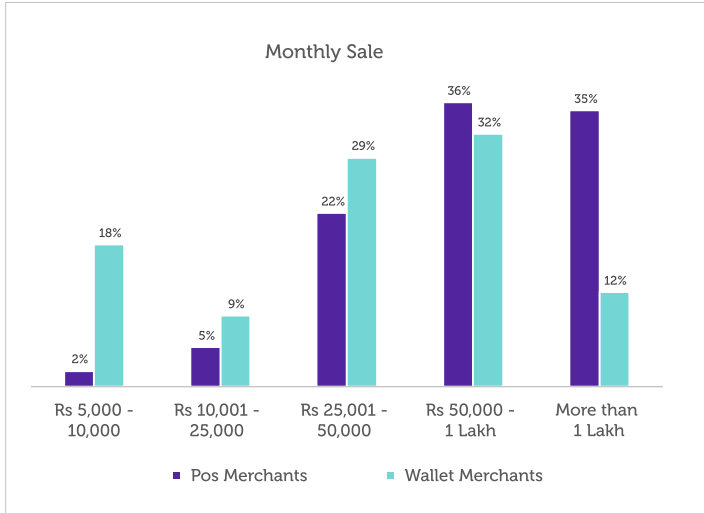


79% of the respondents interviewed owned their businesses. About 47% of the overall respondents have their own shop, whereas the others use rented premises or run home-bound businesses. Ownership of the shop is an indicator of stability of business as well as turnover.

Takeaway: Happy enjoys high trust among small business based on their positive experience and ease of loan processing.

FOSTERING ENTREPRENEURSHIP

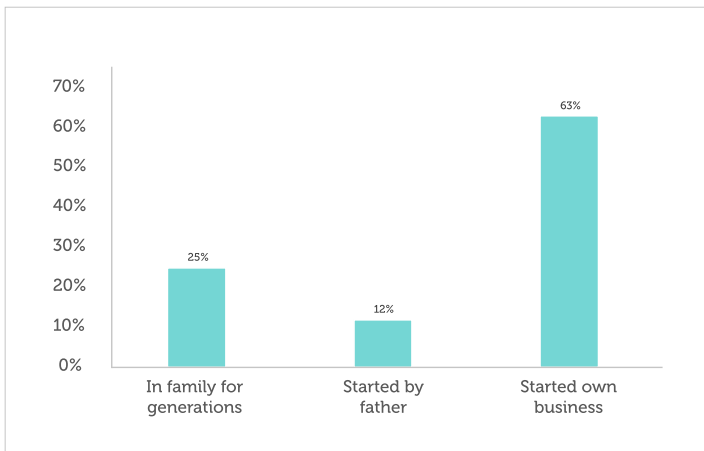
Sales Volume



Over 11% of surveyed merchants have monthly turnover of below INR 25000. These businesses typically have a large working capital gap which is a constraint in growth. Due to small scale of business, low CIBIL scores, lack of sufficient experience of entrepreneurs and low business vintage, these entities have difficulty in availing loans. By catering to such micro businesses, Happy is able to create a social impact in the society.

Takeaway: Through their credit program Happy is enabling smaller entrepreneurs in achieving their dreams of economic independence.

History of Business



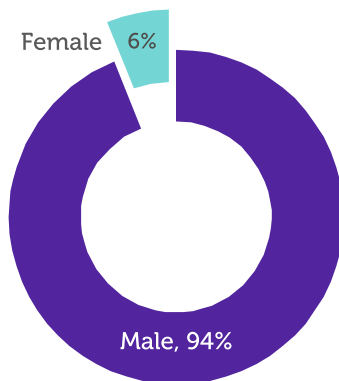
Over 63% of respondents have set up the business themselves. Happy provides crucial financial support to micro and small businesses and first generation entrepreneurs, thereby fostering entrepreneurship and empowering the merchants to take their businesses to the next level. Due to lower income or unstable income and fear of defaulting in repayments, small businesses find it hard to get loans from formal sources of lending. By adopting innovative repayment models, Happy is supporting lower income businesses in business growth along with convenience of loan repayment tailored to their business volumes. This also leads to lower defaults.

Takeaway: Happy empowers first generation entrepreneurs through its credit program tailored to their business needs.

ENCOURAGING WOMAN ENTREPRENEURS



Vijay Bhanushali, Medical Store Owner

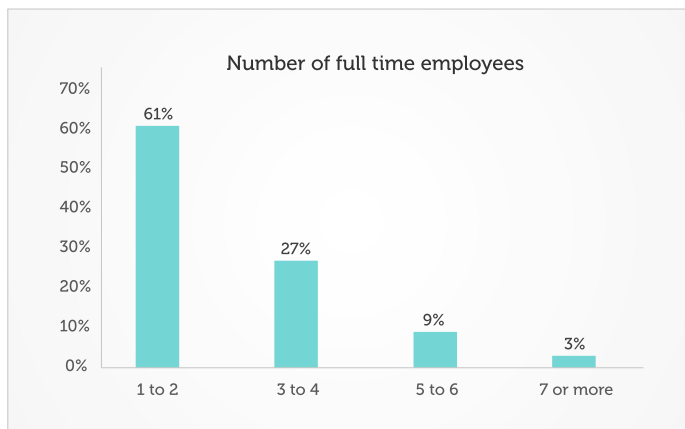


Gender of enterprise owner

Takeaway: Happy has increased focus towards nurturing women entrepreneurs and supported several women-led businesses.

In the MSME sector, ownership of enterprises is predominantly by men. In the micro segment, men own over 79% of enterprises. However, women entrepreneurship is being supported by the government and is gaining traction. With 6% women respondents, there has been an improvement in diversity of the respondent profile compared to previous year (100% male borrowers). Additionally, research states that women are less likely to default, which is a good sign for Happy since there is a male-female borrower mix.

EMPLOYMENT GENERATION



The MSME sector created 13.5 to 14.9 million new jobs over the last 4 years as per industry body CII. The sector contributes to 21% of India's workforce.

The survey showed that 38% of MSMEs & Micro-entrepreneurs businesses supported by Happy employ full-time or part-time helpers. Nearly 5% of sampled businesses reported having no helps whereas the remaining 57% has family and friends participating in the business.

On an average, sampled businesses employ 3 helpers. Further, economic independence of women is also facilitated with over 13% of the respondent merchants employing an average of 2 women in their enterprises. Over 83% of full-time employees are in the age range of 26 to 35 years.

Salary range of full time employees is below INR 20000 with average salary being INR 9500. Salary range of part time employees is below INR 10000.

Takeaway: Happy has facilitated employment of over 56724 people in last year primarily in the age range of 26 to 35 years. Over 10% of those employed are women. The economic value generated for those employed is to the tune of INR 37 crores.

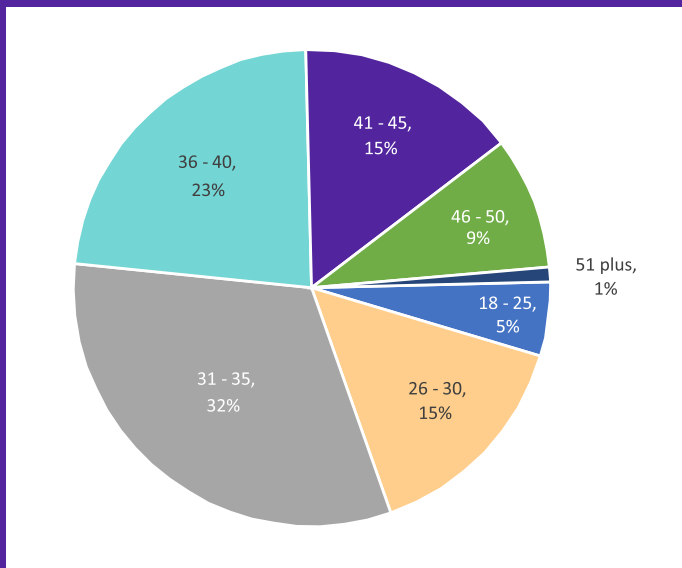
LOANS FROM **HAPPY**



Ashutosh Roy, Garment Shop

CREDIT PROFILE OF SMALL BUSINESSES

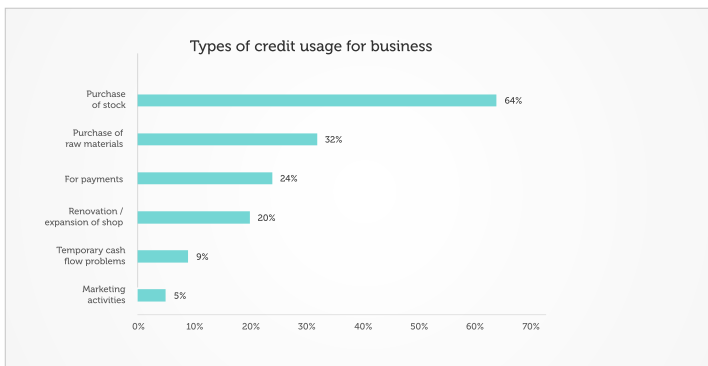
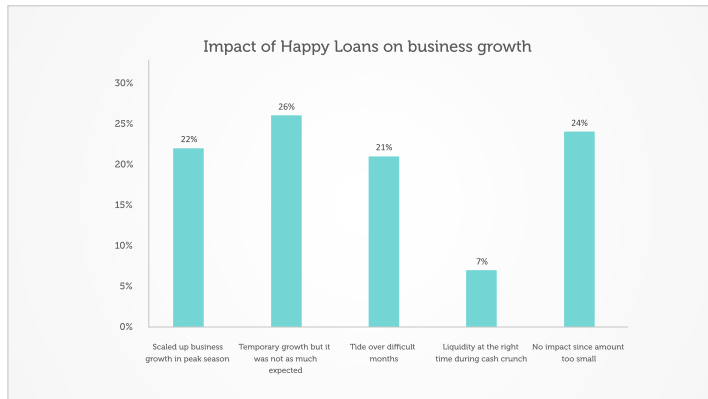
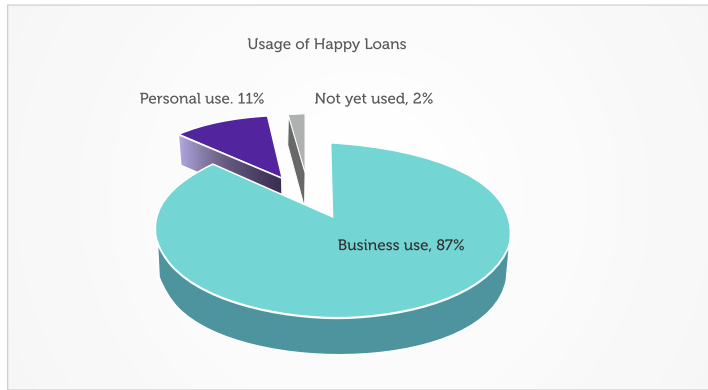
Source of Credit



Given that the survey was conducted in metros, most respondents had awareness of various credit options. Most merchants have a clear preference for public and private sectors banks, however their sources for loans are mainly limited to NBFCs, Co-operative banks and local money lenders. Nearly 70% of the respondents have taken loans from other sources.

Takeaway: Happy has increased focus towards nurturing women entrepreneurs and supported several women-led businesses.

LOAN USAGE AND IMPACT



The most common usage of the credit received from Happy is for purchase of inventory for the business – over 64% of the respondents have used it for working capital needs. Other common usages include payments for 24% of respondents, followed by renovation and expansion of business premises being cited by 20% of the merchants.

The timely availability of credit from Happy had a positive benefit on business growth during peak season or during difficult months for 50% of the respondents.

Also, in a conversation with a borrower in the optical business, Happy had a positive impact for him in availing of huge bulk discounts in purchasing of stocks of lenses by making a lump sum payment upfront to the supplier which would be difficult otherwise. This availability of credit thus helped in savings and enabled the business owner to have access to high end products and meeting demand of high end customers.

Takeaway: Over 87% of loans from Happy are utilized for business purposes. Happy encourages cash less India thereby creating a socio-economic impact in the society.

BORROWER EXPERIENCE

Overall Satisfaction



91% of the respondents have been satisfied with their experience with Happy. Ease of loan process, convenience due to the simple and limited paperwork have been cited as the key reasons.

There was a unanimous response in terms of ease of process, documentation and receipt of funds for Happy amongst the borrowers while in discussion with them as against obtaining credit from other formal sources as the case maybe.

The entire process was not complex and cumbersome, hassle free and fast. In a matter of few hours the borrowers received funds.

Borrowers did not find the rate of interest very high and costs associated in terms of fees negligible. The quick disbursement of funds was a unique selling point for them.

Also, borrowers had no major service issues that they faced in their journey with Happy till loan closure and repayment. The entire process was so simple and hassle free as reiterated by them in conversation.

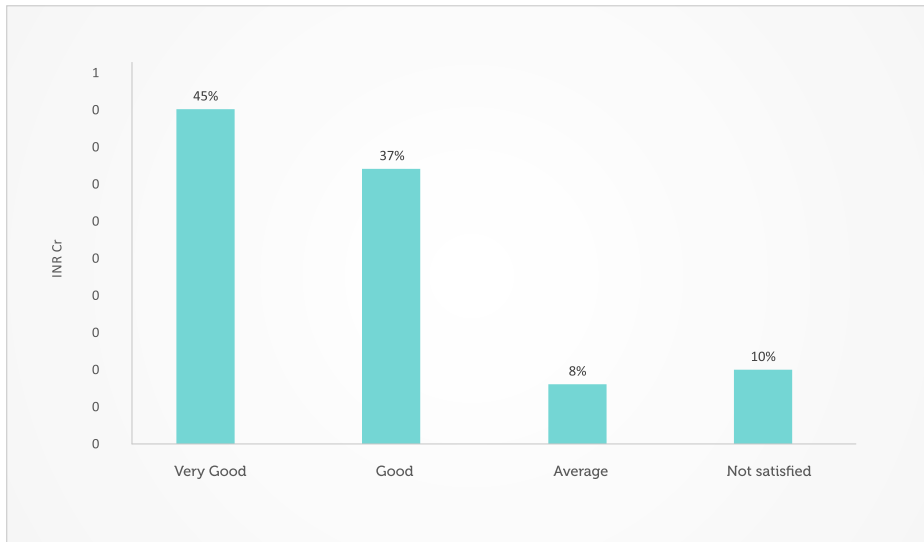
Partnership with merchant aggregators enables Happy to quickly assess the merchants' business volumes and proactively offer loans to qualifying merchants as well as complete the loan process digitally.

Over 90% of the sample have expressed satisfaction with the speed of the loan process. Customers find that the reliable and timely process provides them a sense of financial independence.

Borrowers felt that the quick disbursement of the loan helped them in availing offers and discounts to buy or replenish stocks which are of high value which would have been difficult otherwise and thus have a positive business and customer experience impact.

Takeaway: Time is the key to any business, and if you don't get financial support on time, it can turn into a wasted opportunity. HAPPY customers love their loans because of quick disbursement process, as it adds high value to their business at right time.

Ease of Repayment



Ease of repayment through automatic deductions made on the digital transactions on POS machines contribute to a hassle-free repayment mode for the merchants.

Borrowers did not face any problems while repaying the loan and this as mentioned was a big positive in the minds of the borrowers leading to a "Wow" customer experience in the overall experience felt by them.

Takeaway: Combination of simple and quick loan processing and ease of repayment leads to high satisfaction among customers of Happy.



MERCHANT INTERACTIONS

BHILAL PATEL Clothing & Accessory Merchant, Mumbai

Bhilal Patel, 28 years owns “Funkyz” a Clothing and Accessories outlet in Mumbai. He is running this since 2007. He started doing business with a road stall. He is a self-starter and has not inherited this business. He started only with accessories then added shirts and trousers. Interestingly he has a page on Instagram and says today this exposure is a must for reaching out.

He claims to be happy with his business and is absolutely sure that his children should do some kind of business and not a job!

He has customers not only from the local areas but far off locations as well due to his personalized approach.

He took loan from Happy to buy stocks and increase width of the product range- Since a year he has added “Denim” products in his shop.

He says the loan has helped him to increase stocks, giving customers more varieties leading to better business and a better life! He has been happy with the ease of repayment of the loan which is an automatic process, takes minimum hours of disbursement and is a hassle free experience!



GANESH CHOUDHARY

Grocery Merchant,
Mumbai

Ganesh Choudhary runs his Grocery Store 10 years in Goregaon, Mumbai. He used to work for someone earlier. After gaining some experience, he started his own shop. He says being a "Gujarati" he had to have his own business! He manages the entire show on his own with 2 employees. He wants his children to study well and says if they are well educated they will have many opportunities.

He has availed of two loans from Happy and used the same for stocking purposes for his store. He emphasised that the loans were used purely for business purposes. The loans helped him in maintaining stocks across different products as required at that point in time thereby not resulting in shortages and business kept moving.

He was very happy with the entire borrower experience journey right from the beginning i.e. disbursement of funds which was within 12 hours and the repayment process which was hassle free and easy and has had no service issues He totally trusts "Happy" .



DINESH M KALYAMKAR

Optical Merchant,
Pune

Dinesh Kalyamkar started his own optical/eye clinic over 10 years ago. There are 2 employees working with him. He caters to high end customers and not the mass market. He sources his requirements like contact lenses, frames etc. mainly from local markets on a need to need basis. He says he has used loans from Happy to avail of certain discounts and offers for lenses. For e.g by paying the supplier an upfront lumpsum amount such as Rs.15000 he can book 50 pairs of contact lenses and get 15 pairs free- This is a big saving for him as products are expensive in his line. Loans have thus helped him in availing such offers and maximising benefit. He has been a repeat customer for Happy and found the entire process of receiving the amount of loan very quick and repayment extremely easy. The process as he says from start to the end is not complex.

Positron is a 15-year-old consulting firm that combines extensive advisory experience with senior business management skills across verticals. Positron consultants focus on delivering results through implementation of new ideas and strategies for business incubation, expansion and performance improvement. Our mission is to "help clients succeed".

GROWING WITH
INDIA'S 63 MN
MICRO BUSINESSES

पानी
76 कुडस
6604567
एन ब्रह्म ॥
(Parcel Available)
15/-
20/-
20/-
22/-
35/-
25/-
20/-
20/-
10/-



Source : MSME Annual Report 2018-19



SOCIAL IMPACT REPORT - 2019

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www.happyness.net