

U GRO Capital
Impact Assessment Study

Empowering MSMEs and Fostering Entrepreneurship Pan-India

Executive Summary







Acknowledgements & Credits

We would like to thank the 495 MSMEs who participated in the study and provided us with relevant information to help us in deriving meaningful insights. We would also like to thank the leadership from the U GRO Capital Co-lending partners- Prestloan, IREP, Supermoney, Jacinth, Inditrade, Ziploan who took out time to share key insights for the study.

While it is difficult to mention the names of all the data collectors who worked with us in this study, we express our gratitude to them for conducting data collection and verification in an efficient manner. Last but not the least, the study would have not been completed without the support of U GRO Capital. We thank Shachindra Nath, MD and Executive Chairman, U GRO Capital, who played an instrumental role around the conceptualisation and design of the study. We would also like to thank Nirav Shah, Anuj Pandey, Subrata Das, Dishant Dave and Viren Razdan for their continuous encouragement and patience all through the implementation of the study.

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U GRO Impact Logo is designed by the U GRO Capital in-house design team and is a property of U GRO Capital.

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Foreword

The Micro, Small and Medium Enterprises (MSME) sector is the backbone of our economy and is the key driver to India's economic growth. There are currently more than 63 million MSMEs in India, of which 51% are in rural areas and 20% are led by women, generating employment opportunities for more than 111 million people in India, which is next only to agriculture in India. MSMEs produce a diverse range of products and services to meet demands of domestic as well as global markets and foster innovation and entrepreneurship in the country.

MSMEs require access to formal finance to build their business and scale operations. However, out of the total estimated MSME financing requirements of \$1,449 billion, 47% cannot be met by formal financing sources due to voluntary exclusion, lack of documentation and limited disclosure of MSME finances and operations. Of the remaining 53%, only 18% is currently being met by formal financing today, leaving a massive credit gap of \$507 billion for MSMEs in India.

At Sattva Consulting, we understand the importance of the different types of MSME financing in the country, ranging from NBFCs to Microfinance institutions to Small Finance Banks, and realise their potential to directly and indirectly impact multiple Sustainable Development Goals at scale. We are honored to have partnered with U GRO Capital to evaluate the impact of their lending to MSMEs. We leveraged a mixed-method data collection approach and conducted telephonic surveys with 450+ MSMEs as well as in-depth interviews with U GRO's Co-lending partners to evaluate the impact U GRO has had on their customers as well as on their co-lending partners.

We hope that the insights of the study provided U GRO Capital with an opportunity to align their business impact and map it to the SDG framework, as well as realign their systems and processes to be able to better measure, monitor and track its impact. We also hope that this report serves as an impetus to the entire lending ecosystem and encourages them to measure, evaluate and govern their impact performance for their customers.



Srikrishna Sridhar Murthy
CEO and Co-founder, Sattva Consulting



Foreword

Welcome to the first edition of the U GRO Impact Report.

The MSME sector is a major contributor in the socio-economic development of our economy, as it contributes to 30 per cent of the GDP of our country. The sector received an additional impetus with PM Modi's clarion call for AtmaNirbhar Bharat, in the drive to bolster potential. The market size of MSME sector is estimated at ~ \$606 billion but the size of formally funded market is ~ \$263 billion only. The remaining MSMEs resort to informal means of raising funds and struggle to achieve their productivity potential.

Our founding belief at U GRO Capital has been to design a platform that brings the unserved or under-served MSMEs into the fold of formal lending. Impact has been at the forefront of all our business conduct. Our aim is not just to cater to the under-served segment but also enhance our impact at scale through a careful selection of channels and products. At U GRO Capital, we use a unique combination of intelligence & technology to understand each MSME's potential for growth and their financial and non-financial needs, to create insightful loan products across 9 key sectors and 4 distribution channels. Today, we stand at \$341 million in assets under management (AUM) and have disbursed over \$618 million of loans till date.

With a presence in 08 states across 85 branches, catering to 16,000+ active customers and an ever-growing team of over 1000 young professionals, we are a proud part of India's growth story. We have directly or indirectly also contributed to India's journey of meeting its Sustainable Development Goal targets.

At one level, our business is often perceived as purely transactional, however when we delve a bit deeper, we realize how capital infusion, especially within the under-served sector, triggers a chain reaction of not just elevating business potential but also the entire social ecosystem. Being the catalysts to this, impact will continue to remain central to our mission at U GRO Capital.

We partnered with Sattva Media & Consulting to conduct an impact assessment study to capture, quantify and communicate the impact we've created for our customers and partners. This report is the first in our series and we would appreciate your feedback and suggestions as we move forward.

Thank you,



Shachindra Nath

Managing Director and Executive Chairman, U GRO Capital



Methodology and Sampling of the Study



Methodology




Mixed-method data collection approach was leveraged including :



Review of U GRO Capital's documents and MIS data (investor presentations, earnings reports, etc.) to gain early insights into business fundamentals.



Telephonic surveys with each customer archetype (Micro and SMEs) and in-depth interviews with U GRO Capital's staff and Co-lending partners.

 Demographic Indicators	 Micro-enterprises	 Small & Medium enterprises (SMEs)
Number of Customers	295	160
Type of Customers & Sectors	Small shopkeepers, Kirana stores (grocery stores), Family-run businesses, First-generation entrepreneurs	Established business owners across 8 sectors - Light Engineering, Food Processing, Auto Components, Hospitality, Healthcare, Chemicals, Education, Electrical Equipment
Average Annual Turnover	\$5,300	\$1.8 million
First-time loan takers	12.9%	10%
Number of States	9	11
Products & Ticket Size	Secured and Unsecured Loans : ~ \$7,900	Secured and Unsecured Business Finance Loans : ~ \$39,500 Machinery Loans : ~ \$39,500 Supply Chain Loans : ~ \$316,000

Impact Assessment Framework

Portfolio-level Impact and Indicators



MSMEs

- Number of MSMEs by Customer Archetypes
- Customer Archetype by Turnover



LOANS PROVIDED

- Amount of Loan capital disbursed



GEOGRAPHY

- Number of Branches
- Number of States

U GRO CAPITAL'S SECTORAL FOCUS ENABLES CREATION OF DEEP IMPACT ACROSS THE FOLLOWING SDGS



- Number of enterprises
- Loan Capital Disbursed

MSME-level Impact and Indicators



MSME Business & Operations

- Change in Liquidity
- Change in Sales & Profitability



EMPLOYMENT GENERATION & DIVERSITY

- Change in total employee count incl. Female employees
- Change in Salaries



CREDIT-TAKING ABILITY

- Change in credit score
- Additional Loans availed



ENTREPRENEURIAL ABILITY

- Change in Risk Taking Abilities
- Change in Business Confidence




A woman wearing a headscarf with a red floral pattern on a black background and a beige dress with large black polka dots and red floral prints is working on a textile machine. She is focused on her work, with her hands positioned to adjust or guide the threads. The machine has many bobbins and threads. In the foreground, there are spools of thread in blue, pink, and yellow. The background is slightly blurred, showing more of the machine and the workshop environment.

Key Findings from the Study

U GRO Capital's reach across India

 **16,594**
Number of active MSMEs reached











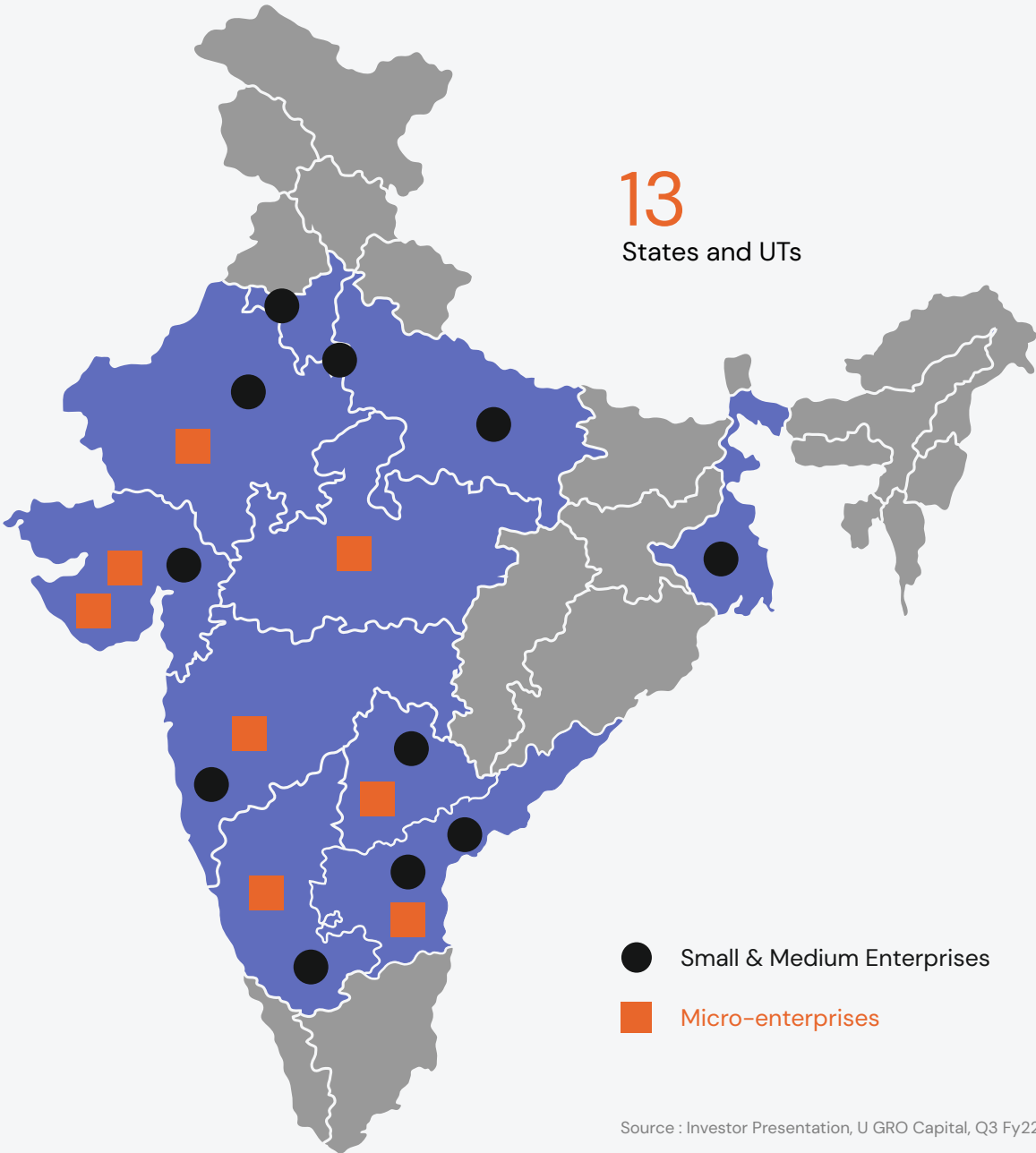
 **\$617 million**
worth loans capital disbursed



 **9**
Sectors



-  Hospitality
-  Healthcare
-  Chemicals
-  Education
-  Electrical Equipment & Components
-  Food Processing
-  Light Engineering
-  Micro-enterprises



Source : Investor Presentation, U GRO Capital, Q3 Fy22

SDG-level impact as a result
of U GRO Capital's sectoral
focus



1047

Food Processing Enterprises including cereals, fruits and vegetables processing units as well as consumer goods and packaged food enterprises

\$37.4 million

worth loans disbursed



606

Solid Waste and Scrap Management Enterprises across heavy metals, chemical, wood, rubber, paper, and electronic industries

\$23.6 million

worth loans disbursed



558

Healthcare enterprises including general nursing homes, hospitals, dental clinics, and pathology labs

\$18.7 million

worth loans disbursed



123

Education focused organizations including K-12 schools, play schools, coaching centers, book publishers and stationery suppliers

\$18.7 million

worth loans disbursed



26

Energy Enterprises that produce portable clean energy lamps and other lighting equipment

~ \$1.1 million

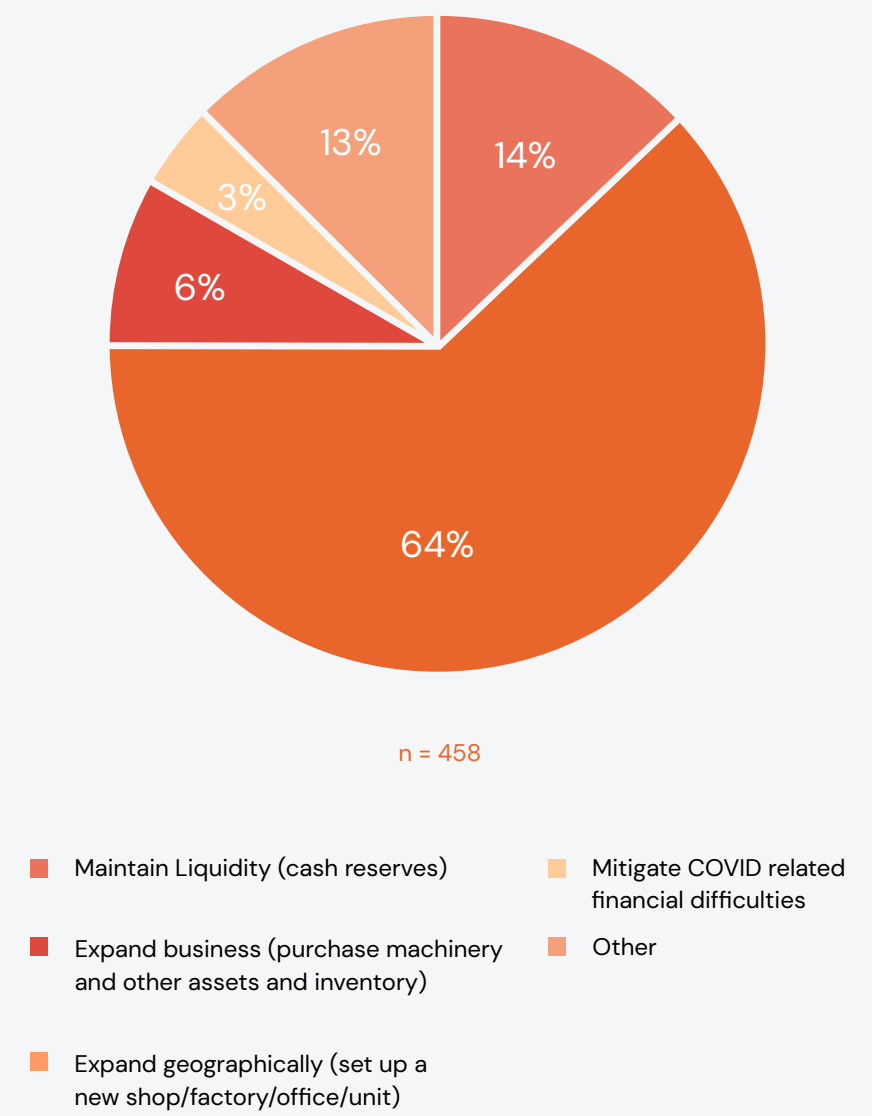
worth loans disbursed

Strong product-market fit across MSME archetypes

More than 90% of U GRO Capital customers felt that that the loan products provided to them sufficiently met their varying requirements

Source:
[MSMEs in India : Post COVID Scenario, Times of India, 2021](#)
²This was only offered to MSMEs with outstanding loans as of February 29, 2020 with U GRO Capital , as per the ECLGS Scheme.

92% MSMEs felt that the loan capital provided to them was sufficient to meet their varying capital requirements



Support provided by U GRO Capital during the pandemic

While SMEs demonstrated strong revenue and profitability margins pre - COVID, most MSMEs suffered declining margins during the COVID-19 pandemic due to poor market access, low productivity levels and limited access to finance. While the government offered support through various schemes, financial institutions played a significant role in delivering these benefits.¹



6,257

Average MSMEs received moratorium per month between March and August 2020 ²



5%

AUM share of U GRO Capital restructured



\$17.9 million

AUM of U GRO Capital restructured during the pandemic

Consistently High Customer Satisfaction scores

Over 85% of U GRO Capital MSME customers recommend their services to friends and family and gave high customer satisfaction rating to U GRO Capital.

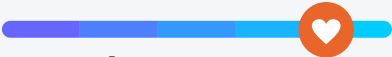


MSMEs gave U GRO Capital high scores on Customer Support and Engagement...



4.3/5

Ease of understanding T&Cs



4.3/5

Customer Support

n = 458



...and prefer U GRO Capital loan products due to flexible terms and conditions and reduced collateral requirements

74%

MSMEs find the loan taking process to be much smoother at U GRO Capital in comparison to other financial lenders

46%

MSMEs find U GRO Capital loans to have lesser paperwork in comparison with other lenders

59%

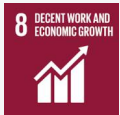
MSMEs find U GRO Capital loans to have flexible collateral requirements compared to other lenders

Improved Revenue and Increased Availability of Working Capital

Most MSMEs reported 5-20% in their revenue, increased availability of working capital as well as improved business and operational metrics since taking a loan from U GRO Capital.



MSME
Business & Operations



Liquidity

73%

MSMEs showcased healthier average bank balances



13,000+

Estimated customers with improved cash-flow situations



Revenue

80%

MSMEs reported increased annual revenue by ~5-20%



13,000+

Estimated customers with increased annual turnover



Geographical Expansion

17%

MSMEs reported geographical expansion



3,000+

Estimated customers with new branches/ stores

Inclusive Employment Generation at scale

MSMEs hired ~7 additional permanent employees of which ~50% were women. They also hired ~10 additional daily wage workers on average and increased employee salaries after taking the loan from U GRO Capital.



Employment Generation & Diversity



Employment Generation

7.0

Average additional permanent hires by MSMEs



116,000+

Estimated additional employment generated by customers

3.7

Average additional female hires by MSMEs



64,000+

Estimated additional female employment generated by customers

10.4

Average additional daily wage labourers employed



172,000+

Estimated additional employment generated for daily wage labourers by customers



Employee Salaries

48%

MSMEs increased employee salaries



7,900+

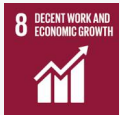
Estimated customers who have increased employee salaries

Enhanced Credit worthiness and Improved Entrepreneurial spirit

MSMEs availed additional loans worth **\$147,900** from 2 lenders on average and most MSMEs reported improved risk appetite after taking loans from U GRO Capital.



Credit-taking Ability



Credit Score

2.2

Average increase in CMR Score¹



Additional Loans Availed

\$144,900

Average Increase in amount of loans taken per MSME



\$2.4 billion+

Estimated amount of additional loans taken across all customers



First-time loan borrowers

12%

First time MSME loan borrowers



1,280+

Number of MSMEs brought into the formal credit fold



Entrepreneurial Confidence



Risk Appetite

79%

Entrepreneurs reported increase in risk taking abilities



13,000+

Estimated entrepreneurs with improved risk taking abilities

¹CMR (CIBIL MSME Rank) ascertains the probability of a loan turning into a Non – performing asset and ranges between 1 – 10 with 1 being the best possible rank.The increase in CMR score can be attributed to the quantum of additional loans taken by MSMEs during the COVID pandemic

A woman with dark hair tied back, wearing a green sari with a yellow and blue pattern, stands in a garment factory. A pink measuring tape is draped around her waist. She has her arms crossed and is smiling slightly. In the background, other workers are visible at sewing machines. The scene is dimly lit with industrial lighting.

Way Forward

U GRO Capital's ambitions to deepen and diversify impact across customers



Leverage technology and digital platforms to service a greater portion of the under-served MSME market

- End-to-End digital process – Paperless transaction for ease of finance to a larger group of borrowers
- ESRM due diligence prior to partnership and encouraging partners to comply with ESRM norms
- Expansion of U GRO Digital channel for 100% digital sourcing of loans



Serving the under-served in India's grassroots

- Geo expansion to 225 branches in Tier – 3 cities and 45 branches in Tier 1-2 cities by 2025
- Collaboration with multiple banks and provide underwriting support to provide loans to customers who do not have traditional income documents and remain under-served by traditional banks
- Supply Chain Finance, POS Finance, Partnering with Aggregators – Bridging the credit gap by funding the end supplier directly and helping borrowers avail better prices and faster services from vendors



Encourage Healthcare focus

- Support enterprises operating in the Healthcare space such as small hospitals, clinics and doctors with specialized loan products



Focus on women empowerment

- Empower women entrepreneurs by offering rate competitive loans to female owned businesses



Enable climate resilience and adaptation through MSME financing

- Encourage MSMEs developing clean tech products and services through specialized products such as Solar Panel Funding

Disclaimer



The accuracy of collected data has been ensured through call audits and back-checking. However, despite our best efforts, some errors invariably appear in the final dataset.



All the interviews and surveys were conducted through telephonic calls under resource and time constraints. Hence, the accuracy and comprehensiveness of the data collected is contingent upon the respondents' availability and diligence.



Majority of the respondents had taken loans from U GRO Capital over the last 1-2 years, coinciding with the COVID-19 pandemic. However, the study does not aim to relate U GRO Capital's impact exclusively to this period or the relief provided specifically during this period. The correlation, wherever applicable, has been called out explicitly.



When the respondents realized that this is an impact assessment exercise, they might have felt that they are being observed and judged either consciously or unconsciously and may have altered the way they act or the answers they give.



Respondents as well as us as researchers would be more likely to attribute changes to specific events or actors than to processes unfolding slowly over time.



Respondents might have answered questions in a way that they thought were socially acceptable/liked. This may have escalated if fatigue had set in – some people agreed just to complete the interview.

Note: All the data included in this report is as of December 2021.
Exchange rate of 1 USD = INR 75.91 from March 31, 2022 has been used for the purpose of conversion of values throughout the report.



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