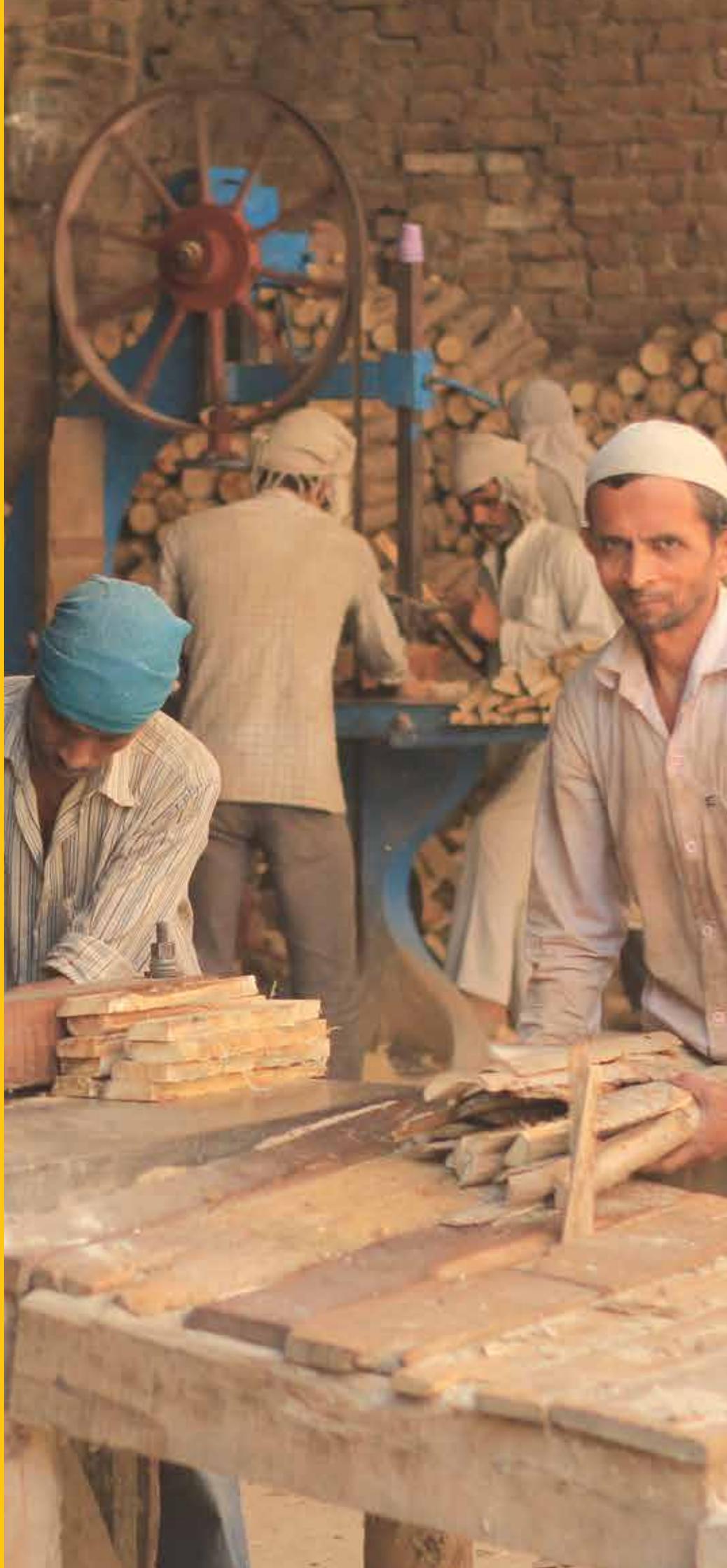


**SOCIAL
PERFORMANCE
MANAGEMENT
REPORT 2018**

AYE [आय]

*AYE FINANCE
PRIVATE LIMITED*





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AYE [आय]



BlueOrchard
Impact Investment Managers



KFW



Bundesministerium
für wirtschaftliche Zusammena
und Entwicklung



ACKNOWLEDGEMENTS

Aye Finance provides working capital loans to the large number of micro enterprises that have been excluded from formal banking support in India. By doing so, Aye is delivering outcomes that befit a double bottom line – on the one hand, establishing an efficient, profitable and scalable business and on the other, bringing about a transformative social impact by addressing the disparity in economic privileges of this excluded sector.

I am pleased to share with you the report of

i. The social audit conducted to assess our Social Performance Management (SPM) using the universally established SPI4 assessment methodology. This audit was conducted by CERISE- a French non-profit that has pioneered the use of SPM for delivering ethical finance.

ii. The baseline social impact primary survey of 1600 micro enterprise clients across different states of India, to measure impact of our services and products. This study was conducted independently by Kantar IMRB under the guidance of BlueOrchard and CERISE.

I thank BMZ¹ and KFW for co-funding, via MIFA TAF, both social audit and the impact assessment study. I also want to extend my appreciation to the BlueOrchard team for their support in designing and implementing metrics to measure the social impact of our programs.

We were privileged to be provided great mentorship, both off-site and on-site, from CERISE and their consultant. They conducted an introductory training on USSPM & SPI4 for us, provided on-site verification to validate our SPI4 assessment and helped us benchmark ourselves against organizations world-wide.

These two reports provide valuable feedback and insights that will help us make a focused action plan to enhance our capacity to better serve our clients not only through financial services but also with non-financial supplementary inputs to bring about a transformative social impact.



Sanjay Sharma
Managing Director, Aye Finance
January 2019

¹BMZ: German Federal Ministry for Economic Cooperation and Development, MIFA TAF: Microfinance Initiative for Asia Technical Assistance Facility, KFW: German Development Bank.

TABLE OF CONTENTS

1	Introduction
1	Social Performance
2	SPI4 Audit
2	Impact Assessment
3	Our Outreach
3	Our Social Mission
4	Executive Summary
5	Social Audit Using SPI4 Tool
6	SPI4 Method
7	Aye Finance Social Dashboard
8	Universal Standards Results by Dimension
15	Conclusion
16	Impact Assessment Baseline Report
17	Objectives of the Study
18	Geography Covered
19	Demographic Profile of Participants
22	Business Profile of Participants
22	I. Business working environment
26	II. Financial sophistication of business
31	III. Sales arrangements
33	IV. Change in business after securing a loan from Aye
37	V. Aspiration for better business
39	Socio-Economic Condition of Household
39	I. Socio-economic category
41	II. Monthly household financials
44	III. Other sources of income in household
44	IV. Ownership of consumer durables
45	V. Ownership of house
46	VI. Source of drinking water
46	VII. Sanitation in household
47	VIII. Type of cooking fuel used at household
48	IX. Vacation
48	X. Mobile phone usage and internet access
49	Self-Belief and Aspiration of Participants
52	Relationship with Aye Finance
52	I. Net Promoter Score
54	II. Ease of taking a loan from Aye
55	III. Challenges faced in obtaining a loan from Aye
55	Conclusion
56	Case Studies
59	Appendix
60	Research Design
61	Sampling Methodology



Aye Finance is driven by its mission to transform the under-served “missing middle” – micro and small enterprise segment in India by providing the necessary financial and beyond-financial support to these businesses. This report on impact study also establishes a formal method of tracking salient changes in our customers’ businesses and their lives. The measures of social impact defined in this report will be useful in directing our quest for comprehensive sustainable development of the micro enterprises.

SOCIAL PERFORMANCE

As described by the Social Performance Task Force (SPTF), Social Performance is an effective translation of an institution’s mission into practice in line with accepted social values that relate to:



Reaching the target market



Delivering high-quality and appropriate services



Responding to the needs of clients, their families and communities

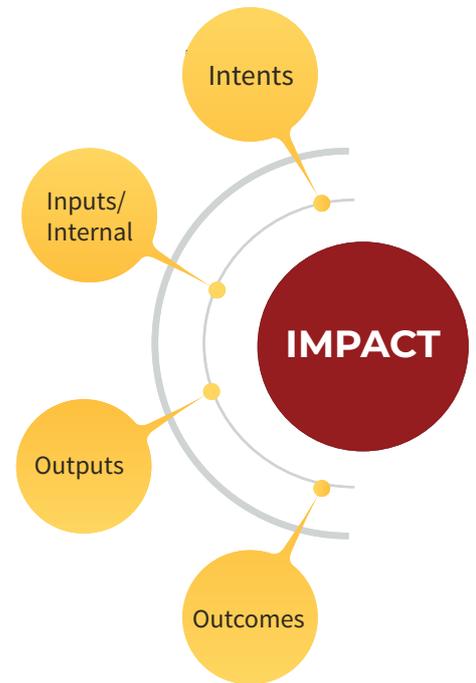


Ensuring responsibility towards its employees, its clients, the community it serves and the environment

SPI4 AUDIT

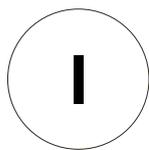
The first part of this report summarizes the findings of the SPI4 audit, conducted by Aye Finance for the period August 2018 to January 2019.

The social audit of Aye Finance was conducted using SPI4, a comprehensive social audit tool that allows micro lending institutions to evaluate their level of implementation of the Universal Standards of Social Performance Management (USSPM). SPI4 assesses how a Company translates its social intent to activities that deliver outputs that in turn create the desired social outcomes for the target clients.

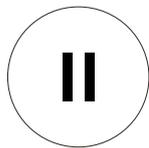


IMPACT ASSESSMENT

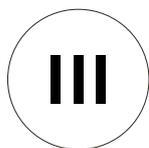
The second part of this report contains the results of the Impact Assessment Study (Baseline). The study was conducted, from May 2018 to December 2018 with the following objectives:



To measure improvements in business in the MSMEs financed and supported by us.



To track changes in the lives of our customers who have been provided access to capital by us (starting with the baseline survey).



To capture baseline information, about new clients, which can be used for subsequent measurement.



To identify key indicators that may be incrementally collected on MSMEs clients during their loan application or subsequent interactions and reviews.

OUR OUTREACH



Aye Finance is a leading MSME lender providing business loans to micro enterprises across India. In its five years since inception in 2014, Aye has established an exemplary outreach:

- 100,000** loans disbursed
- Over **\$190** million disbursed
- 104** branch offices across **11** states of India
- 2000k+** lives impacted
- 70+** industry clusters serviced
- 1700** employees

Our innovative approach to assessing the risk of these credit-starved micro businesses using the “Cluster-Based Credit Methodology” has successfully bridged the gap between MSMEs and organized lending.

*Outreach numbers as of December 2018

OUR SOCIAL MISSION

To provide innovative and customer centered financial services to micro and small businesses through a knowledgeable team, effective technology and robust processes, to power their growth into the new-age India.



EXECUTIVE SUMMARY

The Social Performance Management Report of Aye Finance provides an in-depth analysis of Aye's internal processes and policies as well as a baseline report on impact study of Aye loans on its customers' businesses and their lives.

On the SPI4 audit, Aye has scored 82% while the average audit score of 272 organizations, as per CERISE database, is 64%. On each of the 6 dimensions of the Universal Standards of Social Performance Management (USSPM), Aye's score is higher than the average benchmark. Aye's score of 100% on the dimension "Balance social and financial performance" reflects Aye's double bottom line focus, ensuring sustainability (financial performance) in order to be able to continue serving MSMEs and creating benefits in the business owners' lives (social performance).

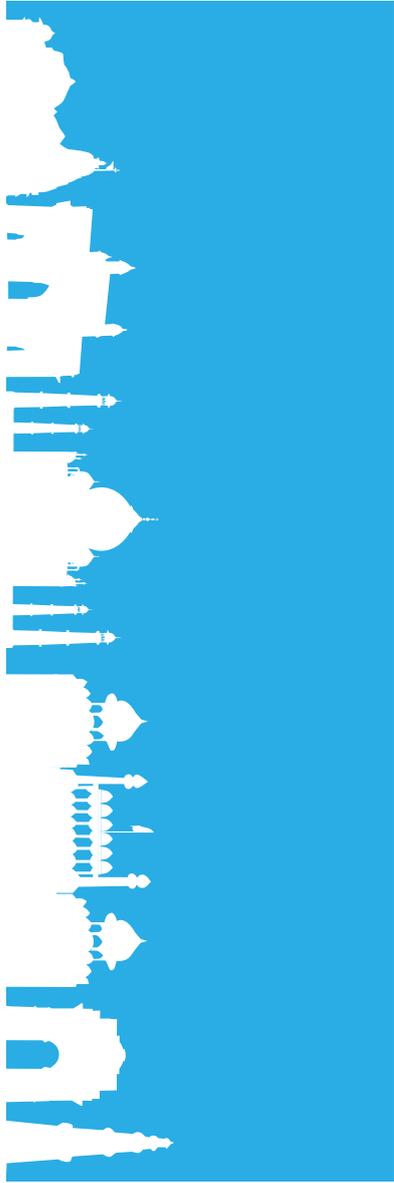
The implementation of the recommendations from the SPI4 report will be based on an action plan and this plan has been integrated in Aye's strategic business plan for next year.

To complement the social audit and verify that we effectively reach our social goals, the impact assessment study is being conducted by Aye to measure the salient changes in the MSMEs financed and supported by Aye and to measure the impact on the lives of the business owners. This report presents the baseline information about clients and will be used for subsequent measurement in the end line study, to be conducted 2 years later. The study has also helped Aye in identifying key indicators on MSMEs that may be incrementally collected during loans applications or loan review visits.

A sample of 1600 customers was randomly selected by Kantar Public, a leading market research agency and the distribution of participants of the study was representative of Aye's customer database. The key information areas in the study were:

- I. Understanding the current business conditions of the customers
- II. Understanding the socio-economic condition of the household
- III. Understanding the experience of accessing credit from Aye Finance

Some insights gathered from the result of the study indicated that majority of the participants experienced a positive change in their life after securing a loan from Aye. They also reported that they would have continued to borrow money from informal channels like their friends or family, had they not availed a loan from Aye. Majority participants also reported an increase in the wages and benefits provided by them to their employees after availing a loan from Aye. Overall 88% of the participants reported being highly satisfied with improvements in their business after availing the loan from Aye Finance. On the socio-economic profiles, there was an incremental increase observed in the Socio Economic Classification of the respondents with an increase in time since the loan from Aye was taken.



SOCIAL AUDIT USING SPI4 TOOL



SPI4 METHOD

The SPI4 assesses the organization’s strengths and weaknesses on both Social Performance Management (SPM) and on client protection. The goal of using this information is to help the organization improve its management systems and practices over time. The SPI4 includes a “core” module that assimilates:

- The Universal Standards for Social Performance Management
- Smart Campaign Client Protection Certification Standards



The SPI4 method audits and rates the organization on 6 dimensions on managing their social performance:



AYE FINANCE SOCIAL DASHBOARD (SPI4)

Aye Finance Pvt. Ltd.	India	Since 2014
Non-Banking Financial Institution	For Profit	As of date: 31-Dec-18
Type of assessment: Self-Assessment (SA)		Organization of auditor: Aye Finance Pvt Ltd

SPI4 SCORE FOR AYE FINANCE

82%

AVERAGE AUDIT SCORE OF OTHER ORGANIZATIONS

64%



Average Benchmark is based on the CERISE database of 272 audits done until September 2018.

- Aye Finance
- Average Benchmarks (2018)

UNIVERSAL STANDARDS RESULTS BY DIMENSION

01

Define and monitor social goals (79%)

Dimension 1 establishes if an institution has a clear strategy that defines the institution's social goals, and how the institution will measure its actual progress toward those goals.

- ▶ Aye has a formal **mission statement**, which specifies increasing access to financial services for vulnerable or excluded target groups, i.e. micro and small enterprises and creating benefits for them.
- ▶ Aye's strategy articulates how its **products, services and delivery channels** will achieve its social goals. Aye's innovative Cluster based approach has enabled it to reach out to credit starved micro businesses with required financing.
- ▶ Aye has a **management information system** and protocols for social performance data. Depending upon the nature of the data being collected, mechanisms have been designed at both field and central level.
- ▶ Going ahead, Aye plans to define specific social goals and targets that can be measured and the progress would be tracked on the defined indicators. This would help in substantiating Aye's social strategy with key outcomes expected.

Define and monitor social goals





02

Commitment to social goals (59%)

Buy-in at all levels of an organization is critical to successful implementation of the institution's strategy. Dimension 2 covers the practices that an institution can put in place to ensure that its Board Members, Management, and all employees are committed and accountable to the institution's social goals.

- ▶ Potential candidates are screened and hired at Aye for their **commitment to social goals**. All prospective employees are made to visit a customer location before onboarding, to assess if they are aligned to Aye's social commitment.
- ▶ Aye employees are **trained and evaluated** on both social and financial performance responsibilities related to their position.
- ▶ There are rewards and recognition for the field executives as well as central credit staff, to approve **quality loans**.
- ▶ Currently Aye does not have a formal SPM committee at the Board level. However, it plans to include SPM in its business plan in order to increase the accountability towards social goals and targets. The Senior Management will oversee implementation of the social performance plan and the Board will review progress towards the social indicators.

Commitment to social goals



03

Design products that meet clients' needs (88%)

Outreach to the 'missing middle' target population is not enough; products and services must be adapted to clients' needs if they are going to create benefits for clients. Providing high-quality services that are well-adapted to clients - i.e. suitable to the local context, diversified, efficient and transparent - requires innovative rollout techniques and a proactive strategy that may combine access to financial and non-financial services. Dimension 3 discusses the various ways that institutions can gather information on clients' needs and preferences, and adapt their products and services accordingly. Dimension 3 incorporates verbatim all Smart Campaign client protection certification standards related to client protection principle one (Appropriate product design and delivery).

- ▶ Aye understands the **needs and preferences** of different types of clients. The products and services are designed to reduce barriers to **financial inclusion** for MSMEs.
- ▶ Aye has a **process in place** to prevent aggressive sales techniques and forced signing of contracts.
- ▶ Aye's core business is to provide business loans for fixed capital needs, working capital and cattle buying. Aye does not provide emergency loans, loans for life events (eg: weddings, funerals) or saving services.

Design products that meet clients' needs

3A. Client needs and preferences



3B. Benefits to clients



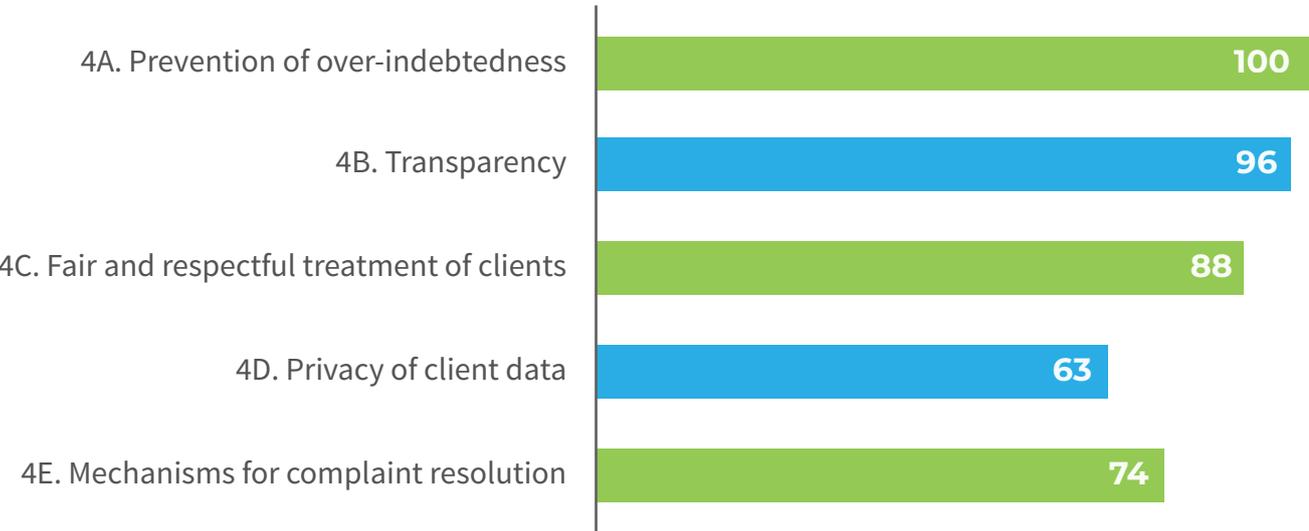
04

Treat clients responsibly (84%)

At a minimum, all financial institutions, even those who do not have social goals, have a moral responsibility not to harm clients. Dimension 4 covers the practices that an institution can put in place to ensure it does not harm clients. Specifically, the standards in Dimension 4 address prevention of client over-indebtedness, transparency, fair and respectful treatment of clients, ensuring the privacy of client data, and mechanisms to resolve client complaints. The language in Dimension 4 was incorporated verbatim into the SPI4 from the Smart Campaign client protection certification standards for principles two, three, five, six, and seven (respectively, Prevention of Over-indebtedness, Transparency, Fair and Respectful Treatment of Clients, Privacy of Client Data, and Mechanisms for Complaint Resolution).

- ▶ Aye has a sound **policy** and well-documented process for **loan approvals** and makes decisions using appropriate information and criteria. Aye uses credit bureau information to make decisions.
- ▶ Policy and documented process are in place to ensure **transparency** on product terms, conditions and pricing. This is **communicated** to clients at the time of disbursement and at the time of servicing the loans, through appropriate channels.
- ▶ Steps are taken for client data protection but documentation regarding data protection needs to be robust in order to have standardized procedures.
- ▶ An effective training program to be put in place to ensure that the staff understand and have the skills to implement the policies and processes related to privacy of client data.
- ▶ Aye plans to increase their participation in industry wide transparency initiatives.

Treat clients responsibly





05 Treat employees responsibly (81%)

Responsible treatment of employees is critical to a successful institution for two main reasons. First, because offering employment is an important benefit that an institution brings to its community, and second, because how employees are treated by the financial institution has a huge impact on how those employees treat the institution’s clients. Dimension 5 focuses on how an institution can create a fair, safe, and supportive working environment, and how it can provide employees with the information they need to succeed in their jobs.

- ▶ Employees receive clear documentation related to their **job responsibilities** and **performance evaluation**. They receive job-specific **training** and / or skill development.
- ▶ Aye monitors the rate of employee **turnover** and understands the reasons for employee exit.
- ▶ The Human Resource department is in the process of articulating a non-discrimination policy and also working on strengthening the mechanism for employee grievance through a formal and confidential system.
- ▶ Aye will also be assessing employees’ health and safety risks and take steps to mitigate them before they occur.

Treat employees responsibly



06

Balance financial and social performance (100%)

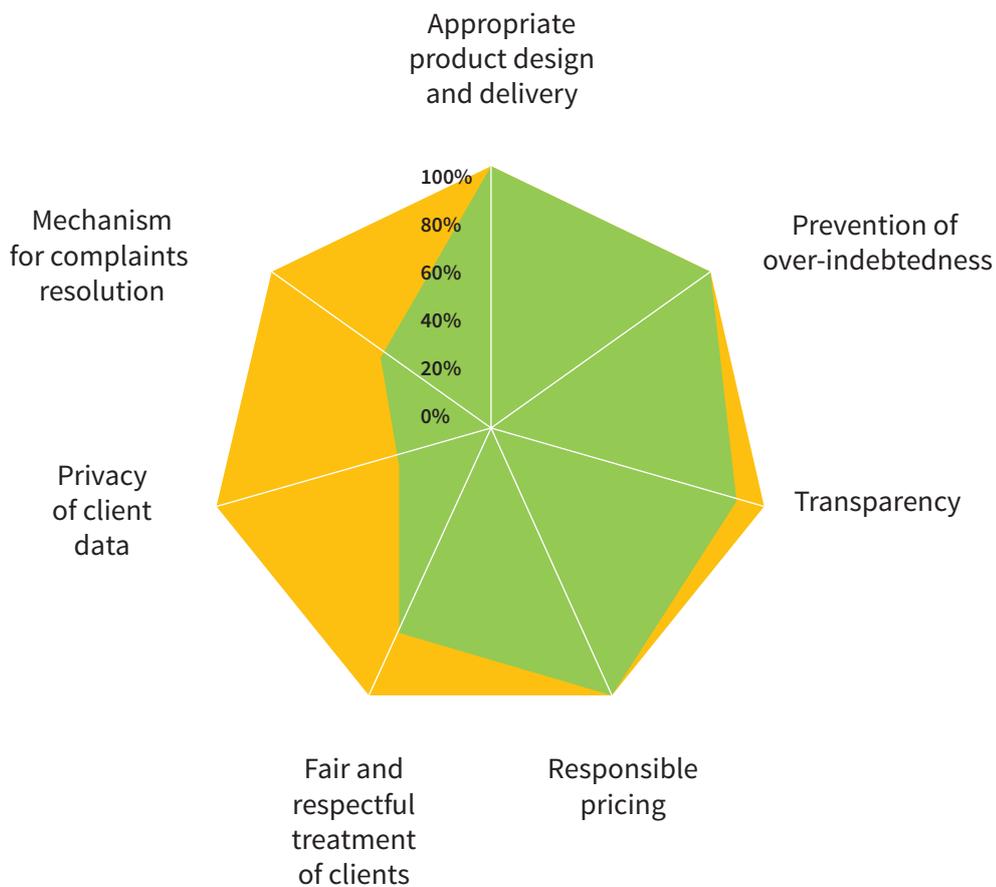
All financial institutions with a double bottom line must seek balanced financial and social performance. Institutions must ensure their sustainability (financial performance) in order to be able to continue serving their target clients with products and services that create benefits in the clients' lives (social performance). For this reason, Dimension 6 focuses on the institution's decision making around key financial topics e.g., growth targets, profit targets and allocation, selection of financing sources, remuneration of employees, that are also crucial to maintaining a client focus. Dimension 6 incorporates verbatim all Smart Campaign client protection certification standards related to client protection principle four, "Responsible Pricing."

- ▶ Aye **monitors growth** and enhances internal capacity as needed.
- ▶ The **financial ratios** of the company do not signal pricing issues and there is a **transparent financial structure**, as reflected in the annual audited financial statements.
- ▶ The **difference** between the average compensation of top level executives of Aye and its field employees is calculated, and analyzed to check whether this spread is consistent with Aye's vision and mission.

Balance financial and social performance



SMART CAMPAIGN CLIENT PROTECTION STANDARDS



- The institution fully meets the indicator
- ▲ The institution does not meet all parts of the indicator
- ◆ The institution does not meet the indicator

CONCLUSION

At the core of Aye's strategy is financial inclusion and to be customer-centric in its delivery of services. All decisions at Aye are focused on balancing social and financial performance in order to serve the micro enterprise segment with financial products that create an impact in the business owners' lives. Our score on the SPI4 has validated our intent and internal systems / activities towards translating the Aye mission into practice.

Based on the SPI4 audit results, Aye has created an organization-wide action plan in order to further improve its social performance management. To begin with, Aye will be defining specific social goals and targets and the Board and Senior Management will be reviewing the progress towards the goals at regular frequency. There will be dedicated SPM related initiatives across departments and a robust training program for all employees will be conducted to increase awareness on social performance.

The implementation of the recommendations from the SPI4 report will be based on an action plan and this plan has been integrated in Aye's strategic business plan for next year.





AYE FINANCE IMPACT ASSESSMENT BASELINE REPORT

AYE [आय]

KANTAR PUBLIC



OBJECTIVES OF THE STUDY

The primary objective is to understand the overall impact of loans taken from Aye Finance on the lives of the beneficiaries. This survey on clients is fully complementary with the SPI4 social audit: the audit has analyzed our processes to ensure that we can put our mission into practices, and the impact survey is aimed at verifying that we effectively reach our social goals and have the expected impact on our clients.

The specific objectives of the baseline survey conducted in 2018, along with key information areas are mentioned below:

01 *Understanding the current business conditions of the customers*

- A** Business working environment
- B** Financial sophistication of business
- C** Sales arrangements
- D** Change in business after securing a loan from Aye
- E** Aspiration for better business

02 *Understanding the socio-economic conditions of the household*

- A** Socio-economic classification (SEC)
- B** Monthly household finances
- C** Consumer durables
- D** Self belief and aspiration of participants

03 *To understand the experience of accessing credit from Aye Finance*

- A** Net Promoter Score
- B** Ease of taking a loan from Aye
- C** Challenges faced in obtaining a loan from Aye



GEOGRAPHY COVERED

8 states, among the 10 states where Aye Finance operates, were selected for the study ensuring adequate geographical representation.

34 cities were selected across the 8 states; the selection of cities was guided by theselection of branches. The criteria for branch selection has been detailed out in the Sampling Methodology section in the Appendix of this report. The selected states and cities covered under the study are as below:

PUNJAB (PB)

- Jalandhar
- Patiala
- Bhatinda
- Gurdaspur

HARYANA (HR)

- Panipat
- Ambala
- Karnal
- Faridabad
- Hisar

DELHI (DL)

MADHYA PRADESH (MP)

- Indore
- Dewas
- Ujjain

UTTAR PRADESH (UP)

- Firozabad
- Saharanpur
- Hapur
- Faridabad
- Modinagar
- Lucknow
- Dibai

RAJASTHAN (RJ)

- Jaipur
- Bharatpur
- Hanumangarh
- Chittorgarh
- Bikaner
- Kota

KARNATAKA (KR)

- Yelahanka
- Devangere
- Channapatna
- Hassan

TAMIL NADU (TN)

- Kanchipuram
- Trichy
- Kumbakonam
- Madurai



Figure 1: Geographical coverage (Map)

DEMOGRAPHIC PROFILE OF PARTICIPANTS

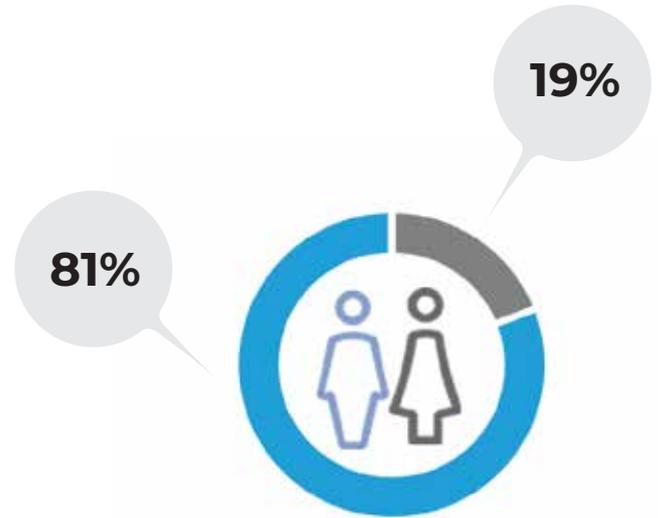
Profile of participants helps us understand the characteristics of our customers (participants in the study).

Gender-wise distribution of participants

The study captured gender in three categories namely: Female, Male and Third Gender. No participants reported under the Third Gender in the study.

The graph here shows the gender-wise distribution of the participants in the study:

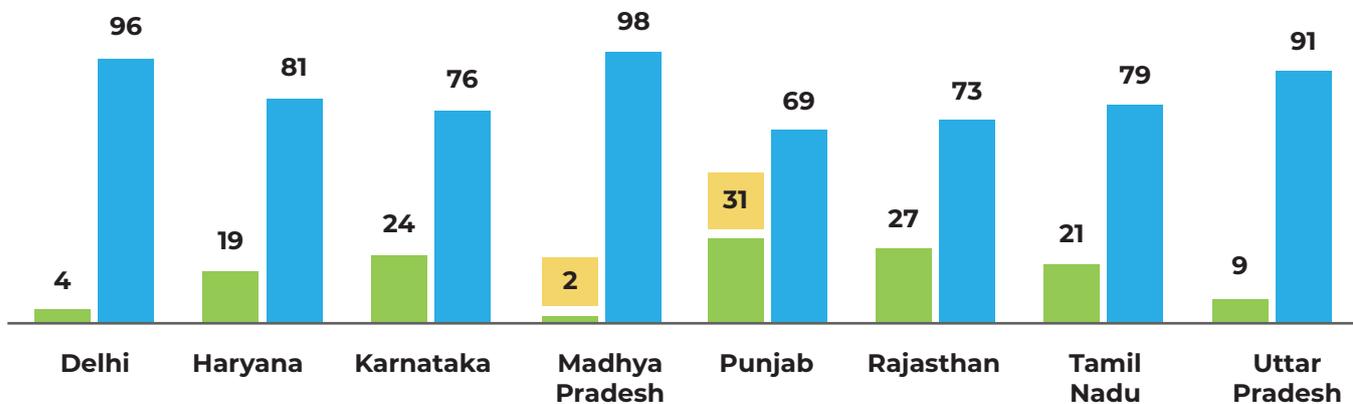
“Majority of the participants in the study were men”



81% of participants were male; while 19% were females.

State-wise gender distribution of the participants

The state-wise gender distribution is as follows:

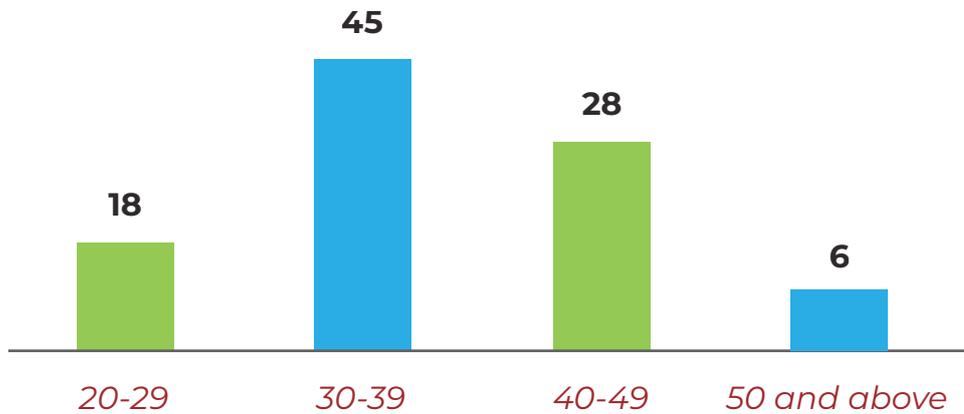


The proportion of female participants was highest in Punjab while it was found to be lowest in Madhya Pradesh. Punjab has a high percentage of female borrowers because livestock rearing industry contributes to majority of the loan portfolio in this state, and livestock rearing industry has a higher number of female borrowers.

Age-wise distribution of participants

The age of participants was recorded in single completed years, and later categorized as:

Age (20 to 29); Age (30 to 39); Age (40 to 49); Age 50 & above.

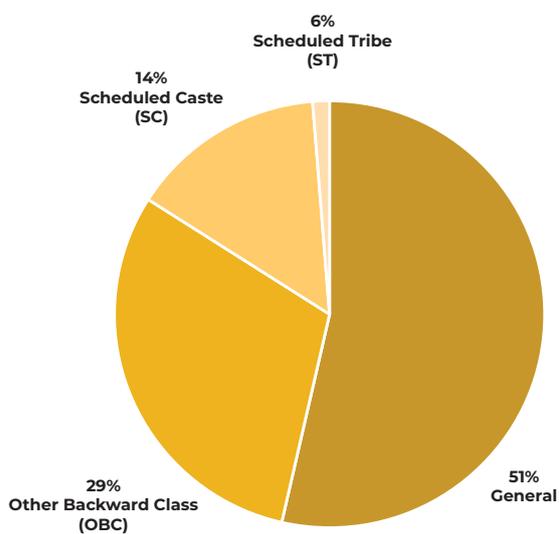


Base (n) is all participants of the study = 1633. All figures represent percentages.

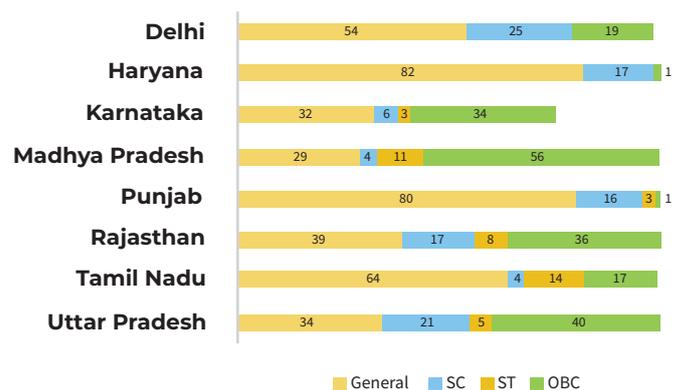
The trend was similar across the states and industry type.

Community-wise distribution of participants

The community-wise distribution of participants and the variation across the states is depicted below:



Community-wise distribution of participants



24

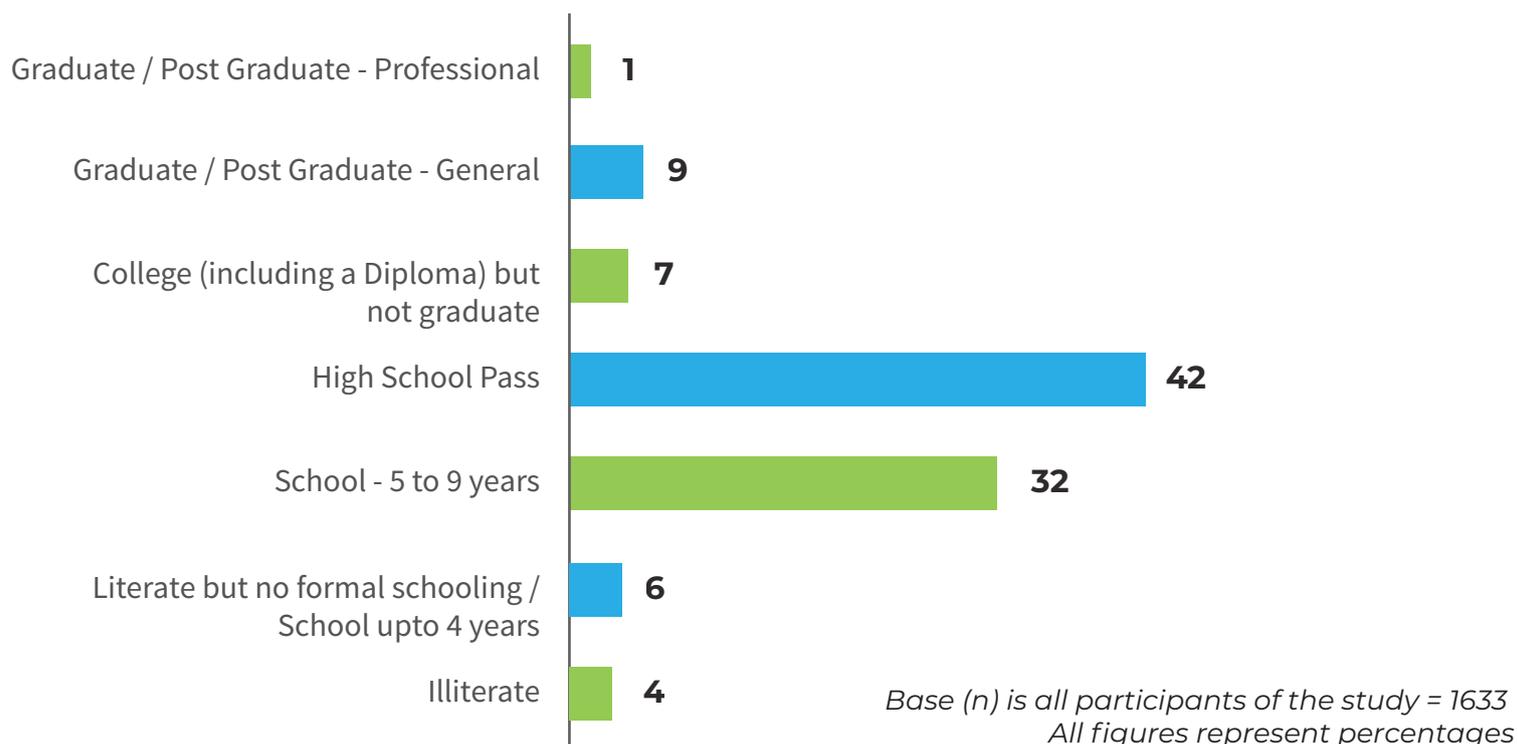
Base (n) is all participants of the study = 1633
All figures represent percentages

Marital status of the participants

“Most of the participants (91%) in the study were married”

Education-wise distribution of participants

The highest education reported by the participants is as below:



“3 among 5 participants in the study have completed formal schooling”

There were no broad variations observed across states. However, Punjab has the highest proportion of participants with highest education as High School pass (62%) and Karnataka has highest proportion with highest education as School 5 to 9 years (62%).

In the qualitative component, out of 8 participants only one participant was a graduate while the others reported to have completed High School.

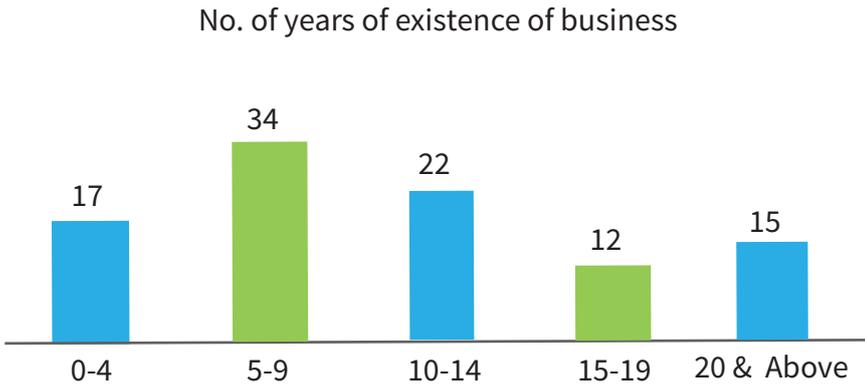


BUSINESS PROFILE OF THE PARTICIPANTS

A BUSINESS WORKING ENVIRONMENT

Years in business

The graph below shows number of years the business of participants has been into existence:



“Around 3/4th of the businesses had been into existence for more than 5 years”

Base (n) is all participants of the study = 1633. All figures represent percentages.

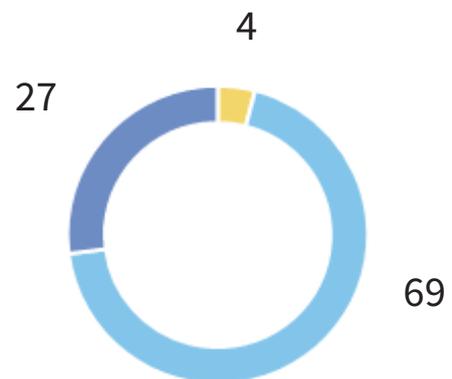
Median years of business of participants was observed as 10 years.

Many respondents in the In-Depth Interviews (IDIs) also reported that their business has been running for more than 5 years. A few also mentioned that they have been running their business for more than 2 decades.

Ownership of business place

“Around 70% of the participants own the place they operate their business from”

Base (n) is all participants of the study = 1633
All figures represent percentages



■ Rented ■ Family Owned ■ Self Owned



EMPLOYEES ENGAGED IN THE BUSINESS

The graph below shows the percentage distribution of the average number of full-time and part-time employees engaged in the business of the participants:



Base (n) is all participants of the study = 1633. All figures represent percentages.

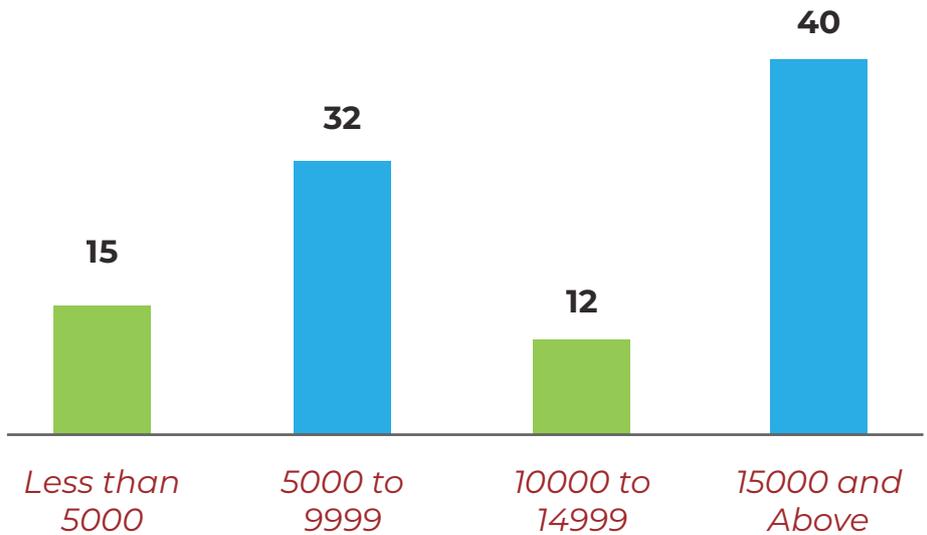
Very few participants (7%) reported engaging part-time employees in their business.

“Most participants engaged family members in the business”

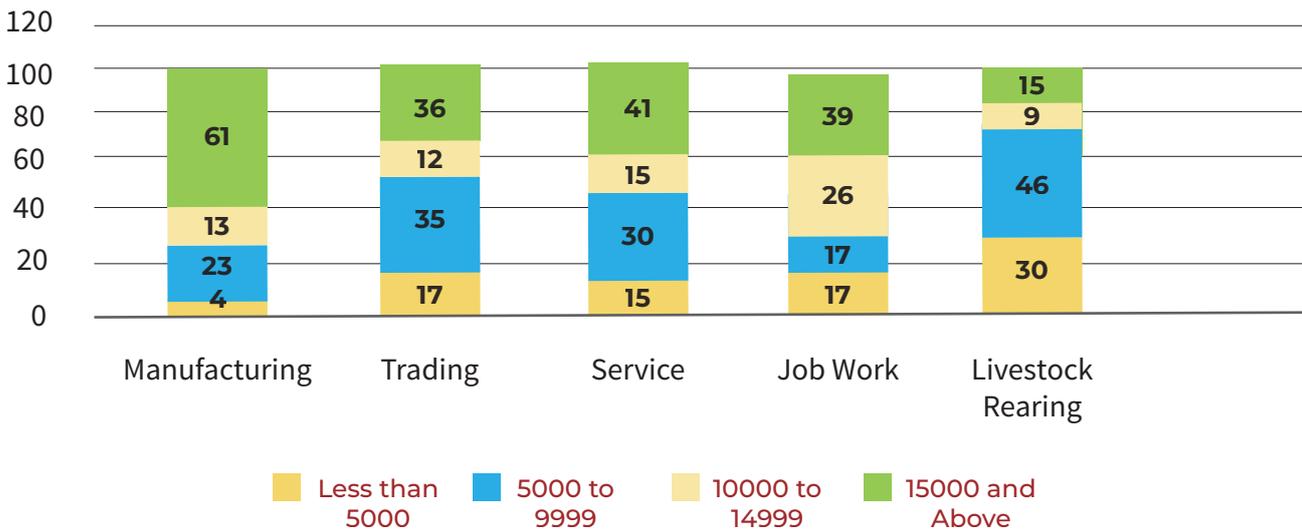
MONTHLY WAGES PAID TO EMPLOYEES ENGAGED IN THE BUSINESS

The graph here shows percentage distribution of monthly wages paid to employees:

(Base = 640, respondent paying wages).
All figures represent percentages.
Wages taken in INR.

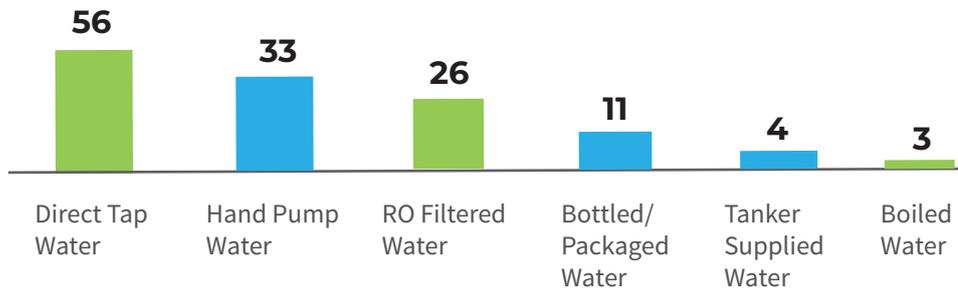


WAGES PAID ACROSS INDUSTRY TYPES



Sources of drinking water

The percentage distribution of participants on their source of drinking water at their business premises:



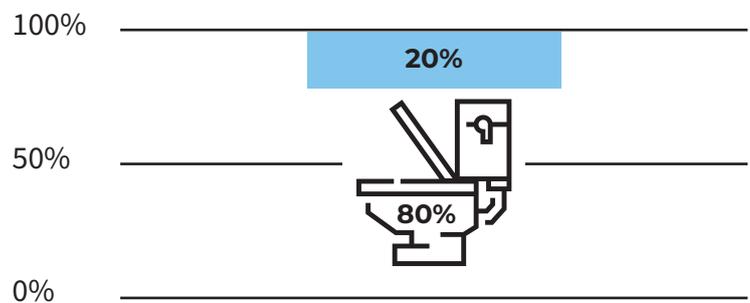
“Around 30% of participants reported that they were drinking treated water”

Sanitation

“80% reported that they had toilets at their business premises”

Primary reasons highlighted by respondents for not having a toilet, were lack of space and workplace being rented.

Percentage participants with toilet at business premises

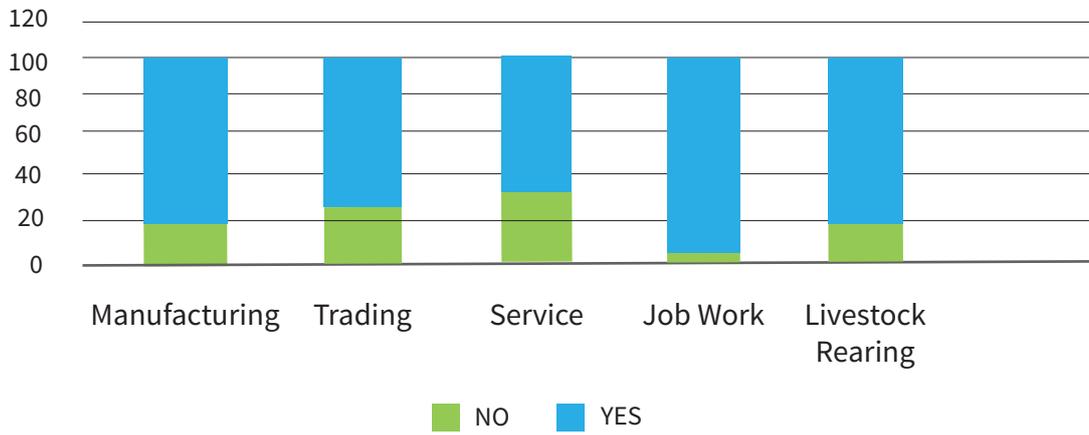


 Have toilet  Do not have toilet

Base (n) is all participants of the study = 1633



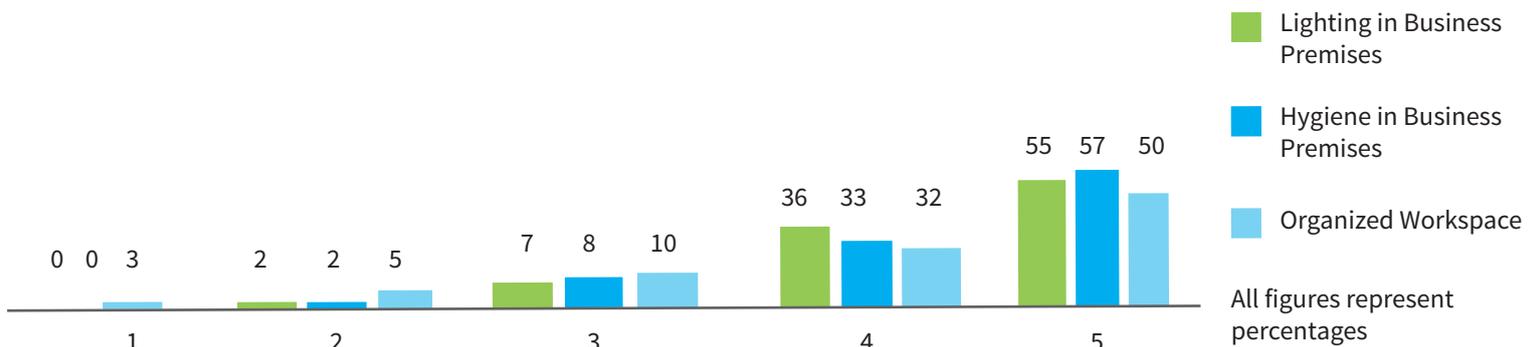
Toilet in Business Premises across Industry Type



Lack of toilet facilities was observed to be relatively higher in the Service Industry.

Lighting, hygiene and organized workspace

The percentage distribution of participants across satisfaction level rated from 1 to 5 is depicted in the graph below (1 being the lowest and 5 being the highest):



“Most participants reported high level of satisfaction with lighting, hygiene and inventory organization at their workplace”

The below table summarises level of satisfaction regarding lighting, hygiene and organization of inventory across industry type:

Level of Satisfaction - Industry Type Wise				
	Manufacturing	Trading	Services	Job Work
Base	267	600	161	38
Lighting	90	91	93	79
Hygiene	88	90	88	89
Organized	72	86	81	71

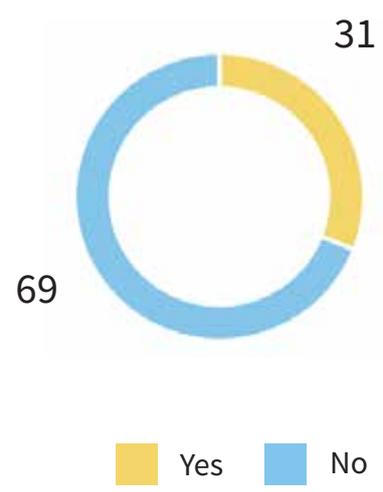
Top box responses (Rating 4 and 5)

All figures represent percentages

The level of satisfaction was found high across industry types, however it was relatively lower in the Job Work sector.

Separate bank account for business

The pie chart below represents the percentage of participants who reported use of a dedicated bank account for business:



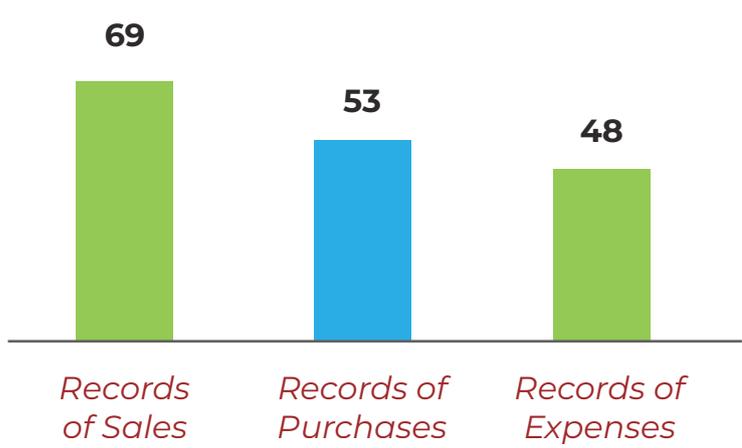
“31% participants reported using a separate bank account for business”

*Base (n) is all participants of the study = 1633.
All figures represent percentages.*



Business records maintained by participants

The percentage distribution of business records maintained by participants is depicted in the graph below:

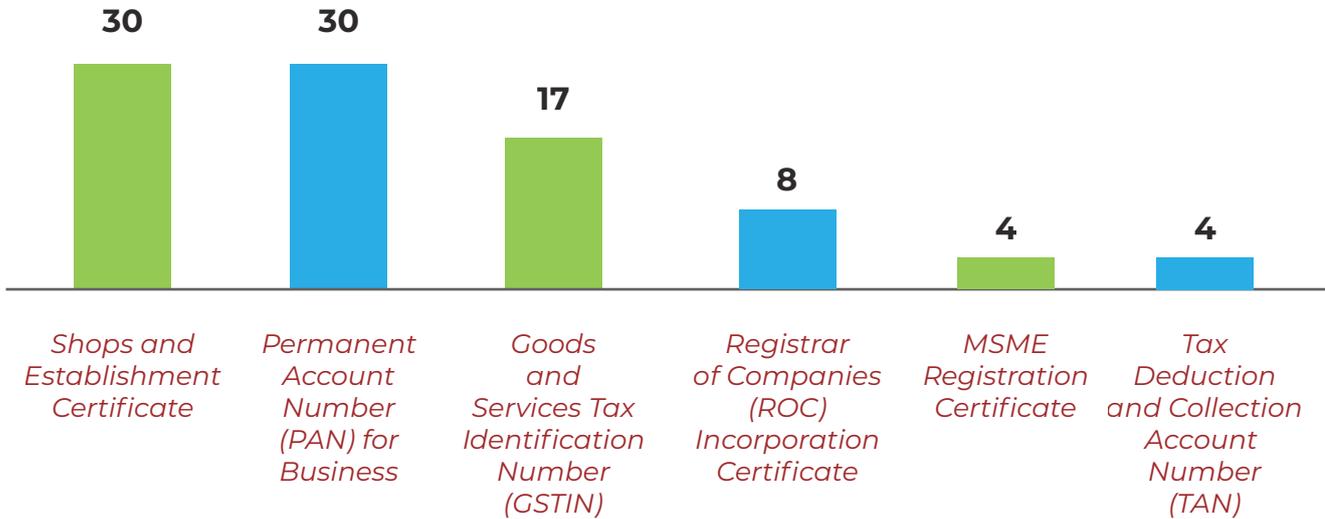


“Only 5% of participants reported maintaining all three records”

Base (n) is all participants of the study = 1633. All figures represent percentages.

Most participants (98%) reported recording their business records on paper, while 6% reported maintaining records on the computer, and 7% participants reported that their books were maintained by an Accountant.

“Around half of the participants reported that they did not have any of the business documents”



Base (n) is all participants of the study = 1633. All figures represent percentages.

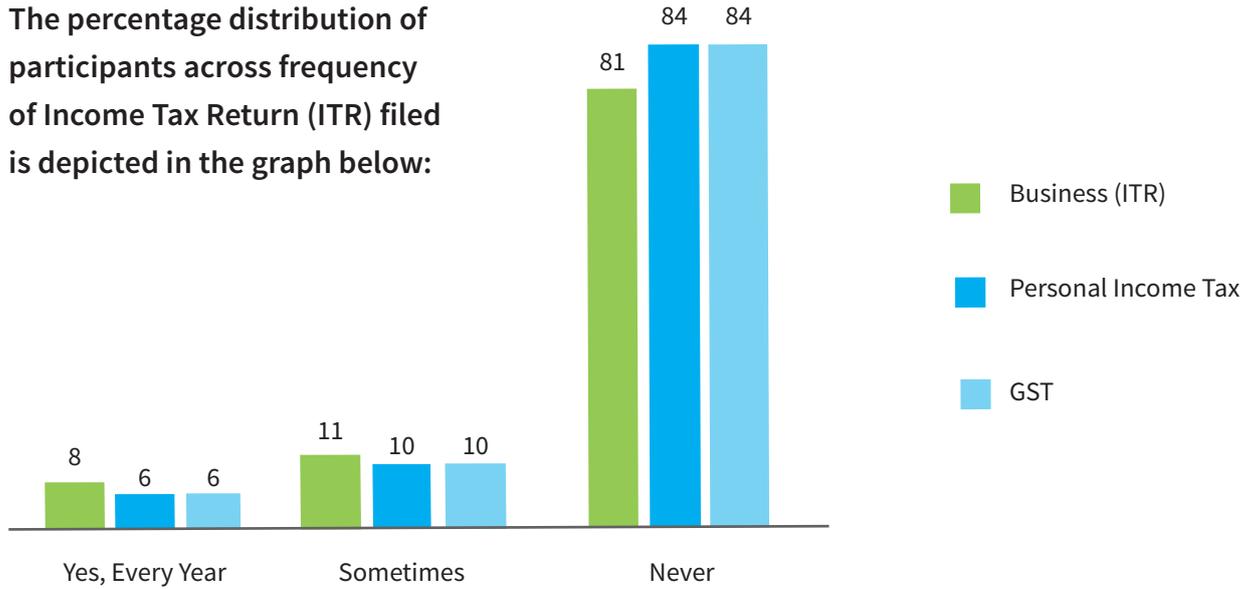
Business documents available across industry types is mentioned in the table below:

	Manufacturing	Trading	Service	Job Work	Livestock Rearing
	267	600	161	38	567
Shops and Establishment Certificate	24	35	40	29	24
ROC Incorporation Certificate	16	7	13	0	4
MSME Registration Certificate	5	5	5	0	3
PAN for Business	22	33	29	26	32
GSTIN	18	23	16	3	11

**Highest*

Most participants in the service sector had the Shops & Establishment certificate; while one-third of the participants in trading had PAN for business.

The percentage distribution of participants across frequency of Income Tax Return (ITR) filed is depicted in the graph below:

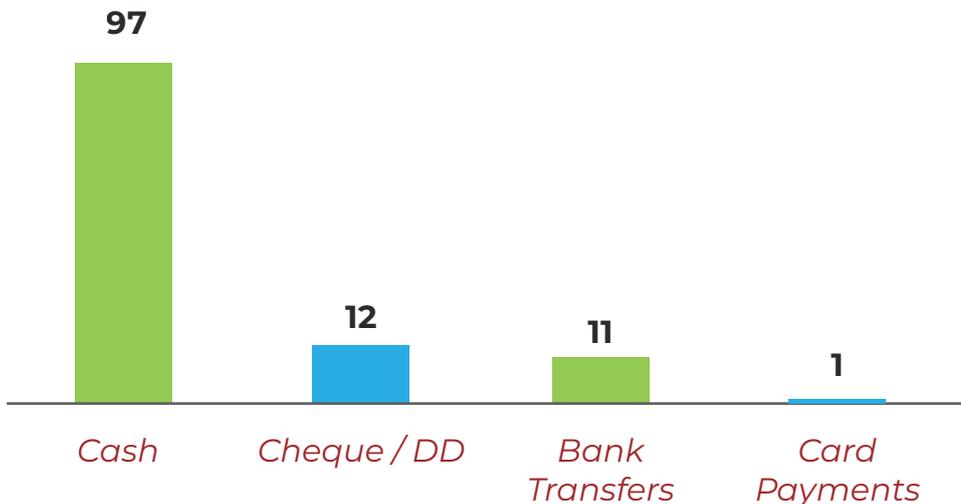


Base (n) is all participants of the study = 1633. All figures represent percentages.

“Most participants reported that they had never filed taxes”

Among the participants who reportedly filed taxes, 70% reported filing taxes below INR 10,000 last year.

Mode of business payment to regular buyers

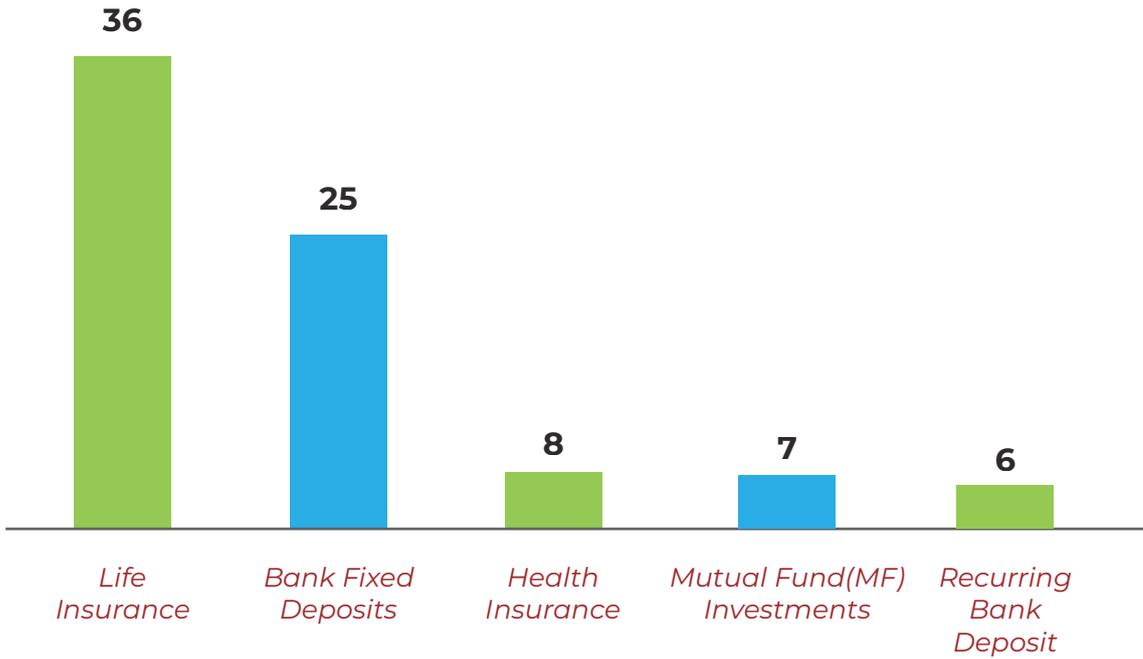


“Most participants reported using only cash for majority of the transactions”

Base (n) is all participants of the study = 1633. All figures represent percentages.

Formal investments made by participants

The graph below shows the percentage distribution of participants based on the investments made by them:



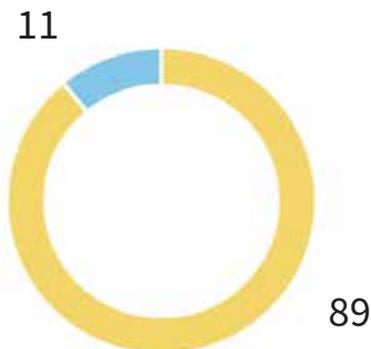
“Around half of the participants had invested in at least one of the formal investment instruments”

Base (n) is all participants of the study = 1633. All figures represent percentages.

Life Insurance and Fixed Deposits were the most sought after investment instruments availed by the participants, showing they prefer investing in instruments with the least risk.

Other sources of credit

Any loan taken from sources other than Aye Finance?



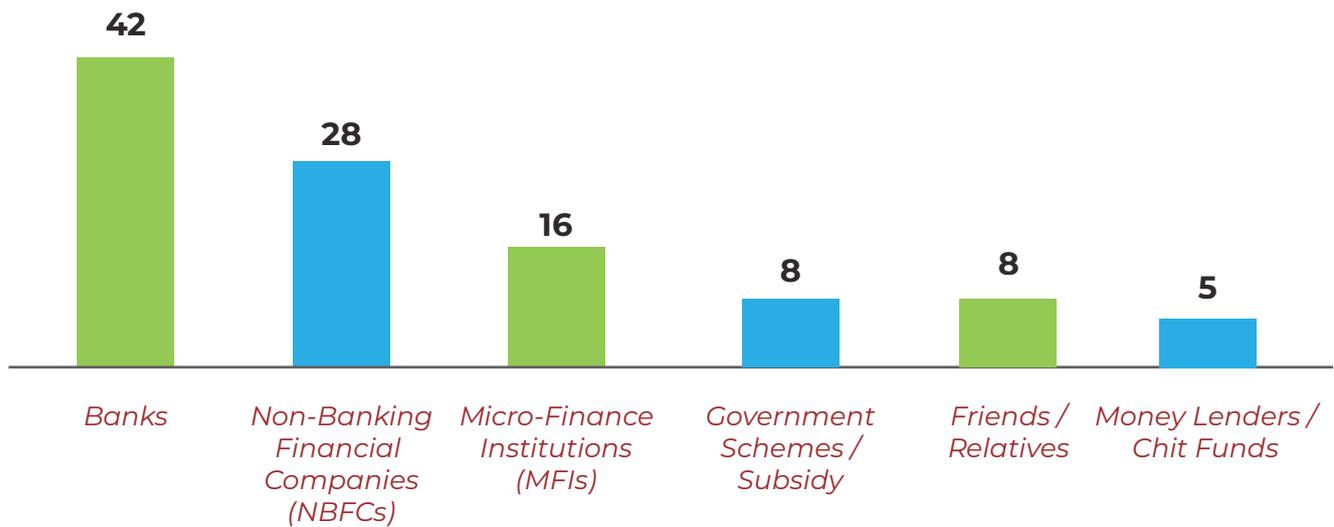
“Only 11% of participants had taken a loan from any other source”

Base (n) is all participants of the study = 1633
All figures represent percentages

No Yes

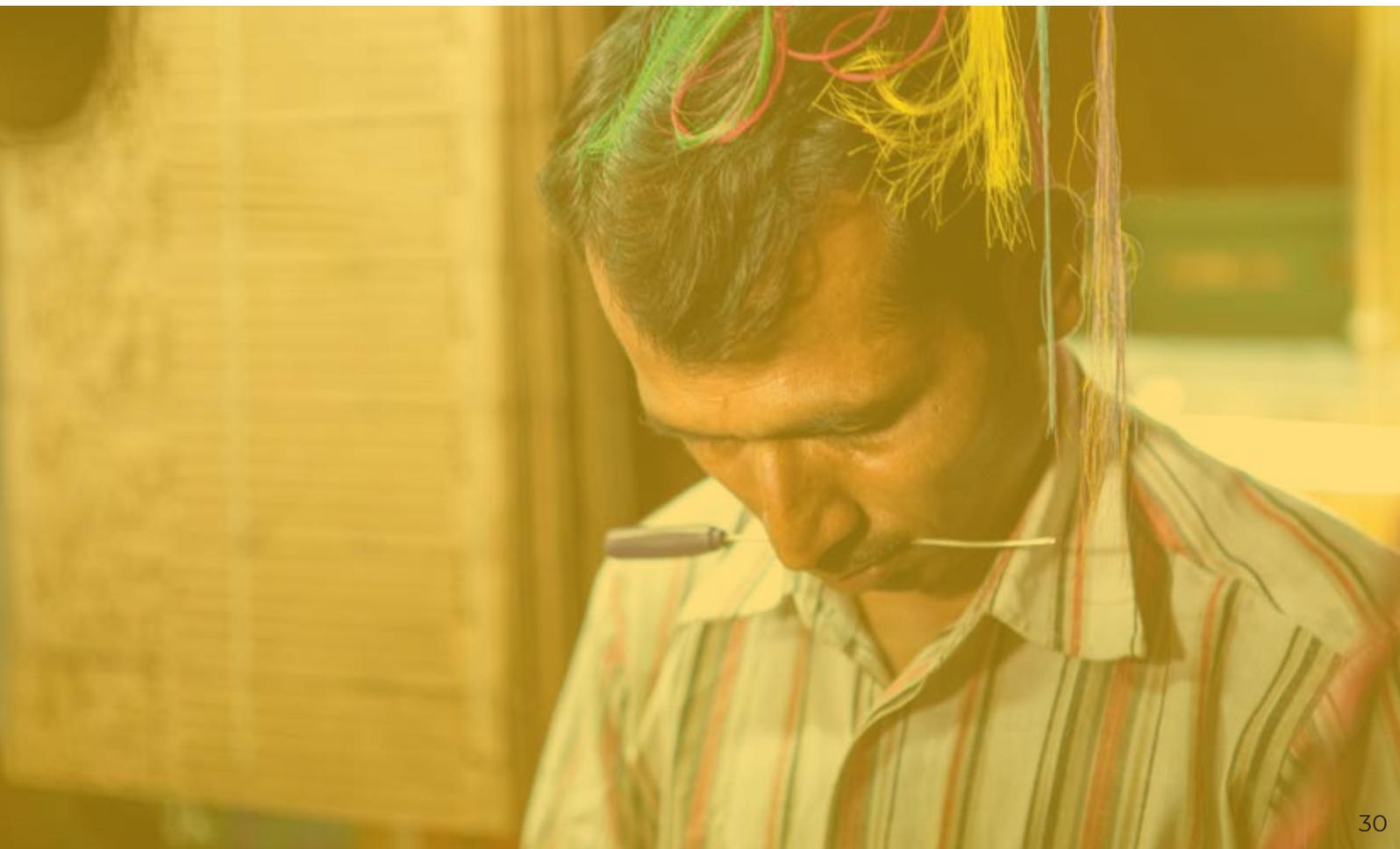


The graph below shows distribution of participants who took loans from other sources across the list of sources of credit.



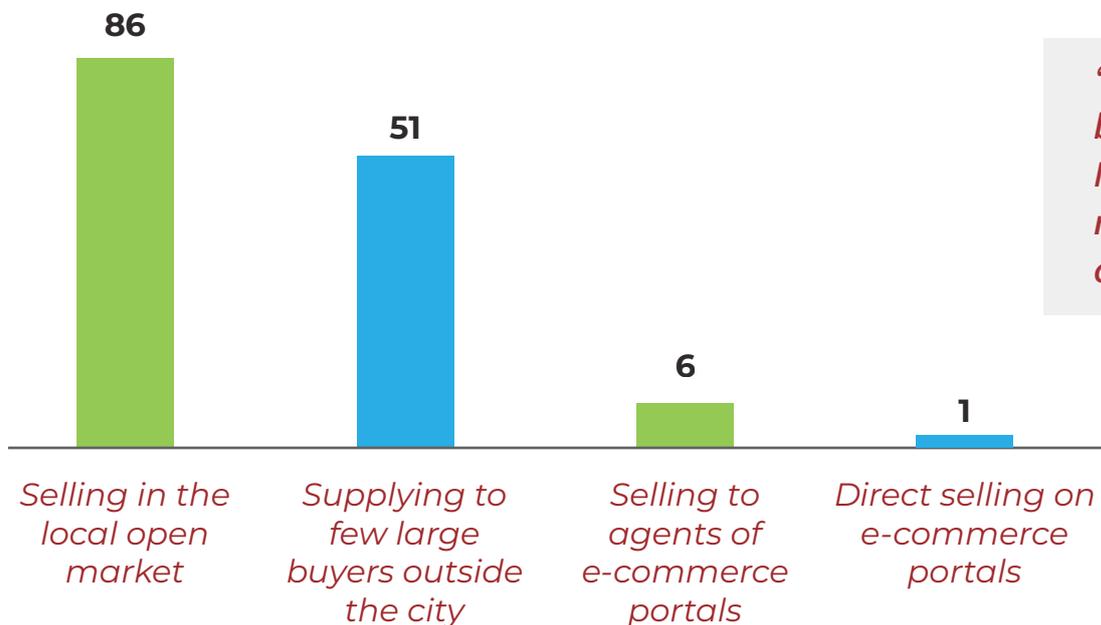
(Base =186 participants who took loan from other sources)

During the In-Depth Interviews (IDIs), many respondents mentioned that they had not availed a loan from any other source. Most of the respondents said they rely on family members or acquaintances to lend them money when required. Few respondents also mentioned that they mortgage jewellery to avail a loan.



Primary selling arrangements for manufacturing & job work sectors

The following graph illustrates the primary sales arrangements of participants in the manufacturing and job work sector:



“Majority participants in both Job Work (89%) and Manufacturing (89%) reported selling in local open markets”

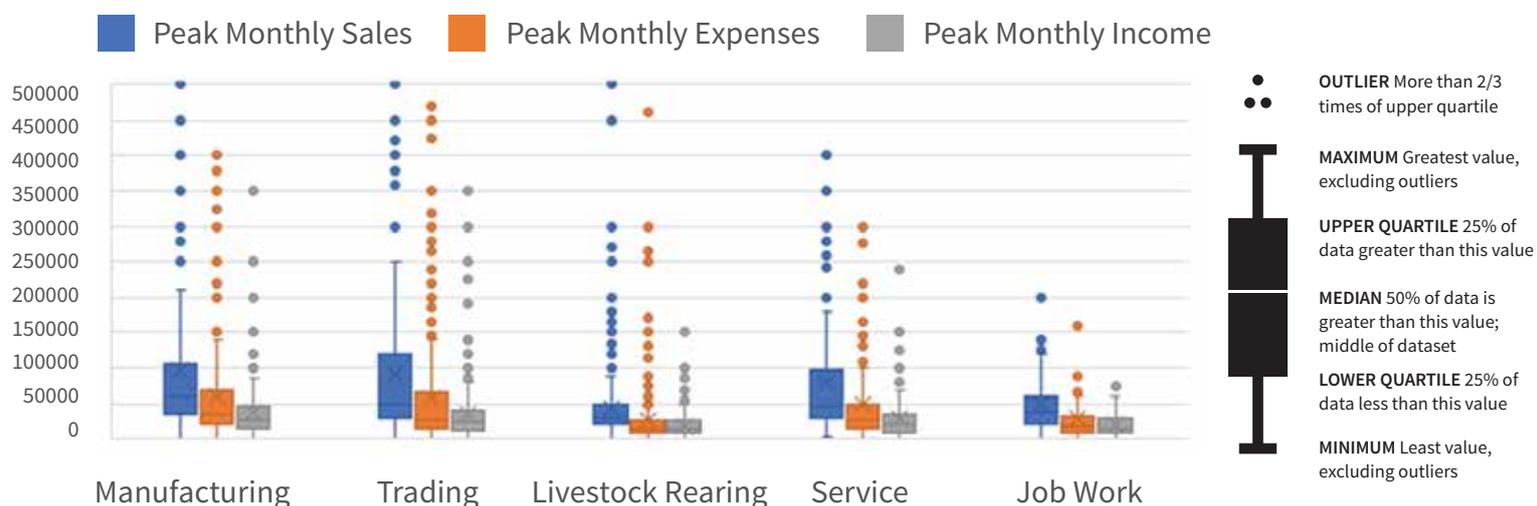
(Base = 305; participants engaged in Manufacturing and Job Work).

Majority of participants (93%) source their raw materials from local markets; 34% reported procuring raw materials from outside the city as well.

Peak season financials (as reported by participants)

The following box and whiskers graph shows the distribution of monthly income, expenditures and savings in the peak season as reported by participants:

Occupational sector-wise financials reported by participants



Base (n) is all participants of the study = 1633. All figures represent absolute numbers.

	Manufacturing	Trading	Service	Job Work	Livestock Rearing
Mean of Income in Peak Months (In INR)	55286.94	37697	29791.88	20210.53	20057.83

All figures represent absolute numbers

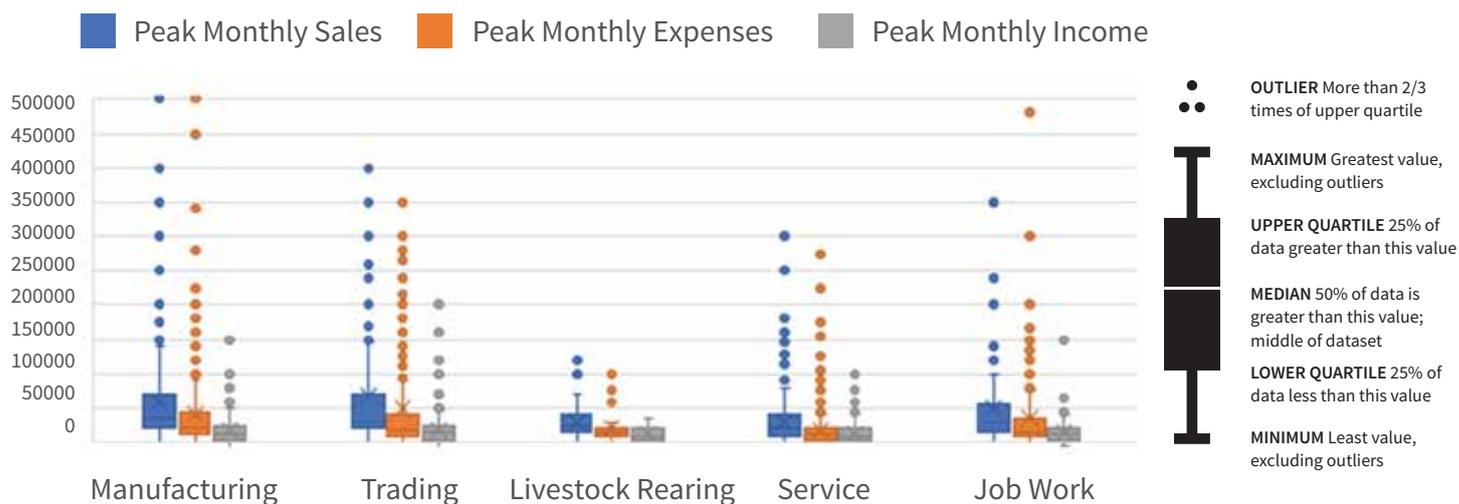
“It is seen that monthly income for participants in Manufacturing and Trade sector are relatively higher than others”

The below tabulation shows the state variation of income in peak months:

Income in peak months	DL	HR	KR	MP	PB	RJ	TN	UP
Base (n)	52	227	198	128	203	298	225	302
Less than INR 10000	0	3	9	16	50	28	15	22
INR 10000 to 19999	19	7	19	30	36	25	16	36
INR 20000 to 39999	25	70	35	38	9	20	31	28
INR 40000 and above	56	20	37	15	4	27	38	14
								*Lowest
								*Highest

Lean season financials (as reported by participants)

The following box and whiskers graph shows the distribution of monthly income, expenditures and savings in the lean season as reported by participants:



Base (n) is all participants of the study = 1633. All figures represent absolute numbers.

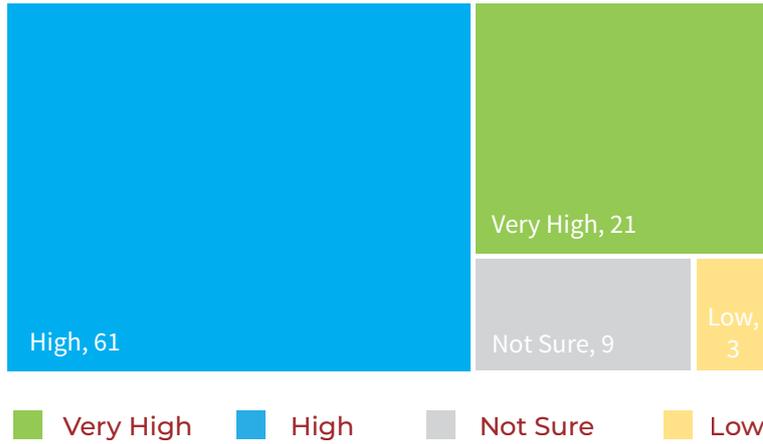
	Manufacturing	Trading	Service	Job Work	Livestock Rearing
Mean of Income in Lean Months (In INR)	17023.71	18995.5	16440.06	11565.79	12194.04

All figures represent absolute numbers

Improvements in business

Level of satisfaction with improvements in business after availing a loan from Aye

The graph below shows the percentage distribution of the participants according to their level of satisfaction:

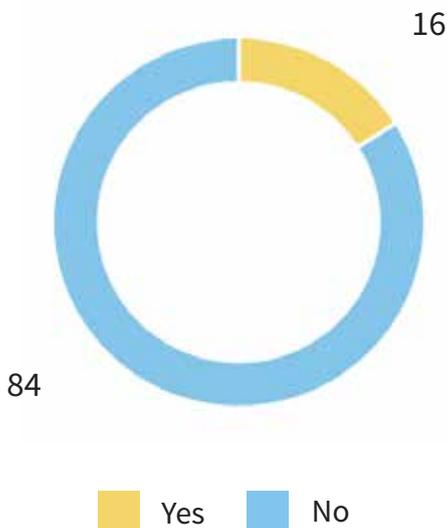


“Around 88% of the participants reported being highly satisfied with improvements in their business after availing a loan from Aye”

Base (n) is all participants of the study = 1633. All figures represent percentages.

Increase in the number of employees

The pie-chart below represents if the number of employees have increased in the participant’s business, after taking a loan from Aye:



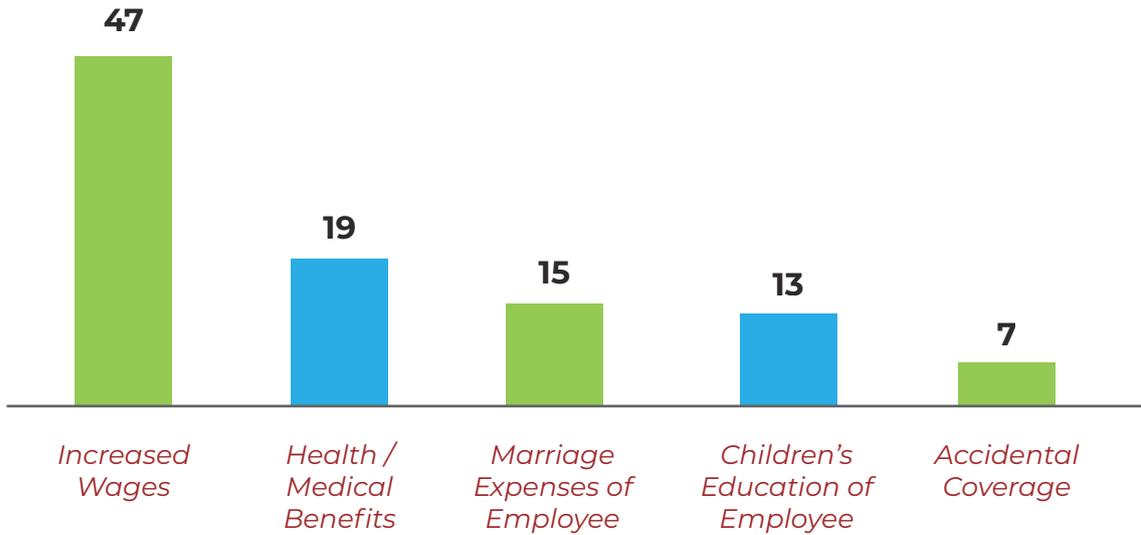
“16% of participants reported increasing their number of employees after availing a loan from Aye Finance”

Base(n) is all participants of the study = 1633
All figures represent percentages



Benefits provided to employees

Benefits provided by loan beneficiaries to their employees after availing a loan from Aye Finance

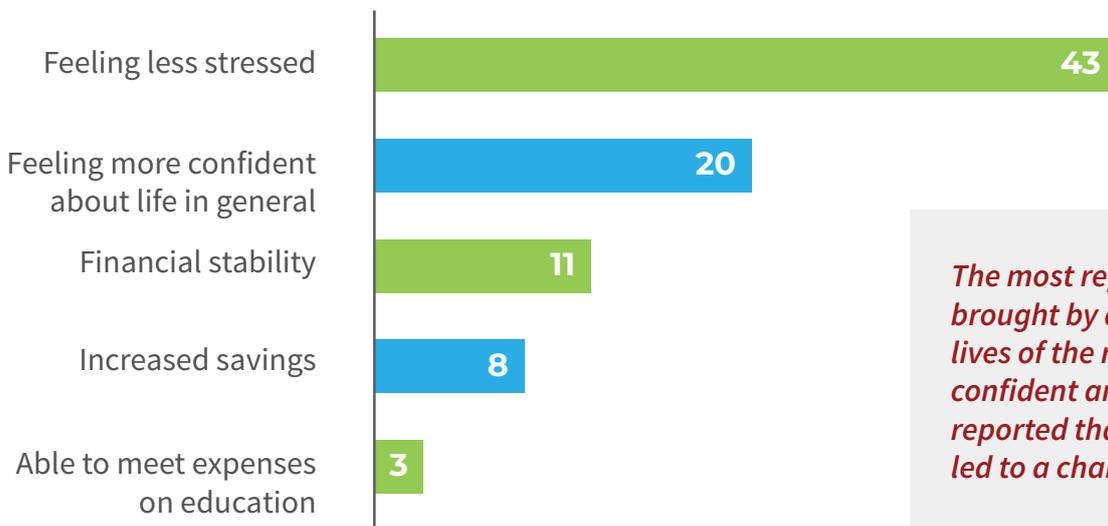


“Around half of the participants reported increasing their employees’ wages after availing a loan from Aye Finance.”

(Base = 647, respondent engaging employees)

Positive changes in the life of participants after securing a loan from Aye Finance

The graph below shows the rank wise percentage distribution of participants across the changes felt in their lives:

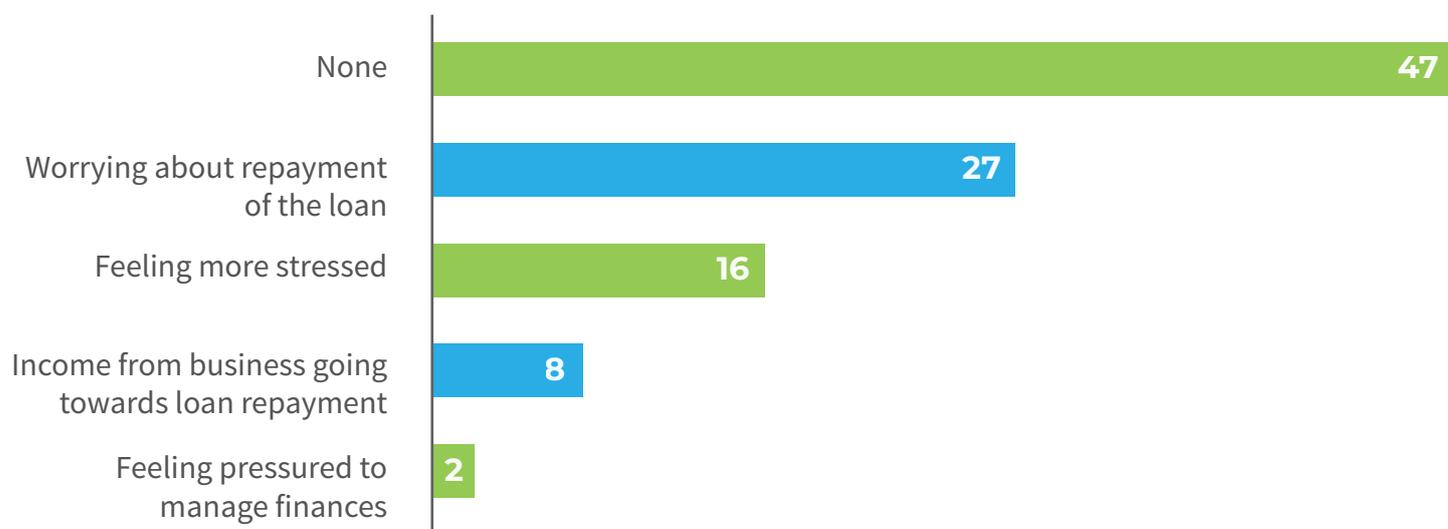


The most reported positive change brought by an Aye Finance loan in the lives of the respondents is ‘being more confident and stress free’. Few also reported that an increase in their savings led to a change in their lifestyles.

Base (n) is all participants of the study = 1633. All figures represent percentages.

Negative changes in the life of participants after securing a loan from Aye Finance

The graph below shows the rank wise percentage distribution of participants across the changes:



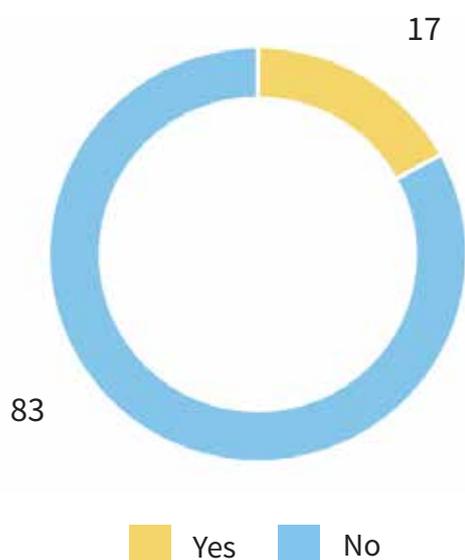
“Half of the participants reported no negative changes in their life”

Base (n) is all participants of the study = 1633. All figures represent percentages.

Amongst those reporting negative changes, “Worry about loan repayment” was reported as the top reason.

Any economic shock experienced in the past 12 months?

The pie-chart depicts the percentage distribution of participants who did/did not experience any economic shock:

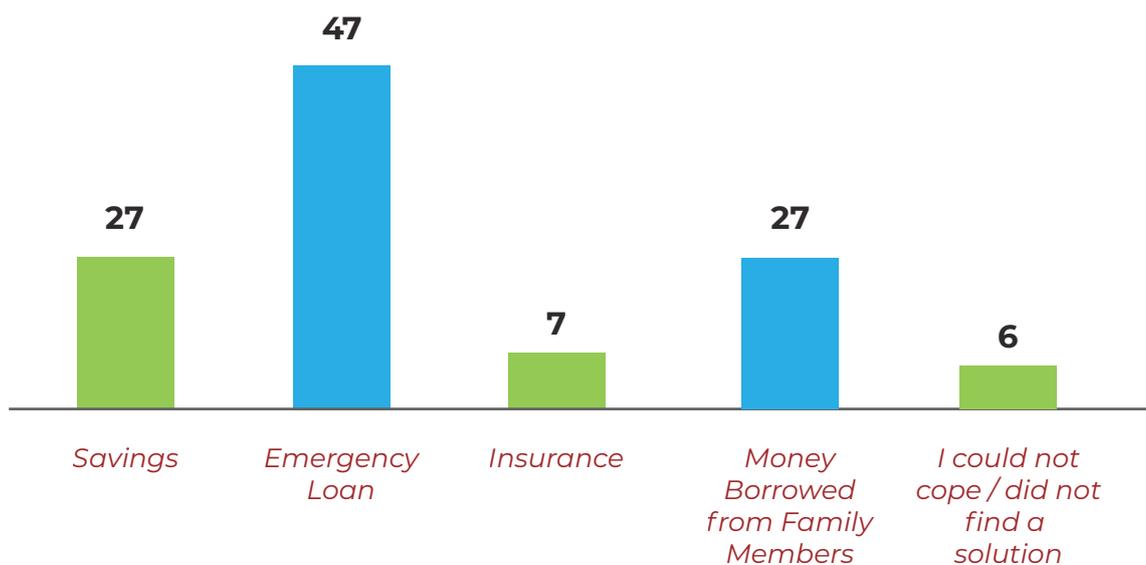


“17% of participants experienced an economic shock in the last 12 months”

Mostly participants in Job Work and Manufacturing sector experienced an economic shock

Base (n) is all participants of the study = 1633
All figures represent percentages

The graph below shows the percentage distribution of participants based on their coping mechanisms when they faced an economic shock:

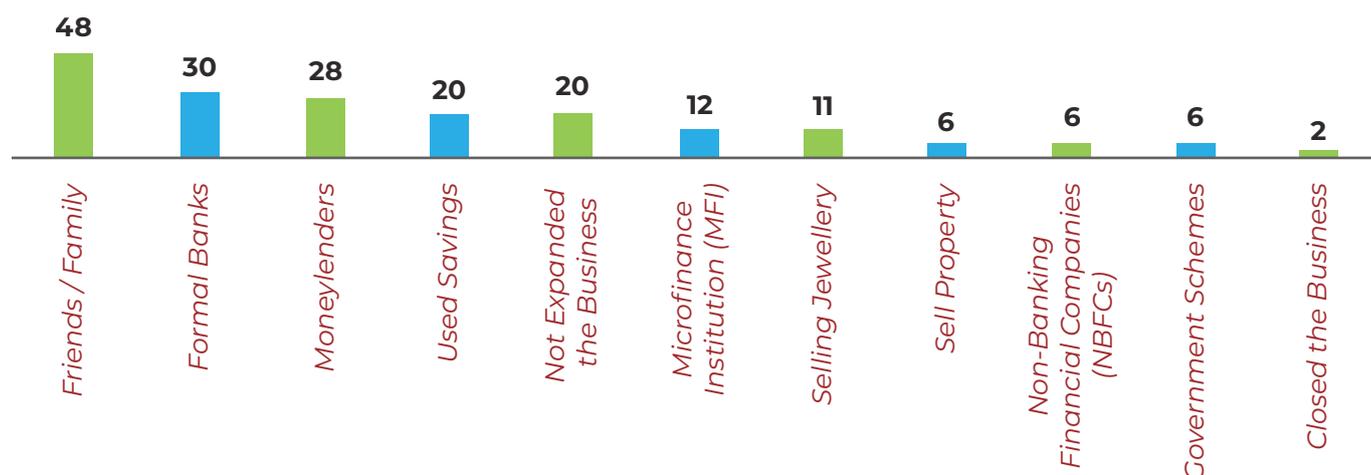


“Around half of the participants who experienced an economic shock, resorted to availing an emergency loan from informal sources”

(Base = 278, participants experienced economic shock)

Alternative funding channels for participants

The participants were asked about other funding channels they would have availed, if a loan from Aye Finance was not accessible to them. The graph below depicts the percentage participant distribution across the alternative funding channels as reported:



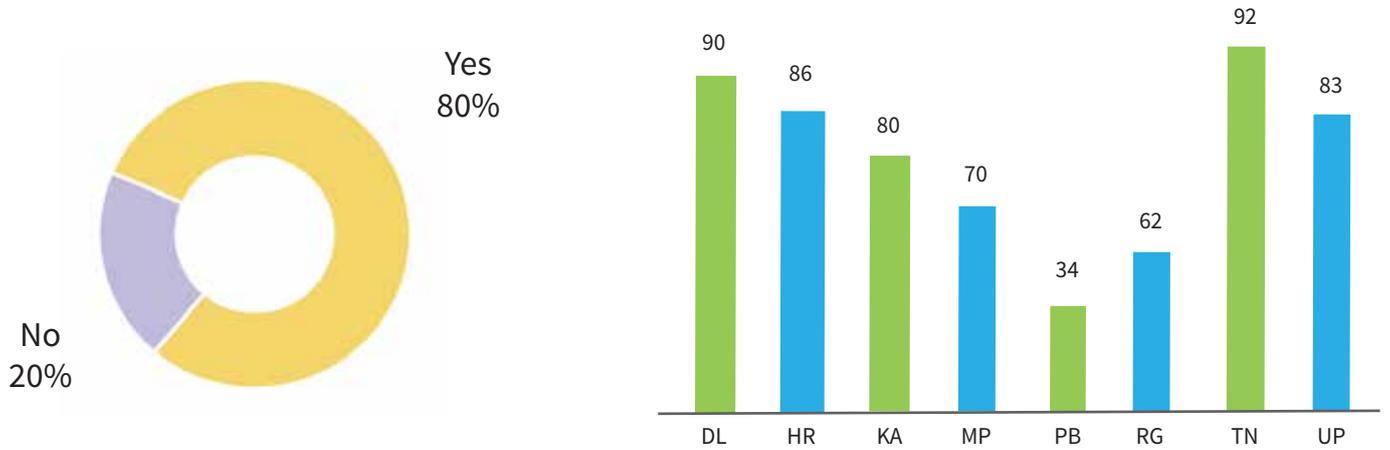
Base (n) is all participants of the study = 1633. All figures represent percentages.

“More than half of the participants reported that they had neither savings nor access to any formal source of credit”

Most participants reported that they would have continued to borrow money from friends or relatives, had they not availed a loan from Aye Finance.

Plans for business expansion

The pie-chart below depicts the percentage participants who plan to expand their business in future:



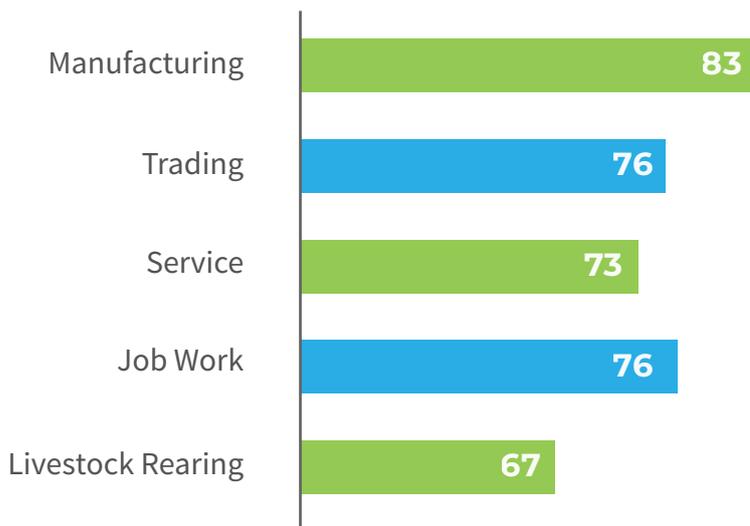
Base (n) is all participants of the study = 1633. All figures represent percentages.

“80% of the participants reported that they have plans to expand their business in future”

Lowest percentage reported is from Punjab. It is observed that Punjab has a relatively higher proportion of participants from SEC A category (refer to the section on SEC on page 39 of the report), highest percentage of participants involved in the livestock industry and relatively lower proportion of participants with an Aye loan of Rs. 2,50,000 or more. The business opportunity available and current economic status, could be a factor for a lower proportion of people planning to expand their business in this state. Highest proportion of participants who reported plans of business expansion are in Delhi and Tamil Nadu.

Industry Type

The graph below depicts the occupational sector-wise distribution of participants who plan to expand their business in the future:



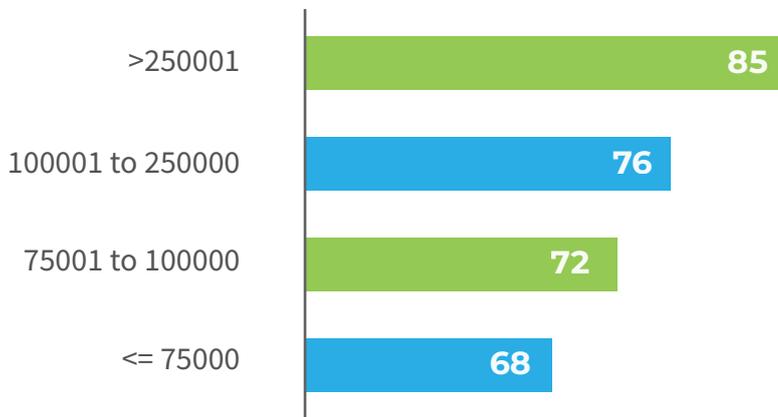
“Relatively higher percentage of participants from the manufacturing sector reported to have plans for business expansion in the future”

Base (n) is all participants of the study = 1633
All figures represent percentages

Most of the respondents reported to have plans for expanding their business in future. They plan to invest more money for better infrastructure and procuring more resources.

Loan Amount

The graph below clearly depicts an increasing trend in percentage of participants reporting to expand their business across the amount of loan (in INR) taken from Aye:

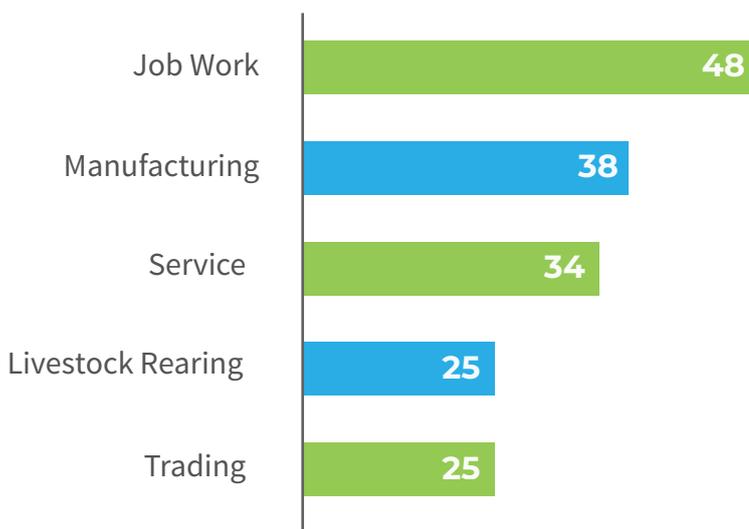


“More percentage of participants who took loans of higher amounts are planning to expand their business”

Base (n) is all participants of the study = 1633. All figures represent percentages.

Around 1/3rd of the participants who are planning for business expansion reported that they foresee challenges and constraints in their plans for business expansion.

The participants foreseeing constraints were observed across the occupational sectors and are depicted in the graph as below:



“Higher percentage participants from the Job Work industry reported foreseeing constraints for business expansion”

Base (n) is all participants planning expansion = 347. All figures represent percentages.

Most participants reported money supply as their primary concern.

SOCIO-ECONOMIC CONDITION OF HOUSEHOLD

Socio-economic category

The new Socio-economy Classification (SEC) system is based on two variables:

01

Education of the chief earner

The options are Illiterate, literate but no formal schooling or schooling upto 4 years, schooling between 5–9 years, High School pass, college (including a diploma but not a graduate), Graduate / Post Graduate (General), Graduate / Post Graduate (Professional)

02

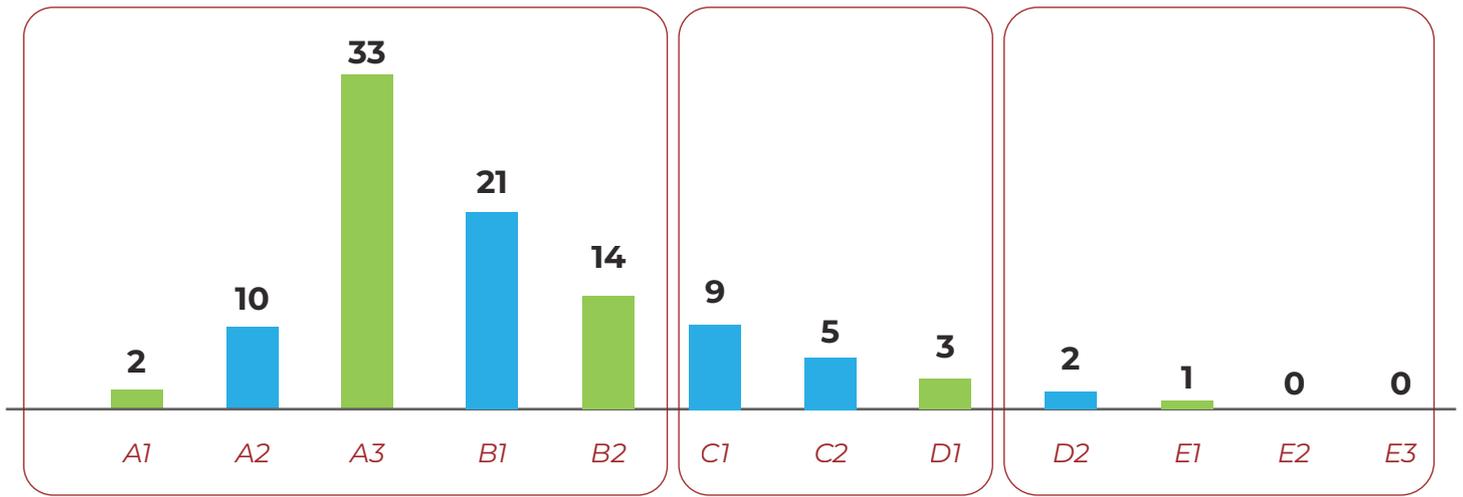
The number of consumer durables (pre-decided from a list of 11 items) owned by the family

The list of 11 items are: Electricity Connection, Ceiling Fan, LPG Stove, Two-Wheeler, Color TV, Refrigerator, Washing Machine, Personal Computer/Laptop, Car/Jeep/Van, Air Conditioner, Agricultural Land. There are 12 grades in the new system starting from A1 to E3.

These grids are used to determine the consumption preferences, and purchasing power of households, and are common tools used by social and business researchers working in India. The SEC grid does not use family income levels as a measure as this data is hard to collect and it has been demonstrated that education levels and occupation criteria in India are better determinants of consumer preference. The methodology used in these tools differs from the Household Potential Index, which measures consumption intensity.

	Chief Wage Earner: Education (Q206 OR Q208 if Q207 = 1)	Illiterate	Literate but no formal schooling/ school - upto 4 years	School (5 to 9 years)	High School pass	College (Incl. a Diploma but not Grad)	Graduate / Post Graduate-General	Graduate / Post Graduate-Professional
		1	2	3	4	5	6	7
No. of Durables (Q210)								
0		E3	E2	E2	E2	E2	E1	D2
1		E2	E1	E1	E1	D2	D2	D2
2		E1	E1	D2	D2	D1	D1	D1
3		D2	D2	D1	D1	C2	C2	C2
4		D1	C2	C2	C1	C1	B2	B2
5		C2	C1	C1	B2	B1	B1	B1
6		C1	B2	B2	B1	A3	A3	A3
7		C1	B1	B1	A3	A3	A2	A2
8		B1	A3	A3	A3	A2	A2	A2
9+		B1	A3	A3	A2	A2	A1	A1

The distribution of participants across SEC categories is depicted below:

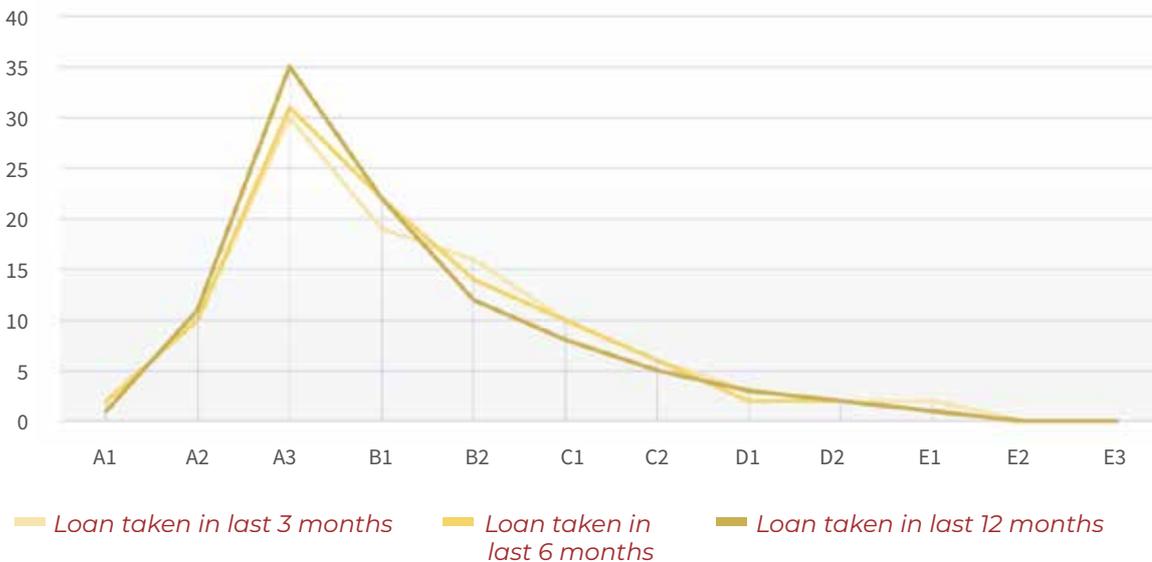


Base (n) is all participants of the study = 1633. All figures represent percentages.

“Most participants belonged to the A3, B1 & B2 categories”

LOAN-RECENCY WISE SEC DISTRIBUTION OF PARTICIPANTS

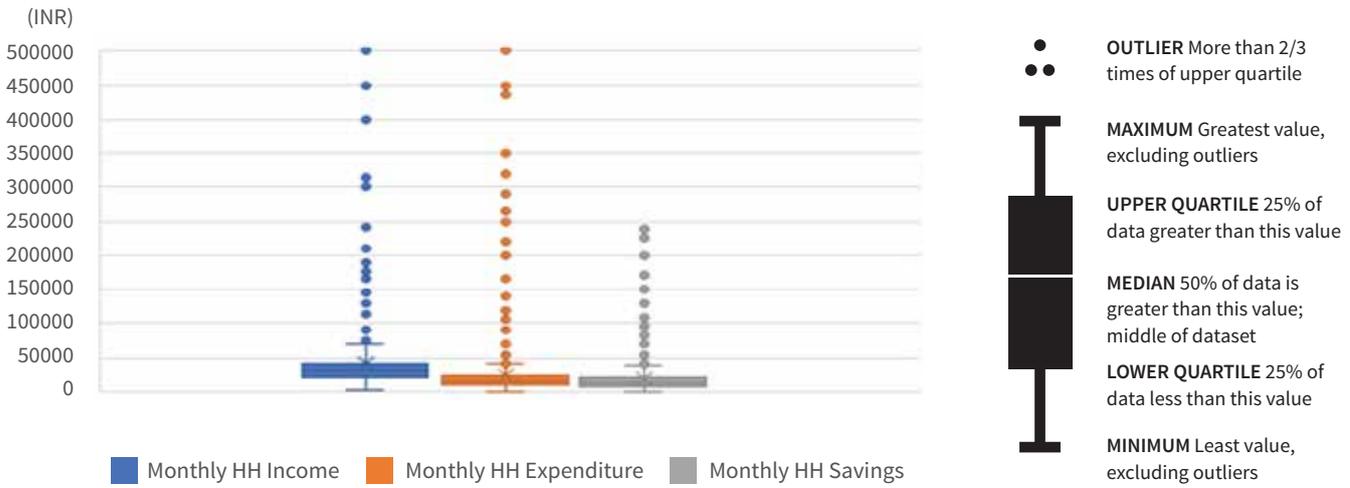
The graph below shows the distribution of SEC categories across the recency of loan taken from Aye (Last 3 months, Last 6 months, Last 12 months):



Base (n) is all participants of the study = 1633. All figures represent percentages.

Monthly household financials

The following box and whiskers graph shows the distribution of monthly household income, expenditures and saving as reported by participants:



Base (n) is all participants of the study = 1633.



The graph illustrates the spread, where the box represents majority of data while the whiskers (dots/line) highlight outliers in the data. It can be seen here that most participants' household income lies between INR 20,000 to 45,000, while their expenses lie between INR 10,000 to 25,000 and their savings between INR 5,000 to 20,000.

The median values are highlighted by the line dividing the box in two parts. The mean and median of Income, Expenses and Savings are explained below:

Indicator	Income (INR)	Expenses (INR)	Savings (INR)
Base (n)	1633	1633	1633
Mean	36580.9	19784.07	16803.66
Median	30000	15000	13000

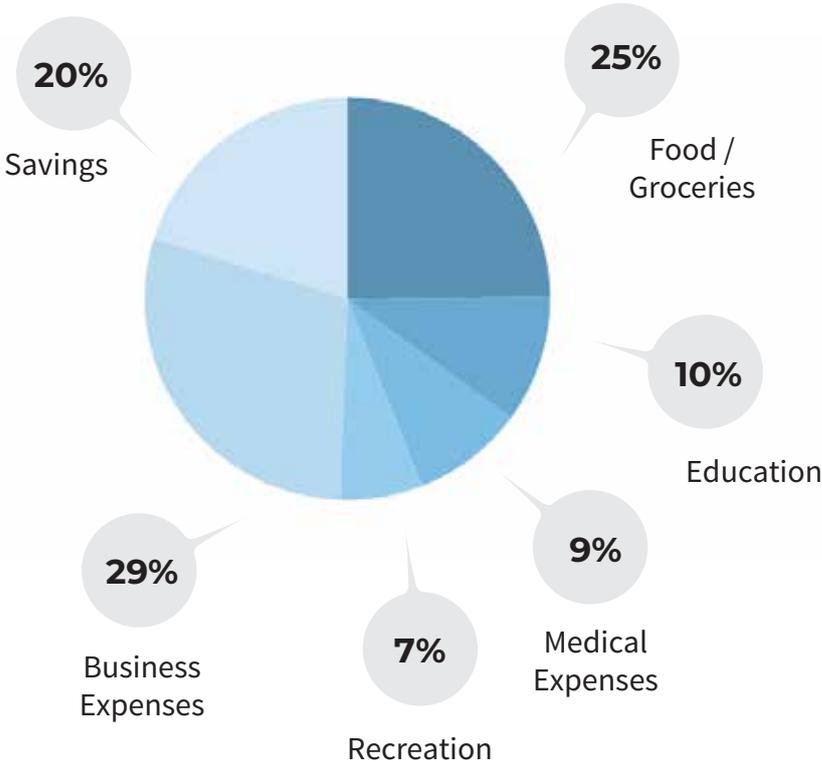
Below are the categorical distributions of Income, Expense and Savings:

Indicator	Income	Expenses
Base (n)	1633	1633
Less than 10000	1	16
10000 to 19999	16	46
20000 to 39999	50	28
40000 and above	33	9

Indicator	Income
Base (n)	1633
Less than 5000	13
5000 to 9999	19
10000 to 14999	20
15000 and above	48

The pie-chart illustrates the average distribution of monthly expenditure as reported by participants:

The average distribution of monthly expenditure as reported by participants indicates that around 1/3rd of monthly expenditure goes towards business expenses.



EXPENSES AND SAVINGS ACROSS INDUSTRY TYPES

The table below summarises the average household monthly expenses (in INR) across Industry type:

	Industry Type				
	Manufacturing	Trading	Service	Job Work	Livestock Rearing
<i>Base (n)</i>	267	600	161	38	567
Less than 10000	12	16	13	24	20
10000 to 19999	39	41	46	42	55
20000 to 39999	38	31	31	29	19
40000 and above	12	12	10	5	6

Across industry type, average monthly expenses were highest in Manufacturing and lowest in Livestock Rearing.

Table below summarises the average household monthly savings across (in INR) Industry type:

	Industry Type				
	Manufacturing	Trading	Service	Job Work	Livestock Rearing
<i>Base (n)</i>	1633	267	600	161	38
Less than 10000	7	12	10	24	16
10000 to 19999	18	19	29	21	17
20000 to 39999	17	23	13	26	21
40000 and above	58	47	48	29	46

Average monthly saving was relatively highest in participants from Livestock rearing industry as compared to participants in other industry types.

EXPENSES AND SAVINGS ACROSS LOAN RECENCY

The table below summarises the average household monthly savings (in INR) across categories of loan recency:

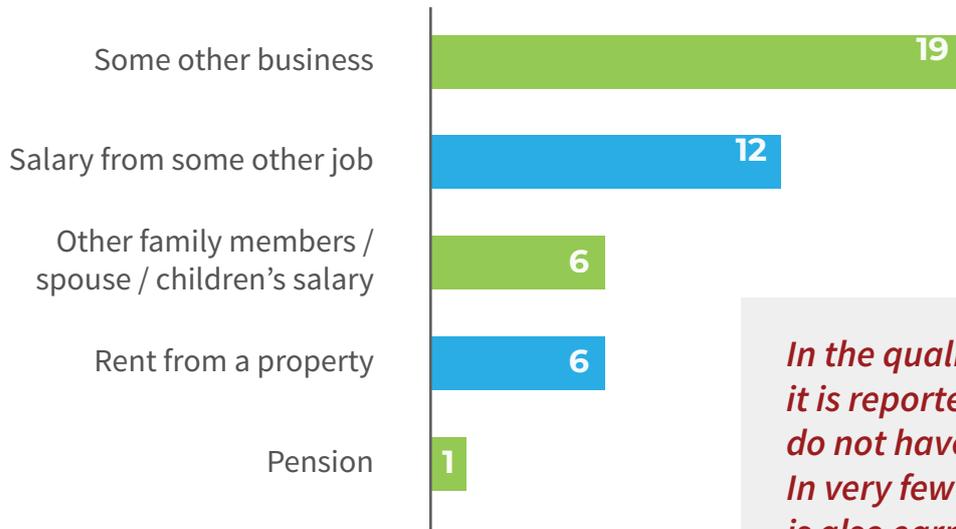
	Loan Recency		
	3 Months	6 Months	1 Year
<i>Base (n)</i>	359	488	786
Less than 5000	8	14	14
5000 to 9999	19	18	19
10000 to 14999	19	19	22
15000 and above	54	49	44

The table below summarises the average household monthly expenses (in INR) across categories of loan recency:

	Loan Recency		
	3 Months	6 Months	1 Year
<i>Base (n)</i>	359	488	786
Less than 10000	19	16	16
10000 to 19999	46	45	47
20000 to 39999	25	27	30
40000 and above	11	11	7

Other sources of income in household

“For 77% of participants, the business for which they had taken a loan, was the primary source of income of the household”



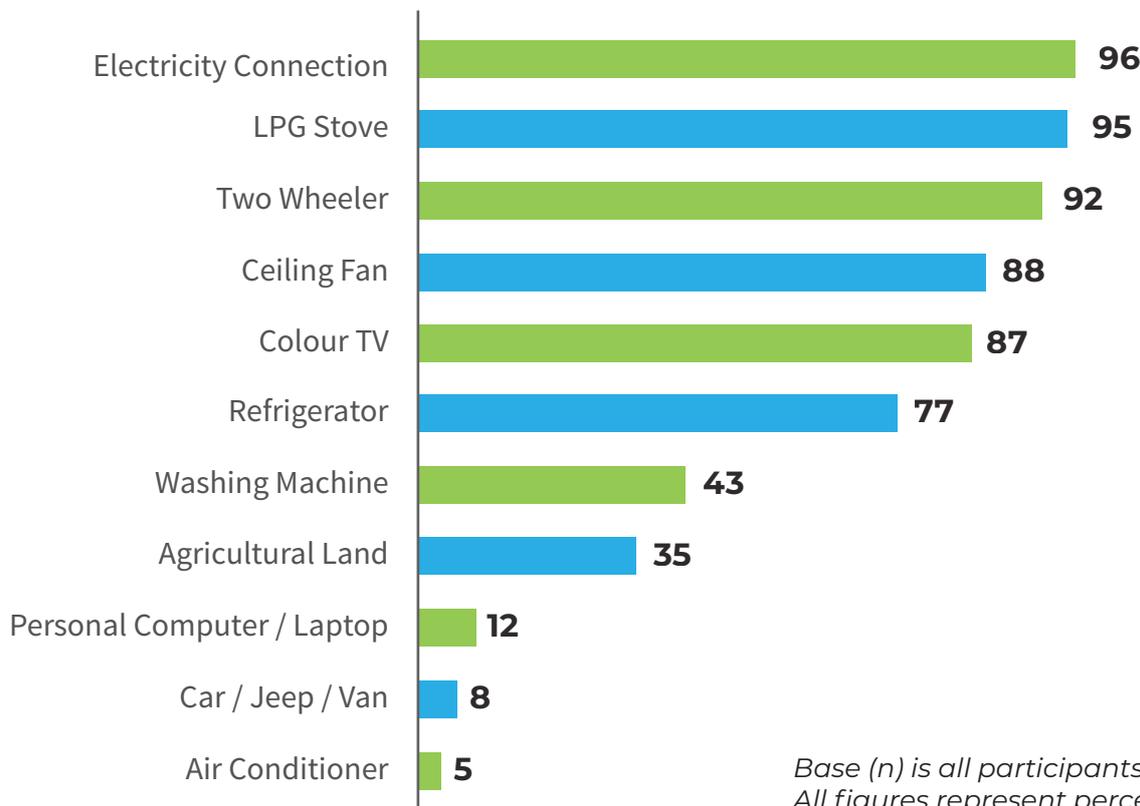
In the qualitative component of the study, it is reported that most of the respondents do not have a secondary source of income. In very few cases, the spouse of the respondent is also earning. The other sources of income also include pension received by the respondent's parents or rent collected from other properties owned by them.

This indicates that limited participants had diverse sources of income.

Base (n) is all participants of the study = 1633
All figures represent percentages

Ownership of consumer durables

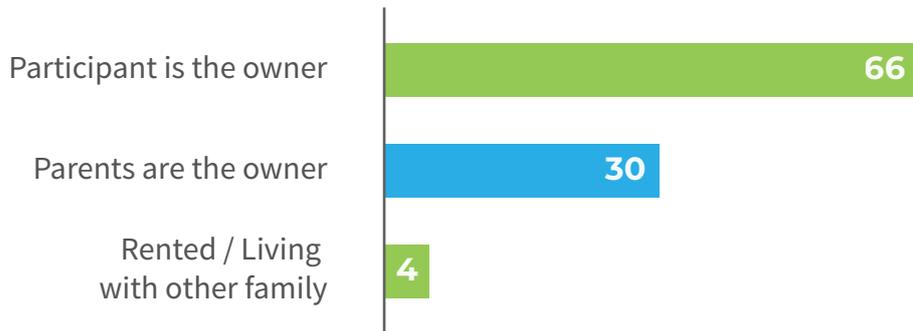
Participants were asked about the different consumer durables owned by them, and this was also used to estimate their SEC profile.



Base (n) is all participants of the study = 1633
All figures represent percentages

Ownership of house

“66% of the participants own the house they reside in”

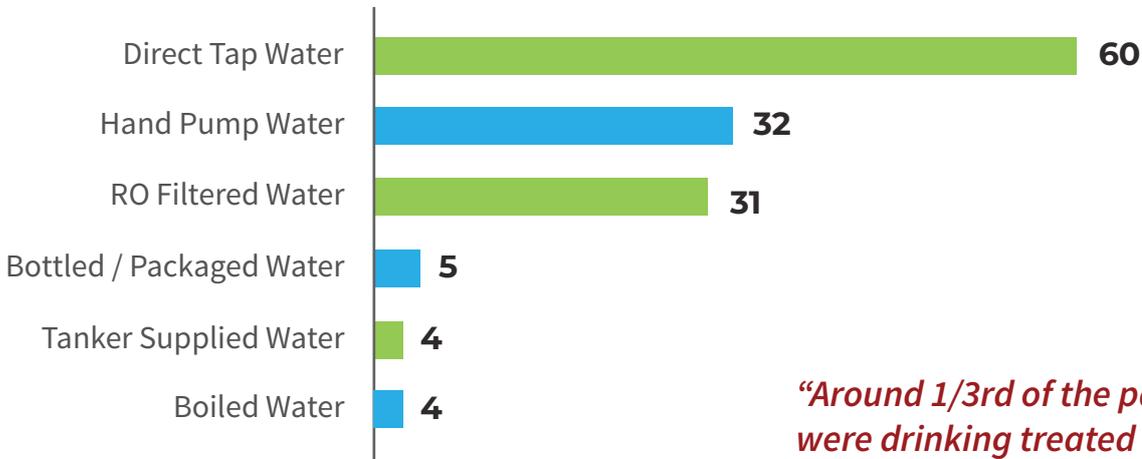


*Base (n) is all participants of the study = 1633
All figures represent percentages*



Drinking water source

The bar graph below depicts the type of drinking water used at the participant's household:



“Around 1/3rd of the participants were drinking treated water”

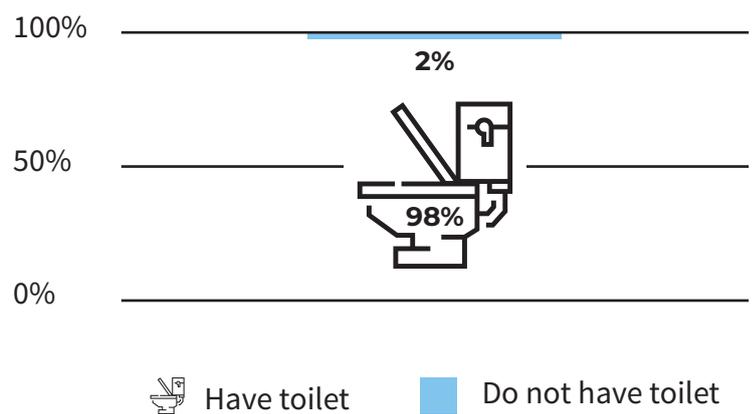
Base (n) is all participants of the study = 1633. All figures represent percentages.

Sanitation in household

“Most participants (98%) have a toilet in their house”

The respondents who did not have toilets were primarily from the livestock rearing industry and cited money and space to be the primary reasons for not constructing one.

Percentage participants with toilet at their household

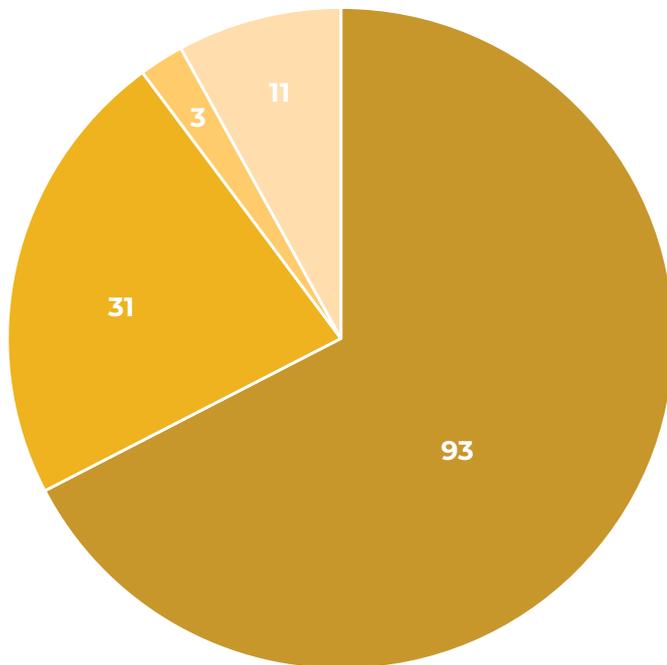


Base (n) is all participants of the study = 1633
All figures represent percentages



Type of cooking fuel used at household

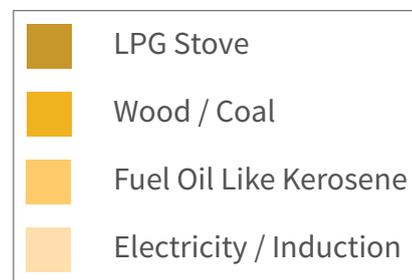
The pie-chart below depicts the type of cooking fuel used at household, as reported by the participants:

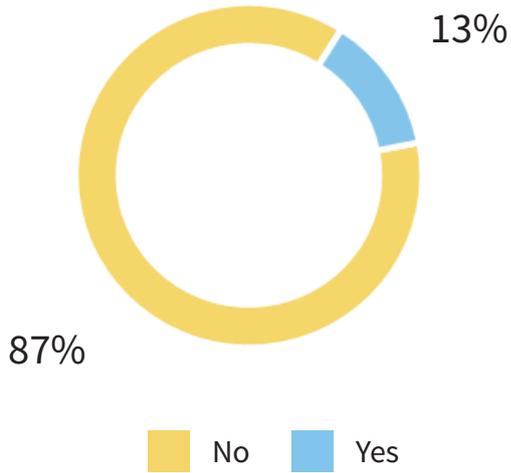


Base (n) is all participants of the study = 1633
All figures represent percentages

“Most participants (95%) are using clean sources of cooking fuel”

Those reporting using wood/coal for cooking were primarily from Haryana.





“13% of participants took a vacation in the past one year”

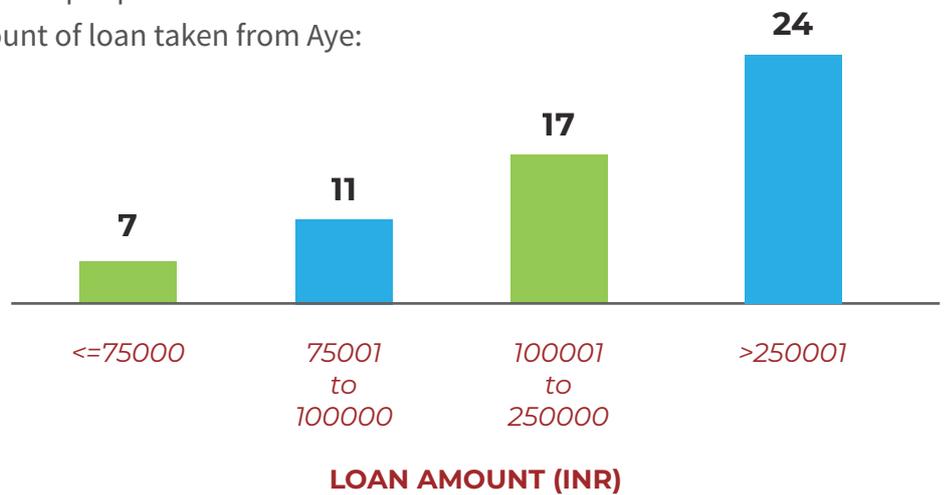
The average number of vacations taken was 3, amongst those who took a vacation.

Base(n) is all participants of the study = 1633
All figures represent percentages

The graph below shows the distribution of people who took a vacation and its relation with the amount of loan taken from Aye:

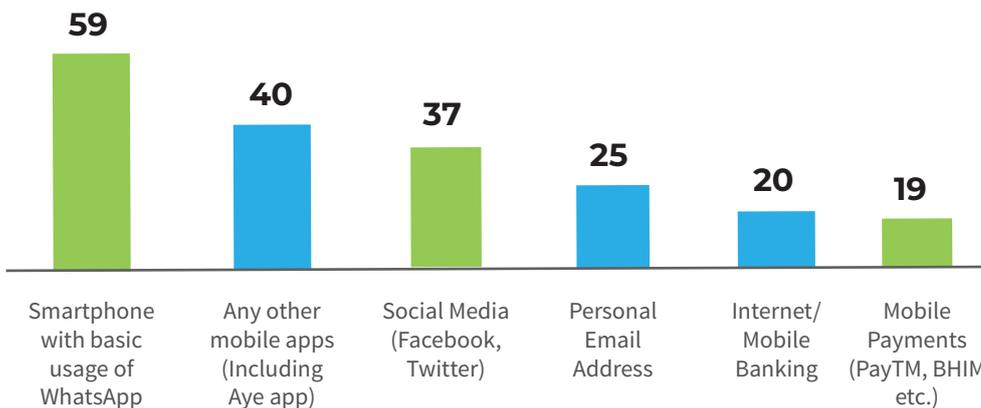
“The number of participants who took a vacation increases with increasing loan amount”

Base (n) is all participants of the study = 1633. All figures represent percentages.



Mobile phone usage and Internet access

The graph below depicts usage of mobile phone and internet by the participants:

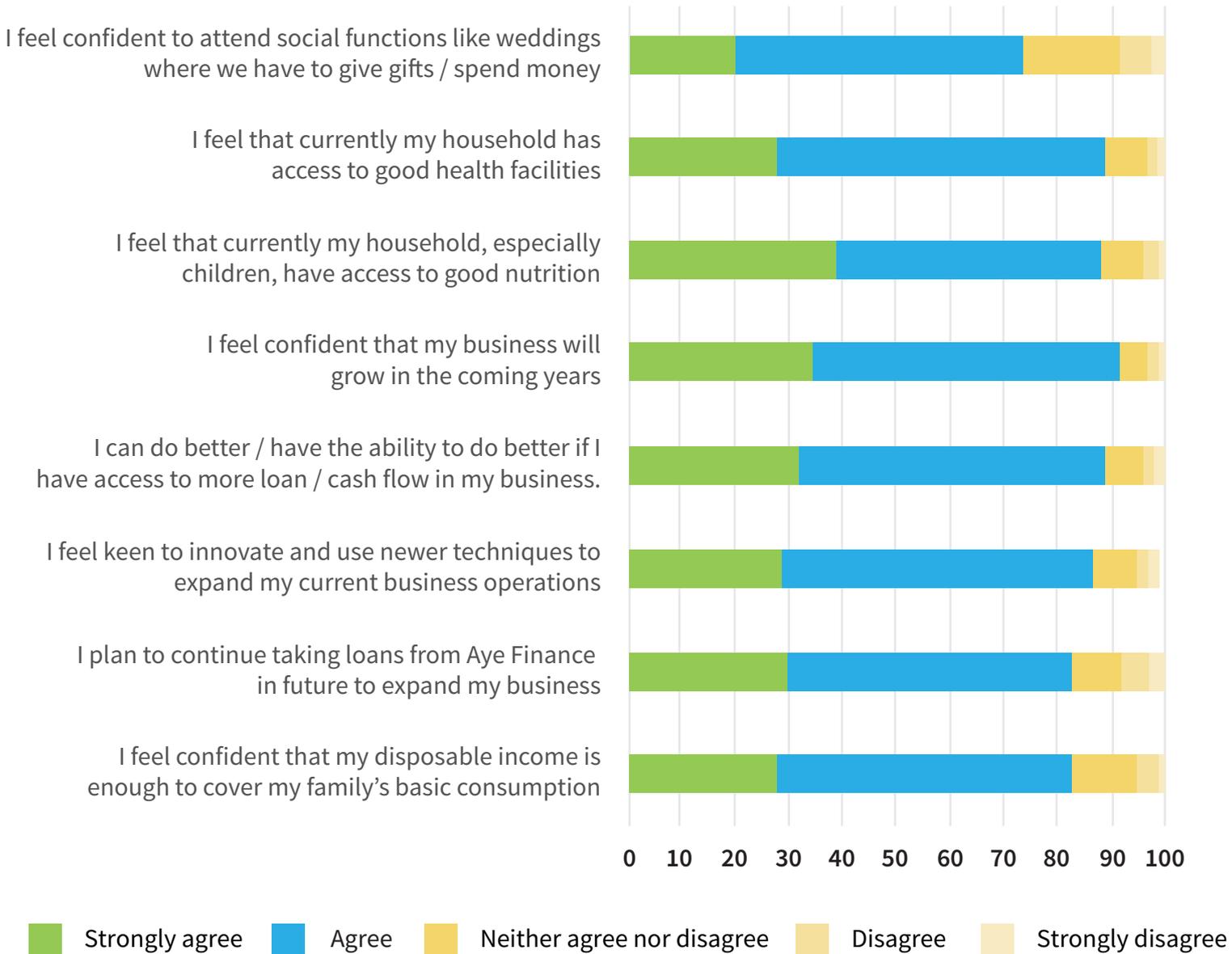


“3/4th of participants had access to mobile internet”

Base (n) is all participants of the study = 1633. All figures represent percentages.

SELF BELIEF AND ASPIRATION OF PARTICIPANTS

Providing capital to the ‘missing middle’ forms an important part of providing financial access, not only due to its materialistic impact, but also due to its psychological impact on the micro business owners. Effect of high self-efficacy reinforces good social behaviour and self-improvement thereby contributing to the happiness of an individual as well as the betterment of society.



Base (n) is all participants of the study = 1633. All figures represent percentages.

It is observed that the level of self-efficacy across parameters among the loan beneficiaries is high.

Most of the respondents, during the in-depth interviews, responded that they are confident that their business will grow in the coming years.



The state-wise variation in self-efficacy parameters are highlighted in the table below:

	DL	HR	KR	MP	PB	RJ	TN	UP
Base (n)	52	227	198	128	203	298	225	302
I feel confident that my disposable income is enough to cover my family's basic consumption	69	69	79	96	89	69	95	81
I plan to continue taking loans from Aye Finance in future to expand my business	60	97	81	91	77	60	86	85
I feel keen to innovate and use newer techniques to expand my current business operations	79	96	85	91	84	79	93	88
I can do better / have the ability to do better if I have access to more loan / cash flow in my business.	77	100	87	95	80	77	98	89
I feel confident that my business will grow in the coming years	79	98	87	98	90	79	99	91
I feel that currently my household, especially children, have access to good nutrition	81	90	80	98	91	81	99	88
I feel that currently my household has access to good health facilities	79	100	86	95	92	79	99	83
I feel confident to attend social function like weddings where we have to give gifts / spend money	63	65	84	98	78	63	91	63
							*Lowest	
							*Highest	

Top box responses (Agree + Strongly Agree)

Haryana and Tamil Nadu were among the higher scoring states on most of the self-efficacy parameters while Delhi scored lowest on most of the parameters.



The table below summarizes the distribution of Top box responses (Agree + Strongly Agree) on self-efficacy parameters across loan recency and loan amount.

	Recency of Loan			Loan Amount (in INR)			
	3 Months	6 Months	1 Year	'≤ 75000'	'750001 to 100000'	'100001 to 250000'	'> 250001'
<i>Base (n)</i>	359	488	786	335	563	621	114
I feel confident that my disposable income is enough to cover my family's basic consumption.	86	81	83	80	83	82	90
I plan to continue taking loans from Aye Finance in future to expand my business.	83	83	83	81	85	82	83
I feel keen to innovate and use newer techniques to expand my current business operations.	89	87	87	86	88	88	89
I can do better / have the ability to do better if I have access to more loan / cash flow in my business.	91	89	88	88	89	90	89
I feel confident that my business will grow in the coming years.	92	91	92	90	93	91	93
I feel that currently my household, especially the children, have access to good nutrition.	86	90	88	87	88	89	90
I feel that currently my household has access to good health facilities.	90	89	88	88	89	88	95
I feel confident to attend a social function like weddings where we have to give gifts / spend money.	77	72	73	65	74	76	83

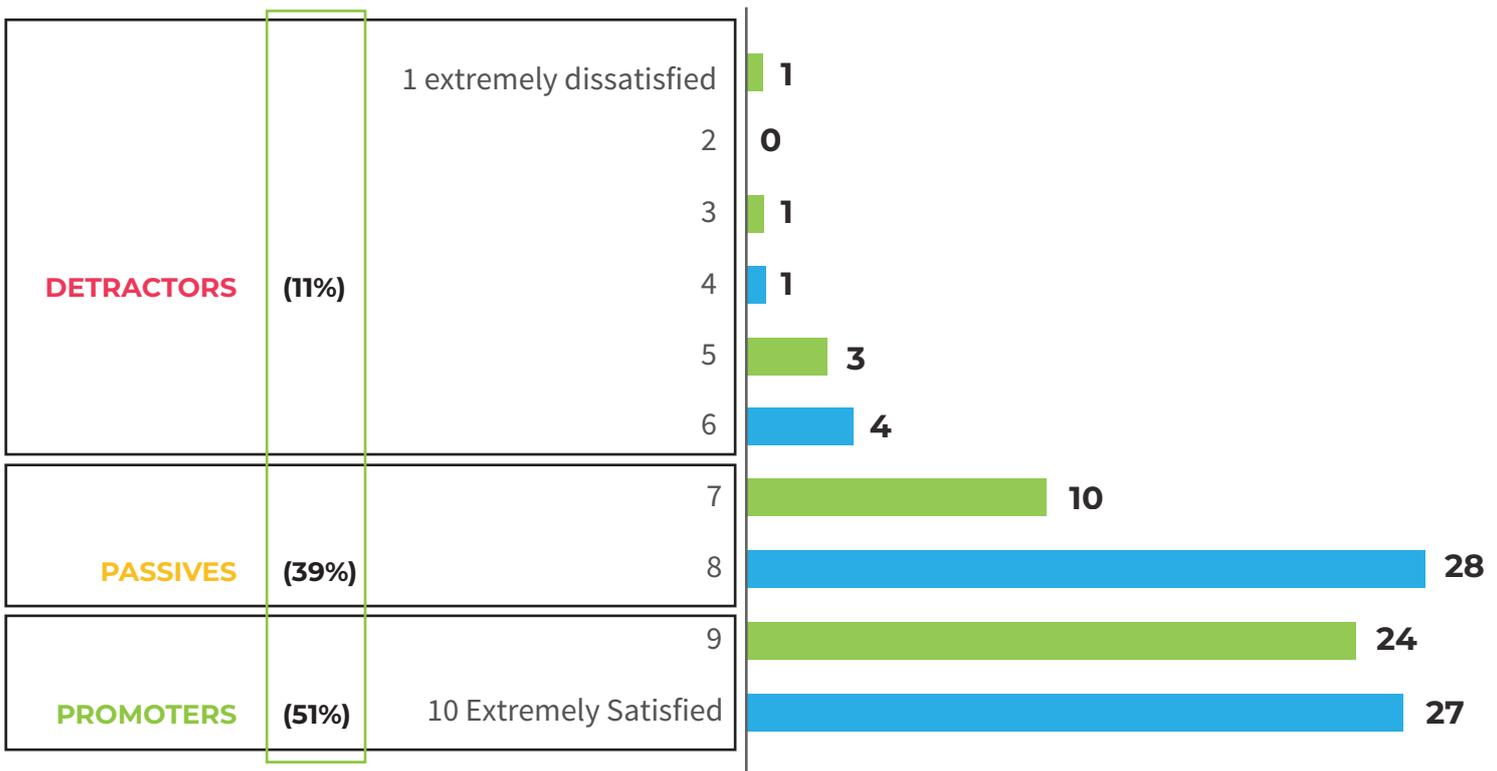
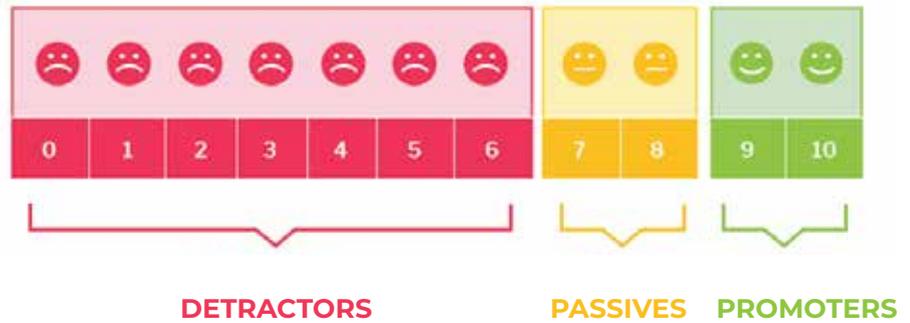


RELATIONSHIP WITH AYE FINANCE

Net Promoter Score

Promoters are likely to exhibit value-creating behaviours, such as buying more, remaining customers for longer, and making more positive referrals to other potential customers

Participants were asked to report their likelihood of recommending Aye Finance on a scale of 0 to 10. The graph below shows the percentage distribution of participants across the ratings:



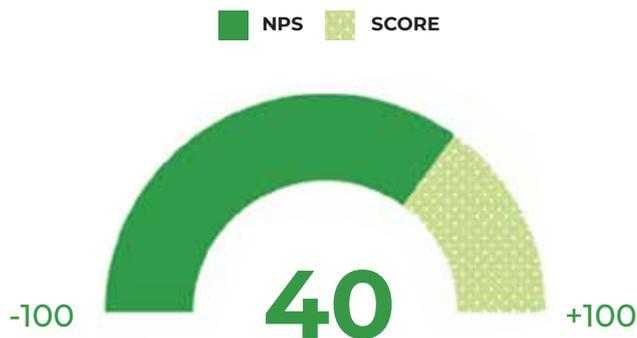
Base (n) is all participants of the study = 1633. All figures represent percentages.

$$\text{NPS} = \% \text{ 😊 } - \% \text{ 😞 }$$

Net Promoter score = % Promoters - % Detractors

$$= 51\% - 11\%$$

**Net Promoter Score is a simple metric that ranges from +100 to -100.
An NPS above zero is considered “Good”.**



The tabulation summarises the Net Promoter Score across state, industry type, loan recency, loan amount and SEC. Highlighted in red are areas for improvement while those highlighted in green are with higher scores.

Base(n) is all participants of the study = 1633 All figures represent percentages

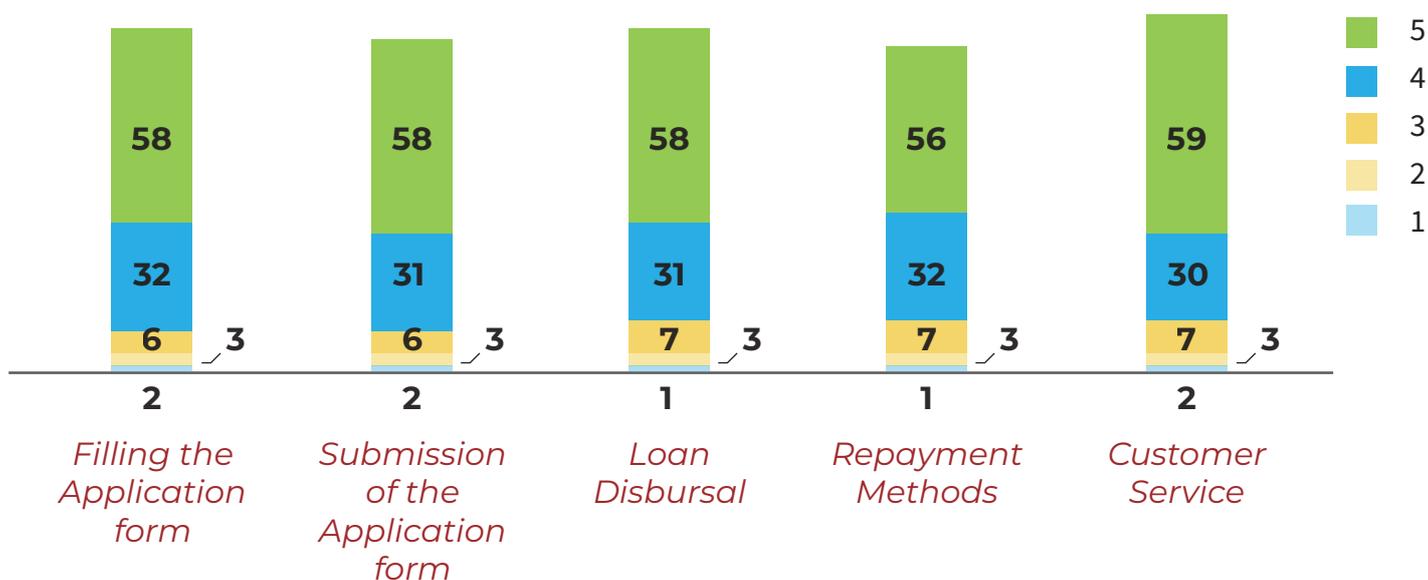
“Madhya Pradesh, Punjab & Rajasthan had relatively higher share of promoters”

	Base Total	40	1633
State	Delhi	-15	52
	Haryana	7	227
	Karnataka	7	198
	Madhya Pradesh	77	128
	Punjab	79	203
	Rajasthan	65	298
	Tamil Nadu	42	225
	Uttar Pradesh	29	302
Industry Type	Manufacturing	24	267
	Trading	37	600
	Service	37	161
	Job Work	24	38
	Livestock Rearing	53	567
Recency of Loan	3 Months	43	359
	6 Months	35	488
	1 Year	41	786
Loan Amount (in INR)	<= 75000	41	335
	75001 to 100000	44	563
	100001 to 250000	36	621
	> 250001	40	114
SEC	SEC - A	49	732
	SEC - B	37	569
	SEC - C	38	233
	SEC - D	2	80
	SEC - E	-26	19



Ease of taking a loan from Aye

Participants were asked to rate on a scale of 1 to 5 (5 being most easy and 1 being difficult) of the level of ease on the aspects of taking a loan from Aye. The bar chart below shows the participant distribution across the level of ease as mentioned for each aspect.



Base (n) is all participants of the study = 1633. All figures represent percentages.

“Participants reported an average score of 4, across the different aspects of taking a loan from Aye”

The table below shows the state wise participant distribution across aspects of taking a loan:

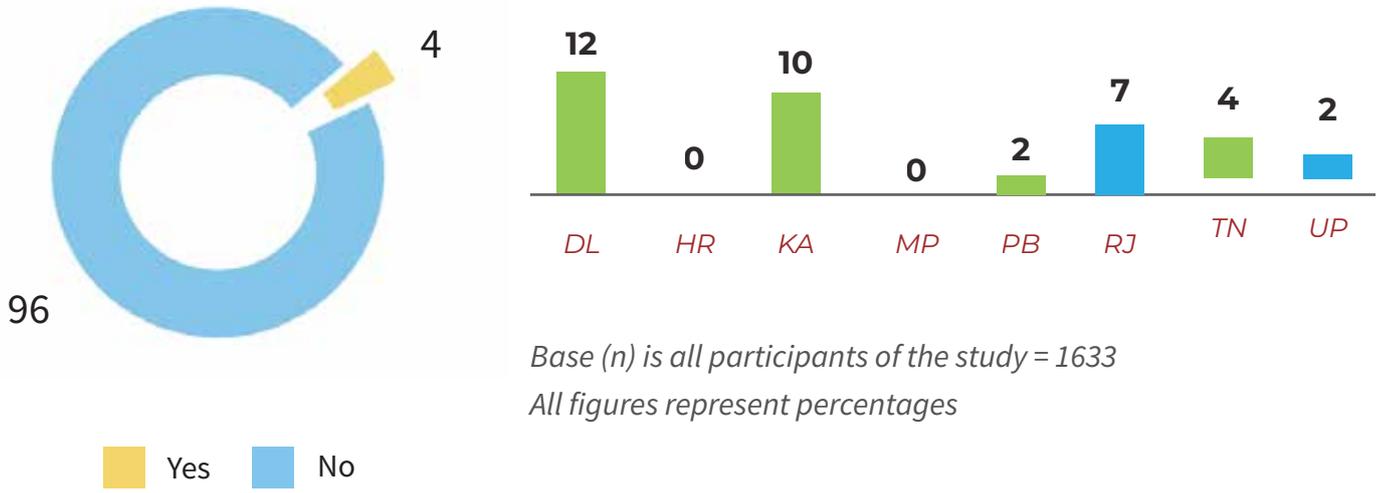
State	Aspects of taking a loan				
	Filling the Application Form	Submission of the Application Form	Loan Disbursal	Repayment Ways	Customer Service
Tamil Nadu	77	76	74	76	73
Delhi	79	83	79	81	75
Karnataka	81	78	78	72	81
Uttar Pradesh	88	87	90	91	88
Rajasthan	91	94	90	90	92
Madhya Pradesh	98	98	97	96	97
Punjab	98	98	99	98	96
Haryana	100	98	98	99	98

The figures in the table represent top 2 box (score of 4 and 5) “Percentages”

Most of the respondents reported that the process of availing a loan from Aye Finance was very smooth and easy.

Challenges faced in obtaining a loan from Aye Finance

Participants were asked whether they faced any challenge in obtaining a loan from Aye Finance. The pie-chart below shows the “Yes” and “No” distribution for any challenge faced, while the graph shows the state-wise distribution of those who reported that they faced a challenge.



“Only 4% of the participants reported that they faced a challenge in obtaining a loan from Aye Finance”

CONCLUSION

The baseline survey of the Impact Assessment project, gives us a first-hand information on the profile of our customers, their socio-economic condition and detailed profile of their business. It also gave us some useful insights on their relationship with Aye, especially in terms of the ease of taking a loan from Aye and the changes felt in their post availing a loan.

Based on the baseline survey, Aye has identified some metrics that will be tracked on a regular frequency, in line with our social strategy around Social Performance Management and the SPI4 audit action plan. The metrics include our outreach numbers, number of livelihoods generated through the businesses we support, formalization of business practices, etc. We plan to continue to focus on the financially excluded (as of today only 11% of our customer say that they have access to other sources of credit), keeping a high level of satisfaction and tracking improvements in our customer service through Net Promoter Scores.

The second round of the survey, is proposed to be conducted in 2 years and we hope to gather more information on the changes that can be observed in our customer’s lives and their businesses.



A

Case study of Lokesh, a dairy owner from Indore, Madhya Pradesh



Mr. Lokesh, from Madhya Pradesh, lives in a joint family. He pursued one of the ITI (Industrial Training Institute) courses after completing his schooling.

Post his education, he wished to set up his own business. One of his relatives gave him the idea of opening a dairy farm since Mr. Lokesh had some knowledge of the business by virtue of observing his grandfather doing the same business. Now, he has been successfully running his dairy business for the last 5 years with the support of his family members.

He is the sole bread winner of his family. He earns around Rs. 40,000 per month during the peak season months of May, June and July, as he reports that the milk produced is highest in these months. His income varies during other months of the year.

Most of the other respondents reported earning more in the months of October, November and December. For manufacturing businesses (like footwear and belts), Feb-July are the peak months of sale. For trading business, like trading of garments, high sales are recorded in the months from October-March.

The businesses in most of the states shoot up during festivals and wedding season. The months across states, vary according to the major festivals celebrated in the state. For instance, in Tamil Nadu, the peak season is during festivals like Pongal and in some other states it is during Eid or Diwali.

He is content with his achievements, however he aspires for his child to outshine and achieve success in whatever his child desires to do. As his child is soon to start school, he is planning to scout for the best schools in town for his child's education.

He runs his business in a rented room which is well lit but there is no facility of a toilet in the premises. He does not employ anyone, but has linkages with milkmen of the nearby villages. He currently has a butyrometer and a machine for preparing buttermilk.

Once Mr. Lokesh repays his current loan, he plans to add more machinery. He took a loan from Aye Finance and an online lender at the same time. The first loan that he availed was to repay an advance amount to someone in order to expand his business. He reported that the process of availing a loan from other online lenders was difficult because the process of documentation was also online. He described that the process of procuring a loan from Aye Finance was smooth and hassle free.

M: What are your aspirations for your child's future?

R: I want him to be in a better position than me. I want him to get the best education. I want him to excel more than I did.

M: So, how was the process of availing a loan from Aye Finance?

Lokesh: It was not cumbersome. It was hassle free. They completed all the formalities here at my business place. They called me to their branch office just once to sign documents when the loan was sanctioned.

He mentioned that the employees of Aye Finance were always on their toes to offer help. The only problem he faced was in finding a witness because he had no assets on his name. He says that he would have had to borrow money on a higher rate of interest from people around him, had he not come across Aye Finance. He likes the fact that the principal amount keeps on decreasing as he repays the instalment. This could be a reason for him to choose Aye Finance again over other sources of credit.

M: What did you like about the entire loan process?

Lokesh: If I borrow from an individual I will pay the interest but the principal will not be deducted. And there will come a time where I would have paid double the amount but still the loan amount will still remain outstanding. But here, as I make the repayment, the principal amount also decreases.

Like Mr. Lokesh, most of the respondents are confident that their business will grow in the coming years. Some are planning to increase the number of goods they sell and a few others are planning to add more machinery.

Although Mr. Lokesh is facing some problems in his business right now, he is confident that the business will only prosper and continue growing. He wants his business to expand. This could be a reason for him to apply for another loan in future.

B

Case study of Mukesh, a belt manufacturer from Jaipur, Rajasthan



Mr. Mukesh Sharma resides in Jaipur, Rajasthan, with his wife and daughter. His daughter, having completed her MBA, works in a private bank. He now aspires for his daughter to be a Government employee. He has been running a wholesale manufacturing business for the last 22 years. This business helps him earn around INR 31-40,000 per month. He says that he gets an additional rent of INR 7000 per month. His daughter spends her own salary to meet her personal expenses.

The business premise is well lit and has a washroom facility. His accounts are taken care of by an accountant.

The business does not give him high returns during off-seasons like winter when according to him people stop wearing belts. The earnings shoot up during festivals like Diwali and Eid.

M: What have you thought about your daughter's future?

R: I want her to have a secured job, in a bank.

M: Did the loan help you in anyway?

R: It helped me in sustaining my business. It also helped me bounce back at a time when I was almost broken.

He got to know about Aye Finance through an Aye Finance representative whom he came across while strolling in the local market. He felt that the process of availing the loan from Aye was fast and smooth.

Mr. Mukesh reported that after availing the loan he has been leading a stress-free life and he has also started spending more time with his family.

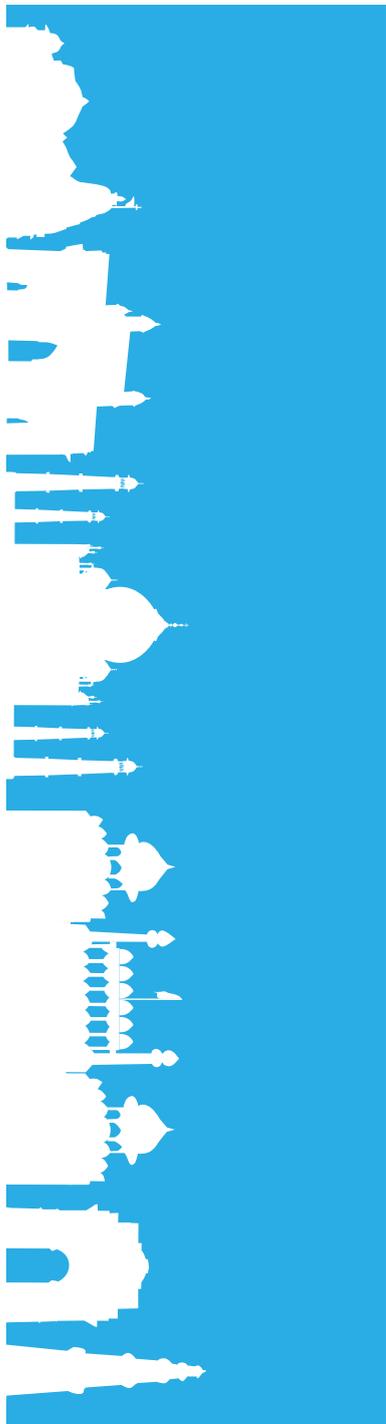
He envisions his business to grow manifold in the future and is confident about the same. He further plans to expand his business by also selling jackets along with belts. And this could be a reason he might want to avail another loan in the future.

He suggests that increasing the number of branches or changing the location of the current branch office premises to somewhere closer to the market or the city area can help Aye Finance in getting more clients. He is content with the services provided to him by Aye and claims that the loan has sufficed his needs.

He used to sell locks, belts, caps etc, but now the business is only restricted to manufacturing and selling belts to wholesalers because of certain instability in his business that occurred due to his ill health. This loss in the business was a reason he availed a loan. Mr. Mukesh claims that the loan helped him in reviving his business and adds that without a loan from Aye Finance, his business might not have sustained.

M: What are the changes in your lifestyle after taking a loan from Aye?

R: I am stress free as far as my business is concerned. My business is going well and is sustainable. I also get time to spend with my family and I have started going out with them more often.



APPENDIX



RESEARCH METHOD

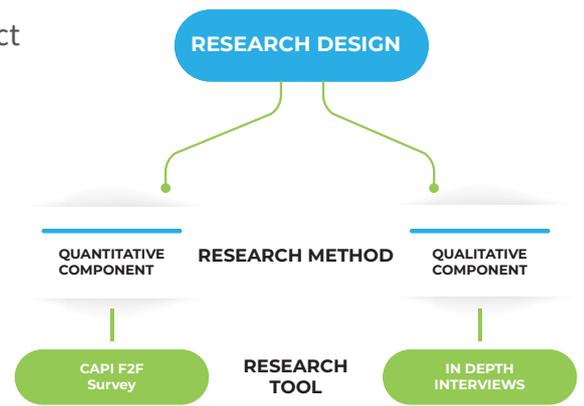
A **cross-sectional study** in the selected geographies was conducted.

The current phase entails setting up a baseline for the Social Impact assessment study. The study utilizes a mixed method approach including both quantitative and qualitative components.

The quantitative data collection was conducted using CAPI (Computer Assisted Personal Interview) and In-Depth Interviews were used for qualitative enquiry.

The Quantitative component helped in understanding the economic and social empowerment of the loan customers while the qualitative component further corroborates the quantitative findings.

Figure 2: Research Design



Further, a longitudinal study helps in measuring the change but also establishes the temporal order and thus helps in making stronger interpretations for causation.

SAMPLING METHODOLOGY

Sample Size Estimation – Quantitative

Based on the rationale for the study, the sample size for the survey was calculated using the following formula:

Figure 3: Sample size formulae

$$n = \frac{t^2 \times p(1-p)}{m^2} \times df$$

TABLE 1: SAMPLE ESTIMATION

Indicators for sample estimation	
n =	estimated sample size
t =	Z value (e.g. 1.96 for 95% confidence level)
p =	percentage picking a choice (0.5 used for sample size needed)
m =	marginal standard error (assumed as 0.35)
df =	design effect (assumed as 2.5)

Based upon the above estimation, the sample size was estimated as 1600 for the study.

SAMPLING PLAN
QUANTITATIVE & QUALITATIVE

The quantitative sample was spread across various states in accordance to the number of branches selected.



SELECTION OF STATES

8 states, out of the 10 states where Aye Finance operates, were selected for the study to provide adequate geographical representation.



SELECTION OF AYE BRANCHES

50 per cent of the branches in each state, where Aye Finance operates, were selected using the PPS (Probability Proportionate to Size) sampling method. PPS ensures that branches with a higher customer base get selected for the study.



SELECTION OF RESPONDENTS

Respondents were randomly selected from the list provided by Aye Finance. The customers belonging to different industries served as separate sampling frames. Respondents were selected randomly from each sampling frame.

One respondent from each state was purposively selected for an in-depth interview. Respondents selected for in-depth interviews were exclusive of respondents who participated in the Quantitative survey.

SAMPLE UNDER THE STUDY

This section compares the characteristics of the sample data with the Aye Customer database ensuring that the sample is representative of the population under study.

Known characteristics of the population under study

- ▶ Industry /Trade category of loan beneficiary
- ▶ Duration since loan availed from Aye
- ▶ Loan tenure
- ▶ Loan amount



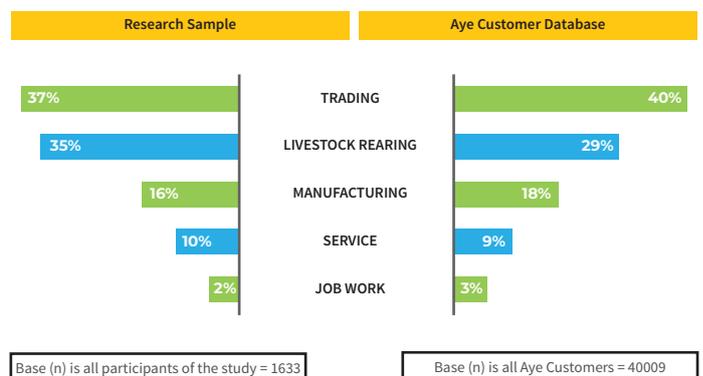
The distribution of participants across these characteristics is an outcome of random sampling. Comparable proportions with population parameters ensure representative sample."

Occupational distribution among the participants under study

The loan beneficiaries of Aye Finance have been categorized into five industry categories namely:

Trading, Livestock Rearing, Manufacturing, Service and Job Work

The representation of each industry is fairly comparable to the Aye Finance customer database. Comparison of the occupational distribution in the sample with the Aye Customer database is given :



The state-wise trade distribution is given:

The sample consists of representation from all industry categories across states. The representations of all trade categories across states are present in the sample.

State	Trades				
	Manufacturing	Trading	Service	Job Work	Livestock Rearing
Base(n)	267	600	161	38	567
Delhi	10	3	1	8	0
Haryana	9	15	11	11	16
Karnataka	30	13	11	21	2
Madhya Pradesh	4	6	10	5	11
Punjab	4	7	13	3	23
Rajasthan	11	25	20	5	15
Tamil Nadu	11	12	20	13	15
Uttar Pradesh	20	18	14	34	19
Total	100	100	100	100	100

The figures in the table represent "Percentages"

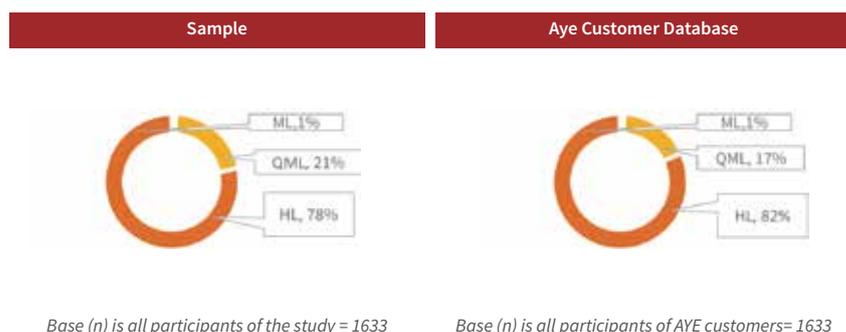
Loan availing duration-wise distribution of participants

The distribution of participants across the loan availing duration categories is as follows:



Basis the time-period since the Aye loan was availed has been categorized into: **Loan availed in past 3 months; Loan availed in past 3-6 months; Loan availed in past 6 -12 months.**

Loan type-wise distribution of participants



The loan type was categorized in the Mortgage loan (ML), Quasi Mortgage loan (QML), Hypothecation loan (HL). The loan type-wise distribution of participants is as follows:

The representation of loan type categories in the sample and Aye customer are comparable.

Loan amount-wise distribution of participants

Loan amount categories	Sample	Aye Customer Database
Base (n)	1633	40009
<=75000	21	22
75001 to 100000	34	36
100001 to 250000	37	36
250001 to 500000	7	5
Above 500000	1	1

All figures in the table represent percentages (%)

The loan amount-wise distribution of participants is as follows:

The representation of loan amount categories in the sample and Aye customer are similar.

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