

WOMEN'S SPECIAL

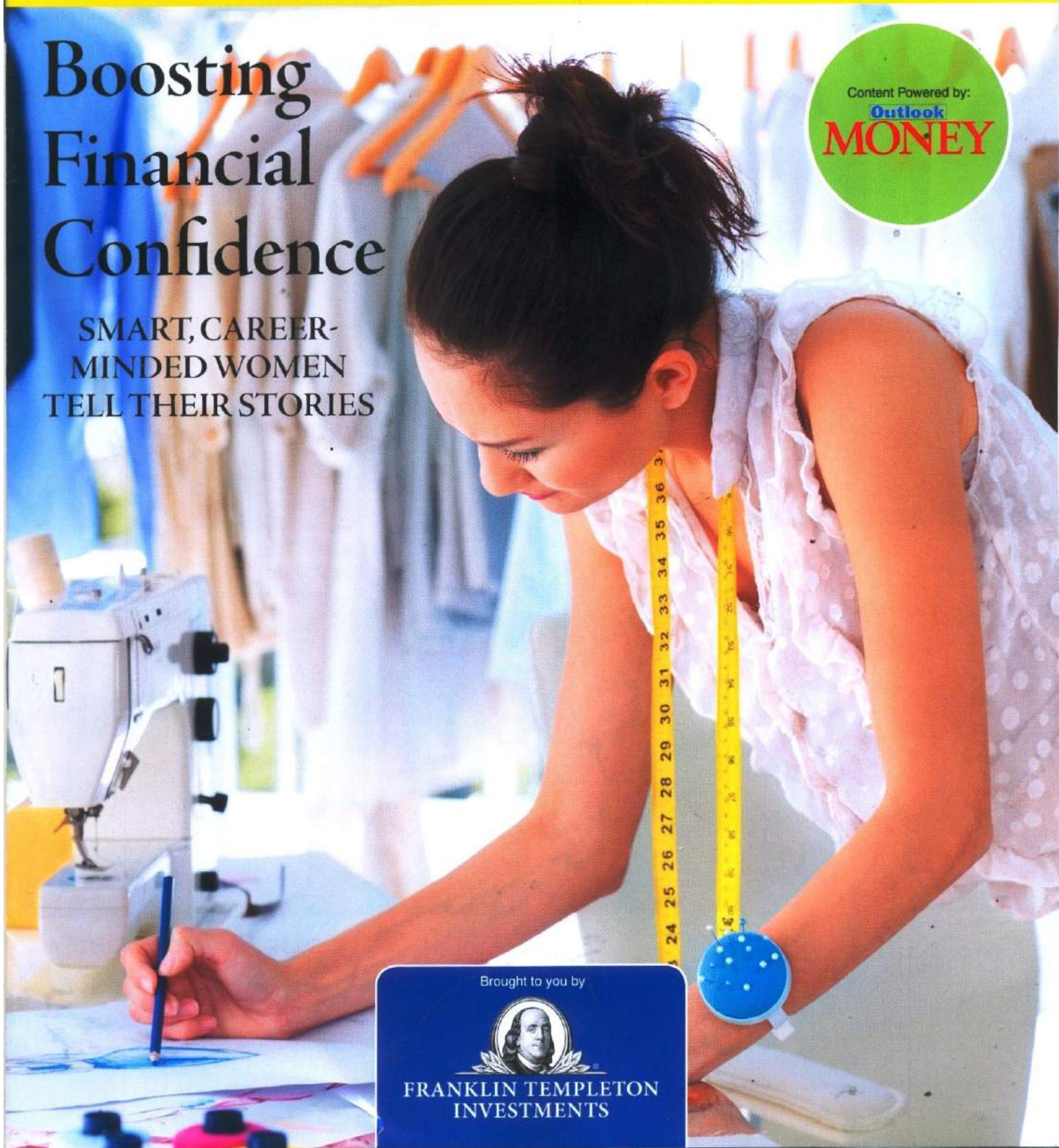
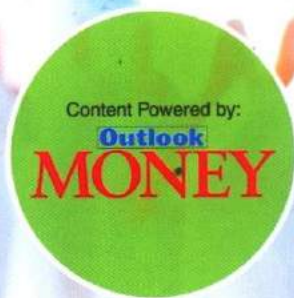
Empower

AN OUTLOOK GROUP INITIATIVE

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Boosting Financial Confidence

SMART, CAREER-
MINDED WOMEN
TELL THEIR STORIES



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Finance for all

How, by using sophisticated risk management tools, IFMR Capital is transforming the lives of ordinary people across the sub-continent.



Sometime when faced with a challenge of great magnitude, starting on a clean slate and looking at the situation afresh just might be the best way forward. This is what happened at IFMR almost a decade ago. A group of us decided to take a crack at what we thought was an important challenge facing the country – access to finance for all. A vast country with a majority of its population still excluded from

any source of formal finance, was the reality we faced. Providing access to finance for all Indians in a dignified and commercially sustainable manner was the dream we harboured. The last decade for me has been a journey in pursuit of this dream.

I moved from Goa to Chennai to join the group that set-up IFMR Trust. All I carried with me was the conviction to step out of my comfort zone to try

something different. The belief was that access to finance was empowering. Small sums of money could make a big difference to many lives. Access to a timely loan meant having the ability to pay the fees and to not have to pull the girl child out of school at the first indication of financial stress. It meant having the liquidity to avail medical treatment in a timely manner for the bread earner so that his or her family wouldn't be homeless. For many women in remote rural India, it meant an opportunity to avail a dignified livelihood and the independence and empowerment that came with it.

It was clear to us that access to finance could be transformational in so many ways. However, building a sustainable financial ecosystem at the grassroots required the presence of high quality local institutions with a deep understanding of the requirements of their customers and an ability to provide them with appropriate and timely financial products and services. These institutions themselves needed access to finance. The way forward was to build an ecosystem that would connect institutions serving financially excluded households and businesses to mainstream capital markets, thereby enabling access to finance for all. Easier said than done, but the idea had already taken birth in our minds. Amidst a hundred

doubts was one certainty – the need for building an institution that would bridge the gap in terms of access to finance in India.

We began by applying our minds at finding structured finance solutions. Over a period a world of possibilities opened up. Soon we were on way to becoming innovators in this space in India. Today we work with a hundred institutions across microfinance, affordable housing finance, small business loans finance, vehicle finance and agricultural finance. Using our own capital as skin-in-the-game, we have enabled \$4 billion by way of debt financing from mainstream investors such as mutual funds, banks, insurance companies, private wealth investors, international

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financial institutions and others, in turn providing access to finance to institutions that work with excluded households and businesses across 30 states and union territories of the country.

Among the many innovative capital market interventions we have pioneered, one is of

particular significance. Necessity they say is the mother of invention. It was the nature and requirements of our client originators that gave birth to MOSEC (multi originator securitization). We were working with a large number of small and mid-sized institutions who needed finance. None of these had ever accessed capital markets before because of their small size. We decided to combine multiple such originators into a single structured product. The outcome was a deal that was of a size of interest to large commercial investors, with the added benefits of diversification across geographies, individuals, businesses, and originator institutions. The big challenge now was to convince investors who had never invested in so called “informal” sectors to invest in the MOSEC. We decided to lead the way by

being investors ourselves and by demonstrating our skin-in-the-game. We co-invested in these transactions. It made a big difference. It incentivised us and aligned us with investors we were trying to attract.

By structuring, rating, investing and placing such transactions in mainstream capital markets, we created a market for debt to these underlying sectors and borrowers that didn't exist thus far. The same sectors considered ‘informal’ or ‘risky’ were now being looked at as sound commercial investment opportunities. Till date we have placed more than a 100 MOSEC transactions in the market directly enabling a large number of institutions and indirectly enabling millions of underlying



Kshama Fernandes



Kshama Fernandes is one of India's outstanding young business leaders. As MD & CEO of IFMR Capital, she is leading a company that is transforming the very fabric of finance in India.

borrowers and businesses to access capital on tap. These rated transactions have exhibited remarkable performance and no investor in them has lost any money; 'poor borrower' or 'informal sector' does not necessarily mean 'poor credit'. Many individuals and businesses across the world are excluded from the formal financial sector not because they are risky, but because people like us haven't yet found ways to provide them access to capital in a way that is most suited to their needs. The problem lies with us, not with them.

Access to finance is not a trivial problem. The quality of human resource we are willing to allocate towards solving a problem is a measure of the importance we give to the problem. We need more and more bright young people working on such problems in India. If financial inclusion is core to the way we see this country progressing forward, then we need to attract the best brains in the country to work on solving these problems of access. We have to attract highly qualified, intelligent, skilled and committed women and men to make career choices of joining businesses that work towards such causes.

It's not an easy task but it isn't unheard of either. As Antoine de Saint-Exupery said, "If you want to build a ship, don't drum up people to collect wood and don't assign them tasks and work, but rather teach them to long for the endless immensity of the sea." I never describe roles, responsibilities and rewards when hiring people. If I find people with a spark in their eyes and a fire in their bellies, I speak to them of the endless opportunity lying ahead for

them—an opportunity to impact the lives of millions of Indians and along the way build a sustainable business that would continue to do the same for many more decades to come. In my experience, most people are kind and compassionate beings who want to do more with their time, knowledge and skills than merely improving their own lives and adding to their own wealth. It's important to appeal to this inherent desire people have in them to make a difference. It works best when an individual's personal goals are aligned with the goals of the organisation. The trick is to find such people, bring them on board and retain them on a long, arduous yet fulfilling journey. At IFMR, we have had great success at this.

When I think of our journey at IFMR, I am reminded of the black and white pictures one sees in museums and in history books of Gandhiji's salt yatra. Hordes and hordes of people walking towards a single destination, a little like ants emerging from all directions in search of the single grain lying on the road. The simple act of lifting a handful of salt eventually snowballed into something that gave this country its freedom. In many ways, what happened during those initial years at IFMR was a little bit like that—a bunch of determined, courageous people with a never-say-die attitude, all coming from different walks of life, all with the same motive and mission focus, walking towards the same goal—of

freeing this country from financial exclusion. That was the beginning of the IFMR movement! The task of financial inclusion lying ahead for the country is so big, that there is only this far we will reach if we focus on producing followers and not leaders. We need many more to join us, and lead the way with us.

Personally speaking for me, the challenge of managing a business focused on access to finance for all is the same as the



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challenge of the many adventure activities I cherish—of pushing oneself the last few feet to the summit of a mountain in an oxygen-less environment, of overcoming the fear of a failed parachute while diving out of a plane, of controlling the sails and steering the boat into deep sea despite the possibility of a storm, of feeling the breeze hitting my face as I ride my Royal Enfield into a sunrise—it is all the same. It is about a sense of freedom; it is about a sense of achievement and empowerment. And finally it is about a sense of having tried—to make a difference. ■