British International Investment

Research

Insight

Investing for impact in India

Practical thinking on investing for development

Insight is a series of practical and digestible lessons on the issues of private sector investment and development. They're based on our experiences, knowledge and research and are aimed at investors, businesses, development professionals, and anyone with an interest in private sector development.

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Introduction

The Indian market today looks notably different from when we first started investing there in the late 1980s. In recent decades, rapid economic development has helped lift hundreds of millions of Indians out of poverty as the size and structure of the economy has changed. The country's integration into the global economy has led to a surge in foreign direct investment and trade, and dynamic new, globally competitive sectors such as information technology (IT) services have emerged.

The result has been a major shift in the living standards of many Indians and the work they do. The population has urbanised and moved out of agriculture. Productivity has improved, gross domestic product (GDP) per person has quadrupled and 300 million fewer people are living in extreme poverty. Maternal mortality is down, child malnutrition has halved, and literacy has increased.[1]

As a long-term partner to India, we hope our investments have contributed towards these successful outcomes that have transformed millions of lives. But as we look forward, this progress also requires that we re-evaluate our ongoing role in helping India to achieve its development objectives.

Despite remarkable economic and social change, India is still falling short of achieving the United Nations Sustainable Development Goals (SDGs). Only two of the 17 goals are on track and "major challenges remain" for 11 of them.[2] There were an estimated 137 million people in extreme poverty before the pandemic, and as many as 56 million more were pushed into poverty due to the impacts of Covid-19.[3,4] Continued headway towards better living standards for all requires an increasingly productive, sustainable and inclusive economy, and development finance will continue to play an important role in delivering this.

The purpose of this impact round-up is to demonstrate how British International Investment (BII) has contributed to development impact in India in this dynamic environment. It will:

- Explain what we do in India and why development finance remains so critical to sustainable development.
- Show how we have routinely adjusted our strategy, driven by success in areas of progress, as well as highlighting still-present challenges in areas of need.
- Draw upon investment-level case studies to demonstrate the impact of our capital, with a primary focus on the 2017-21 strategy period.

1 The share of employment in agriculture has fallen from 63 per cent to 43 per cent (World Bank), 77 per cent fewer women are dying in childbirth (WHO), child malnutrition has fallen by a half (World Bank), and female literacy has also increased from 34 per cent in 1991 to 66 per cent in 2019 (World Bank).

2 Sustainable Development Report 2022.

3 WB WDIs (extreme poverty headcount x total population).

4 https://openknowledge.worldbank.org/bitstream/handle/10986/37739/9781464818936.pdf

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1

BII in India

1.1 What we do

BII has been a long-standing and committed partner supporting economic development in India.

We have invested more in India than any other country, and our current portfolio is valued at $2.2 billion. Our first investment in India was in 1987, and notable early investments include Apollo Tyres, backed in 1989-90 with equity and loan finance to build the second of its plants in Baroda in Gujarat. Apollo has gone on to become one of the leading tyre producers in India, now employing over 19,000 workers and selling to over 100 countries globally. We also played a role in supporting the emergence of the IT sector through investments in companies like Sify and Daksh eServices in the late 1990s and early 2000s. The sector now represents over half of the global outsourcing market as well as 7.4 per cent of India's GDP and more than five million jobs.[5]

More recently, we have backed businesses that use innovative technologies to help farmers increase incomes and climate resilience, businesses that helped keep food supply chains operating during Covid-19 lockdowns, financial institutions (FIs) that enable access to finance for millions of otherwise excluded micro, small and medium enterprise (MSMEs), and many more.

Drawing from our history in India and our depth of engagement, there is still a clear case for patient, flexible capital, particularly where high development needs and large financing gaps intersect.

One of the greatest areas of need in India is for millions of good jobs.

This has been at the heart of our strategic focus in India and elsewhere for the past decade, as the size of the global workforce has surged and there has been a lack of investment in poverty-stricken countries to enable firms to grow and create jobs. The Indian labour force alone has added close to five million workers every year over the last two decades.[6]

5 Invest India. See: https://www.investindia.gov.in/sector/it-bpm

6 World Bank (2022): Labor force, total data.

This matters for poverty reduction. In recent years, around 40 per cent of the global drop in poverty came from increasing the earnings for the work done by the poor, and this development process has been characterised by a transformation in the organisation of labour, where an abundance of micro-entrepreneurs become salaried workers hired by large firms.[7,8] Labour income is therefore the most important contributor to changes in poverty. Yet in India as at 2021, 70 per cent of workers were in 'vulnerable' employment – their jobs characterised by inadequate earnings, low productivity and difficult conditions of work that undermine fundamental rights.[9]

Our commitment to India, and the flexibility and expertise we bring to the challenge of creating quality jobs at scale, means we are impacting millions of lives.

In 2021, our portfolio companies directly employed around 522,000 workers. The average annual growth rate of BII-supported jobs over the last five years has been over 7 per cent, compared to only 1 per cent growth in employee jobs in India as a whole. Of our supported jobs, 21 per cent are held by women, slightly better than the overall rate of female labour force participation in India, which stands at 19 per cent.

We have also helped support jobs indirectly, including an estimated 944,000 in supply chains through local purchasing of inputs, 877,000 through increased consumption via workers' wages, 133,000 through increased power access and 1.9 million through increased bank lending.[10] Most of these indirect jobs are likely to benefit those in the informal economy, typically where the poorest people work.

Beyond job creation, our broader impact in India has centred on removing market constraints in energy and infrastructure and improving access to essential goods and services, such as health and education, both directly and through tax contributions. We have also sought to mobilise additional sources of capital from partners, which is critical to increasing finance for the SDGs.

1.1.1 The BII India toolkit

Our approach in India combines the flexible use of the right instruments – direct equity, funds and direct debt – with a clear strategic focus on sectors and geographies where financing requirements typically go unmet.

The growth of young, innovative, and transformational companies is critical to India's economic success, but such businesses face the most significant challenges in accessing finance due to the higher perceived risks. **To help fill this gap, 42 per cent of our India portfolio consists of direct equity investments.** Equity is risk-absorbing, so it allows companies to pursue the riskier strategies often required to produce higher growth and greater development impact.

Our patient capital approach means that when a business runs into bad times, we support them through it (see Box 1). The influence we hold as an equity investor also enables us to shape the environmental, social and governance (ESG) standards of investees, working within the framework of our Code of Responsible Investing to help them meet the highest international standards and shape domestic industry norms.[11]

Through direct equity investments, we are therefore increasing both the quantity and quality of available capital.

7 World Bank (2013): Is Labor Income Responsible for Poverty Reduction? A Decomposition Approach.

8 Bandiera, O., Ahmed E., Andrea S., and Zipfel, C. (2022). "Young Adults and Labor Markets in Africa." Journal of Economic Perspectives, 36 (1): 81-100.

9 ILO, World Employment and Social Outlook database.

10 Based on BII modelling using the Joint Impact Model (JIM).

11 The Code of Responsible Investing has been replaced by BII's Policy on Responsible Investing which took effect in April 2022. See: https://assets.cdcgroup.com/wp-content/uploads/2021/12/14074359/Policy-on-Responsible-Investing.pdf

Box 1: The importance of patient, counter-cyclical capital: India and Covid-19

The Covid-19 pandemic saw India experience the sharpest economic contraction in its history. Activity plunged by 24 per cent year-on-year in the second quarter of 2020, with large contractions across all sectors except for agricultural production.[12]

This downturn in activity had a devastating effect on jobs and livelihoods. The ILO estimated that close to 13 per cent of working hours were lost in South Asia in 2020, equivalent to 80 million full-time jobs.[13] The pandemic also increased the vulnerability of women's employment – women were seven times more likely to lose work during the nationwide lockdown, and eleven times more likely to not return to work subsequently, compared to men.[14]

We worked with our investee companies to avoid the health crisis becoming an employment and poverty crisis. We took steps to preserve their development impact and financial stability, strengthen their ability to counter the economic and health impacts, and rebuild for long-term impact. Our guidance on job protection helped investors and FIs build job protection measures into broader Covid planning, and investee companies like BigBasket were able to rapidly re-scale operations, keeping supply chains running and even increasing employment.

We supported 5 per cent growth in direct jobs in our investee companies in 2020, compared with an 11 per cent decline in employees in India as a whole, demonstrating the value of a patient, supportive investor in minimising the human costs of a crisis.

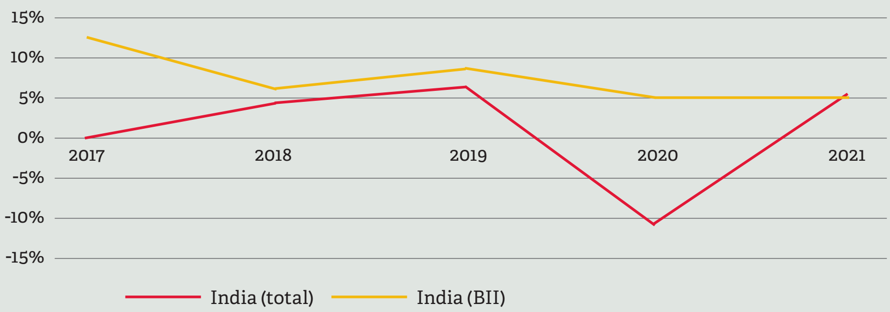

Figure 1: Direct job growth rate compared with overall employee growth rate in India, 2017-2021

However, direct investments necessitate hands-on, resource-intensive management. This typically makes such an approach only feasible for fewer, larger deals, making it difficult for us to reach all the types of businesses we want to. This is where our investments via funds come in.

Reaching the millions of smaller enterprises in the hardest to reach places at scale is not feasible for BII directly. Through our targeted use of funds – currently 36 per cent of our India portfolio – we can extend our reach.

12 IMF (2020). Navigating the Pandemic: A Multispeed Recovery in Asia.

13 ILO Monitor (2021). COVID-19 and the world of work: Seventh edition.

14 Abraham, R., Basole, A. & Kesar, S. (2022) "Down and out? The gendered impact of the Covid-19 pandemic on India's labour market". Econ Polit 39, 101–128.

Our approach to funds has evolved over years. According to an independent review, we played a "large role" in helping to establish the broader Indian private equity industry, but now we target specialist, high-impact funds focused on inclusion and sustainability (see Section 2.1.1). These funds invest in companies with an SDG impact focus, as well as FIs that enable lending to otherwise capital-starved sectors and types of businesses that have high development potential.

The remaining 22 per cent of our India portfolio is made up of direct debt. Larger companies looking to expand and make major capital-intensive investments offer huge potential for job creation and development impact. In such scenarios, debt is often a more appropriate instrument than equity, and we invest across a range of different debt products including providing loans to companies (corporate finance) and projects (project finance).

Box 2. The shape of our current India portfolio

The portfolio is invested across BII's three main investment groups, with around 20 per cent in infrastructure and climate (I&C) and around 40 per cent each in financial services (FSG) and services (including Consumer and Business), manufacturing, agriculture, real estate and technology (SMART). Within the SMART portfolio, healthcare ($281m) and consumer services ($157m) are the two sub-sectors with the largest exposure.

Our direct investments in infrastructure were limited in the previous strategy period, given the nascent stage of sectors such as renewable energy. We expect infrastructure to become a much larger part of the portfolio in the new strategy period, driven by investments in solar and wind energy to drive the Government of India's climate change agenda. A total of $476m was committed in 2021.

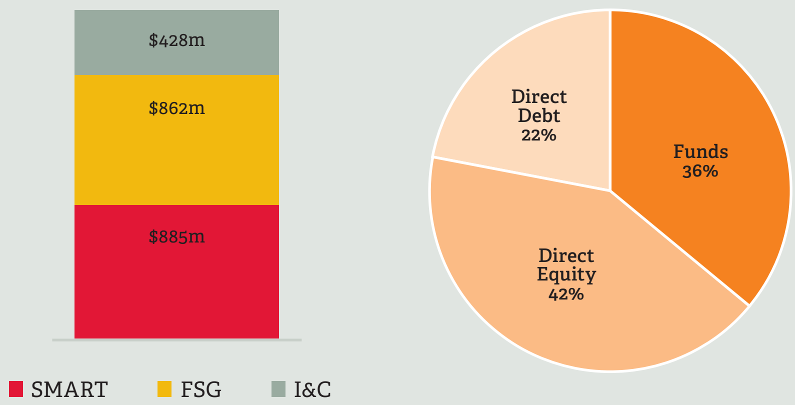

Figure 2: 2022 Portfolio

As a development finance institution (DFI), we are required to be additional. In its simplest terms, this means that we are required to invest in ways that private investors would not. Demonstrating higher risk tolerance by making investments that are outside commercial risk-return appetite is a key part of this (though not the full story).[15]

Our Catalyst investments are a sub-set of our overall portfolio that enable us to take a particularly flexible approach to risk. In doing so, we can invest in nascent markets with no or few precedents or benchmarks, but only where there is a clear case that the investment is likely to deliver *enhanced* development impact.

15 Additionality can also consist of making investments larger than they would otherwise have been, or more likely to succeed and generate impact over the long term by providing capital on more suitable terms, or supporting enterprises to pursue a more developmental business plan and adopt better practices than would be the case under a purely commercial alternative.

BII is targeting at least 10 per cent of new commitments in India over the next five years to be Catalyst investments.

India catalyst case study: Cropin

Catalyst rationale: Technology-enabled smart-farming solutions typically target large-holder, high revenue farms. Cropin brings enhanced development impact by supporting the creation of a market for smart-farming solutions among smallholders in an efficient manner, ultimately improving the incomes and resilience of millions of poor farmers.

On average, incomes increase by 25 per cent

Climate resilience improves for 92 per cent of farmers

CropIn is a specialist in software for agribusiness. The company is using satellite images, artificial intelligence (AI) and machine learning to monitor crop health remotely, make yield predictions, and then pass these insights on to farmers. The goal is to optimise agricultural practices, improve farmers' access to finance, and minimise waste – all helping to reduce impact on the environment and increase food security.

We are getting a good price in the market because of healthy products. I am able to manage my home expenses and also send my child to school now.

CropIn user

Our income has improved so my family is happy now. I am able to fulfil the requirements of my family like buying clothes and other essential things.

CropIn user

1.1.2 Sector profile: financial services

A well-functioning financial system is critical for economic development and the achievement of the SDGs.

India is home to a quarter of all undernourished people worldwide, and significant challenges remain in achieving zero hunger (SDG 2) as progress is stagnating.[16] Although reducing hunger requires an efficient, productive agricultural sector, declining investment over time has emerged as a major binding constraint on the performance of agriculture.[17] Farmers require productivity-enhancing inputs, transport companies need vehicles and shopkeepers depend on stock and storage, all of which requires financing.

The need for a productive agricultural sector to achieve SDG 2 is just one example of where an efficient financial system matters for development.

Growth of job-creating businesses (SDG 8), quality healthcare institutions (SDG 3) and affordable and clean energy (SDG 7) all demand the efficient allocation of capital. However, weak credit growth and a large, negative, and persistent credit to GDP gap since 2012 show that, despite high rates of savings, capital in India is not going where it needs to go.[18] The global evidence is clear that financial development causes growth, and evidence from India also shows that access to foreign capital has a significant positive effect on productivity.[19]

Support to financial development therefore plays a crucial, if often indirect, role in poverty reduction, and investments in FIs are fundamental to our development-focused mission. We invest in FIs to get more money to the millions of smaller businesses that have profound development impact potential but whose growth is hampered by credit constraints.[20]

16 See https://www.wfp.org/countries/india for data on hunger and Sustainable Development Report 2022 for SDG progress.

17 Reserve Bank of India. See: https://m.rbi.org.in/scripts/BS_VIEWContent.aspx?ID=1911

18 https://www.imf.org/en/Publications/WP/Issues/2022/07/08/Financial-Sector-and-Economic-Growth-in-India-520580

19 See Valickova, Havranek and Horvath (2014) "Financial Development and Economic Growth: A Meta Analysis" for a review, and Bau and Matray (2020) "Misallocation and Capital Market Integration: Evidence From India" for evidence about the impact of foreign capital.

20 See Banerjee and Duflo (2014). "Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program".

This approach is reflected in our India portfolio, with financial services representing around 40 per cent of current investments. In India, as elsewhere, we deliver impact via the financial sector through multiple pathways:

- **Improving cost structures**, making financing more affordable for firms and households;
- **Increasing the volume of capital** to underserved or high-growth segments;
- **Designing relevant products**, diversifying what is offered by the market; and
- **Managing or taking new risk**.[21]

A recent independent review of our FI portfolio concluded that there was clear, positive evidence on three of these four pathways.[22] Our approach across all markets and sectors is to use the most appropriate tools that employ our capital in ways that have the greatest impact where it is most needed.

As the cornerstone of the financial sector in India, banks are a critical part of the story. They are the primary conduit through which money is transferred from savers to borrowers, thus a healthy banking system is vital to economic growth and to our objectives. Yet banks face constraints – capital adequacy requirements mean new capital is needed for lending to grow – and there are limits to the extent to which they can take risks. This restricts the flow of capital towards businesses, limiting growth.

Our approach to working with banks and non-bank financial institutions (NBFIs) in India has aimed to support a **more developed and inclusive** financial system by:

1) Supporting the **broad development** of the overall sector to enhance the scale of lending; and
2) Encouraging banks to do more of what we want them to do: financial inclusion and small- and medium-sized enterprise (SME) and corporate lending to **increase the productive, sustainable and inclusive allocation of capital**.

One investment that captures both these dimensions is RBL Bank, an institution we have partnered with since 2014 through six investments (including a round of debt that was later recycled into an equity investment). Most recently, RBL faced numerous Covid-related challenges, and we supported the bank under the "Preserve" arm of our pandemic response strategy.

At the time of our first investment, we saw the financial sector was failing to keep up with the demand for banking services in the country's rapidly-expanding economy. This was particularly true in our priority states where poverty and the need for private sector growth and job creation was the highest.

RBL was seeking long term capital to allow it to execute its strategy of becoming a profitable SME and financial inclusion-oriented bank. Growth in lending to financially underserved segments such as agriculture, micro-banking, MSMEs and SMEs was an explicit focus in the RBL business plan. This expansion required an injection of capital because of capital adequacy constraints.

Our initial investment enabled the broad-based development of a like-minded financial sector partner. As RBL has matured, the nature of our investments has also shifted.

In 2016, a $50 million long-term loan supported the bank's plans to grow its geographic footprint across India's poorer states, such as Rajasthan, Madhya Pradesh and West Bengal. With our support, RBL was able to launch a successful initial public offering (IPO) that year, which mobilised private sector capital into the bank and helped diversify its shareholder base.

21 See Sunderji et al. (2021) "Evaluating CDC's Financial Institutions Portfolio" https://assets.cdcgroup.com/wp-content/uploads/2021/03/04140243/CDC-FI-Portfolio-Evaluation.pdf

22 The exception was increasing the volume of capital for which there was 'insufficient evidence'. This was largely due to "the parameters of the [study's] methodology".

By using our capital to build institutional foundations, BII has enabled the long-term growth in overall lending that was required for the bank to also reach the financially excluded. Providing core financing to a bank means supporting its overall operations, including aspects that may themselves have relatively less development impact. Then, as FIs like RBL mature, we can sharpen our focus on their most inclusive activities. But we cannot do this at scale without that initial growth.

We supported RBL as it developed products and operations better suited to SME clients, while our finance reduced the capital cost of lending to SMEs. A study assessing the impact of our investment in RBL found that most SME clients increased their income and sales, assets and productivity, with an employment growth rate of 6 per cent post loan.[23] RBL's micro banking and SME portfolio has grown from INR 14 billion in March 2014 to INR 121 billion as of March 2022 (an increase from 14.5 per cent to 20.1 per cent of the banks' overall advances portfolio).

Through our active shareholder management of this investment, we have played a central role in driving higher environmental, social and governance (ESG) standards, including the formation of an active and engaged ESG committee. We supported the adoption of Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, as well as RBL's financial literacy programme, providing technical assistance to evaluate its effectiveness. We also backed efforts to increase female representation in the workforce, including through gender and diversity workshops, which helped to increase the total share of women employees from 19 per cent to 25 per cent between 2017 and 2019.

Our engagement with RBL reflects the approach we have taken to other FIs.

Micro enterprises – the smallest businesses that act as essential lifelines for the very poorest – are a critical element of financial inclusion, and microfinance institutions (MFIs) are central to our approach to addressing the needs of the most underserved.

BII was an early supporter of MFIs in India and we maintained support for our Indian partners through the crisis of confidence that followed the crash in Andhra Pradesh in 2010.

Our investment in Arohan in 2012 (via the Aavishkaar's Fund) reflected our commitment to reaching underpenetrated states and segments at a time of low confidence in the MFI sector. BII's investment allowed Arohan to disburse loans to more than a million low-income, underserved individuals per year. Customers were generally women, located in rural areas and with low incomes. A survey of stakeholders identified benefits including increased cash availability (86 per cent of respondents), faster growth in sales/income (85 per cent) and increased household savings (62 per cent).

Arohan is not a typical MFI. Its borrowers use their loans largely to invest in working capital for their businesses, and they report meaningful income growth as a result. The average borrower from a typical MFI does not experience significant income growth – experimental evidence shows a small impact.[24] But enterprise growth is not the only reason to support MFIs. Our approach recognises that MFIs are a tool for financial inclusion and overall financial development. They are not exclusively for enterprise growth, but for improving lives by offering loans to help the most vulnerable respond to life events, increasing the likelihood that they can meet their needs and cope with the effects of poverty.

Our investment approach is also driven by the need for overall system development.

23 SME finance and growth: evidence from RBL Bank. See: https://assets.cdcgroup.com/wp-content/uploads/2018/07/06124531/SME-Finance-and-Growth-in-India.pdf

24 See Meager (2019) "Understanding the Average Impact of Microcredit Expansions: A Bayesian Hierarchical Analysis of Seven Randomized Experiments"; Cai, Mekki and Quinn (2021) "VoxDevLit: Microfinance".

We have played an active role in supporting the scaling of MFIs to become small finance banks (SFBs). Through direct equity investments, we used our position on the board of FIs and BII-sponsored technical assistance to support these FIs to scale (e.g., Utkarsh SFB). We have also used debt to provide relatively long-term (seven to eight years) Tier-2 capital, the scarcity of which in the market was inhibiting growth.[25] These efforts have helped develop the microfinance sector to the point where MFIs can raise funding from capital markets.

We also back companies making use of technology to support operational improvements and efficiencies, thereby making the microfinance system more impactful. Our recent investment in Kinara Capital, a tech-enabled provider of mainly unsecured small business loans to micro-entrepreneurs, should increase economic opportunities for employees and micro-entrepreneurs.

Customers of BII-backed FIs report that improved access to finance has changed their lives.

A recent study on the inclusiveness of our India portfolio collected data on stakeholders of investee companies, including customers of five different (non-microfinance) FIs. Table 1 presents a selection of customer perspectives from low-income customers. It illustrates that while our primary financial tool for reaching the poorest is MFIs, our broader investments in FIs can – and do – reach the poor.

Investee company	Estimated household income of customer (PPP$ pp/pday)	How has your life improved?
Aavas Financiers	$1.91	*"It has made access to credit easy, since everything was very convenient."*
Mintifi (indirect investment managed by Lok Capital)	$2.86	*"Because I can make payments on time with the support of Mintifi I can conduct business easily and I am not stressed."*
Epaylater (indirect investment managed by JSM Advisors)	$4.04	*"Now I feel financially and economically stable this is just because of Epaylater."*

Table 1. Customers' views of our Indian FIs that reach low-income populations

Customers report a range of benefits, including increased incomes, enhanced productivity and smoother business operations resulting in reduced stress. Overall, around two-thirds of sample customers reported an improvement in their quality of life as a direct result of the services provided by the FI.

25 Sunderji et al. (2021).

2

Deep dive into our impact

We aim to maximise our impact through everything we do.

This includes clearly setting out what we want to achieve, managing impact across the whole portfolio, and through every step of an investment. Our process starts when deciding whether to make an investment, it continues as we monitor its progress, and finishes when we exit the investment responsibly. And through each investment, we are continually learning from what we do. This overall approach ensures we meet the Operating Principles for Impact Management, the international standard for impact management of which we are a founding signatory.[26]

2022 marks the start of a new phase in our strategic approach to development impact.

Our 2022-2026 strategy sets three objectives that respond to the opportunities and challenges we see in the countries we serve. Our view is that to achieve the SDGs and meet commitments under the Paris Agreement, investment must deliver three things:

- **Productive development** – by raising the productivity of an economy so it can support a decent standard of living for all;
- **Sustainable development** – helping transform the economy to reduce emissions, protect the environment and adapt to the changing climate; and
- **Inclusive development** – sharing the benefits of higher productivity and greater sustainability with poor and marginalised sections of society.

Our choice of these objectives, and our understanding of what it means for an investment to have a higher or lower impact when assessed against them, is informed by theory and evidence about the function of private investment in development, the role of publicly-owned DFIs in private markets, and hence where the largest social returns to investment can be found. We have taken stock of and learned from our long experience of impact investing in markets like India.

2022 marks the start of a new phase in our strategic approach to development impact.

26 For more information on our approach to the OPIM, see here: https://assets.bii.co.uk/wp-content/uploads/2022/07/18111805/2022-OPIM-disclosure-statement.pdf

We believe these strategic objectives strongly resonate in a rapidly changing India.

The Indian market looks notably different from when we first started investing there 35 years ago. As the size and structure of India's economy has changed – and the nature and depth of poverty has changed with it – we have adjusted our strategy to ensure that the way in which we operate remains relevant to the context, thus enabling maximum development impact.

In practice, this has meant adapting several aspects of our approach, including the tools we use (such as the use of direct equity, funds and debt), the sectors we invest in, and the ways we define and target those most in need to maximise our impact. As our team on the ground in India has grown, particularly during the 2017-21 strategy period, we have committed increasing resources towards this process of learning and evolving, implementing lessons through concrete changes that maximise our contribution to a productive, sustainable and inclusive India.

The following sections present a series of investment-level case studies and strategic changes from the 2017-21 strategy period through a productive, sustainable and inclusive lens. It illustrates some of our primary areas of impact over the last five years, and the types of investments we will continue to make as a committed partner to India's development.

2.1 Productive

Raising the productivity of an economy – or increasing economic output per person – is critical to supporting higher incomes and a decent standard of living for all. India has achieved some productivity growth in recent decades, though most workers are still engaged in low-productivity, informal work in sectors such as agriculture. By using capital in ways that have the most transformative impact on productivity, we have helped to increase incomes where most needed, develop new and better goods at lower prices (especially in SDG-relevant areas) and innovate and create markets.

We think of 'productive' investments in terms of their need. A 'need' refers to the most important socio-economic development challenges facing the country that our investments are aiming to address. These needs are directly related to the SDGs. Where possible, we ground our impact thesis in the needs of people, but when the route to impact is indirect we also consider the role that our investee plays in supporting other firms to raise their positive impact on people.[27]

In India, productive investments are those that create jobs and increase incomes in the areas where it is most needed (see **Big Basket**). They fill gaps in access to capital so that businesses can expand and improve their productivity (see **Veritas**). They ensure people have access to affordable healthcare so they can have a higher quality of life, remain economically active and make a productive contribution (see **Naryana Health**). And they contribute to the economy more indirectly by producing inputs required by other firms, creating knock-on supply chain effects, and improving market structures to increase competition, demonstrating new and transformational business models, building human capital and more. All these elements are present across our India portfolio and, in the 2022-26 strategy period, will be actively incentivised via our new impact scoring system.

27 Impact is indirect when it is not experienced by the customers or workers of the firm we have invested in, but is delivered via other firms who are customers or suppliers of our investee. For example, we invest in a bank, the bank lends to firms who then hire workers and supply goods and services.

BigBasket

Productive need: Almost half of employment in India is in agriculture and 90 per cent of farmers earn on average less than $2 a day, but value added in agriculture has grown at a modest 3 per cent a year since 1970, and productivity per worker is still far lower than in other countries.

Higher prices and cost savings can translate into a near doubling of farmers' daily income

Over half of engaged farmers are marginalised smallholders

BigBasket is India's largest online grocer, delivering over five million orders per month to customers in 25 cities across India. With about 3,000 actively engaged farmers integrated in its supply chain, BigBasket has introduced innovative business practices that are helping to increase productivity (by helping farmers to access reliable advice, inputs and technology) and incomes (by lowering costs and offering higher prices for their produce). On average, the prices BigBasket offers to farmers are 10–14 per cent higher than local market prices.

Veritas

Productive need: SMEs are critical to growth and employment in India, but many lack access to finance. Sometimes SMEs are too large to be served by microfinance institutions and too small for commercial banks, falling into the 'missing middle' of financial markets.

Three years after our investment in 2017, Veritas' loan book had increased almost seven-fold

Veritas provides financial access to micro and small businesses in semi-urban and rural areas. It has a grass-roots lending model and provides small-ticket loans for working capital and business expansion at scale, addressing a large market gap in India and contributing to financial inclusion by providing access to finance to the 'missing middle' of MSMEs. Veritas customers are typically MSMEs run by families or individuals from low- and middle-income households

We first invested in Veritas in November 2017, when it had less than 12,000 customers across 60 branches in three states employing 500 staff. By September 2020, it served more than 49,000 customers across 198 branches in nine states, employing over 1,800 staff.

Narayana Health

Productive need: Access to quality healthcare is not only a right in itself, but also a central determinant of 'human capital' and individuals' ability to contribute to a productive, dynamic economy. The World Bank estimates that a child born in India just before the pandemic will be 49 per cent as productive when she grows up as she could be if she enjoyed complete education and full health.[28]

Our investment supported the delivery of quality care to more than 2 million low-income patients including in underserved parts of central and eastern India

Narayana Health is a healthcare provider delivering high quality, affordable healthcare services to lower-income patients.

Our investment supported the roll-out of its pioneering low-cost healthcare solutions, profitably offering some major surgeries for as little as half what domestic rivals charge. Naryana also developed one of the world's largest low-cost insurance schemes with the government of Karnataka, enabling millions of poor farmers to access healthcare for premiums of about $1 per month.

We are trying to produce a pilot for the rest of the world to follow.

Dr. Devi Shetty, Chairman and Founder

2.1.1 Strengthening our productive, sustainable and inclusive impact: The pivot away from generalist funds

Private equity funds are an essential mechanism for closing productivity gaps in India at scale.

During the 2017-21 strategy period we adapted our approach to funds, moving away from a broad-based, generalist fund approach towards impact-focused and sector funds.

When BII first began investing in India from the late 1980s, the private equity (PE) market – and financial markets in general – barely existed. There were only a few PE and venture capital (VC) funds serving as alternative sources of financing to firms whose growth was severely hampered by the finite availability of risk capital from banks. This limited market scale meant many promising local businesses with the potential to generate high growth and badly needed jobs were starved of a key source of growth capital.

Our early fund investments in India sought to address this need. We focused on building market foundations by supporting the early actors in PE in India who were almost exclusively generalist funds (i.e., those operating across a range of sectors). The first phase of our strategy was therefore generating scale in the overall market, demonstrating its commercial and development appeal to other investors, and building the capacities of local fund managers.

In this way, an independent review found that we "played a large role during the crucial early period of PE market development" in India. In 2007, BII accounted for 11% of all PE Capital raised by Indian PE funds, which has trended downward in subsequent years.

28 World Bank (2022). Human Capital Country Brief - India.

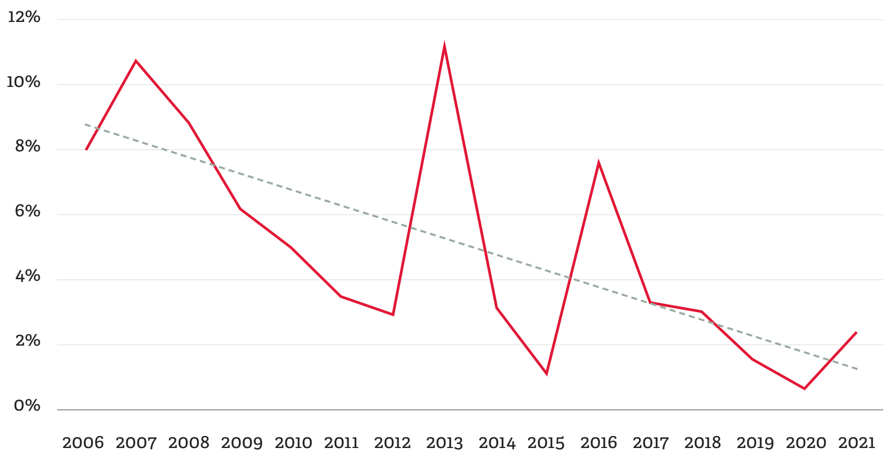

Figure 3. BII capital as a share of total PE/VC capital in India
Source: Author's calculations based on data from Prequin and BII

Figure 3 shows this decline in BII's share of total capital since the mid 2000s. Our commitments have increased over time, but this has been outpaced by overall market growth – a sign of success against our early objective of generating scale. While this was a welcome development, it has required rethinking our strategy to maximise the impact of our capital.

A broader and deeper market means more diversity in types of funds and their strategies, target sectors, and impact focus. While we backed the earliest impact-focused funds in India from 2006 (Lok, Caspian, Aavishkaar), the emergence of impact investing in India is still relatively recent, with a handful of established impact managers and many first-time teams managing impact-focused funds. This has allowed us to support the development of the impact investment segment by increasing our number of general partner (GP) relationships with managers such as Insitor, Ankur Capital, Incofin, and Omnivore.

Catalyst capital, a higher risk pool of capital on our balance sheet, allowed us to support higher commercial risks impact funds which may not have been considered otherwise. The relatively new impact investing ecosystem – partly facilitated by the emergence of technologies that have enabled new business models that address the underserved – has provided an opportunity for us to target the key causes of poverty more directly through intermediated investments, such as lack of access to affordable/quality basic services, low agricultural productivity, weak growth in good jobs and gender inequality (see case studies in Part 2).

We can now work with specialist fund managers that focus explicitly on delivery of the SDGs through their investments. For example, Aavishkaar is actively contributing towards 13 of the 17 goals, including no poverty, zero hunger, affordable and clean energy and reduced inequalities. Its portfolio companies have created 575,000 jobs (SDG 8) and 33 per cent of them have women founders or promoters (SDG 5).

In the 1990s, fund managers like Aavishkaar did not exist. By supporting the development of the broader market in its early development, we are now able to focus our capital on inclusive investments more directly via specialised private equity funds.

2.2 Sustainable

Energy consumption is both a driver and a consequence of development. As economies grow, they require more energy to sustain economic activity, and consumer demand also increases. Coal has been the mainstay of power generation in India, with the outcomes of increased air pollution and emissions.

A quarter of India's population is exposed to pollution levels not seen in any other country, and residents of Delhi stand to lose 13 years of life expectancy with pollution at current levels.[29] India has set the ambitious target of 500 gigawatts (GW) of renewable energy capacity by 2030, yet green financing flows are falling well short of estimated requirements.[30] We have been aiming to offer financing on appropriate terms (see Section 2.2.1) and to mobilise capital (see Ayana Renewable Power case study).

A critical question for us in India is: how do we support economic transformation and poverty reduction in a socially just manner that not only delivers on India's needs for prosperity and improved living standards, but also builds towards the country's own ambitious climate targets?

Our approach is determined by how we allocate our own capital, but also mobilise that of others (see **Ayana Renewable Power**). It involves adding value beyond capital and catalysing markets, addressing the market failures that lead to climate change by supporting the innovative, green sectors of the future. It also means creating opportunities for the poorest in sectors that not only contribute to just, inclusive, poverty-free societies, but also reduce our environmental impact (see **Nepra Resource Management, an indirect investment via Aavishkaar's fund**).

29 Air Quality Life Index (2021).

30 Climate Policy Initiative (2022). "Landscape of Green Finance in India 2022". See: https://www.climatepolicyinitiative.org/publication/landscape-of-green-finance-in-india-2022/

Ayana Renewable Power

Sustainable need: The Government of India has set a target of 500GW of renewable energy capacity by 2030. The volume of financing required to meet this ambitious objective required platforms for scalable investment.

Supports an estimated 22,000 power-enabling jobs

Ayana projects will help to avoid over 2.2 million tonnes of annual CO2 emissions over 20 years

Ayana Renewable Power is an independent solar and wind generation company established by BII in 2018. It supports the development of utility-scale renewable power, particularly in areas which suffer from a greater power deficit and are more dependent on coal.

With Ayana, we created a platform that would otherwise not have existed, which then attracted domestic and international equity to secure the long-term future of the company and its contribution to India's renewable energy targets.

In late 2020, the Indian Government-owned National Investment and Infrastructure Fund (NIIF) announced an investment of $284 million in Ayana, making it the majority shareholder, along with $36 million from the Green Growth Equity Fund (GGEF). A review of the Ayana investment found GGEF would not have invested without BII and that it led the NIIF to invest more in greenfield renewable capacity than it otherwise would have.

Mobilising capital in this way is critical to our objectives, as DFIs do not have the resources to fill development financing gaps and therefore need to find ways to bring in capital from commercial investors. Ayana demonstrated that developers (and investors) can make money from greenfield renewable energy investments in India. It also showed that it was possible to succeed commercially in India with high ESG standards, including through strong policies on land acquisition and community engagement.

Nepra Resource Management

Sustainable need: India generates around 62 million tonnes of waste every year, with around 80 per cent ending up in landfills. Better resource management via the circular economy is a key contributor to reducing environmental impact.

Nepra has diverted over 500,000 tonnes of CO2 emissions

On average workers earn 20-25 per cent more

Nepra Resource Management works with over 1,800 waste pickers to collect, segregate, process, and recycle 500 tonnes of waste a day, preventing this waste from going into landfill. On average, workers earn 20-25 per cent more with Nepra, which has impacted the lives of more than 5,000 workers while diverting over 500,000 tonnes of CO_2 emissions.

2.2.1 A sharper approach to climate finance gaps: The move towards a more focused corporate debt strategy

Financing gaps are particularly acute when it comes to investing in support of India's climate goals. We have re-focused our corporate debt strategy towards this need.

A well-developed corporate bond market can contribute to economic development by providing an important source of financing outside of the banking system. Figure 4 shows that, for a country of its level of development, India has a relatively deep market with the total stock of loans and debt securities issued by non-financial corporations amounting to 56 per cent of GDP, compared with countries at a similar level of per capita income like Bangladesh (37 per cent) and Honduras (32 per cent).

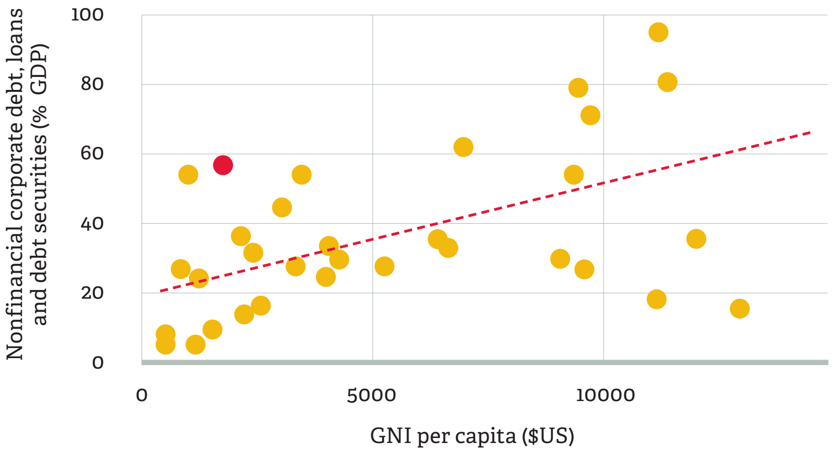

Figure 4. Corporate debt as a share of GDP and GNI per capita in low- and middle-income countries, 2020

However, a relatively large market does not necessarily guarantee that key areas of the economy have access to the funding required.

There are a handful of sectors that are critical for India's strategic goals but face difficulties in attracting the requisite financing. We have identified a gap in both the scale and the nature of available capital, and it is in closing this gap where BII's contribution lies (see Box 3).

It is estimated that to achieve India's Nationally Determined Contributions (NDCs) under the Paris Agreement, it requires approximately $2.5 trillion between 2015 to 2030, or roughly $170 billion per year. While green financing flows have increased in recent years, they were estimated at around $44 billion in 2019/20, falling well short of this target.[31]

A significant barrier relates to the nature of the finance required. Greenfield infrastructure requires long-term financing (15-20 years), yet investors face difficulties in matching this with the limited tenor of financing available in the wholesale funding market. They also face loan yields and non-performing assets that compare unfavourably with other sectors like retail or corporate lending, and infrastructure is at higher risk of renegotiations of contracts and regulatory actions.

Our corporate debt strategy has evolved to help address this need. We have shifted our focus in direct lending away from a more general, cross-sector approach, and primarily towards those sectors which contribute to India's climate goals but experience challenges due to the insufficient scale and/or inappropriate structure of finance. These include the electric vehicle ecosystem, renewables manufacturing (solar glass, turbines, etc.), nature-based solutions, green buildings and the circular economy.

Our refocused corporate debt strategy is therefore adding value over and above commercial financers by concentrating in areas that maximise both our contribution (such as where the funding gaps are largest) and our development impact (where there is greatest need to meet development goals).

31 Climate Policy Initiative: Landscape of Green Finance in India 2022.

Box 3. Our contribution in India

Contribution refers to the difference that our additional inputs make to development outcomes and is a pivotal element of our impact assessments for every investment. Contribution matters because it is necessary for development impact. We cannot have an impact on the lives of people in the countries where we invest if we are merely substituting for other investors, adding nothing. If we crowd out private investors, we risk inhibiting the development of private markets.

We seek to understand our contribution to the impact of every investment, because our focus is on what we achieve, not on the inputs that we provide. We want to know whether we are additional and how much difference our additionality makes to development outcomes. For every investment, we require a contribution to development that is sufficient to justify the deployment of our capital, and the time and effort of our staff.

Contribution is therefore a particularly important concept in India – a country with relatively mature capital markets. Our country-specific strategy takes this into account, with rigorous pre-investment appraisals to ensure we are targeting the areas of the economy where financing gaps are impeding development and where our capital and other inputs can have maximum impact.

2.3 Inclusive

Economic growth has not reduced poverty as much in India as in other countries, highlighting the important question: who benefits from growth? Ravallion (2009) found that India's growth elasticity of poverty reduction – the percentage change in poverty per 1 per cent growth of GDP per capita – was half that of China between 1981 and 2005.[32] Moreover, the contribution of women to India's GDP is 18 per cent, one of the lowest in the world. Female labour force participation rates are well below both global and low- and middle-income country averages, and have been falling since 2005 – something that the Government of India regards as "a worrying trend" for its economic future.[33,34] We have contributed towards targeting the benefits of economic growth to those who need it most and where it makes the most difference – in India this will be particularly focused towards women and those on low-incomes.

Our goal is to have a lasting impact on peoples' lives through investment. When we invest in businesses, we have an impact by creating jobs and increasing incomes, developing new and better goods at lower prices, such as access to clean energy. However, the difference between 'having an impact' and 'maximising impact' partly depends on who we are reaching.

A dollar in extra daily income is likely to have more of an impact on the life of a poor household than a rich household, because the extra food (or other goods and services) it enables that household to buy is likely to make more of a difference. If you earn $1 per day, another $1 is a 100 per cent increase in income, compared with just a 1 per cent increase when earning $100 a day. Similarly, reaching or empowering otherwise excluded groups, like women and ethnic minorities, also enhances impact. These are the groups that are less likely to have alternative opportunities and the benefits of that investment will thus make more of a difference.

32 Ravallion (2009). "A Comparative Perspective on Poverty Reduction in Brazil, China and India".

33 ILO: Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate) - India (2022).

34 Government of India (2019), "Strategy for New India at 75". See: https://www.niti.gov.in/sites/default/files/2019-01/Strategy_for_New_India_2.pdf

The level of income of stakeholders and their characteristics are pivotal to impact, and ensuring that those most in need benefit is what we mean by inclusive investments.

In India, there are high levels of gender inequality in economic opportunities and high levels of poverty in certain geographies and among certain groups. This means that maximising impact means maximising the representation of these groups as employees, suppliers and customers to our investee companies.

iMerit

Inclusion need: The female labour force participation rate in India is exceptionally low and falling. Sectors of the future need to expand and draw women into the labour force, teaching them the skills they need.

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

iMerit workforce:

- *average age of 24*
- *>50 per cent women*
- *80 per cent from under-resourced communities;*
- *~50 per cent earn <$5.50 per person, per day*

iMerit was founded in 2012 with the vision of bringing a diverse talent pool from underserved backgrounds into the digital workforce. iMerit's data annotation and enrichment specialists work across nine secure centres globally, providing solutions across multiple markets including automotive, healthcare, e-commerce, finance, media and entertainment, and government.

Our investment in iMerit helped to create jobs through business expansion and consistent wage increases, underlining our commitment to backing companies that are creating skilled jobs, particularly for women.

I belong to a poor family but iMerit changed my life totally... In my locality there are a lot of restrictions for girls but this job provided me freedom.

iMerit (female) staff member

I became independent after joining this company as this was my first job. The financial conditions of my family have improved. Now I am also able to support family with my income.

iMerit (female) staff member

Osam Dairy

Inclusion need: Dairy plays a pivotal role for India in term of economic growth and poverty alleviation for small scale farmers, especially women, and small-scale vendors who handle most marketed milk. However, the poorest farmers face a number of challenges, including a lack of access to formal markets at fair prices due to the structure of supply chains, often dominated by middlemen, and a lack of market information.

1 NO POVERTY

8 DECENT WORK AND ECONOMIC GROWTH

46 per cent increase in payments to farmers

>70 per cent of the company's stakeholders are low-income households

Osam Dairy works with over 20,000 small dairy farmers in the east Indian states of Bihar and Jharkhand. It has piloted a new direct procurement model that involves buying milk directly from farmers, helping them to improve their profit margins and livelihoods. The new payment set-up has also contributed to financial inclusion by bringing farmers into the formal banking network.

Timely payment is helping us to buy food and grains for family and sometimes in children's education.

Osam Dairy supplier

They give us a good price for the milk. Which has increased the money coming into our house.

Osam Dairy supplier

Ecom Express

Inclusion need: Logistics is one of the highest employment generating sectors in the economy, yet low female representation in the workforce means women risk missing out on rapidly expanding employment opportunities.

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Since our investment, Ecom Express has increased the share of women in senior management and doubled the share in the rest of staff

Ecom Express is a nationwide express delivery business in India, in which we first invested in 2019. During our due diligence, we identified an opportunity to work with the company to increase women in employment: female representation in its workforce was below average for the sector at only 2 per cent.

The gender strategy and timebound gender action plan we helped develop has increased gender diversity across the workforce and Ecom Express is benefitting from improved business performance as result.

I have started saving money. this is my first job so i am enjoying freedom and work. I am also supporting my family financially.

Ecom Express (female) staff member

I have learnt some new skills... Also, I am able to take better care of my family by buying daily household essential items and medicines.

Ecom Express (female) staff member

2.3.1 Refining our approach to inclusivity: the shift away from state-level targeting

Analysis of the India portfolio has been central to our new global approach to targeting more inclusive investments for greater impact.

The new 2022-26 strategy period has seen the introduction of our new Impact Scoring system, replacing the Development Impact Grid used since 2012. The old grid aimed to incentivise our investments along two dimensions: jobs and geographies. Scores were assigned to individual investments, with higher scores in sectors which had the highest propensity to create jobs and for investments in 'harder' geographies.[35] The latter was typically scored on a national basis, though India – given its size and diversity – was scored at the state level. Investments in the 'hardest' states (or 'A' states, such as Bihar) scored maximum points, while those in 'easier' states (or 'B', 'C' and 'D' states) scored lower. In other words, 'A' states were where capital was likely to be scarcer and people poorer, and investments would thus have a greater impact on growth and poverty.

While this geographical dimension allowed us to rank investments from low- to high-impact *between* states and allocate capital accordingly, it did not enable us to focus *within* them. This could be equally relevant, particularly in states with high levels of inequality.

We recognised we needed data to test this idea and refine our approach if necessary. Towards the end of the 2017-21 strategy period, we collected relevant data from a sample of our India portfolio. We surveyed stakeholders[36] of our investments with a view to answering two critical questions: – *who* were we reaching and *how much* were we improving their quality of life and lifting them out of poverty?[37] The question of who we reach is pivotal to our strategic objective of inclusion.

35 The difficulty of a geography was assessed with regards to: (i) market size; (ii) income level; (iii) ability to access finance; and (iv) the ease of doing business.

36 'Stakeholders' refers to those directly affected by our investments, including as employees, customers or suppliers of investee companies.

37 *Who* and *how much* are two of the dimensions of impact determined by the Impact Management Project.

A core finding was that poor stakeholders are found in both poorer and richer states. As illustrated in Figure 6, while stakeholders in 'A' states are more likely to be found at the bottom of the income distribution, the share in 'D' states is also relevant, as 40 per cent live on less than 15,000 INR per month in the former compared with 28 per cent in the latter. Equally, around 10 per cent of stakeholders in 'A' states have household incomes of over 80,000 INR per month, placing them at the higher end of the income distribution. This suggests that state level targeting is a blunt measure of inclusion, and that investing in 'harder' states alone is not necessarily a guarantee of reducing poverty across India.

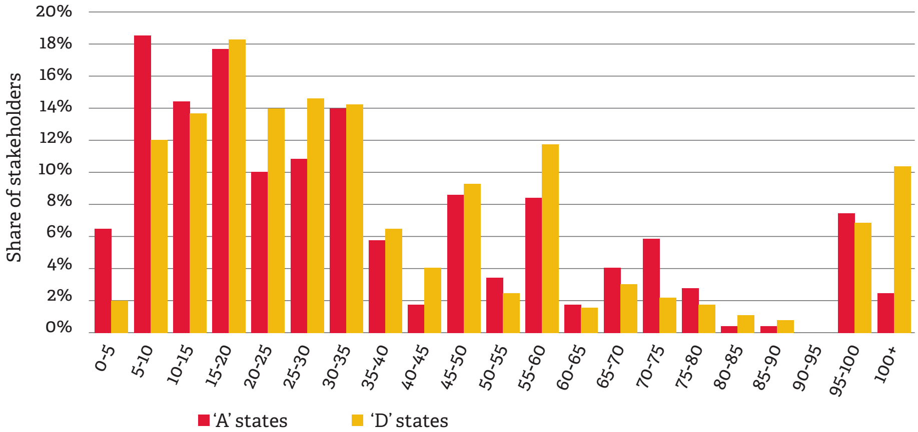

Figure 5. Distribution of estimated monthly household income for stakeholders in 'A' and 'D' states, (INR thousands)

This data has been instrumental in shaping our new approach. The inclusion dimension of the impact scorecard assigns scores based on the reach to low-income populations and gender and diversity targets, a more sophisticated and targeted approach, while remaining predictable and pragmatic. It is already providing clear incentives for our origination efforts in India to look beyond the state in which the investment would take place to the profiles of the people it will benefit. This will push more capital towards those investments that directly benefit the poor and have the greatest development impact.

Annex 1

List of direct investments in India – 2017-21 strategy period

Aavas Financiers Ltd

Aavas is a retail-focused affordable housing finance company, primarily serving low and middle-income self-employed customers to fulfil their home financing requirements.

Sector: Financial services

Commitment: $78m

Start date: December 2018

Agrostar

Agrostar enables the retail and last mile distribution of agricultural products including seeds and hardware to 120,000 farmers (up from 32,000 pre-investment) across Gujarat and Maharashtra through a mobile-based platform. This was a co-investment with Aavishkaar – an SME impact fund.

Sector: Food & Agriculture

Commitment: $5m

Start date: December 2021

Asian Institute of Medical Sciences

Established in 2010, The Asian Institute of Medical Services is a 775-bed hospital chain focused on bringing specialist facilities – including cardiology, oncology, critical care and orthopaedics – to underserved cities in northern and central India.

Sector: Health

Commitment: $21m

Start date: November 2017

Ayana Renewable Power

Ayana Renewable Power is an independent solar and wind generation company that will develop green energy infrastructure in India and neighbouring countries in South Asia.

Sector: Infrastructure

Commitment: $100m

Start date: April 2017

Cholamandalam Investment and Finance Company Ltd (Chola)

Chola is a non-bank finance company specialising in commercial and other vehicle finance loans, business loans and home loans.

Sector: Financial services

Commitment: $56m

Start date: December 2019

Cropin Technology Solutions Private Ltd

CropIn is an Indian-based specialist in software for agribusiness. It uses technology such as satellite images, AI and machine learning to monitor crop health remotely, make yield predictions, and then pass these insights on to farmers. This in turn improves farmers' access to finance and climate resilience. This was a co-investment with Chiratae – a VC fund.

Sector: Financial services

Commitment: $56m

Start date: December 2019

Dr Argarwals Health Care Ltd

Dr Agarwal's is a single-specialty healthcare business that provides world-class ophthalmology, optometry and associated laboratory/ pharmacy services to roughly 900,000 patients per year. Dr Agarwal's is the largest ophthalmology chain in India and operates in ten countries across Africa.

Sector: Health

Commitment: $31m

Start date: November 2019

Ecom Express Private Ltd

Ecom Express is an Indian logistics company with an expansive network reaching over 90 per cent of India's population. We invested in Ecom Express to enable employment growth, with a focus on increasing the number of women in the workforce.

Sector: Logistics

Commitment: $56m

Start date: October 2019

Ergos Business Solutions Private Ltd

Ergos Business Solutions is an integrated supply chain business operating through a network of micro warehouses in rural Bihar in India. It aims to enable market linkages to small farmers in a scalable and cost-effective manner. This was a co-investment with Aavishkaar.

Sector: Food and agriculture

Commitment: $3m

Start date: December 2020

Fourth Partner Energy Private Ltd

Fourth Partner Energy is a leading Indian renewable energy company for commercial and industrial businesses. It partners with India's largest companies to expand their use of renewable energy.

Sector: Infrastructure

Commitment: $81m

Start date: April 2021

Future Consumer

At the time of the BII investment, Future Consumer was one of the largest organised Food and fast-moving consumer goods (FMCG) companies in India. The investment was made to drive innovation across its supply chains and distribution network, creating commercial value and improving the livelihoods of farmers and underserved rural consumers.

Sector: Food and agriculture

Commitment: $31m

Start date: February 2018

HR Food Processing Private Ltd (Osam Dairy)

HR Food Processing is a dairy company that buys milk from over 20,000 small dairy farmers. Through a new direct procurement model, it has increased payments to farmers by 46 per cent. This was a co-investment with Lok Capital - an SME impact fund.

Sector: Food and agriculture

Commitment: $8m

Start date: June 2019

iMerit

iMerit was founded in 2012 with the vision of bringing a diverse talent pool from underserved backgrounds into the digital workforce. We anticipate iMerit will create 9,000 new jobs over the lifetime of our investment.

Sector: Business services

Commitment: $31m

Start date: December 2019

Indifi Technologies Private Limited

Indifi is a technology platform that gathers and analyses data of businesses and draws insights to judge their credit worthiness, improving access to finance for SMEs that typically lack access to credit.

Sector: Financial services

Commitment: $18m

Start date: July 2019

Loadshare Networks Private Limited

Loadshare employs over 6,000 independent contractors and SMEs in India's logistics sector. It enables small-scale motorbike and lorry drivers to increase their incomes by being able to provide their services to much bigger clients. This was a co-investment with Stellaris – a VC fund.

Sector: Financial services

Commitment: $18m

Start date: July 2019

Manipal

Manipal Education and Medical Group is one of India's leading medical research, education, and healthcare services providers. Our investment is supporting the growth of healthcare in India, creating jobs and improving access to good quality and affordable care for all patients.

Sector: Health

Commitment: $60m

Start date: January 2017

Roserve Enviro Private Limited

Roserve is a wastewater management solution provider dedicated to serving manufacturing companies with wastewater treatment management. It will help to demonstrate the potential for commercial water recycling in India and is expected to support water savings of over 25 million litres per day.

Sector: Infrastructure

Commitment: $10m

Start date: December 2019

Smartpaddle Technology Private Ltd (Bizongo)

Bizongo is India's largest integrated business-to-business (B2B) platform focused on packaging and unbranded consumables, bringing the highly fragmented manufacturing market of SMEs into a digital supply chain. The aim is to scale across an additional 1,000 small businesses, sustaining at least 20-30,000 formal jobs for low-income workers.

Sector: Manufacturing

Commitment: $21m

Start date: December 2020

Supermarket Grocery Supplies Private Limited (BigBasket)

BigBasket is India's largest online grocery with a fully integrated 'farm-to-fork' model sourcing from more than 3,000 farmers and employing more than 18,000 people. Its business model is tailored to serve the needs of India's growing urban consumers as well as its rural farmer suppliers.

Sector: Consumer services

Commitment: $52m

Start date: April 2019

Tata Cleantech Capital Ltd

Our directed lending facility is expected to: (1) avoid greenhouse gas emissions by increasing deployment of energy efficiency and e-mobility solutions to support climate change mitigation; and (2) reduce freshwater consumption by increasing deployment of water efficiency and wastewater treatment projects to reduce water stress for consumers and ecosystems.

Sector: Infrastructure

Commitment: $30m

Start date: December 2020

TVS Industrial Logistics Parks Pvt Ltd

Our investment is supporting the construction of 4.2 million square feet of resource-efficient warehousing across India. This will create 3,000 jobs for construction contractors and support the creation of up to 500 jobs for employees of TVS' tenants during warehouse operations. It will enable improved efficiencies of logistics-dependent industries and help to boost India's competitiveness.

Sector: Construction and real estate

Commitment: $37m

Start date: December 2020

Veritas Finance Private Ltd

Veritas Finance is a financial services firm that lends to over 12,000 MSME customers in rural and semi-urban areas. Our investment through Veritas will help these businesses access capital at affordable rates, build a credit profile, and move into formal credit channels. This will help to drive wider economic growth and support direct and indirect job creation.

Sector: Financial services

Commitment: $27m

Start date: June 2017

Annex 2

List of intermediated investments in India – 2017-21 strategy period

Aavishkaar Emerging India Fund

Aavishkaar is an Indian VC firm that specialises in early stage and expansion capital, particularly in firms that solve problems for low-income populations.

Aavishkaar was set up in 2001 and its funds have made 58 investments across India, Indonesia, Sri Lanka and Bangladesh. Those investments have generated 250,000 jobs and livelihoods and reach 70 million beneficiaries, of which more than 50 per cent are women.

Sector(s): Financial services, Food and agriculture, MSMEs, Manufacturing

Commitment: $25m

Start date: November 2017

Example investments

Nepra Resource Management works with waste pickers to recycle local dry waste in India, boosting wages and diverting CO_2 emissions.

Ergos Business Solutions operates through a network of micro warehouses in rural Bihar in India to enable market linkages to small farmers in a scalable and cost-effective manner.

Arohan's mission is to provide under-served households with a range of financial services in a manner sustainable for all stakeholders, with an overarching vision of impacting 20 million lives by 2025.

Ankur Capital II

Ankur Capital is an impact-oriented investor that targets underserved populations at scale by providing economic opportunities through jobs, market access and improved goods and services, particularly in agriculture and healthcare sectors.

Sector(s): Agriculture, Healthcare

Commitment: $15m

Start date: December 2019

Example investments

Chifu Agritech Pvt. Ltd (Vegrow). Chifu Agritech owns Vegrow, a technology platform partnering with farmers, aggregating supply and selling to organised demand through partnership. Vegrow simplifies farming and increases the land utilisation for farmers. It is on a mission to build the world's biggest asset-light farmer.

Infifresh Foods Pvt Ltd (Captain Fresh). Captain Fresh is an Indian technology platform that connects businesses directly with fish and seafood suppliers. It uses tech-enabled services to help retailers boost their efficiencies in material and order management, as well as offering a real-time commerce platform to bridge the gap between supply and demand.

Farmstock Technologies Pvt Ltd (Krishify). Krishify is an online community for farmers in India, which enables them to discuss their crops with fellow farmers and experts, and establish an online store to sell to retailers

Apis Growth Fund II LP

Apis Partners Growth Fund II focuses on promoting financial inclusion to fulfil the fundamental needs of underprivileged and disenfranchised segments of the population, and provide paths out of poverty.

Its portfolio companies design affordable and suitable financial services products, and distributes them via low-cost and convenient channels.

Sector(s): Financial services

Commitment: $50m

Start date: March 2019

Example investments

Cashfree is a payments and banking technology company founded to solve payments problems for businesses and help them grow.

RenewBuy is an Indian health and motor insurance online comparison platform. Using technology as an enabler, it has created differentiation in consumer experience and service, as well as in the geographical expansion of the insurance sector.

Ascent India Fund IV

Ascent Capital is a leading India-focused growth capital provider investing in fast-growing businesses across diverse sectors. Through this fund, Ascent Capital will continue to build on its previous successes of investing in and growing businesses that provide employment to a significant number of semi-skilled workers.

Sector(s): Financial services, Food and agriculture, Health, Other consumer services

Commitment: $40m

Start date: December 2018

Example investments

Acko General Insurance Ltd is a Bangalore-based online insurance company that offers bite-sized and innovative insurance products like mobile, rider insurance and application protection. It was India's first digital insurer.

Fresh To Home Foods is a fresh food delivery service based in India. It specialises in sourcing chemical-free produce straight from producers.

Naari Pharma Pvt Ltd is a leading provider of women's healthcare needs, with a diverse portfolio of products focused on therapeutics that cater to every possible health need of women across all age groups. Its mission is to provide comprehensive health care for women.

Chiratae Ventures International Fund IV

The fund targets companies whose technologically disruptive solutions and scale-up potential can reach large parts of the Indian population, helping to increase economic opportunities and market participation for the next 400 million Indian consumers, employees, and suppliers. Our investment in the fund will support the growth of highly scalable, tech-enabled companies in India, with the aim of creating large-scale employment for underserved groups and increasing the availability, affordability and accessibility of goods and services.

Sector(s): Communications and IT services, Education, Financial services, Food and agriculture, Health, Other consumer services

Commitment: $10m

Start date: June 2020

Example investments

Locofast is a leading tech-enabled platform for textile procurement services in India. Connecting textile suppliers and vendors from all over the world through its platform, it aims to streamline the currently broken supply chain by solving all textile procurement problems.

WMall is an online shopping app serving the next billion customers in India. The company focuses on helping under-represented online users such as women in Tier-2 and Tier-3 cities buy products online.

CX Partners Fund II

CX Partners is one of the most experienced mid-market PE teams in India, with some of the partners investing since 1996 (as part of Citi Venture Capital International) and delivering returns through identifying some of the early trends in sectors such as IT, generics pharma, private banks and consumer services. The fund manager has invested in leading businesses such as Thyrocare, Minacs, Ujjivan, SIS, Sutures India, and Sapphire Foods, among others.

Sector(s): Financial services, Health, Other consumer services

Commitment: $30m

Start date: May 2018

Example investments

Indifi is a fintech firm with an online platform that provides business loans to MSMEs with limited options to access credit. Indifi's borrowers are small businesses in travel, hotel, ecommerce, restaurant, trading, and retail verticals. Indifi's technology uses application program interfaces to integrate seamlessly with both anchor digital platforms and FIs enabling fast turnarounds.

Betterplace provides solutions to companies for its blue-collar workforce through an all-in-one lifecycle platform. It offers solutions across three verticals: (1) Hire services including end-to-end placement services; (2) manage services such as background verification and human resource management software; and (3) engage services including bundling financial products, health delivery and others like e-bikes to blue-collar workers.

Faering Capital Fund III

Faering Capital is an Indian PE and VC firm specialising in Indian growth capital investments. The Mumbai-based company was founded in 2010. Faering Capital Fund III aims to provide growth capital to mid-market companies in sectors such as financial services, consumer products and services, healthcare, and logistics to tap into India's consumer growth.

Sector(s): Financial services, Food and agriculture, Health, Manufacturing, Other consumer services

Commitment: $25m

Start date: November 2017

Example investments

Finova Capital is a Jaipur-headquartered NBFC that makes finance accessible to MSMEs. It has a demonstrable track record of rapid growth and deep penetration in Rajasthan, with profitable operations since inception.

Go Digit is an insurance company that uses technology to make insurance processes simple and convenient for consumers. Go Digit has achieved rapid growth since inception, becoming the fastest general insurance company to reach Rs. 2,000 crore of gross written premium in India.

GEF South Asia Growth Fund II

SAGF is the only investment fund that supports SMEs operating in the underserved resource efficiency market. Our capital enables SAGF to provide investments to businesses that address cleaner and more efficient production and usage of energy, water and food resources. Its Indian team has a strong track record and we have worked closely with them to strengthen governance, attract further investors and shape their ESG capability.

Sector(s): Business services, Communications and IT services, Food and agriculture, Infrastructure

Commitment: $25m

Start date: May 2019

Example investments

ESDS Software Solutions is one of the leading Indian providers of managed data centre and cloud hosting solutions. Data centres today consume ~3 per cent of global energy consumption, and through its patented automatic vertical scaling technology, ESDS helps reduce usage of compute resources by 20-50 per cent without impacting the consumer experience.

Green Growth Equity Fund (GGEF)

The GGEF is India's first dedicated climate change fund. GGEF's portfolio of renewable energy, e-mobility, and energy efficiency companies will help to reduce greenhouse gas emissions; its wastewater company will reduce freshwater consumption; and its waste management company will improve the sustainability of natural resources. Furthermore, GGEF, as a pioneer in the green infrastructure space in India, will hopefully play a catalytic effect in the market by proving that investors can earn returns whilst directly contributing to climate objectives.

Sector(s): Infrastructure

Commitment: $10m

Start date: October 2018

Example investments

Radiance Renewables Private Limited ("Radiance"), incorporated in 2018, is a developer of renewable energy solutions for commercial, industrial and residential customers, helping them to simultaneously save money and achieve their sustainability goals.

Growth Catalyst Partners – Annex Fund

Lok Capital's Growth Catalyst Partners LLC fund will focus on providing accessible finance to India's underserved communities. It also looks to expand into the agriculture and affordable healthcare sectors. Our investment enables the fund manager to partner with entrepreneurs and companies across a wide range of sectors to build sustainable growth. This includes providing finance and working capital to enable India's SMEs, including rural smallholders and agribusinesses, to modernise and expand.

Sector(s): Financial services, Food and agriculture, Health

Commitment: $20m

Start date: April 2016

Example investments

Mintifi is a digital-lending platform for distributors and retailers. It aims to transform the purchase financing experience across the distribution network up to the last mile by offering businesses flexible and affordable financing options. It uses end-to-end electronic invoicing and payment solutions to ensure distributors and retailers can transact digitally and effortlessly.

Utkarsh Small Finance Bank provides financial services to the under-served low-income rural and urban population in north and east India. It started operating back in September 2009, and provides group loans, MSME loans, housing loans and savings accounts to the unbanked population.

Healthquad Fund II

HealthQuad is a healthcare innovation fund with a vision to nurture models that transform healthcare in India. It invests in disruptive healthcare models, typically using technology to achieve reach, scale as well as impact.

Sector(s): Health

Commitment: $15m

Start date: December 2021

Example investments

Medikabazaar aims to make healthcare affordable and accessible for all Indians. It provides a marketplace for medical supplies with a complete supply chain solution for stakeholders in the healthcare industry.

Incofin India Progress Fund I

Incofin India Progress Fund I is an impact fund focussing on early-stage investments in the financial services and agriculture sectors in rural India. The fund improves the livelihoods of low-income populations in rural areas and tier II and III Indian cities by providing growth capital to early-stage businesses that strengthen value chains and enhance access to financial services, market, information, and productive inputs. In turn, it aims to enhance economic opportunities of smallholder farmers and other small-scale suppliers.

Sector(s): Financial services, Food and agriculture,

Commitment: $15m

Start date: July 2021

Example investments

SuperZop an agritech company based out of Mumbai, Maharashtra. It connects the farmer directly with the store using innovative technology and gives access to a wider procurement base from farmers and farmer producer organisations.

Namdev caters to underserved community in rural India by providing affordable credit for income generating purpose. Namdev's products include secured business loans and vehicle finance (two-wheeler and used commercial vehicle). Namdev's usual customers are dairy companies, small retailers, pharmacies, food processors, consumer goods wholesalers, farmers and textile companies.

Kotak India Affordable Housing Fund I

The Kotak Private Equity Group is a Mumbai-based private equity firm that specialises in start-ups, growth capital, real estate, and infrastructure. The fund aimed to promote commercial investment in residential real estate in underserved Indian states, helping to address the affordable housing shortfall, and satisfy demand from an increasingly urbanised middle class.

Sector(s): Construction and real estate

Commitment: $50m

Start date: August 2018

Example investments

SPL Estates is a real estate development company in India, building an affordable housing residential development project.

Lighthouse III

Lighthouse is a small cap fund manager focused on consumer companies operating in the Indian lower middle market. The fund is primarily focused on family-backed, small to medium-sized consumer businesses.

Sector(s): Health, Manufacturing, Other consumer services

Commitment: $25m

Start date: April 2016

Example investments

Aqualite is India's leading footwear brand. It operates through its manufacturing units located across Haryana and Rajasthan. It has a pan-India distribution network of 35,000 retailers, with significant presence in north and east India.

Duroflex is among the leading mattress companies based in south India. The brand is well known for providing innovative and good quality products. It has five manufacturing facilities located in Tamil Nadu, Telangana and Kerala which manufacture a wide range of mattresses and polyurethane foam products. Duroflex has a robust distribution network across south India, selling at more than 3,000 retail outlets, and is in the process of expanding its footprint in west and east India.

Omnivore Partners India Fund 2

The Insitor Impact Asia Fund invests in early-stage companies in Myanmar, Cambodia, India and Pakistan that improve access to basic goods and services for low-income communities.

Sector(s): Communications and IT services, Education, Financial services, Food and agriculture, Health, Infrastructure

Commitment: $15m

Start date: December 2015

Example investments

Farmley is a leading agri commodity brands in India, providing a platform for suppliers and wholesale consumers. It sources commodities like nuts, dry fruits, seeds, and spices directly from the place of origin, and develops systems and processes to fulfill deliveries to customers.

Aviom provides housing loans to individuals for home improvements, renovations, ad sanitation. It provides loans to women borrowers who do not have any formal income documentation.

Omnivore Partners India Fund 2

Omnivore Partners India Fund II supports innovative technologies in Indian agriculture. Our commitment to the fund will help support early-stage Indian companies develop breakthrough technology-enabled solutions for food, agriculture and the rural economy.

Sector(s): Communications and IT services, Food and agriculture, Other consumer services

Commitment: $15m

Start date: January 2018

Example investments

Clover Ventures is a food and vegetable producing start-up. Currently based in Bengaluru and Hyderbad, India, it manages a network of greenhouse and small farms that are based in peri-urban and rural areas surrounding the consumption zones, ensuring freshness and reducing spoilage.

Krishnacharya Technology Private Limited (Bijak) is a business-to-business trade platform for the agricultural sector in India that enables traders, wholesalers, and food processors to keep a ledger of their transactions, access transparent pricing, optimise logistics, and improve their working capital cycles.

Arya Collateral Warehousing Services is an agri-services company which provides post-harvest services including warehousing, warehouse receipt financing, rural storage discovery, collateral management and market linkages. Its clients include farmers, farmer producer organisations, financial institutions, and commodity traders.

pi Ventures Fund I

The fund will invest in businesses that use AI and machine learning technologies to help solve problems at scale. The unique characteristics of India, such as large population base, scarce quality resources and mass tech adoption, enable such technologies to be disruptive. For example, in healthcare, AI is helping close the gap between the small number of skilled health technicians and the mass demand for cost effective diagnostic services.

Sector(s): Communications and IT services, Health, Manufacturing

Commitment: $6m

Start date: July 2018

Example investments

Niramai has developed a new cancer screening software that uses machine intelligence to enable a low cost, easy to use, portable solution that requires minimal human supervision. This enables reliable, early and accurate breast cancer screening.

SwitchOn is an industrial tech company that helps manufacturing industries identify plant-level bottlenecks and improve equipment efficiency. Industries can create digital twins of their heavy assets, monitor and predict availability and performance bottlenecks in advance, thus ensuring better Efficiency for the Equipment as well as the Plant. SwitchOn uses efficient edge computing systems to continuously analyse high-frequency data streams of vibration, temperature and energy consumption.

Stellaris Venture Partners India I

Stellaris Advisors LLP is a VC firm that invests in early-stage Indian technology companies that can help solve large problems for consumers and SMEs in India.

Sector(s): Communications and IT services, Education, Financial services, Health, Infrastructure, Manufacturing, Other consumer services

Commitment: $10m

Start date: October 2018

Example investments

Plus Health Tech Ventures Limited (Ayu)
Ayu Health Hospitals is a network of high quality hospitals focused on providing affordable treatment and surgery, while maintaining high medical quality standards. It has hospitals in Chandigarh and Bangalore.

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