

# Digital lending opportunity in India is huge for banks, NBFCs: Omidyar MD

SURABHI



File Photo- Roopa Kudva, Partner and Managing Director, Omidyar Network

## **MUMBAI, NOVEMBER 21**

Digital payments in India have leapfrogged, and along with the information available from GST, can help provide easier and more affordable credit to small businesses, believes Roopa Kudva, Partner and Managing Director, Omidyar Network. In an interview with *BusinessLine*, Kudva also spoke about Omidyar Network's plans for India, and said it would focus on entrepreneurs looking to serve the next half-billion Indians coming online for the first time. Excerpts:

### **What led to the research on MSMEs?**

We are an impact investment fund. We wanted to focus on underserved areas to help people improve their productivity and income generation, and hit upon the MSME segment.

In our portfolio, we started investing in firms such as Vistaar Finance, which lends to rural SMEs. We also invested in Varthana, which lends to private schools; NeoGrowth, which lends to urban small businesses; and Intellegrow, which provides customised loans to SMEs. But what we have noticed is that India has really leapfrogged as far as digital payments are concerned, and now with GST, there is a lot more information available. We think for the first time there is an opportunity to address the problem of availability of credit to small businesses.

### **What are the plans of Omidyar Network for India?**

We have been in India since 2008, and it is a very important geography for us. So far, we have invested through equity and grants in more than 70 organisations, and have reached 300 million people. We have also added a new office in Bengaluru. We will look at a \$55-60 million investment every year.

### **What are the sectors that you will invest in?**

Our focus area in India would be the population segment called 'the next half-billion'. This is why the SME segment is so important. This means the next half-billion Indians who will come online for the first time on their mobile phones, or are new to digital platforms.

Our primary focus will be to invest in entrepreneurs who are serving this segment. We will focus on six sectors – education, financial inclusion, governance and citizen engagement, property rights, emerging technology and digital identity. We expect to continue to have a mix of equity investments and grants.

### **Have government schemes such as MUDRA helped the sector?**

The government wants to focus on MSMEs which is very good. The key issue is that Level 1 lenders need to start lending, and then the refinance schemes start kicking in. That's where we think digital lending has the ability to really transform the game. Once that takes off, then the lender will be able to access schemes such as MUDRA as part of funding for themselves. The digital lending opportunity in India is huge for

all, including banks and NBFCs; new players do it individually, or in some kind of partnership together. The open architecture, unified payment system, and data from GST allow different kinds of players to enter the market without any of them having an undue advantage. Different models have the potential to emerge and whichever the model be, it will be a lower cost model than the current way of lending to MSMEs.

### **What about concerns of collateral and NPAs in the sector?**

Traditionally, MSMEs have been seen to be a risky segment because NPAs to the sector have been high. Now, there is real-time transaction data, which is very big and can help improve the quality of lending.

Second reason for NPAs was that a large part of the funding for small businesses was coming in from informal sources, which increased costs and impacted the viability of the business.

Third, these businesses were not in the formal sector, with a lot of their cash flows not being formally captured. These three issues are now being addressed.

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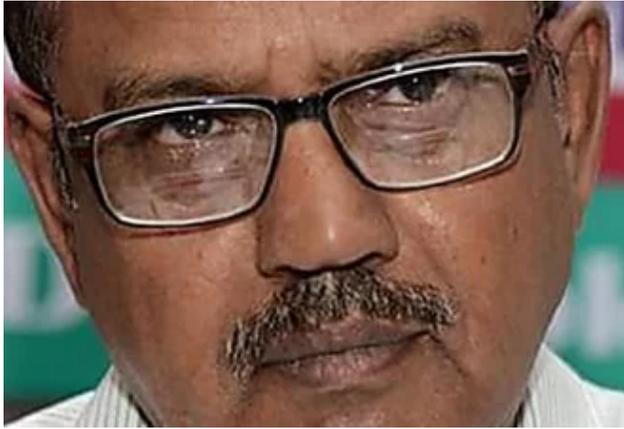
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