

Assessing impact potential of Avanti Finance's innovative business model on rural women livelihoods in India

Avanti Finance | India

Inclusive Business Analysis - Public report

August 2025



IDH Farmfit Fund

- The IDH Farmfit Fund is a EUR 100 million public-private impact fund for smallholder farmers. The fund can take the highest risk positions in farmer-related transactions, thereby reducing the farmer risk currently borne by borrowers and lenders. By doing so, IDH Farmfit Fund catalyses commercial capital to co-invest in this sector. These investments will increase the availability of affordable, long-term financing to smallholder farmers, leading to significant improvements in their livelihoods and incomes.
- In March 2023, the IDH Farmfit Fund invested USD 4 million in Avanti Finance as part of a Series B round of USD 20 million (led by Rabo Partnerships and Oikocredit participating) with the objective of supporting Avanti's mission to provide accessible financial services to smallholder farmers, enabling them to build sustainable livelihoods. In a follow-on investment, the Farmfit Fund invested USD 2.5 million reaffirming its confidence in Avanti's innovative, asset-light, and capital-efficient model, which aligns with the Fund's objective to de-risk investments into smallholder value chains and drive sustainable impact. Since its inception, Avanti has served 900,000 low-income households, achieving an Assets Under Management of USD 19.4 million (INR 1.64bn).
- This inclusive business analysis was commissioned by the Farmfit Fund as part of the [ABERA \(Accelerating Business to Empower Rural women in Agriculture\)](#) cohort with the objective of validating the business model and impact case of Avanti.



Introduction to ABERA

The initiative

- This report is part of the [ABERA](#) initiative, a cohort of financial service providers, agribusinesses, and agtechs, organized by CGAP and IDH, that empowers businesses with data, technical support, and a collaborative space for peer learning to enhance company performance and rural women's climate resilience.
- As part of the IDH team that generated this IBA, CGAP colleagues provided insights related to financial inclusion, rural economies, and agricultural development, particularly with a gender and climate lens, derived from interviews with key ecosystem actors influential to the business, in-field focus group discussions with farmers and customers, and analysis of related data. A brief version of this report prepared by CGAP and IDH that highlights key findings and insights would be available [here](#).

The approach

[CGAP](#) and [IDH](#) are accelerating business to empower rural women in agriculture through ABERA, which:

- Supports technical assistance and experimentation to help companies integrate gender and climate in their strategy and improve overall business performance
- Cultivates a forum for peer exchange and learning where companies can share experiences and co create scalable solutions





Disclaimer

This study examines the projected (financial) performance of Avanti Finance's business model. The findings in this report have been used by ABERA and Avanti Finance, and involved value chain players to shape their strategy, project design, and future business models, but these organizations cannot be held accountable for meeting any targets included in the report.

The contents of this report are intended for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the information presented, the analyses in this report rely partially on projections and assumptions. The conclusions and recommendations in this report are based on our best knowledge and expertise at the time of preparation, but their applicability or accuracy in any situation or circumstance cannot be guaranteed. Therefore, no rights can be derived from the information provided in this report.

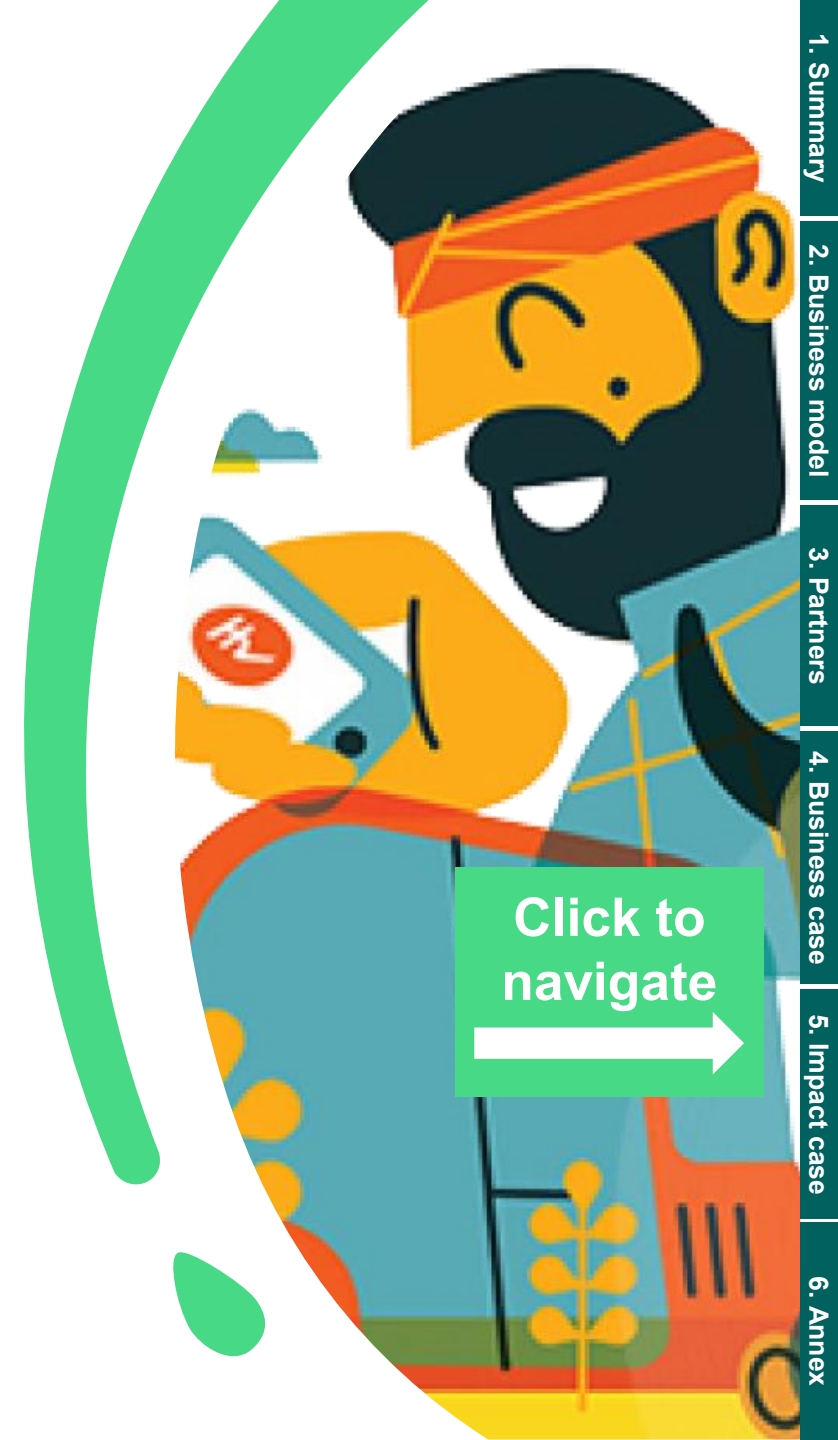
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Report outline

- 1 Executive summary
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Executive summary



Introduction | Avanti Finance is a digital-first NBFC in the Indian microfinance industry which aims to make financial services affordable for 100 million households by 2027



Avanti Finance Private Limited

- Avanti Finance was founded in August 2016 by late Mr Ratan Tata, Dr Vijay Kelkar and Mr Nandan Nilekani via the NRNJ family trust.¹
It acquired the non-banking financial company (NBFC) license in 2017 and has since then been providing livelihood loans to the low-income segment including smallholder farmers.
- Avanti envisions to become a financial inclusion platform that is paperless, presence less and cashless. It aims to reach 100 million households in India and 6.2 million customers by 2027.²
- It operates pan-India through a partnership model with X-tech startups, non-government organizations (NGOs), Community based business organizations (Collectives), NBFC-MFIs.
- Avanti's loan products include agricultural and livestock loans, small business loans, earned wage loans to both rural and urban low-income customers, offered at an average annual interest rate of 23%. 90% of their borrowers are women, and 60% borrowers are new to credit.²
- Its investors include Oikocredit, BMGF, Rabo Partnerships, IDH Farmfit Fund.⁴



The Micro-finance industry in India

- India has high levels of financial inclusion as 78% of the country's population above the age of 15 years has a bank account with microfinance playing a crucial role in driving this.⁵
- All collateral free loans to low-income households (with an annual income < USD 3,580) are considered as microfinance loans.⁶ There are strong [regulatory norms](#) while lending to such households.
- The total number of financial institutions engaged in microfinance in India as of June 2024 are 234, which includes NBFC-MFIs (86), NBFCs (83), small finance banks (SFBs) (10), banks (13) and others (including non-profit MFIs - 36).⁷ The total number of unique borrowers has crossed 80 million with an outstanding portfolio of USD 50 billion spread across 729 districts, 28 states and 8 union territories.⁸ NBFC-MFIs contribute ~40% to this loan portfolio.⁷
- The average ticket size for a microfinance loan in 2022-23 was USD ~495.⁷ The industry grew at 21 % in FY 2023 and is expected to grow at 16-18% FY 2024-27.⁹
- The Reserve Bank of India (RBI) mandates all commercial banks to lend 40% of their net credit to priority sectors of which 18% is towards agriculture.¹⁰

1) [Crisil Ratings](#) (2024) 2) [Avanti's website](#) 3) Farmfit KPI reports 4) IDH Farmfit Fund (now managed by IDH invest) 5) [Global Findex Database 2021](#) 6) [RBI](#) 7) [MFIN Industry portfolio](#) 8) MFIN Publication- *Micro Matters: Macro view*, November 2023 9) Page 222, [Northern Arc IPO prospectus](#) 10) [RBI](#)



This inclusive business analysis assesses in detail the performance of Avanti's business model, its impact on smallholder farmers and provides recommendations for further improvement towards serving rural borrowers





Avanti should prioritize expanding X-techs and collectives' portfolio while continuing to grow MFI for balanced channel diversification. Avanti Hubs can be scaled further on successful pilot of initial 12 hubs



MFIs

- MFIs are Avanti's largest and most reliable partner channel.
- This channel provides **high volume** growth and lower delinquencies under normal conditions. MFIs are experienced in credit operations and have extensive knowledge about the community and customers in areas where they operate. However, MFIs charge commission to cover for operational costs and profit margin resulting in a higher interest rate for the borrower.
- **Gradual improvements** can be made if Avanti can help improve field staff retention, enable cross-selling of products, and drive operational efficiencies through its technology.

X-techs and collectives

- **X-techs partners bring** specialized skills, technology and professionalism to deliver innovative and custom products to their smallholder borrowers. Their widely varying business models, lending operations, and tech-stacks require a tailored approach with relatively high operational costs primarily during initial onboarding stage. Moreover, Avanti has experienced a higher portfolio risk with few partners in the past. In contrast they charge very small or no partners fees resulting in lower interest cost for smallholder borrowers. The main limitation to scale so far seems to be the limited number of suitable x-techs and some x-techs (example Ninjacart) lending to their captive customers. However, India has one of the fastest maturing ag-tech markets globally.¹ This merits researching the sector further to identify the most suitable subsegments.²
- India has a high number of registered **farmer collectives** (30,000+)³, 60-65% of them were promoted in the last 3-4 years. Very few FPCs are operational and even fewer among them are profitable and typically operate on narrow profit margins (2-4%), finding it difficult to service high-interest loans which further impacts their financial sustainability.

1) *Examining the Fragility of the AgTech Ecosystem Behind the Headline Numbers* (ISF Advisors, 2024); 2) *How agtech is poised to transform India into a farming powerhouse* (McKinsey, 2023)

3) NAFPO State of the sector report for 2024 – [FPOs in India](#)

Social enterprises/NGOs

- **Portfolio share of social enterprises** registered as nonprofit / Trust / Section 25 have come down
- Avanti Finance has deprioritized lending to social enterprises.
- From Avanti's experiences social enterprises have **lower business** orientation, weaker credit discipline and dilution of credit collection norms.
- However, successful social enterprises diversify into building credit book as business correspondents/MFIs.

Avanti Hubs

- Avanti hubs are company owned and operated branches across India. They are modelled along MFI branches albeit to meet different objectives of Avanti's business such experimenting in product diversification, enabling better collections and coordination with partners along with access to timely market intelligence at various geographies.
- By the end of 2024, Avanti has 12 hubs operational.
- If existing hubs can sustainably generate at or higher profitability per hub than estimated, Avanti will benefit from opening more hubs in major states.



Avanti serves a growing base of mostly women rural borrowers. Loan uptake and performance is showing promising trends across most segments



Customer characteristics

- **Avanti's active customer base** grew from 45k (2021) to 311k (2024). Further growth is expected to XXX (2026). 90% of Avanti's borrowers are women with 80% residing in rural or semi urban areas and 65% are SHFs. Till end of June-2024 Avanti has cumulatively reached 700K customers (including 550K rural customers).
- **Gender differences** exist between partners. Women made up 94-99% of MFI borrowers for the past three years. Men borrowers are increasingly served through MFIs (61% in 2024 vs 15% in 2021); 27% through X-tech clients, and 10% through Hubs.
- **Products** include agriculture, livestock, livelihood and small asset loans, sold to farmers, shop owners, household, and small businesses across rural and urban areas. For rural borrowers, product uptake is around 30% for agriculture, 15% livestock, and nearly 50% livelihood activities.

Borrowing behaviour

- **Average loan size** of women borrowers has increased by 25-32% over past 3 years from around 30-36k INR (2021) to 40-43k INR (2024). Average loan size of men has remained constant or slightly decreased, ranging between 35 and 46k INR across years.
- **Loan tenure.** A larger share of rural women borrowers are taking longer tenure loans up to 2 years that will enable them to access relatively larger size loans with reduced pressure on repayments due to cashflow volatility. There has been no significant change in loans tenure of men borrower.
- **Share of high-risk customers** (as Avanti is a relatively young company) including new to credit (NTC) is getting reduced among rural women borrowers, pointing to Avanti's strong underwriting process and ability to grow business from quality customers. Credit score risk profile of rural men customers is higher than rural women borrowers. However, the men customers risk profile has also improved consistently over the past few years.

Notes: 1. [RBI Financial Stability Report December 2024](#)



Avanti Finance co-creates hyperlocal loan products along with partners to meet a variety of unique customer livelihood needs based on their end-use and cash-flow needs



Loan purpose	Agriculture and allied activities	Livestock	Livelihood loans (MSME)	Small asset loans
Customer needs	For purchase of agricultural input, farm equipment and other crop cultivation expenses	For purchase of livestock mainly milch cattle and other animal husbandry activities like poultry, goats, fisheries, piggery, sheep etc.)	Small and medium livelihood enterprises such as carpentry, tailoring, grocery shops, food and tea stalls and other such livelihood providing activities	Assets such as E-rickshaw, solar panels, solar pumps
2023-2024* disbursal	28%	25%	46%	1%
Average loan amount (INR)				
# Loans				
% of women borrowers	97.5%	90%	94%	87.5%

Average loans size of Avanti customers across different products is ~INR 40K with majority of loans in a typical loan size range of INR 10K to 80K (USD 110 to 920). However, a small percentage of borrowers may get higher ticket loans (INR 150K-200K) based on their association with Avanti, its partners and other specific parameters

Notes: * Active disbursals in 2023 and up to June 2024 for rural customers

^ Smallholder farmers in India are those with less than 5 acres of land. Majority of Avanti's customers across different value chains are smallholder farmers



Scaling of Avanti's platform through onboarding and transacting with a large customer base will enhance operational efficiencies driving down costs for Avanti, partners and borrowers



Avanti's technology plays a key role in driving costs down while enabling business scale

- Avanti's mobile app's easy and user-friendly interface design **reduces time required for onboarding of new partners** and training of field-officers to use Avanti's application. Avanti's partners and their field officers find Avanti's mobile based app to have easy to use interface, can work even in remote locations with weak mobile network while providing timely actionable alerts for all levels of users.
- Avanti can realize the fly-wheel effect of its digital platform as the increasing number of partners (mainly MFIs followed by hubs and collectives), customers are onboarded that will drive operational efficiency by spreading fixed costs and overheads while enabling to disburse large amount of loans by leveraging co-lending partners. Avanti will benefit from repeat customers due to improved loan underwriting based on credit risk profile gathered from rich data on partner performance and customer transaction history.
- Avanti existing MFI partners have a clear visibility to grow Avanti's portfolio by expanding their branches to reach new customers, increase average loan size for existing customers. Avanti continues to onboard new partners across MFIs, X-tech while sharply increasing loan disbursements from Avanti hubs.

Fully digital platform results in operational efficiency for all stakeholders including partners and borrowers

- Avanti's partners are spread across India and faraway from Avanti's head office and regional offices. Despite the spread and distance of partners, Avanti's tech allows for close integration of platform with partners allows for seamless onboarding of partners and reduce ongoing operational costs (cost of travel, staff costs, communication costs, overheads) by streamlining partner communication during customer onboarding, disbursement and collections. However, granular data on Avanti's cost savings due to digital platform is not captured by Avanti.
- Per partners' estimate, Avanti's digital platform and workflow allows partners to save costs of the loan outstanding and simplify operations by eliminating need for paperwork, courier charges, not needing separate devices for interacting with Avanti platform, quick and timely alerts on borrowers along with advanced management information system (MIS) reporting. This can result in higher profitability for the partner or allow interest rates charged to borrowers to decline, potentially enhancing borrower loyalty and impact.
- Mobile based Avanti app enables field officers to visit borrowers at their homes and initiate customer onboarding and loan application resulting in borrowers to save time and money by not requiring physical photographs, photocopies of their documents and visits to partner office. Avanti's mobile app works even in weak mobile-network areas helping to onboard customers in hard-to-reach areas.



To improve borrower income, resilience and farmer loyalty¹, Avanti could introduce new partners, product innovations, and impact measurement and incentives

Partnerships

- **Expand the number of x-techs** as this partner channel increases borrowers' incomes most significantly as shown by below partners
 - Partner-1 farmers accessing Avanti's finance to purchase alternative agriculture inputs can earn **36% more in net income** compared to farmers using traditional inputs.
 - Partner-5' farmers borrowing from Avanti are expected to have **10% higher net incomes** on account of Avanti's lower interest rates and Partner-5' services.
- **Draw in partners to subsidize introducing climate-insurance.** Avanti has not been able to integrate or scale insurance into their offering due to operational challenged and high insurance premium costs. Partner-1 experimented with crop insurance and the premium of INR 9,000/acre (USD 104²) was perceived to be very high by the Partner-1 farmers. The government run crop insurance programme called Pradhan Mantri Fasal Bima Yojana (PMFBY) has faced challenges on delayed claim payments and trust deficit from farmers³.

Product innovations

- **Bring in a climate specialist** to coordinate the company's efforts targeted at climate-smart outcomes and develop resilience strategies and products
- **Tag loans that have climate-smart characteristics** or contribute to sustainability goals climate-based unlock new sources of capital and/ or co-lending partnerships.
- **Pilot products** to help SHFs access climate-smart technologies and practices.
- Avanti could further incorporate **intelligence gathered through partners** to design products to increase the climate resilience of borrowers. For example, partnering with:
 - X-techs offering agricultural products enhancing climate resilience such as solar powered irrigation pumps and cold storage, greenhouses
 - X-techs offering climate-based **insurance** products-indexed on heat, rainfall, drought

Impact measurement and incentives

- **Establish and track key performance indicators** to observe the impact of Avanti's loan products on farmers' income and their climate resilience. For example:
 - Income and crop diversification
 - Asset ownership
 - Savings behaviour
 - Repayment behaviour in case of extreme weather events
- **Factor in the contribution** of agricultural income to a customer's total income while calculating the sanctioned limit for a loan. Because even with **a 50% reduction in agriculture income**, the household would barely be able to pay the EMI for a USD 600 loan.
- **Offer more favourable terms** for customers with diversified and climate resilient source of livelihoods differently given the relatively lower risk levels involved.

1. Loyalty is defined by farmers willingness to transact with service providers including Avanti for multiple years. 2 ~2% of the cost of cultivation for carrot crop for 1 season .3 [Deccan Herald \(2023\)](#)



Graduate repeat borrowers, to enable them to avail individual loans and offer other financial products to address their unique financial needs



Widen credit products and graduate borrowers

- **Increase average loan size** of repeat borrowers with good credit history by consolidating loan accounts of borrowers from other lenders.
- Continue to prioritizing of women customers given their preference for **longer tenure** loans while selectively lending to men customers availing relatively larger ticket size loans.
- **Credit rating of women borrowers** has been improving over the years compared to **men borrowers**, despite most of Avanti's customer base being women (Women customers makeup more than 95% of active customers in 2024) , improving Avanti loan portfolio performance even while business scales.
- Avanti can consider providing **individual loans** directly to repeat customers with established track record outside of the joint liability group (JLG) structure to increase transaction size with customer and higher customer retention.
- For repeat borrowers of good standing, **expand loan offerings** into other areas such as 2-wheeler loans, small asset and appliances purchases.
- Rural women borrowers predominantly avail their loans **from MFI partner types** (almost 99% in 2024) and a small share of loans come from X-techs and farmer collectives – this may be due to lower number of women promoted farmer collectives and fewer number of X-techs on Avanti's platform along with lower preference of rural areas by X-techs.

Non-credit offerings

- Further improve **Hospicash to make higher payments** for vulnerable segments of borrowers.
- Partner with insurers to make **customized life, health insurance and other microinsurance** (for livestock, small assets etc) products and distribute them to Avanti borrowers.
- Avanti can pilot **weather-based insurance products** for select crop value chains and educate and support farmers to subscribe to government backed crop insurance when it seems attractive based on value chain and geography.
- Support borrowers avail various government sponsored **social security schemes** such as Atal Pension Yojana .
- Enable partners and other NGOs to **conduct financial literacy and digital financial literacy** training for smallholders.
- Provide goal-based **micro-savings** facility at an attractive interest rates for promoting savings among the rural borrowers via a bank's micro savings account or fintech's (Ex. Dvara SmartGold) savings products¹.

¹ [Dvara SmartGold](#)



2

**Avanti
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model**



Key objectives | Avanti Finance aims to reach 100 million households by leveraging technology for improving livelihoods for low-income urban and rural customers while promoting climate resilience

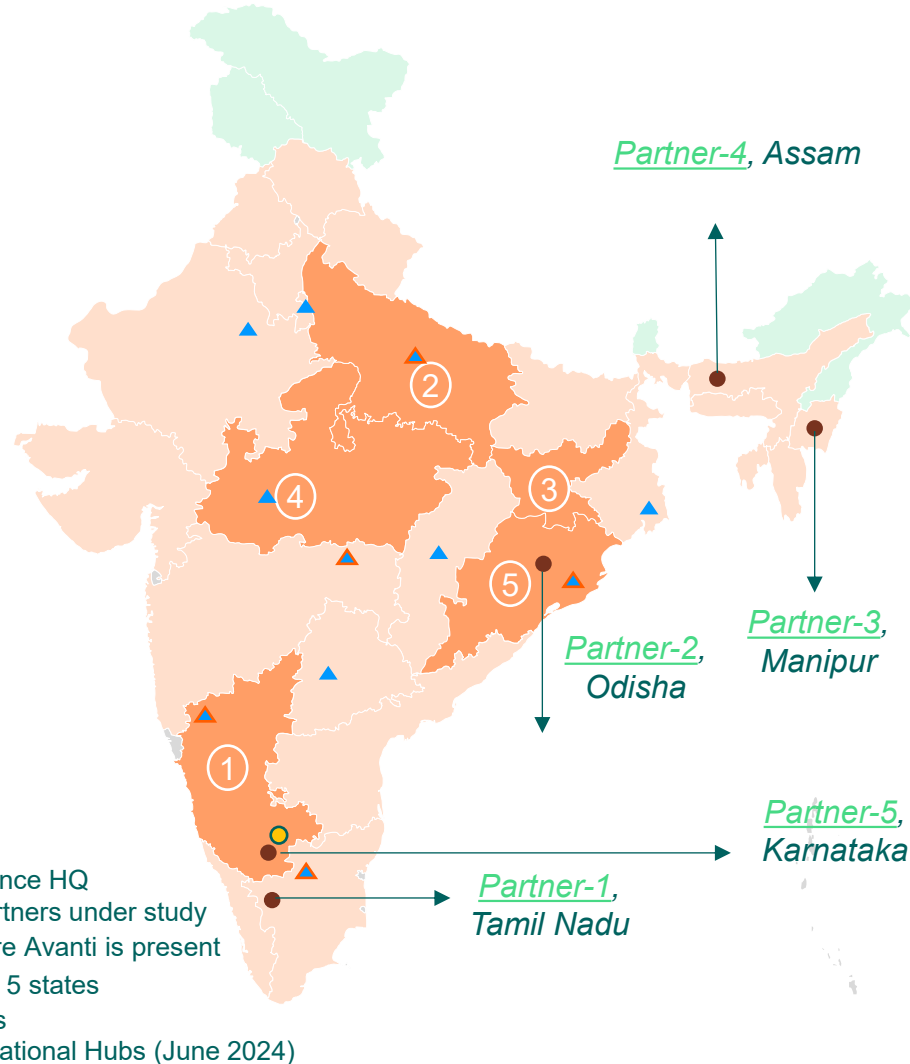
Envisioned outcomes and impact for

	Objective	Borrowers	Avanti Finance
Core objective	Improve access to affordable finance especially for women	<ul style="list-style-type: none"> • Access tailored products to meet specific needs • Create credit history for opening doors to formal credit 	Make financial services affordable and accessible to 100 million households
Secondary objectives	Improve livelihoods and standard of living for low-income semi-urban and rural customers	<ul style="list-style-type: none"> • Increase income from diversified livelihood sources • Invest in own farms through access to finance 	Provide evidence for affordable finance being key for making livelihood impact
	Leverage technology to scale this model to increase efficiencies	Experience a transparent and simpler loan process	Increase reach and reduce operational costs to create impact at scale
	To build climate resiliency within the economically vulnerable segment, especially women	Adopt climate resilient crops and practices to reduce impact of climate events	Introduce climate insurance products to mitigate risks

This showcases the alignment in key objectives, envisioned outcomes and impact for Avanti Finance and its borrowers. Access to affordable finance, improving livelihoods, digital innovation and climate resiliency are the key objectives



Avanti's geographical presence | Avanti leverages its partner networks and technological platform to achieve cross-country reach

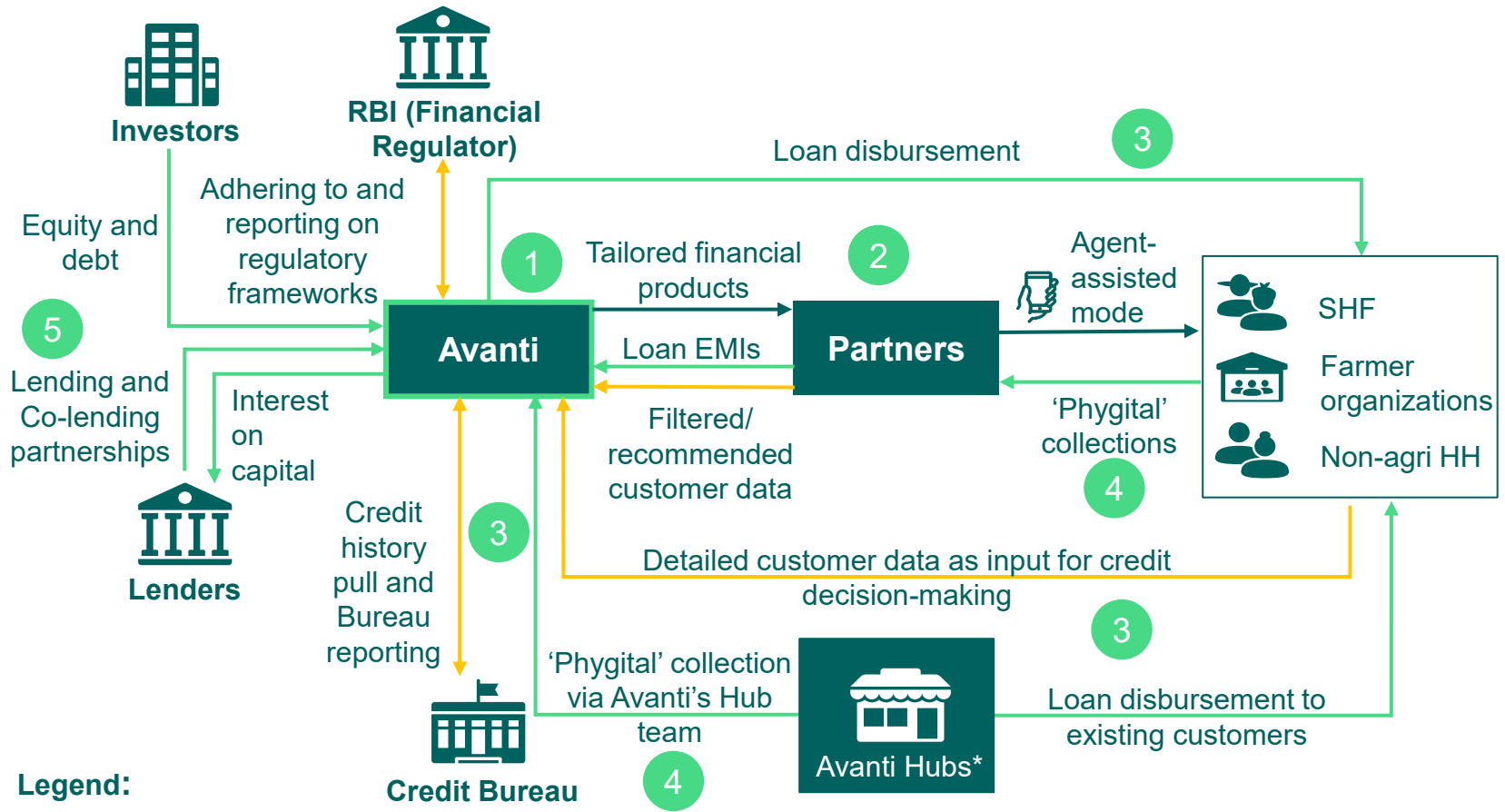


- India's rural population is majorly present in these states Uttar Pradesh (17%), Bihar (10%), West Bengal (8%), Maharashtra (7%) and Madhya Pradesh (6%)¹.
- Avanti's operations are present across 27 states and 370+ districts³. Avanti has its top-5 customers (by AUM) in the states of Karnataka, Uttar Pradesh, Bihar, Madhya Pradesh and Odisha.
- Avanti is working with 80+ partners as of July 2024³. For this study, we will be focusing on 5 partners as highlighted.
- 55% of India's total population uses internet as of 2023². And for rural India, internet penetration is at 46%². However, there is variation between the different states. And as of 2023 only 38% of the rural internet users make use of digital payments².
- Avanti's partnership model is the driving force behind their strong growth across all regions in India.
- Avanti has planned for a total of 11 hubs, of which currently 5 are operational.
- 77% of Avanti's customers are residing in rural or semi urban areas. 90% of its borrowers are women with a higher percentage in rural areas (93%) compared to urban areas (79%)³.

1 Indian govt reports (2024) – JJM 2 KANTAR IAMA 2023 Report 3 Monthly MIS for June 2024



Avanti's business model | Avanti is a tech-enabled NBFC that leverages its wide network of partnerships and institutional and private lenders to make credit available to its customers



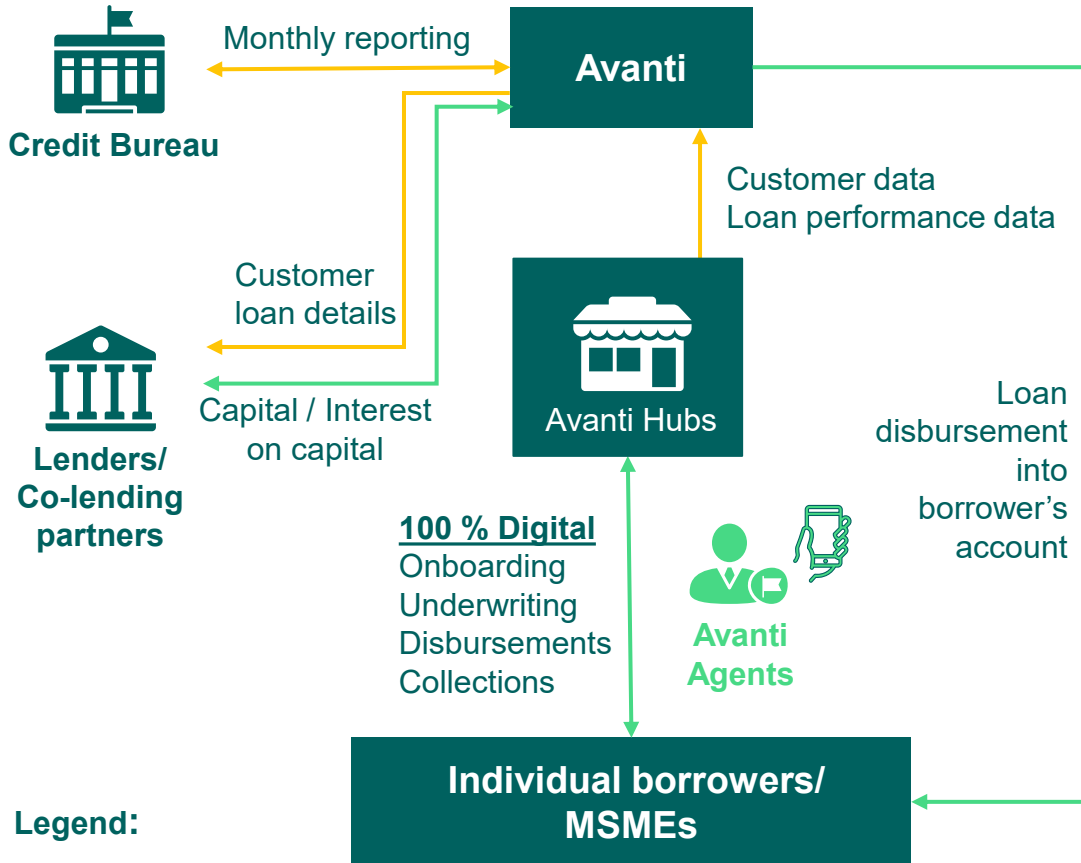
- Legend:**
- Goods & services
 - Money
 - Data & information

1. Avanti's partnership team filters the potential partners, and they are onboarded on Avanti's digital platform as a partner.
2. Partners can create customized loan products and start onboarding members via the mobile application.
3. Avanti's credit rule engine will run and decide to accept or reject the loan application. Amount will be disbursed **directly** into the customer's account.
4. Partner or the Avanti Hub team will perform the collections via both physical agents and digital means such as unified payments interface (UPI) or NACH# ('phygital').
5. Avanti has various partnerships with lenders and investors in the form of co-lending, impact investments and more.

Note: The flow of disbursements does not happen via partners but directly through the escrow accounts between Avanti and other lenders as shown [here](#) *See next slide for details on Avanti Hubs, #NACH stands for National Automated Clearing House and is a means for electronic automation of repetitive low-value financial transactions



Avanti Hub | Avanti Hubs are positioned to leverage working closely with partners on collections and timely market intelligence



Legend:

- Goods & services
- Money
- Data & information

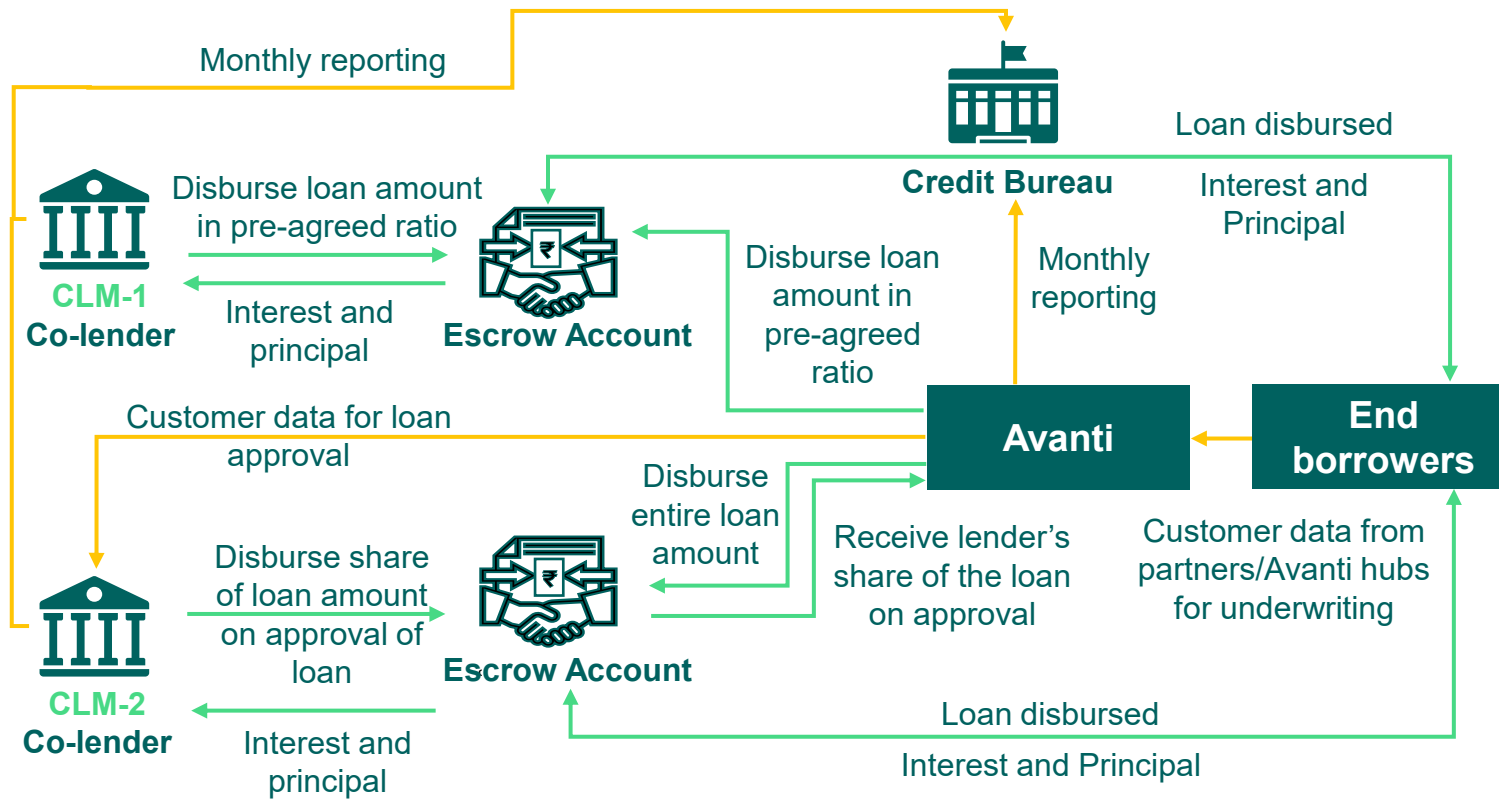
Avanti plans to implement Avanti Hubs* which will be small offices (with 3 – 4 employees) that will have the objectives to:

- Support partners in managing collections and migrating to 100% digital collections. The end goal of this journey is to reach a self-serve model with 100% of the repayments being done digitally and no more assistance required from agents
- Understand local context and improve oversight over its loan portfolio which could lead to tailored products and higher ticket sizes
- Cater to customers in different geographies to that of its partners or cater to different customer segments in the same geography that are currently not being serviced by its partners
- Improve Avanti's brand name and build a direct relationship with end customer
- Act as sandbox for new products before scaling to other geographies

* Note that the Hubs are not meant to compete or replace Avanti's partner network, as Avanti's strength and reach lays on those partnerships (by 2027 only 4% of total disbursements are expected to be done by the Hubs and focused on products that Avanti partners would not offer). The Hubs are conceived as an additional channel to grow Avanti's local presence leveraging current partner infrastructure. MSMEs (Micro, small and medium enterprises)



Co-lending model | Co-lending provides an opportunity to utilize commercial capital for offering microfinance loans at a lower interest rate for the end borrower









- RBI released the first co-lending (prev. co-origination) guidelines in 2018, to allow banks and NBFCs to lend jointly to offer a blended (lower) interest rate to the end borrowers¹.
- With this, an NBFC is required to undertake a minimum of 20% of the loan amount on its own books and the rest will be on the co-lender's book. These loans would be considered towards the bank's priority sector lending (PSL) targets.
- Under the **CLM-1 model**, both Avanti and the co-lender will simultaneously evaluate the borrower and disburse. This model requires a higher technological integration, which is time consuming and expensive.
- Under the **CLM-2 model**, Avanti will disburse the entire amount and share customer details with co-lender for approval. Once approved, co-lender's share of the loan amount would be transferred to Avanti or else 100% of the loan will lie on Avanti's books.
- Avanti has 4 co-lending partners as of Jul 2024 and 30% of the loans are lent via this model. Avanti has a separate escrow account with each partner.

Sources: Avanti Company documents, Fund DD reports, discussions with leadership
 1) [RBI circular](#); CLM-1 and CLM-2 are 2 types of co-lending models

Ease of access to credit | Responsive customer service, structured interest rates, flexible repayments, quick approval of loans, professional behaviour of field staff have all been cited by farmers as key reasons for choosing Avanti Finance

Value proposition and differentiation

Avanti Finance operates in a competitive market with many competitors. Several key strengths and points of differentiation allow Avanti Finance to attract customers and compete in this environment:

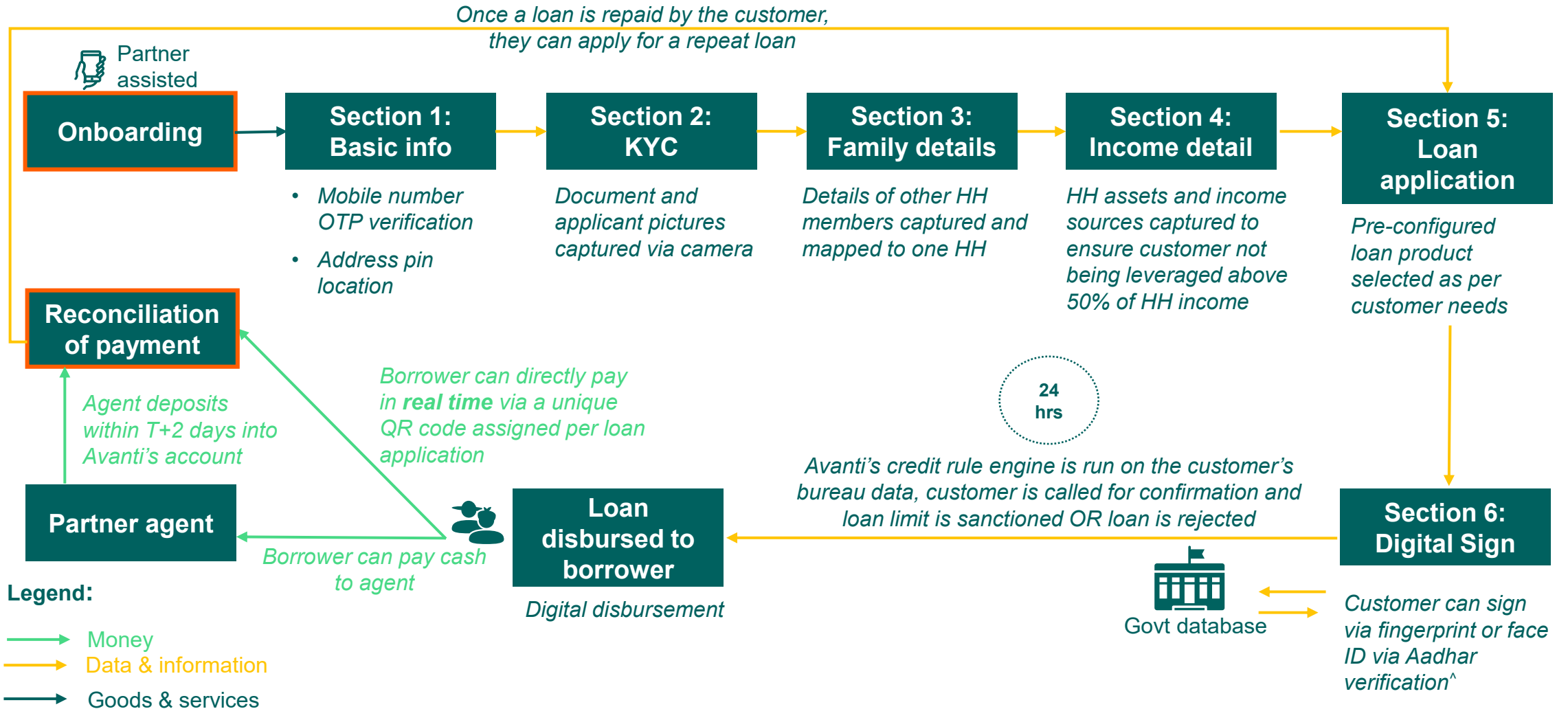
 <h4>Cashless</h4>	 <h4>Customer service</h4>	 <h4>Clear financial terms</h4>
<ul style="list-style-type: none"> • Digital lending that enables lenders to repay loans in any day and time • Avanti Finance has received positive customer feedback from the digital lending process, and they believe that continued use of Fintech is additive and valuable for the company, partners and its customers 	<ul style="list-style-type: none"> • Borrowers state that Avanti Finance has commendable customer service with staff members that are respectful and collaborative in the loan processing and repayment stages 	<ul style="list-style-type: none"> • Borrowers report that Avanti Finance clearly communicates its repayment schedule, with fixed payment, declining balance interest rates with no hidden fees
 <h4>Shorter turn around time</h4>	 <h4>Flexible repayments</h4>	 <h4>Stability</h4>
<ul style="list-style-type: none"> • Avanti Finance has a shorter turnaround time compared to its competitors. Avanti Finance loans typically take 24-48 hours to disburse while others take 1 week 	<ul style="list-style-type: none"> • Avanti Finance has flexible repayment structures that allows some borrowers to pay monthly as opposed to weekly, while also restructuring repayment terms for borrowers in bullet payments 	<ul style="list-style-type: none"> • Strong partnerships and working history with numerous partners organizations across India help provide stability that increases customer trust in the organization

Avanti should conduct **periodic customer surveys** to help company keep abreast with customers perception of Avanti's value proposition and differentiation

Source: Avanti Finance SDM, Focus Group Discussions, 2024



Avanti's paperless journey | The digital onboarding of customers and loan underwriting process enables loan disbursement in 24-48 hours vs a week taken by an average competitor



Sources: Mobile app demonstration, Live customer onboarding

[^]Aadhaar is a government-backed biometric verified identity and address proof and here iris scan is being used for identity validation and digital signing of loan agreement



Stakeholders | Avanti works with a wide range of stakeholders in a highly regulated environment

Actor	Legal status	Function (within this model)	Revenue model (within this model)	Incentive to participate (Within this model)
Partners (Agtechs, NGOs, MFIs)	Private/ not-for-profit	<ul style="list-style-type: none"> Onboard new customers Collect/ facilitate loan repayments 	Partnership fee from Avanti	<ul style="list-style-type: none"> Facilitate finance for their members Scale their business/ organization
Lenders (Banks, NBFCs, NCDs* from HNI*)	Government/ Private	Provide capital for direct and co-lending	Interest on capital	<ul style="list-style-type: none"> Fulfil their PSL targets for banks Minimize risk of default
Investors	Private/ not-for-profit	<ul style="list-style-type: none"> Provide equity Provide debt 	Return on investment	<ul style="list-style-type: none"> Scale the technology-based model Prove a business and impact case for investing in SHF models
Credit Bureaus	Private	Provide access to consolidated credit history	Fee for data services	Access to untapped customer data
Reserve Bank of India (RBI)	Government	Make sure lenders are adhering to regulatory norms	Open market operations	Ensure compliance with regulatory requirements to prevent systemic failures or instability.

*NCDs are non-convertible debentures that are fixed-income instruments that are usually issued by high-rated companies to accumulate long-term capital appreciation

HNIs are High Net-Worth Individuals and refer to people with a significant amount of personal financial assets. In India, an HNI is someone with investable assets worth at least INR 5 crores
Avanti has used NCDs to diversify its funding base and has also issued its first listed NCD



Borrower relationships | Avanti reaches customers through partners who play a significant role managing those relationships, but once onboarded Avanti also engages directly with them



Outreach

- Initial outreach to customers is through partner organizations or hubs.
- Once an individual becomes an Avanti customer, Avanti reaches out to them directly via WhatsApp and SMS to remind them of repayments, update them on loan terms, and to share content around financial literacy and training.



Selection

- Partners define the eligibility criteria of members that they want to lend to and then work with Avanti to design a relevant product.
- Avanti's credit scoring tool is applied to partner data to evaluate and select borrowers.



Contracting

- The loan agreement, as well as other communications, is available in English and vernacular languages.
- The loan agreement is between the borrower and Avanti.
- Funds are disbursed directly into borrower bank accounts.



Segmentation

- 90% of Avanti's borrowers are women.
- 50% of borrowers are in agri/agri-allied space, the remainder are micro-enterprises.
- 60% of their borrowers are new to credit and underserved.



Graduation

- Avanti aims to serve MSMEs with larger MFI loans than is typical, up to INR 500k.
- Avanti is piloting directing lending to self-help group (SHG) members in Orissa who are graduating from group to individual lending.



Data collection

- Borrower data, both at the individual and HH level, is collected by the agent (via the app) during onboarding.
- Customers can view both repayment data and the amount of loan outstanding through the agent-facing app.
- Avanti collects and uses gender-disaggregated data to generate insights and inform business strategy.

Sources: *Conversations with Avanti*, *Avanti website*, [Avanti Finance: The Micro Loans Lender | Entrepreneur](#)



Channel comparison (for business) | Each partner types are unique in their engagement with Avanti, growth potential and impact on smallholder farmers

	MFIs	X-tech	Social/NGOs	Collectives	Avanti Hubs*
Advantages	<ul style="list-style-type: none"> Understands lending business and credit discipline Dedicated staff and structure Can lend for multiple livelihoods needs 	<ul style="list-style-type: none"> Impact on borrowers beyond lending alone Creating value for all stakeholders through value chain interventions 	<ul style="list-style-type: none"> Long-term association in the borrower's community Understands livelihood and social challenges at a micro-level 	<ul style="list-style-type: none"> Ability to balance direct and collective reach of farmers Supporting market facing activities of farmers than production alone 	<ul style="list-style-type: none"> On ground presence to be closest to borrowers Deeper and earlier understanding of customer needs, challenges leading to better product design
Growth potential	<ul style="list-style-type: none"> Established grassroots players Higher potential to scale and growth 	<ul style="list-style-type: none"> Increase number of integrated players In-house lending operations 	<ul style="list-style-type: none"> Social enterprises that grow their lending spin-off into MFI units 	<ul style="list-style-type: none"> Farmer collectives are at nascent stage and there is room for increasing access to finance at scale 	<ul style="list-style-type: none"> On successful piloting, balance hubs' growth and lower fixed overheads
Limitations/ Risks	<ul style="list-style-type: none"> High competition for business from other players Demands higher partnership fees 	<ul style="list-style-type: none"> Impact of partners' core business on lending operations New business models sustaining through economic cycles 	<ul style="list-style-type: none"> Lower business orientation Weaker credit discipline and dilution of recollection norms 	<ul style="list-style-type: none"> Requires high-touch engagement with collectives Competition from specialized lenders focussing primarily on collectives' business 	<ul style="list-style-type: none"> Higher costs to establish and operate hubs Stiff competition from local MFIs to keep operational costs low

Note: * Avanti hubs are Avanti owned and operated channel



Channel comparison (for customers) | MFIs have a wider customer reach and varied loan products while X-techs/collectives offer fit for purpose loans to their captive customers

	MFIs	X-tech	Social/NGOs	Collectives	Avanti Hubs*
Customer reach and type	Enrols customers in their catchment areas mainly for providing financial services	Captive customers with other commercial transactions	Borrowers associated mostly through non-commercial engagements	Captive customers of collectives – may or may not have other commercial transactions	Varied
Loan size	Small to large	Medium to large	Small to medium	Small to medium	Large
Interest rate to borrowers	High	Low	High	Medium	Medium to high
Loan purpose and disbursement	Flexible and cash	Fixed and in kind	Flexible and cash	Fixed , cash and in kind	Cash
Other services	No	Yes	Yes	Yes	No
Loan terms flexibility	Moderate	Flexible according to activity	Moderate	Low	Flexible

Note: * Avanti hubs are Avanti owned and operated channel



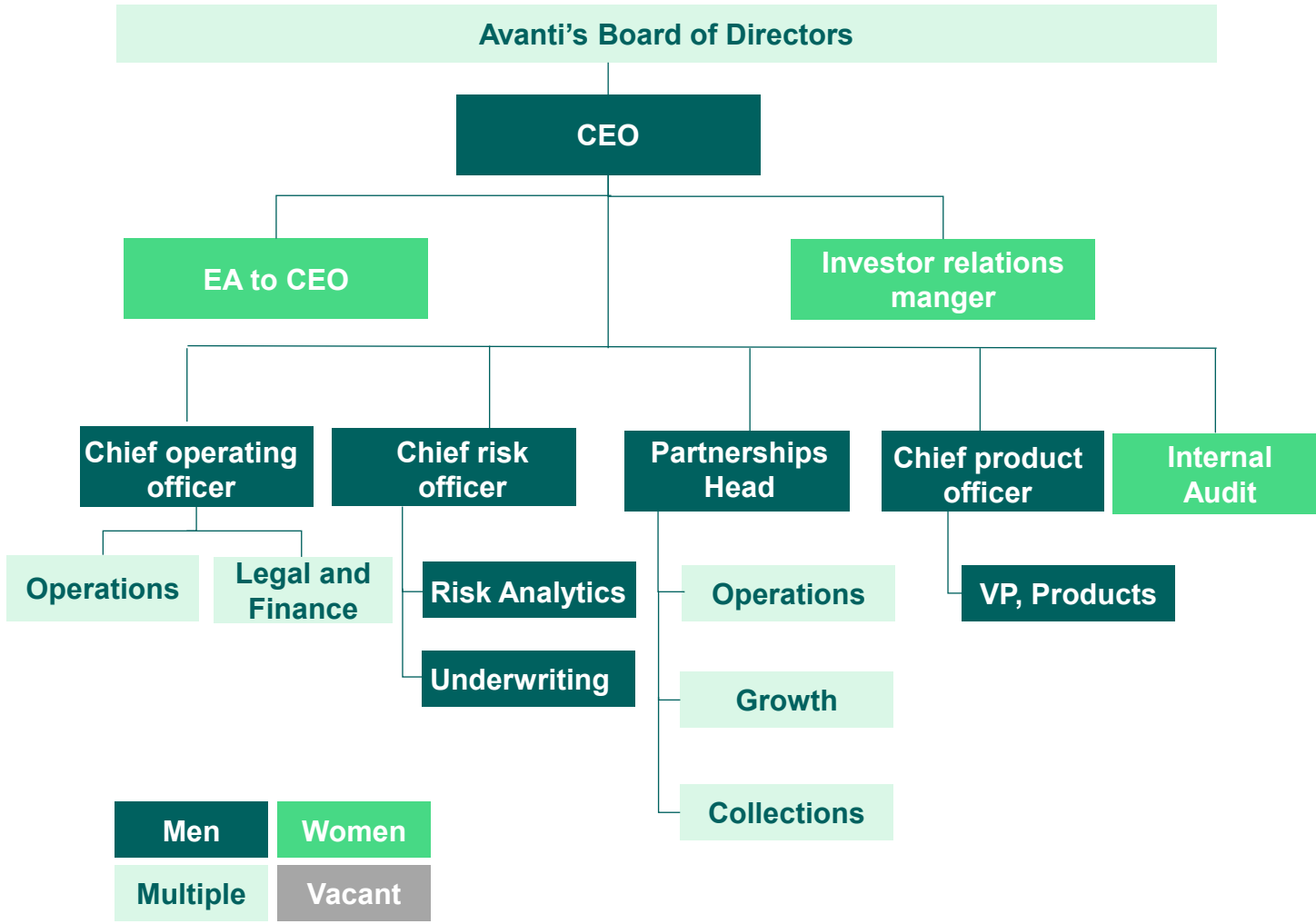
SWOT of Avanti | Avanti's strengths lie in its partner relationships bolstered by its experienced team and digital platform

Strengths	Weaknesses
<ul style="list-style-type: none"> Avanti relies on partner relationships and networks to establish a local presence, enabling them to do so quickly with minimal investment. Avanti co-creates tailor-made loan products with partners to suit cashflow needs of the borrower. Off-balance sheet strategy in the co-lending model unlocks capital at scale over the short-medium term. Avanti is backed by reputable shareholders and founders and is run by an experienced management team. 	<ul style="list-style-type: none"> Operational delays due to time taken to integrate with banks for co-lending and ensuring technology works well with those of bank partners. (Time to operations have come down from 7 to 3 months). Tight pricing band in the customer segment. Scale is a key factor for operating profitability.
Opportunities	Threats
<ul style="list-style-type: none"> Avanti is well placed to lower cost of capital in the long term if its asset base is sufficient due to the size, profitability, experienced management, existing impact investors. Agriculture is earmarked as priority sector in India: Government regulation requires banks to lend 10% to SHFs. Large banks leverage Avanti's advanced loan underwriting technology to comply with regulatory requirements. The shift to digital (over cash) repayments reduces operational costs for the partners, duration of collections and time to process reconciliations. Avanti's digital model enables them to serve those that were previously not served, including those in the most isolated geographies. 	<ul style="list-style-type: none"> Competition from other NBFCs or banks expanding into Avanti's customer segment. - RBI increased the risk weightage on all unsecured exposure to 125%, which generates additional capital requirements for Avanti - the partnership model is expensive. Scale and digitalization is needed to increase profitability. Macro events potentially impact portfolio quality - while in the early growth phase, equity capital raising (which is then leveraged) is patchy – it is important to provide partners with predictability of available capital and to diversify distribution channel.

Sources: IDH Investment Proposal, July 2024



Organizational structure | Avanti has a lean structure with 5 key departments reporting into the CEO and strong relationships with their partners and technology provider



- **Board members:** Avanti has 7 board members who are industry professionals in microfinance with 2 of them being women.
- **Gender ratio:** At the middle and senior management level, 2 out of 9 staff (22%) are women. At the company level, 23 out of 106 staff (22%) are women.
- **External technology team:** Even though Avanti is a technology company, their technology team Indihood sits outside of the company. A portion of Indihood's team of 40-50 people works exclusively on Avanti's platform.
- **Works with over 80 partners.** The partnerships team is closely connected to the partners and works on introducing new products, monitoring loan portfolio, growing to newer markets and driving adoption for digital collections.
- **Partners:** Avanti's field level operations that include customer onboarding and collections are carried out by the different partners in geographies across India.

Sources: IDH investment fund documents, Discussions with Avanti, Avanti Finance's website, Gender Assessment tool EA –Executive assistant



Gender context | While Avanti and its partner companies are aware of the benefits of and are intentional in employing women staff at all levels, there are challenges in retaining them

Ratio	India	Avanti	Observations
Employee gender ratio	0.46	0.22	22% of Avanti's staff are women, lower than for the country overall but comparable to the financial services sector in India. Specifically, within this sector in India, women represent 21.7% of employees and 15.9% of key management personnel. Entry-level hires are equal across men and women, but more experienced roles skew heavily towards men. There is higher turnover rates among women due to gendered norms that result in them leaving the workforce after a certain age or around certain life events. Gendered social norms have posed some challenges in attracting and retaining women field staff. However, Avanti is actively encouraging partners to increase their field staff. Partner-2 and Partner-3 have higher than industry standard women field staff at 20% and 90% respectively.
Equal pay	0.52	NA	Avanti provides equal pay to men and women and is currently drafting its HR-related policies to ensure these practices are vested within company policies. Avanti's partner, Partner-2, provides housing for its male field staff. Women field staff are provided a housing stipend instead.
Women in leadership	0.14	0.22	22% of Avanti's senior and middle management positions are filled by women; this is better than the national average of women in leadership positions.

Sources: Global Gender Gap Report 2024, Avanti Gender Assessment tool. CFA Institute 2023. Mind the Gender Gap



Gender context | Avanti's women borrowers have a strong foundation in terms of education, bank accounts and mobile phones that can be leveraged to increase digital repayments

Indicator	Observations about Avanti women farmer borrowers
Primary education enrolment	Avanti's customers have a level of basic and numerical literacy that enables them to independently consume information that comes to them directly from Avanti on their phones without difficulties.
Estimated earned income	According to participants in one FGD, income from farming-related activities account for ~ 30-40% of annual HH income. About 80% of the earnings are in cash, the remaining 20% digital.
Bank account ownership	All Avanti borrowers have bank accounts, where the loan is directly disbursed into. Some borrowers still prefer gold as a means to save, but many of them now save in their bank accounts.
Mobile phone access and usage	All Avanti borrowers have access to a smartphone, and most of them have their own mobile devices. While all of them receive digital payments, none of them make digital repayments on their own due to lack of trust in DFS, lack of confidence/ perceived capacity to carry out digital payments and repayments being made on a scheduled day in a JLG gathering facilitated by partners field staff
Land ownership	SHF borrowers do not necessarily own land in their names. But farming is a household activity with most women spending a significant portion of their days working on the land.

Sources: Findex, 2021. [Global Gender Gap Report 2024](#), [World Bank Data](#)



Gender assessment | Appointment of a gender lead and articulation of gender intentional strategies could benefit women SHFs, employees and Avanti's bottom line

Strengths

- By virtue of providing microfinance, the overwhelming majority- 90%- of Avanti's borrowers are women. This exceeds their stated target of 80% but is lower than the industry average of 98%.
- They are intentional in serving women that sit at the bottom of the pyramid. They have set a target that 60% of borrowers belong to households whose incomes are less than INR 350,000 (driven by investor demands).
- Avanti's holistic framework assesses partners based on factors such as the number of women employees and women field staff.
- Avanti has processes to solicit inputs from borrowers on their experiences with Avanti, and multiple channels of communication for borrowers to air grievances.
- Avanti has developed standard operating procedures (SOPs) that guide how partners' staff interact with customers, including sensitizing them to visiting them during certain times of the day and treating customers fairly and respectfully.

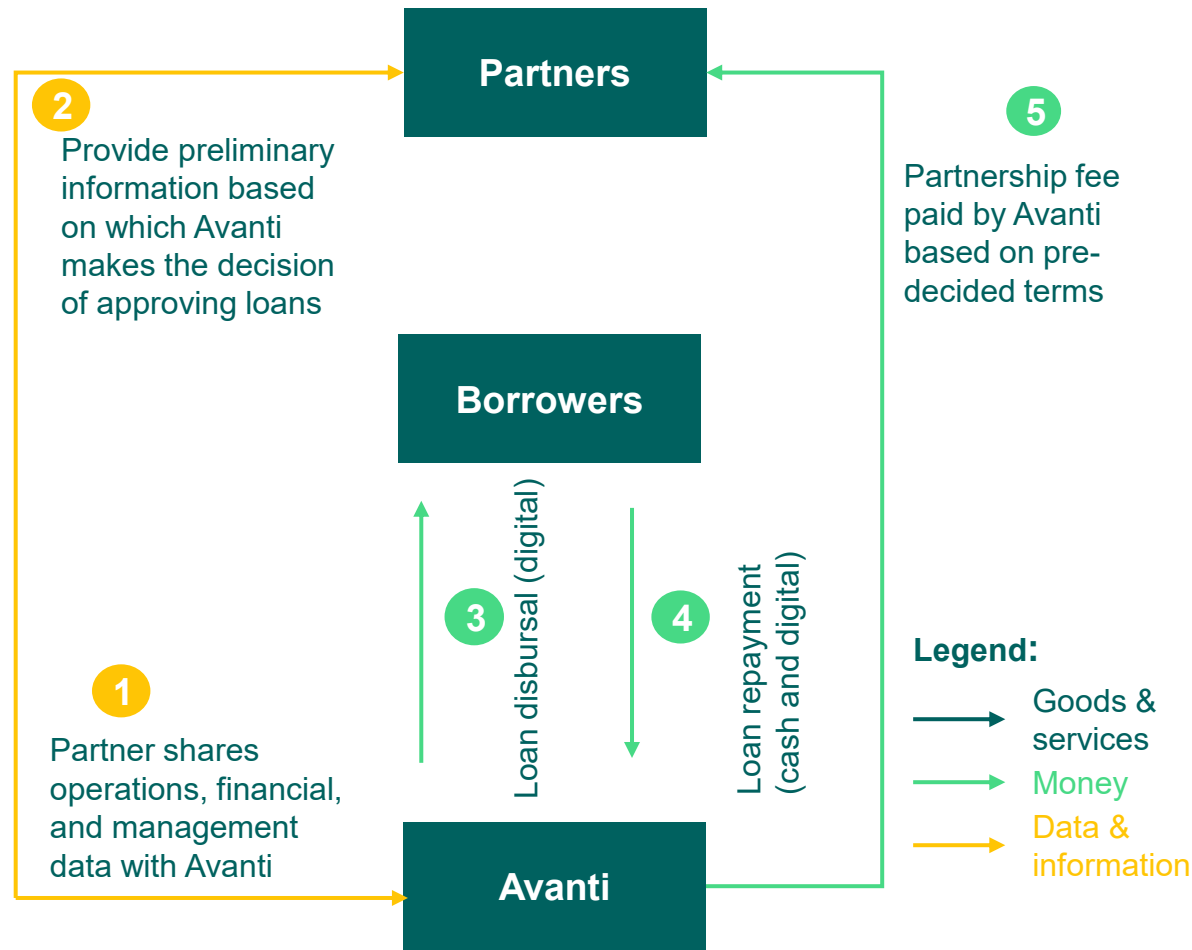
Opportunities for improvement

- Avanti could develop a gender strategy and appoint a gender lead to more explicitly cater to the needs of women SHFs.
- Avanti plans to leverage the rich gender-disaggregated data that they collect to design products that meet the specific needs of women. This could be further strengthened by incorporating user feedback from the ground to improve them as needed.

Sources: Avanti Gender Assessment Tool, [Microfinance institutions empower women entrepreneurs amidst social challenges](#) | Mint



Gender innovation | Avanti leverages partners, most of whom have existing relationships with women, in offering them financial services



Company business case

- Avanti innovates in the microfinance sector through offering customized ranging in size, tenure, repayment cycles for productive purposes of which women are the largest segment.
- Avanti’s tech-based underwriting allows it to lend to young women who had not previous access to credit (33% of the young women in 2024 were new to credit).
- Partners with well-established relationships with women provide handholding, act as intermediaries, and assist with physical repayments; allowing Avanti to establish a local presence without any feet on the ground.

Women’s experiences

- Women mentioned that they do not require to travel and spend on additional procedures such as taking print outs of documents and taking family photos due to Avanti’s fully digital onboarding.
- Avanti ensures that its partners and their field staff treats women customers with dignity, improving their experiences and helping them build comfort/ confidence in transitioning to more digital.
- Women pay a lower interest rate for MFI loans- including those from Avanti Finance- compared to those from local moneylenders.

Sources: On field discussions with the partners and Avanti’s leadership team



Enabling environment (1 of 4) | Avanti's technology differentiates them from other MFIs.

Additionally, changes in the natural environment due to climate change has implications for both Avanti and the farmers they serve

Opportunity Neutral Risk

Category	Farmer/partner org level	Avanti level	Impact of service delivery of Avanti
Technology	<ul style="list-style-type: none"> All of Avanti's borrowers have bank accounts, all of them digitally enabled, either through mobile phones or UPI. All of Avanti's borrowers have access to a smartphone, and a significant portion have their own mobile devices. Avanti plans to develop a customer-facing app potentially leading to self-service over time . Different partners rely on technology in differing ways. 	<ul style="list-style-type: none"> Avanti's technology platform, anchored in a digital spine, is built to be flexible, customizable, and for scale. Agents use an app to capture customer data and to onboard them. 	<ul style="list-style-type: none"> Avanti's cost of operations is reduced by leveraging its digital platform and relying on partner infrastructure, as it eliminates the need for brick-and-mortar structures and higher headcount. Borrowers leveraging technology for repayments means that women in more remote and harder to reach areas can be served, expanding Avanti's customer base.
Natural environment	<ul style="list-style-type: none"> The number and severity of climate related episodes (heat waves, drought, floods) are on the rise, impacting the yield (excessive, inconsistent, insufficient) and quality of crops, which in turn has implications on the market price and earnings of those goods, and therefore the income of SHFs. Soil degradation and water scarcity can limit agricultural potential, making it a challenge for some SHFs to sustain operations. 		<ul style="list-style-type: none"> Extreme weather conditions impacts both the ability of partners to serve customers (loan application and repayments) as well as borrower's ability to repay. Avanti maintains geographical diversity as a portfolio management strategy from a derisking perspective.



Enabling environment (2 of 4) | While Avanti operates in diverse yet stable geographies where the state of the infrastructure is varied, risks and costs are managed by leveraging partner presence

Opportunity Neutral Risk

Category	Farmer/partner org level	Avanti level	Impact of service delivery of Avanti
Infrastructure	<ul style="list-style-type: none"> The condition and network of roads in rural India is quite good, in part due to the Prime Minister's Rural Roads Program of India. Avanti leverages partner organizations' on-the-ground presence for its operations. GSM coverage is still limited and often patchy in rural India – many locations are still limited to 2G. 	<ul style="list-style-type: none"> Avanti's platform can be considered the digital infrastructure used to provide credit to large numbers of the un/ underserved, with potential for scale. The agent-facing app needs to be online given the various processes for a digital onboarding process. Customer-facing app potentially leading to self-service over time 	<ul style="list-style-type: none"> Avanti's paperless, presence less and cashless model means they are better set up to work with those in harder to reach areas, even if mobile signal is inconsistent. One MFI partner operating in the hilly terrain of the northeast achieves 100% digital repayments. Working in partnership with organizations that have a presence on the ground helps mitigate risk and keep costs down.
Institutional stability	<ul style="list-style-type: none"> There is a diverse set of partners (MFIs, ag techs, fintechs) that Avanti works with, each at various stages of maturity and stability. 	<ul style="list-style-type: none"> MFIs are well-established institutions with a long-standing history in India, governed by the RBI. Avanti was set up in 2016 with the backing of business heavy hitters, including late Mr Ratan Tata and Nandan Nilekani. 	<ul style="list-style-type: none"> Avanti is a well-capitalized entity operating in a mature space, giving them the bandwidth to try out new approaches in serving customers within regulatory ambit. The RBI has a history of bringing in regulations considering the industry scenario and borrower interests.



Enabling environment (3 of 4) | Avanti seeks to bring down cost of borrowing by improving ratings and accessing funds at lower costs, leverages partners' workforce to keep operating costs down

Opportunity Neutral Risk

Category	Farmer/partner org level	Avanti level	Impact of service delivery of Avanti
Inputs & financing	<ul style="list-style-type: none"> • Farmers access finance for productive purposes, (including agri-related inputs) from Avanti and other MFIs. • Avanti offers farmers a range of products to meet their diverse needs. 	<ul style="list-style-type: none"> • Avanti largely accesses capital from NBFCS. By improving its rating, it hopes to access funds at better rates from banks. • Avanti has raised ~USD 67m of capital over four funding rounds. 	<ul style="list-style-type: none"> • Avanti will be able to bring down costs by improving its rating and accessing funds at lower costs.
Labor & workforce	<ul style="list-style-type: none"> • Most borrowers work on their own land (without hired help), often alongside household members. • Most of women spend more time on and earn more from their non-farm income. • Partners serve as Avanti's field staff, identifying and onboarding borrowers, and facilitating repayments. There are ~1,800 field staff through ~60 partners. 	<ul style="list-style-type: none"> • Avanti has a total of 125 full-time employees across functions. • Avanti works with external technology and back-end operations team and relies on partners to reach borrowers. • 22% of the Avanti team, including senior and middle managers, are women. 	<ul style="list-style-type: none"> • Avanti's model of partnering with organizations that have presence on the ground helps keep operating expenses low and allows them to expand rapidly into new geographies. • Avanti hubs increase personnel on the ground but are a small part of the business now. If they were to be expanded, then workforce monitoring would increase operating expenses and HR capacity



Enabling environment (4 of 4) | Avanti can competitively serve its customers due to its strong reliance on technology and group structures

Opportunity Neutral Risk

Category	Farmer/partner org level	Avanti level	Impact of service delivery of Avanti
Pricing & competition	<ul style="list-style-type: none"> • Farmers are able to access livelihoods loans from Avanti at 24-26%, slightly lower compared to what other MFIs offer • Farmers often borrow from multiple MFIs • Some partners have Avanti as one of several MFI/ lending partners through whom they serve customer finance needs. 	Avanti's model of relying so heavily on its technology platform enables them to competitively serve customers.	<p>Avanti is able to offer competitive prices to borrowers, due to its digital-first nature of business.</p> <p>At the end of 2021, 160 million Indians are credit underserved and another 400 million have not been served at all¹ which outlines a huge opportunity for Avanti's model.</p>
Land Tenure	<ul style="list-style-type: none"> • Most Avanti borrowers are SHFs with small parcels of land, if any, at the household level. • Land is usually in the name of a male household member. 	Avanti works with partners in assessing alternate data, including around land tenure to determine borrowing eligibility and appropriate limits.	n/a
Social norms	<ul style="list-style-type: none"> • Some of Avanti's partner organizations encourage women agents by adopting supportive practices, and setting goals for them, premised on the idea that women borrowers may be more likely to engage with women agents. 	Avanti trains its staff and those of partner companies to ensure women's needs are considered when engaging with them to address specific challenges women face.	Avanti leverages group structures, (including women's groups) which have traditionally served organizations well in reaching out to women borrowers in addition to leveraging technology to serve women.

¹ TransUnion CIBIL



3

**Partners
impact
case**



Partner selection | Avanti works with a mix of partners of different sizes and in different geographies. 4/5 partners mentioned below were interviewed to understand Avanti's proposition and impact potential.

	Partner-1	Partner-5	Partner-2	Partner-4	Partner-3
Type of partner	Agtech	Agtech	NBFC-MFI	NBFC-MFI	NGO-MFI
Geography	Tamil Nadu (Coimbatore/ Ooty)	Karnataka (Bengaluru)	Chhattisgarh and Odisha	Assam (North-East)	(North-East)
Type of loans	Agri loans to farmers for input package	Cattle loans, sachet loans	JLG/Individual borrower	JLG/Individual borrower	JLG, SHGs, Education, Livelihood, MSME, Agri, Solar
Share of Avanti portfolio					
Number of loans[^]					
Research approach*	<ul style="list-style-type: none"> • Business Model • Focus Group • Farmer Survey 	<ul style="list-style-type: none"> • Farmer survey only 	<ul style="list-style-type: none"> • Business Model • Focus Group 	<ul style="list-style-type: none"> • Business Model only 	<ul style="list-style-type: none"> • Business Model only

Deciding which research approach to apply to each partner is a mix of interest, proximity and available budget. For example, not all partners could be visited within the week planned for the team's visit to Avanti; and only two farmer surveys could be conducted. Whereas Partner-1 and borrowers have been assessed most comprehensively, Partner-4 and Partner-3 have only been interviewed about their business model and Avanti's proposition. [^] Number of total loans till July 2024



Relationship with partners | Avanti’s hi-tech high-touch approach helps in co-creating tailor-made products and aids in making their operations efficient and cost effective

Shared benefits	<ul style="list-style-type: none"> • Paperless and fully digital approach – saves costs and time • Easy process of customization of loan products; regular meetings with Avanti’s partnerships team • Embedded life and health insurance (Hospicash)
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	Partner-1	Partner-2	Partner-4	Partner-3
How do partners benefit?	<ul style="list-style-type: none"> • Farmers adopting Partner-1’s products and services (package of practices) • Customizing based on value chains – potato, carrot, beetroot • Understanding in case of crop-failure (repeat loan for new Partner-1 package) 	<ul style="list-style-type: none"> • Avanti onboarding does not require dedicated tablets for Avanti (as in the case of ESAF, another partner) • Avanti’s data sharing and MIS insights stand out compared to competitors • Support partners staff with incentives and training 	<ul style="list-style-type: none"> • Same day disbursement for repeat customers • Support on income generation, financial literacy trainings • Ease of onboarding due to paperless process 	<ul style="list-style-type: none"> • 100% digital and paperless • Faster disbursements (5-6 days compared to 10-15 days from other partners), increasing trust among customers • Reduced cost of operations • Reduced risk of handling cash • Reduced risk of fraud • Flexible repayment options • Customer education on graduating from smaller to larger ticket loans.
How does Avanti benefit?	<ul style="list-style-type: none"> • Access to high-impact portfolio of farmers 	<ul style="list-style-type: none"> • Access to Partner-2 network of customers • Understanding of hyperlocal context, needs 	<ul style="list-style-type: none"> • Access to large number of customers with low delinquency 	<ul style="list-style-type: none"> • Access to new customer segment (below-poverty line)

Discussion with partners, field visit to Partner-2 and Partner-1



Gender intentionality | The MFIs are particularly high on gender intentionality by the nature of the sector. Partner-1 has special provisions for women customers who form only 20% of their customer base

	Partner-1	Partner-2	Partner-4	Partner-3
Intentionality				
Workplace policies				
Farmer engagement				
% of women field officers	5%	20%	10%	90%
% women employees	30%	7%	30%	90%
% of digital collections				
SHF borrowers of which women, %	20%	99%	99%	77%
Gender-intentional innovations	Partner-1 is providing input loans to widows without any male guarantor based on the strong relationships and on ground presence. This showcases an empathetic approach which is now including a certain segment of women that were earlier marginalized	Partner-2 has a goal to have 20% women agents. Women agents are provided a housing stipend to encourage women agents. Partner-2 seeks to change how women use financial services through their smartphones	Conduct financial inclusion trainings for its customers leveraging public resources allocated for women empowerment. Brainstorm with women on income generation ideas for which loan can be facilitated	Due to the 100% digital collections and an extensive customer onboarding training process, the challenge of extensive travel for women field officers for collections is overcome and hence 19/22 field officers are women

Source: Interviews with respective companies; company operational and borrower data

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About Partner-1 | Partner-1 has an extensive network of partners and thrives on innovation. However, it is facing the challenge of scaling up its services as quick growth may lead to higher cases of default for farmers

Partner-1 Farmer Network



- Partner-1 has onboarded 1 million farmers on its digital platform called Partner-1 farmer network which aims to be a one stop shop for farmer needs.
- It delivers through its physical partnerships for inputs with major input providers in India. Partner-1 administers the extension services through a farm data management portal (powered via Mastercard), artificial intelligence (AI) and geospatial crop monitoring tool (Sagri, Japan) along with backend tools for measuring and managing impact.
- Partner-1 had initially partnered with Jai Kisan (AgFintech providing farmer loans) to ensure farmer affordability for its input package. Since 2019, working directly with Avanti as a sole partner for farmer financing for Partner-1’s input package (includes seeds, fertilizers, growth accelerant, nutrients, crop protection and rental farm equipment). XXX such loans for input packages have been disbursed till Jun 2024. Scaling up has been a challenge due to slower pace of adoption depending on the crop cycle and the nature of service which requires a physical interaction between the farmers and the field agents.
- Partner-1 also has a provision to buy back the produce from its farmers. However, there is room for improvement as many farmers are not actively selling their produce to Partner-1 due to various reasons (better pricing received via other channels, older relationship with other traders, approached by other traders first).
- Partner-1 also provides an alternate input package to be used in anticipation of a climate event such as excess rain. The farmer can use this new package and repay the loans from the earnings in the next harvest.

Sources: Partner-1’s website, discussions with Partner-1 team, desk research



Partner-1 gender intentionality | Partner-1 has a strong customer relationship with its women customers and innovates on an ad-hoc basis. This can be formalized via an organization wide gender strategy with targets on onboarding women customers



Strengths

- Strong customer connect and empathetic approach
- Focus on hiring women in back-office roles
- Higher satisfaction of women customers
- Innovations to prevent exclusion of women customers

Opportunities for improvement

- Partner-1 has rich gender disaggregated data on its farmers. It could analyse the data to understand the performance of women farmers vs men farmers based on:
 - Yield and quality of produce
 - Loan repayment rates
 - Loyalty towards selling the end produce to Partner-1 that would also enable tailored product offerings.
- Partner-1 does not yet have an explicit gender strategy. It can leverage the gender-disaggregated data to formalize the gender strategy and set targets for reaching X number of women through its platform

Sources: IBA gender assessment tool, field visit, farmer interviews

Partner-1 farmer discussion | The farmers see value in inputs provided and the alternate crop package in case of crop failure due to climate shock

10 farmers (7 men and 3 women)

General characteristics of Partner-1's borrowers

- The farmers cultivate carrot, alongside beetroot, garlic and potato
- Most farmers owned a smartphone and 5 acres of land on an average (Partner-1 loan taken for 1-2 acres)
- The three women were long standing members of SHGs and had a history of borrowing capital for the household's needs
- They do not own livestock as it is difficult to maintain due to terrain and leopard attacks
- The farmers have another source of income in the family (formal employment, transport business, equipment rental, driving) apart from farming

Challenges

- Quality seeds are expensive for carrot, beetroot, garlic, potato
- Crop is adversely affected due to climate change (worst drought in 30 years)
- Need timely inputs
- High cost of labour
- Falling carrot prices (due to over production in neighbouring area)

Needs

- Finance for agricultural equipment, garlic seeds
- Lending at lower interest rates
- Need payment on the day of sale of produce
- An alternate source of income/ or insurance in case of climate shock (apart from taking another loan)

“If my crop fails, Partner-1 provides new loan and inputs as an assurance and as farmers have good relationship with Partner-1, they repay the loans”

Progressive farmer (Partner-1's first farmer in the region) and his wife, age 45-55

“Quality of inputs is better for Partner-1. Mostly use cash but recently download Gpay and use it to transfer money to relatives”

Woman farmer with 15+ yrs of experience age 35-40

“Last time it took 20 days for seeds to be available due to shortage at Partner-1's end. I would like to get funding for garlic seeds as the prices were sky-high this time”

Male farmer with transport business age 35-40

“I am an SHG member payments, 6 years and have taken multiple loans for my children's education. My children use digital payments, but I use cash”

Women (widowed), age 30-35

Pictures taken during the Partner-1 farmer visit to Ooty

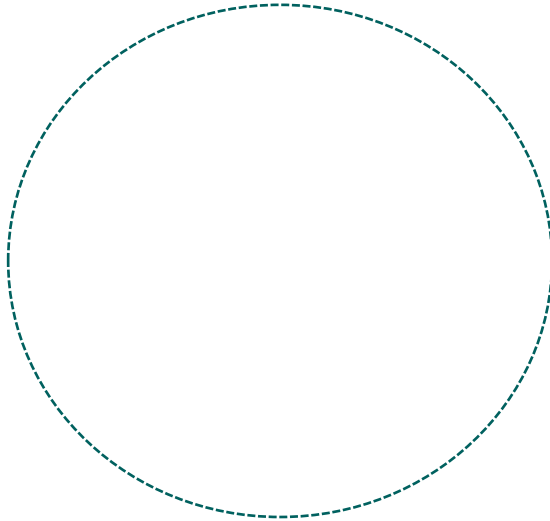




About Partner-2 | Partner-2 works with NBFCs and banks in helping them reach last-mile customers



Partner since 2023
Portfolio size: X



Partner since 2021
Portfolio size: X



Partner since 2010
Portfolio size: X

- Partner-2 is a business correspondent (BC) network that was spun out of its parent organization in 2019 to serve its microfinance portfolio, providing loans in the INR 20-80k range to 100k households in Odisha and Chhattisgarh.
- All of Partner-2's lending happens on the books of their partners)
- Partners are selected based on alignment of values selection tends to favour those that are driven by social goals and impact objectives. Partner-2 also looks for organizations that complement the parent organization's work in health, education, livelihoods, and training.

Partner-2 website
Portfolio size is of partner with Partner-2



Partner-2 gender intentionality | By virtue of operating in the microfinance space, 99.5% of customers are women. Partner-2 has a goal of having 40% women agents.



Strengths

- 99.5% of their borrowers are women.
- Strong representation of women among agents at 20%: They have a goal of achieving 40% women agents.
- Their women agents are among the top 10 performing agents.
- Women agents are provided housing and conveyance stipends which serves as an incentive to keep them engaged as Partner-2 agents.

Opportunities for improvement

- Given there is 100% smartphone penetration at the HH level among borrowers, Partner-2 can encourage digital repayments as a way to improve their operations and get women comfortable making digital payments.
- Offer borrowers resilience-building products such as savings and insurance as a risk management strategy, given reasons for non-repayment include business loss and health emergency.

Partner-2 focus group | Partner-2's borrowers run the risk of being over leveraged due to the high number of lenders operating in the region

16 women (5 own land, 11 farm labour)

General characteristics of Partner-2's borrowers

- 6/16 women have a smartphone and 3/16 had a feature phone, and 100% households owned at least one smartphone
- Most customers borrow from other MFIs as well along with Avanti
- Income from non-agricultural occupation – brick laying, bakery, tailoring etc.- form 60-70% of household income,
- The women have access to health insurance and crop insurance via the government (although it is cumbersome, expensive and lacks continuity), and HospiCash insurance through Avanti Finance.
- 100% have a formal bank account in their name

Challenges

- Over-leveraged as microfinance lenders are aggressively lending in the region
- Climate change has resulted in falling water levels in wells, and farmers are now having to source water where rainfall was earlier sufficient for irrigation purposes,
- Extreme heat is resulting in loss of livelihood (reduction in business as less people venturing out)
- Commissions charged on transactions (by banking agents to withdraw money or other financial services)

Needs

- Higher ticket sizes
- Loans at lower interest rates
- Equipment rental for agriculture (tractor and power tiller)

“ 10 years ago, rainwater was sufficient but now we need to rely on external water sources such as bore wells ”

Woman farmer, age 35

“ I use the phone for Facebook and WhatsApp (social media) but not for digital payments as I don't trust the system and myself ”

Woman farm labourer, age 45

“ It takes about a year to process crop damage claim via the government's crop insurance program ”

Woman farmer with own land, age 40

“ Moneylenders used to charge 5% per month (7-10 yrs back) for emergency loans but now we have Avanti and other lenders (1.5 to 2% per month) ”

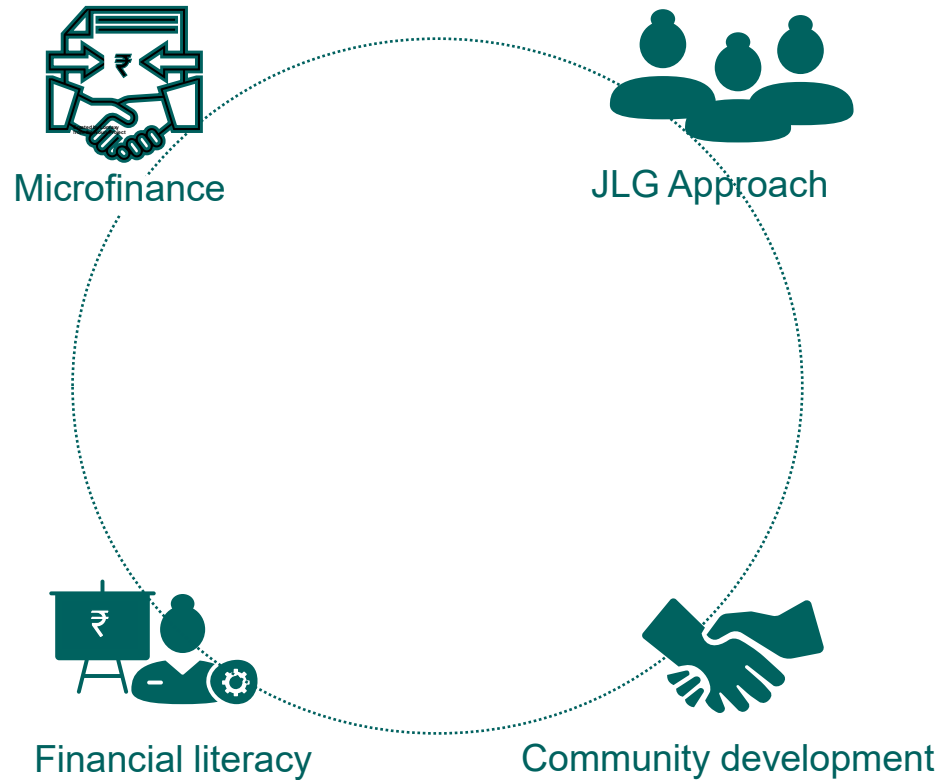
Woman, age 50

Pictures taken during the Partner-2 field visit to Odisha





About Partner-4 | Starting off as a non-profit organization, Partner-4 sets itself apart from other MFIs through its long-term customer relationships

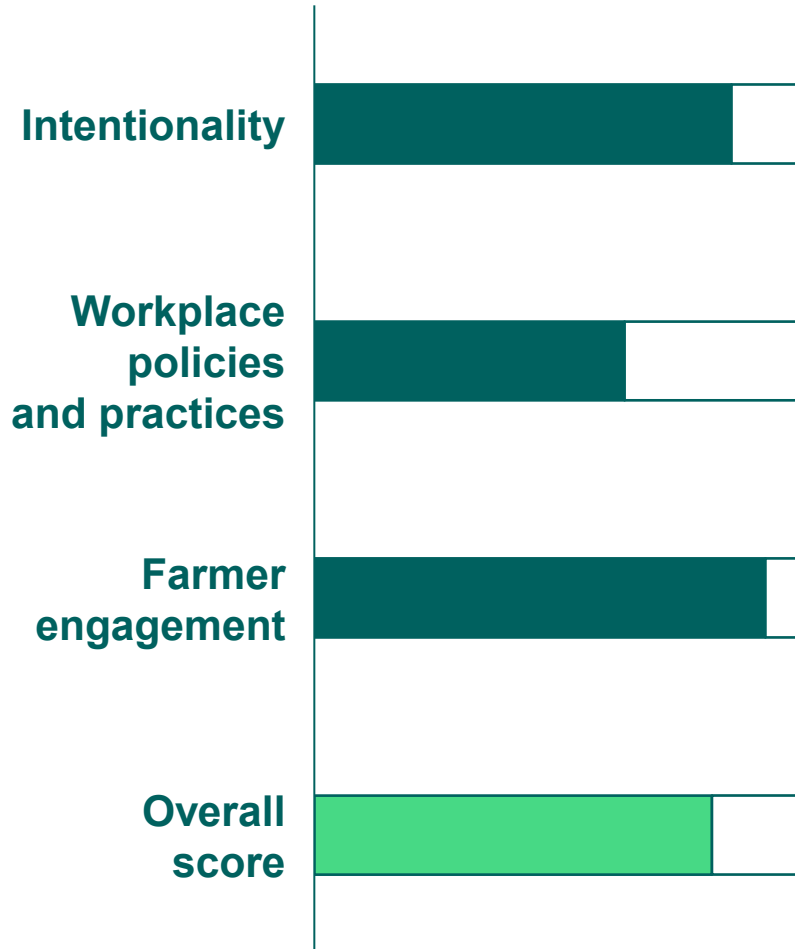


- Partner-4 started off as a non-profit charitable society in 1998 and thus customer welfare is part of their core values. It started its microfinance activities in 2004 as an NGO-MFI. In 2013, Partner-4 Private Ltd. was established securing an NBFC-MFI license from RBI.
- They are currently operational in 4 Indian states – Assam, Arunachal Pradesh, Meghalaya and Mizoram with largest operations in Assam. They are also planning on expanding to Goa and Karnataka.
- They service their 52,000 borrowers through a team of 220 and 50 branches with loans in the INR 50-200k range.
- Partner-4 also conducts financial literacy trainings and few social activities such as health checkup camps, cleanliness programs, AIDS awareness¹ etc.
- Partner-4 envisions to become the “*most trusted microfinance brand in India, providing access to diverse financial services to 100,000 families by 2027².*”

¹ Partner-4_website ² Partner-4 Annual report (2023)



Partner-4 gender intentionality | Partner-4 has a bold vision and ambition to expand to new geographies while staying true to its impact driven mindset



Strengths

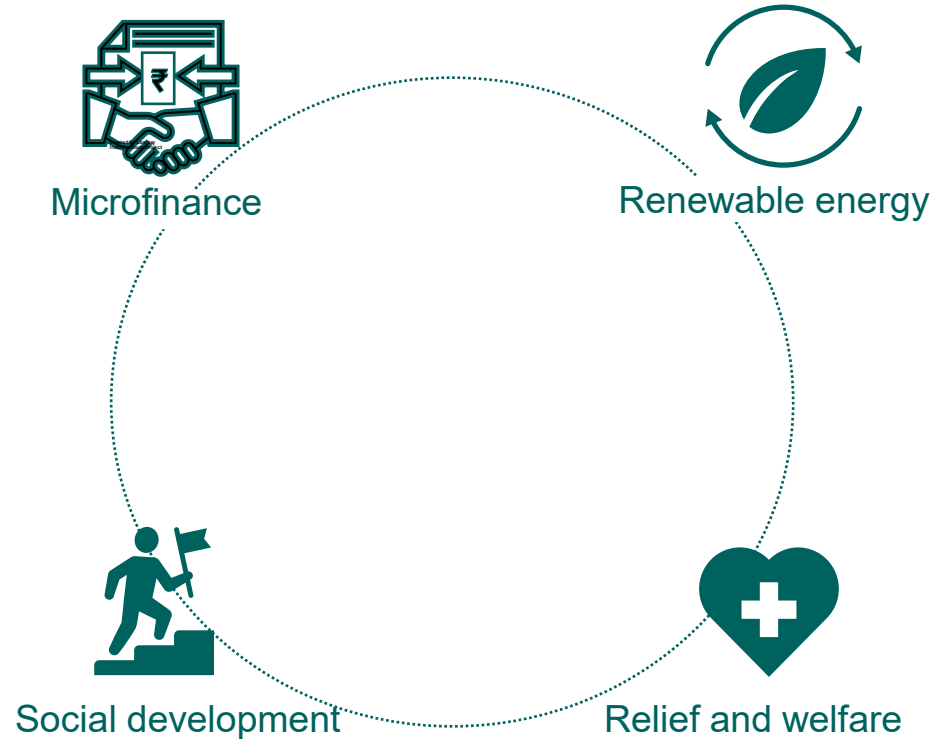
- Solid employee relationship and near zero employee attrition
- Strong customer relationships resulting in lower 30+ DPD
- Offer value-add gender tailored services such as financial inclusion training, entrepreneurship development and understanding of loan usage.
- Local organization with strong and deep community ties and understanding.
- Borrowers have life and health insurance through Avanti.

Opportunities for improvement

- As Partner-4 prepares to expand to other geographies in India, the effect of climate events needs to be considered while disbursing loans.
- There is scope to increase the number of women field officers of Partner-4 from its current share of 10% of the total field officers. The Guwahati branch is the only branch with women, the remainder of field staff are men.
- Opportunity to reduce costs as digital repayments increase (less expenses required for paper, fuel, and travel allowance)



About Partner-3 | Microfinance is one of the key channels to provide services to its target customers that are marginalized below poverty line (BPL) customers, mostly women



- Partner-3 is an MFI-NGO operational in since 1991².
- Partner-3 lends to only below poverty-line customers and identifies them based on household assets the own.
- Due to its hilly terrain, it is difficult to physically visit the customers and collect money. Partner-3 has 100% digital collections from all its customers.
- It has trained its customers on UPI123 which is an instant money transfer method for feature phones that works without internet¹.
- Partner-3 is operational in 7 districts of and offers loans for education, income generation, entrepreneurship, home improvement (lighting). .

¹ [NPCI website](#) ² [Partner-3 website](#) FWWB is Friends of Women's World Banking, is a non-profit organization making financial services accessible to Indian women from low-income groups



Partner-3 | A very gender intentional organization with gender at the core of their business reflecting in their strong customer relationships



Strengths

- 100% digital collections leading to lower operational costs reducing risk of cash handling
- All of their borrowers are saving, Partner-3 offers a long-term savings product¹
- Intensive, comprehensive, and customer-centric (7-day) onboarding process that includes organization introduction, partner introduction, product introduction, financial literacy training, responsible borrowing training, and explanation of impacts of delayed payments. Post session, borrowers are assessed after which loans are disbursed to them.
- Lower rejection rate (20%) which is better than Avanti's overall average of 30-40% reflecting that the customers selected by this are more in line with Avanti's evaluation criteria.

Opportunities for improvement

- Evaluating scope for digitizing the intensive 7-day onboarding process as the costs saved due to 100% digital collections are utilized in these trainings.
- Leveraging government capital to conduct some of the financial literacy trainings as part of their onboarding process.

IBA gender assessment tool based on virtual discussion with Partner-3 leadership 1 Partner-3 mentioned a 10-15 yr systematic investment plan (SIP) and recurring deposit (RD) offered by Partner-3



4

**Avanti
Finance
Business
Case**



Customer borrowing behaviour | Avanti customer base includes adult and young women borrowers as key segments. Behavioural similarities and differences observable in transaction data were assessed across several dimensions

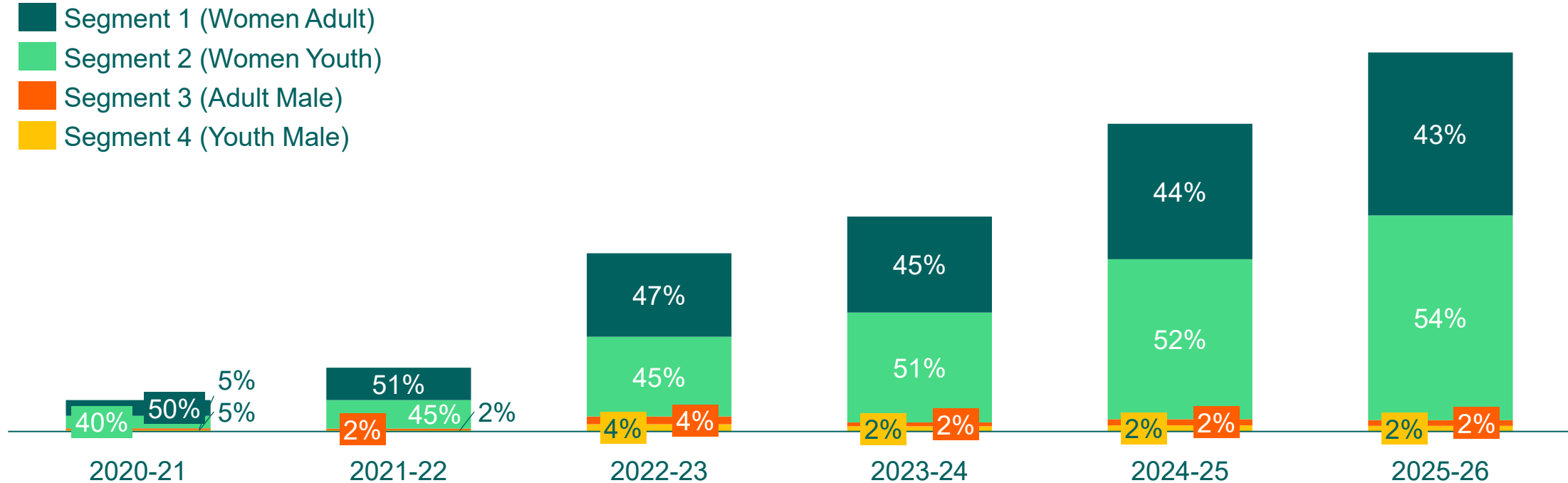
Portfolio segment composition	Loan size	Loan preferences	Loan taking behaviour	Credit risk profile
Number of active rural-portfolio borrowers by segment	Size of loans taken by borrower segment and product	Type of loan products taken out by borrower segment	Duration of loan taking by segment	Risk profile of customers taking loans by segment
82% of rural borrowers Total of XXX active customers (rural and urban)	Average loan size of INR ~XXK for agriculture, livelihoods and livestock loans	46% of rural loans are livelihood loans, followed by 28% for agriculture activities and 25% are livestock loans	Over 60% of women borrowers take loan for 2 years and 30% of them take loan for a duration of 1 to 1.5 years. 20% of men borrowers take short term loans compared to 10% of women	33% of young women borrowers are new to credit compared to 22% for adult women. 28% of Avanti's men borrowers are new to credit

Source: Avanti data, IBA analysis



Number of customers | Total number of active borrowers is estimated to reach just over XX thousand by 2025-26

Number of active clients 2021 to 2026



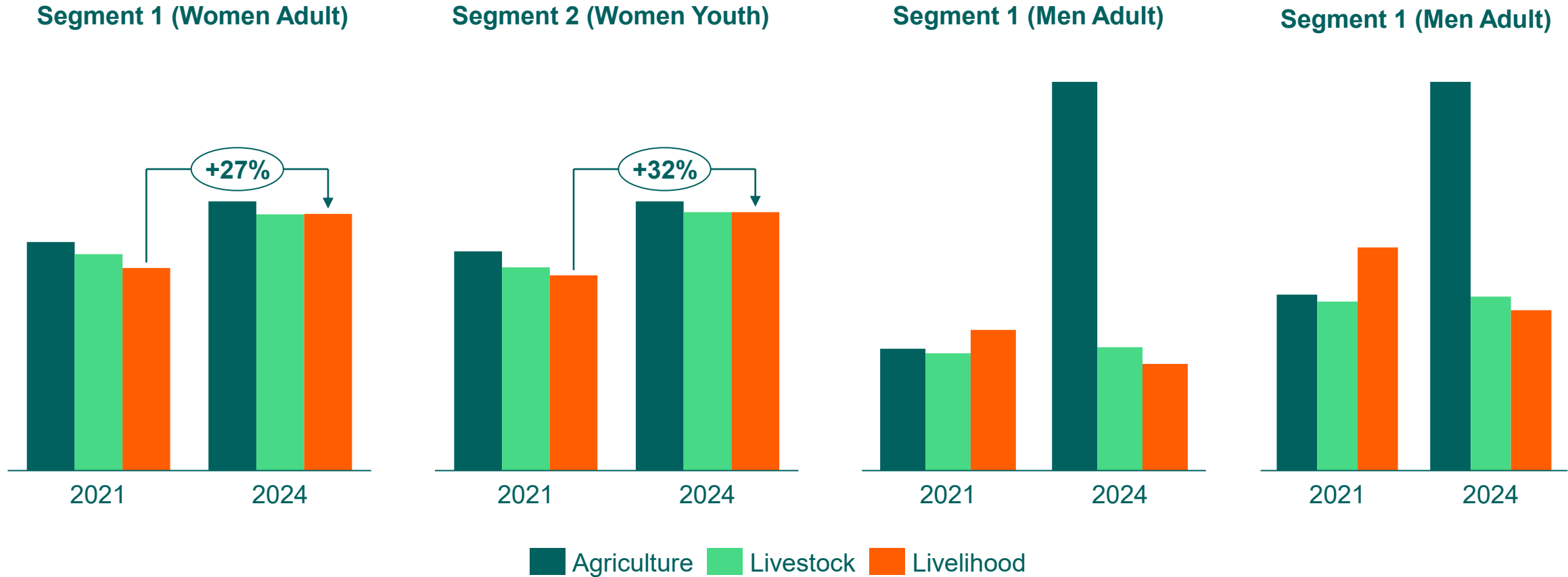
- Number of active borrowers of Avanti finance is expected reach over XXX borrowers by FY2025-26.
- Share of women customers is expected to stay over 95% of total in coming years and increasing share of young women borrowers taking loans from Avanti finance

Source: Avanti data



Loan size | Average loan size of women borrowers has increased by 25-32% over past 3 years whereas average loan size of men (Livestock and livelihood) have remained constant or slightly decreased

Average size of loans* by segment and loan type (INR '000)

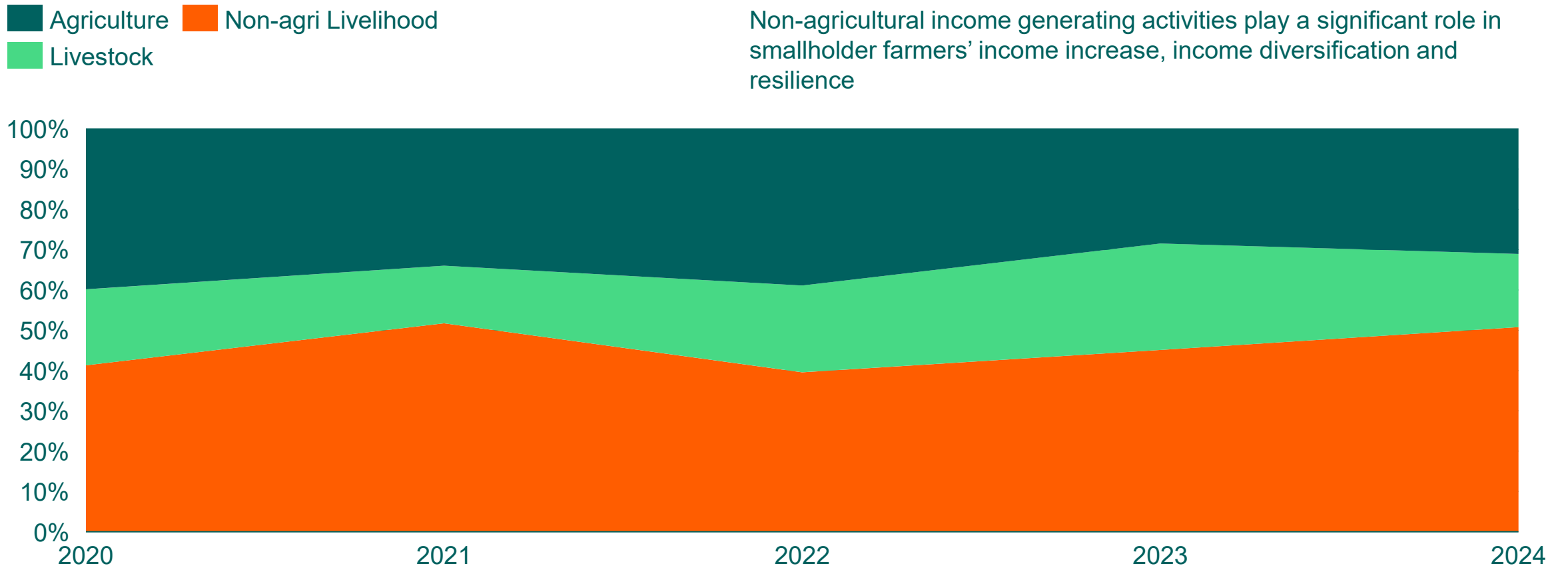


Note: All numbers for Avanti's rural portfolio only



Loan purpose | Avanti Finance’s disburses nearly 50% for other livelihood activities of rural borrowers thereby supporting them in non-agricultural income generating activities

Total disbursements – Portfolio by loan* type (% of total disbursement value)

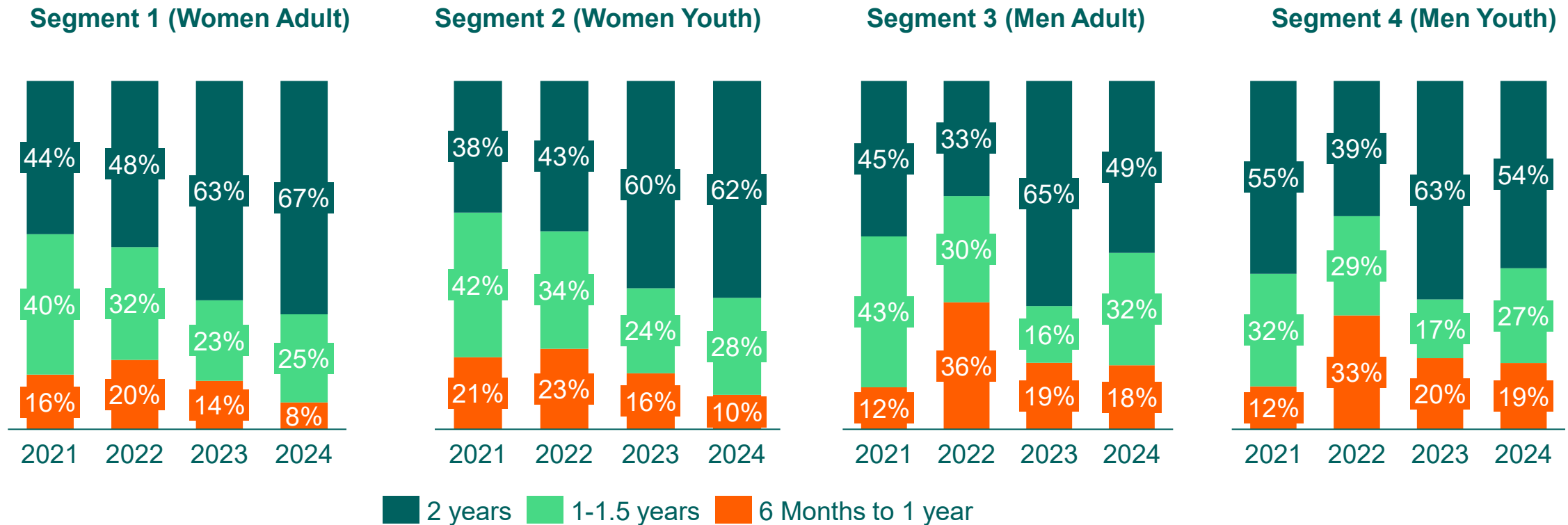


Note: * All number for rural only portfolio. 2024 data up to June end



Loan taking behaviour | A larger share of rural women borrowers are taking longer tenure loans up to 2 years that will enable them access relatively larger size loan with reduced pressure on repayments due to cashflow volatility. No significant change in loans tenure of men borrowers

Average loan duration across segments



Notes: Average duration in years for rural loans from 2021 to 2024



Customer risk profile (Women) | Share of high-risk customers including new to credit (NTC) is getting reduced among rural women borrowers, pointing to Avanti's strong underwriting process and ability to grow business from quality customers

Percentage of credit score for women customer segments



Source: Avanti data. For Avanti's rural portfolio only



Customer risk profile (Men) | Credit score risk profile of rural men customers is higher than rural women borrowers. However, even Avanti's men customers risk profile has improved consistently over the past few years

Percentage of credit score for men customer segments



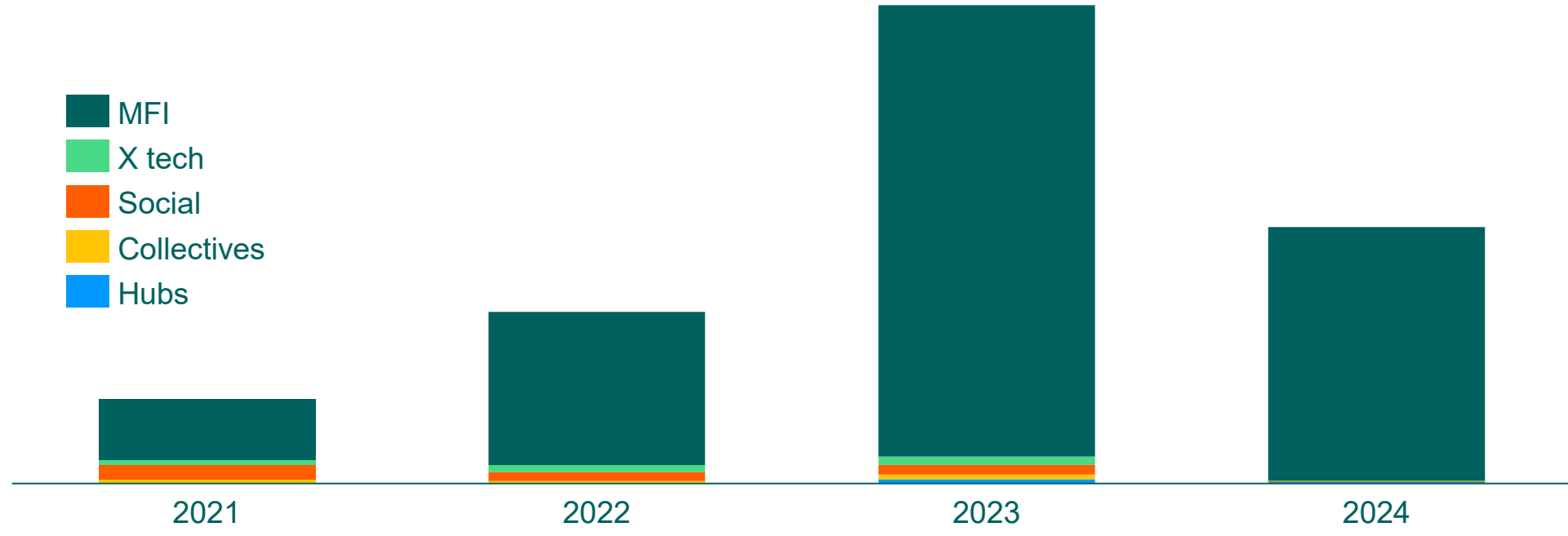
- Men in rural areas have higher risk profile due to reasons such as non-existence of JLGs among men borrowers, over-indebtedness borrowing from multiple lenders and borrowing for riskier ventures .

Source: Avanti data. For Avanti's rural portfolio only



Loans disbursed by channel | Over past 3 years, MFI partners channel is driving Avanti's loan growth while X-tech, social organizations and collectives have stagnated or reduced

Number of loans disbursed for each partner type channel



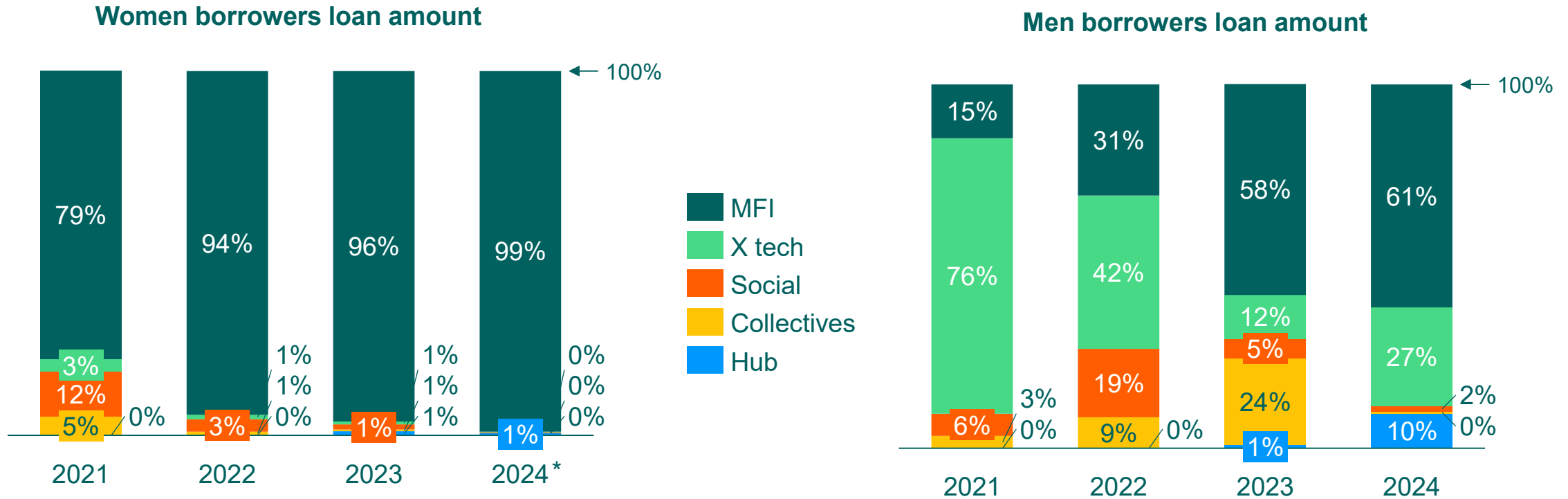
- Avanti was able to capitalize on the strengthen of its digital platform to onboard MFIs that have strong on ground presence through their branch network and deep knowledge about their communities
- X-techs channel has stagnated due to fewer new x-techs being onboard and existing X-techs not able to grow as estimated earlier. Limitations of X-techs are discussed in [an earlier slide](#)

Note: For rural portfolio only.
 * 2024 data up to June



Portfolio size by channel | MFI partners contribute over 90% of loan amount disbursed for rural customers and over 95% of loans disbursed to rural women borrowers

Loan principle disbursed through different types of partners - Total amount disbursed



- Women borrowers in rural areas account for 83% of total women active loans numbering xxx.

- Men borrowers in rural areas account for 68% of total men active loans numbering xxx. Gig workers availing loans through X-techs in urban areas are mostly men explaining their relatively higher share of X-techs.
- Avanti hubs have currently provided MSME loans of relatively large ticket size and men account for 60% of total disbursals

Note: For rural portfolio only.
* 2024 data up to June



5

Impact Case

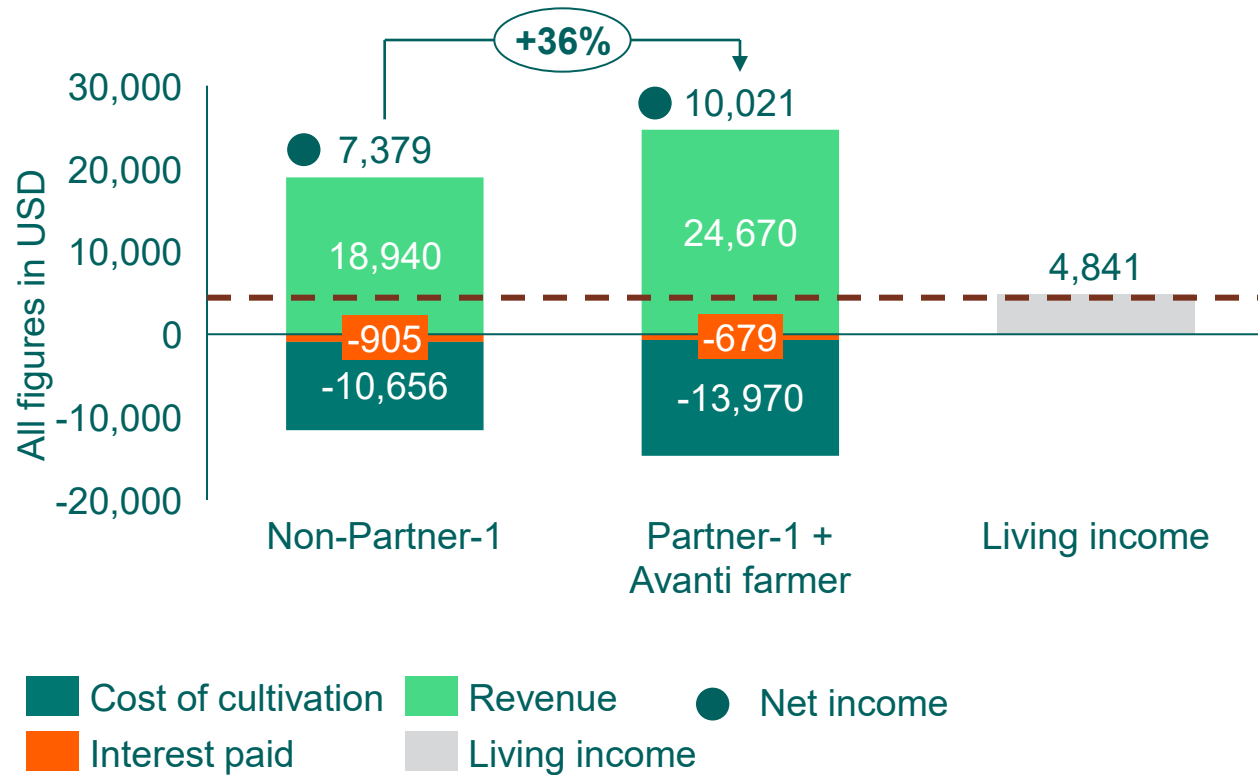


Partner-1
farmers
Carrot and Potato



Farmer Income | Partner-1 farmers accessing Avanti's finance can earn 36% more in net income even after spending 27% more on the cultivation on 2 acres of land

Projected net annual income for farmers (USD)



Observations:

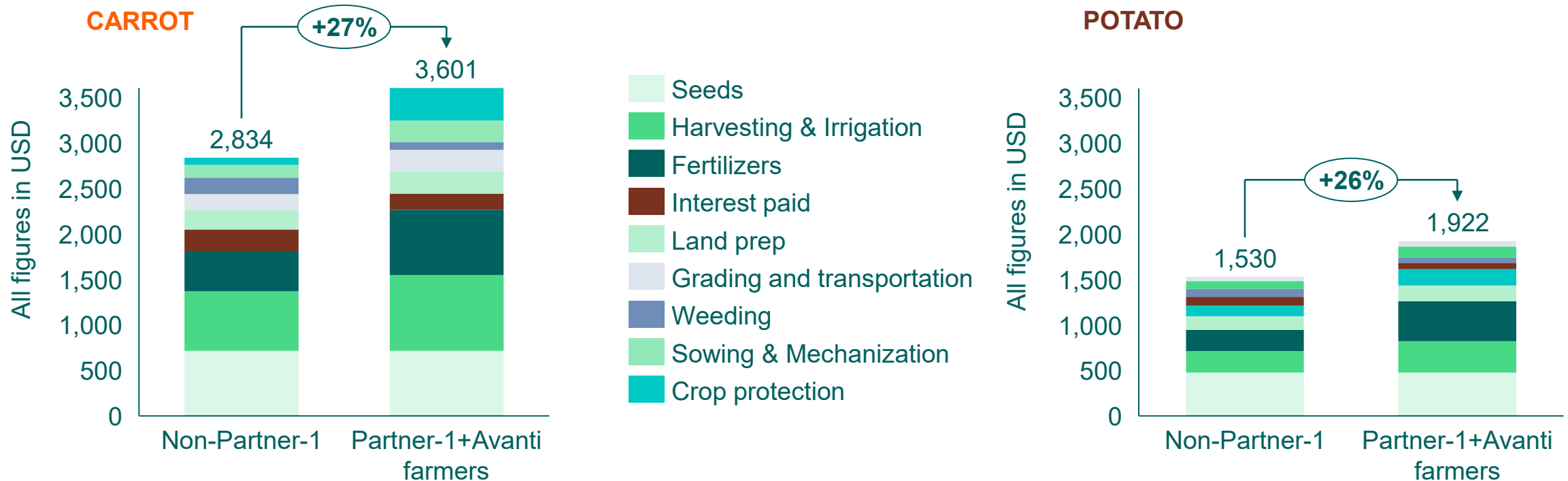
- Partner-1 has 6000 active farmers in the Nilgiris (Ooty) region with Avanti loans disbursed to over 3000 customers.
- Both these segment of farmers are well above the living income benchmark taken for this study. This is because the cool climate in Ooty is favourable for growing carrots which are sweeter than the normal varieties and fetch a premium.
- On an average, an Ooty farmer cultivates thrice a year rotating between carrots and potatoes.
- Partner-1's input package for farmers (consisting of seeds, fertilizers, crop protection along with advisory services on how and when to use these inputs) is financed via the loans offered by Avanti.
- This input package results in a 27% higher cost of cultivation but also results in a higher yield (~30%) for the farmers leading to a 36% higher net income.

Notes: Majority of Partner-1 farmers (50%) in the Nilgiris region cultivate carrot twice a year in 1.5 acres of land. Same farmers are cultivating potato in 2 acres of land in between the 2 carrot seasons. Farmers can do cropping round the year due to favourable climatic conditions. The capital borrowed by each segment is assumed to be USD ~5900 over a year split into 3 loans.



Cost of Cultivation | The key reasons for a higher cost of cultivation for Partner-1 farmers are costs for better quality of fertilizers, crop protection and timely advisory through Partner-1's agronomists

Cost of cultivation for carrot and potato per acre (USD)



- The increased cost is due to a difference in accessibility and quality of fertilizers and crop protection. Partner-1 farmers get timely access to these inputs based on Partner-1 agronomist's assessment.
- The increased cost does not signify an increased quantity of fertilizers or crop protection. However, its application requires labour which is expensive in the region due to accessibility (USD 6 and USD 12 per day for women and men labourers respectively).

Sources: Partner-1 cost of cultivation data, IBA tool



Impact of yield and interest rates | An increase of 1 MT/acre in crop yield could potentially increase the farmer net incomes by 10%

% Change in net farmer incomes as a function of crop yield and loan interest rates

		Yield for carrot (MT/acre)					
		18	19	20	21	22	23
Loan interest rates (%/annum)	20%	-27%	-14%	-1%	12%	26%	39%
	19%	-27%	-14%	0%	13%	26%	39%
	18%	-27%	-13%	0%	13%	27%	40%
	17%	-26%	-13%	0%	14%	27%	40%
	16%	-26%	-12%	1%	14%	27%	41%

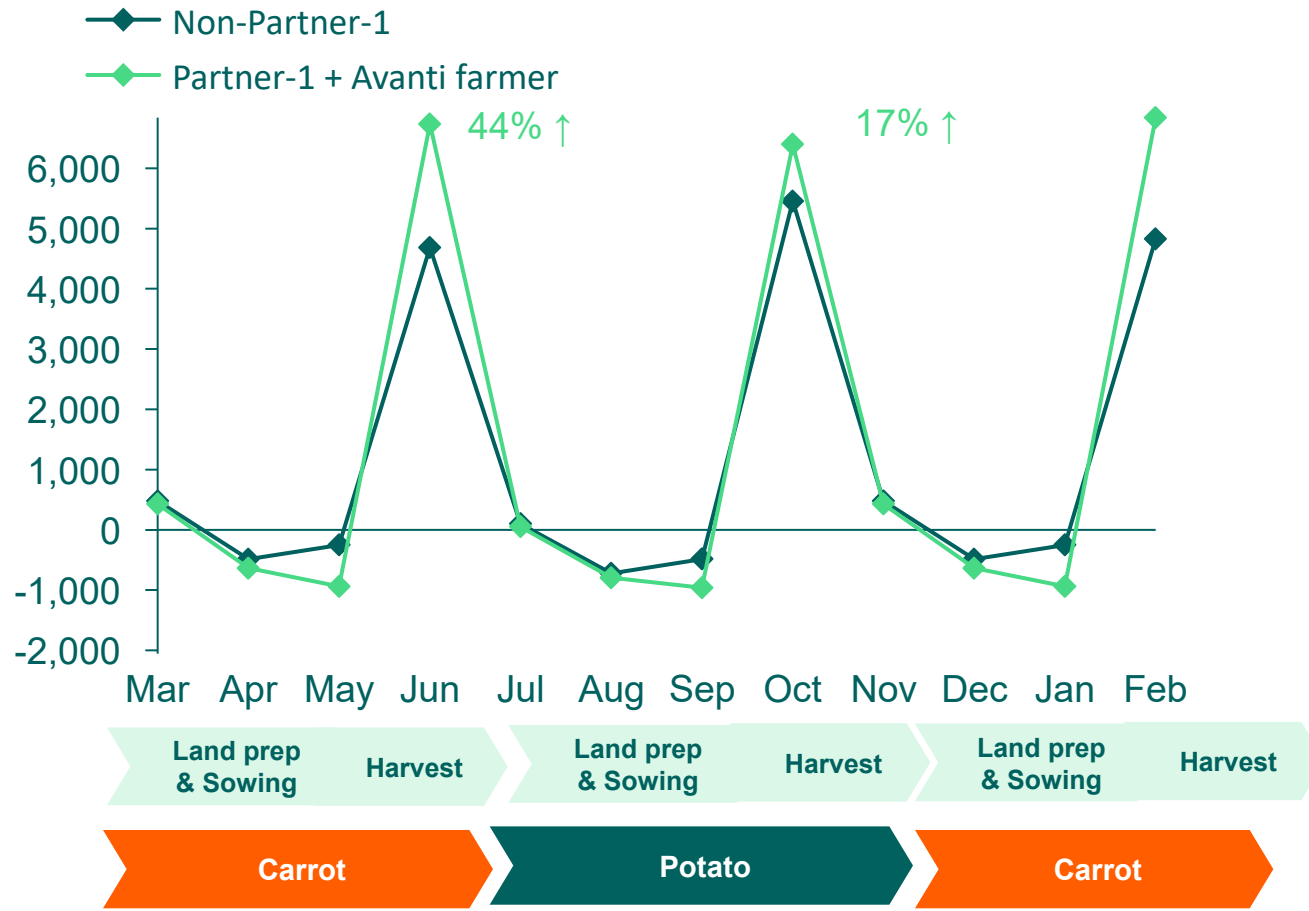
- Achieving a higher yield is the most important driver for a Partner-1 farmer's income.
- Receiving loans at a lower interest rate is key to reducing a farmer's risk and facilitating timely access to inputs.
- An average Partner-1 farmer borrows ~USD 4,500 for carrot crop over the year split into 2 loans. The loan tenures are **shorter** (4-6 months) and total interest paid is ~USD 550 per farmer over the year. This amount is less than 10% of a farmer's net income from carrot cultivation (~USD 6,500) and hence the reduction in interest rates have a relatively lower impact on the net farmer incomes.

Note: Carrot farmer's may also additionally borrow ~USD 1200 for potato cultivation between the 2 carrot crops which adds ~USD 3500 to the farmer's net income



Monthly cash flow | The farmers with 1.5 acre earning ~USD 6000 per harvest from carrots and potatoes can face cash stress if any one of the harvest fails due to weather events.

Cumulative net cash flow (USD)



- The carrot and potato farmers receiving loans from Avanti have higher cashflows in a **harvest** season compared to their counterparts (non-Partner-1 and non-Avanti) due to:
 - A higher yield and better quality of produce due to Partner-1's input package
 - Access to finance at a lower interest rate (18% vs 24% for other farmers)
- Partner-1's input package is partially financed by loans from Avanti that are disbursed in tranches as per the needs for crop cultivation. Farmers supplement this with their higher earnings from the previous seasons.
- In recent times, farmer incomes have seen a negative impact due to some unforeseen events:
 - The carrot prices have been volatile over the past season which was unfavourable to few farmers in this region as carrot prices collapsed
 - In 2024, during June-July there was a severe drought followed by excessive rain in the region and 70% of the farmers surveyed as part of the HH survey mentioned that they lost a small portion of their produce due to changes in climate particularly rainfall patterns.

Sources: IBA Tool and cost of cultivation data, Farmer monthly P&L

Notes: Partner-1 farmers have a bullet repayment schedule where at the end of 4-6 months the amount is to be repaid including the principal and interest at once



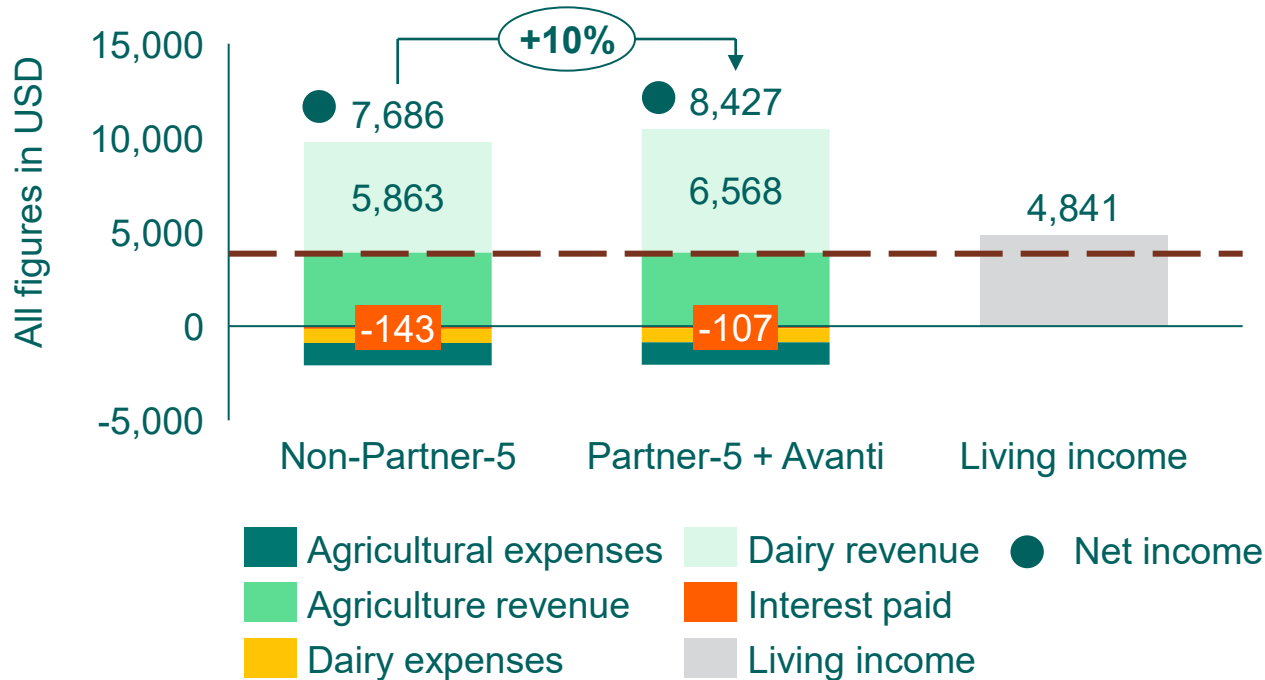
Partner-5

Dairy and cereals



Farmer income | Partner-5 farmers borrowing from Avanti are expected to have 10% higher net incomes on account of Avanti's lower interest rates and slightly better milk prices from Partner-5

Projected net annual income for farmers (USD)



Observations:

- Both these segments of farmers are above living income for a HH of 4.5 people which is also supported by the HH survey.
- Partner-5 offers financial services, digital solutions, cattle advisory and access to agri-inputs which result in overall better quality (higher fat content) milk resulting in slightly better prices for Partner-5' farmers.
- Interest paid is 1.5-2% of a farmer's net income due to smaller ticket sizes and Partner-5 loans are repaid via the milk collections at their collection centres.

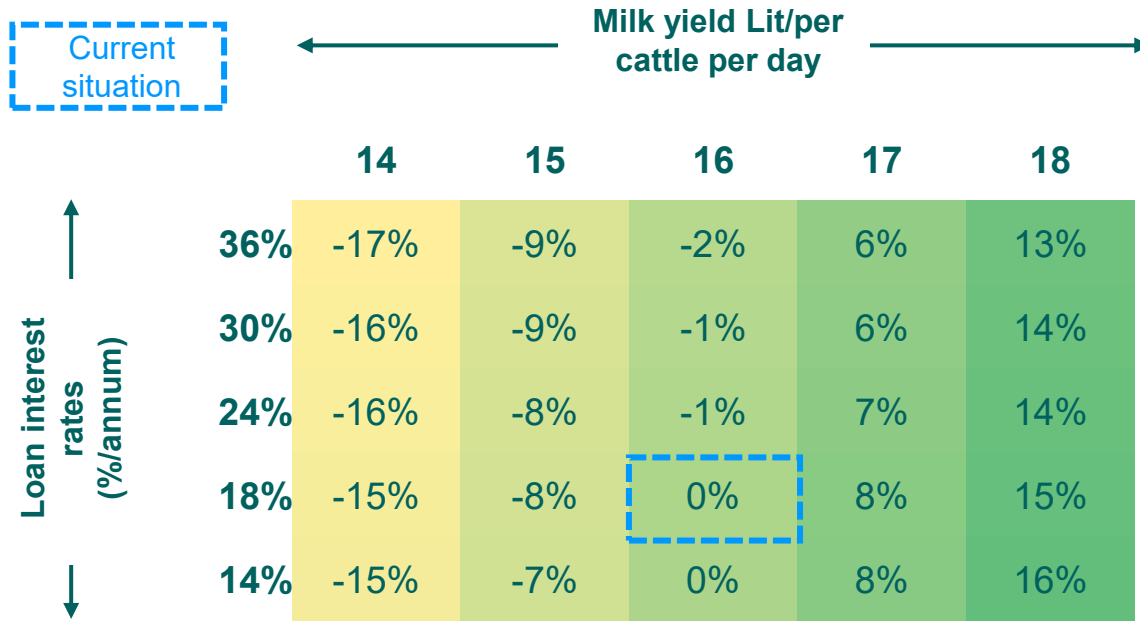
Notes:

Dairy farmers cultivating crops such as millets or vegetables over 2.5 acres of land and earning 60% of their total income from dairy. Having 4 cows, where each cow is milking for 270 days in a year. Partner-5 farmers get INR 1.5/lit (0.02 USD/lit) more as compared to non-Partner-5 farmer (baseline). This is considering Partner-5' more accurate milk fat measurement mechanism. Also, the cows yield ~7% higher due to Partner-5' services. The key difference is in financing costs of 18% vs 24% for non-Partner-5 farmers. Rest all expenses are considered equal. The capital borrowed by each segment is assumed to be USD ~600 over a year.



Impact of milk yield and interest rates | An increase of 1 lit/day of milk yield of cattle can achieve a 7-8% increase in net farmer incomes

% Change in net farmer incomes vs milk yield & loan interest rates



- The key income driver for Partner-5 farmers is milk yield (increases due to technological advancement in dairy sector).
- An average Partner-5 farmers borrows ~USD 600 for a tenure of 12 months and interest paid (USD 100) is less than 2% of the farmer’s net income from dairy (~USD 5,700).
- Interest paid remains a smaller portion of the farmer’s income indicating an opportunity for graduation of farmers to higher loan ticket sizes. Currently 6% (75) of active Partner-5 loans are over USD 1700. The 90+ DPD customers with loans above USD 1700 is 9% (still higher than benchmarks) vs 21% for all Partner-5’ active loans (~1300). None of the customers with loans over USD 1700 are 180+ DPD.
- The impact of lower interest rates would be higher for a farmer with lesser number of cattle (Ex. for the same farmer having 2 cows, the difference in net incomes can go up to 5% for the same loan amount taken at 36% vs 18% of annual interest).

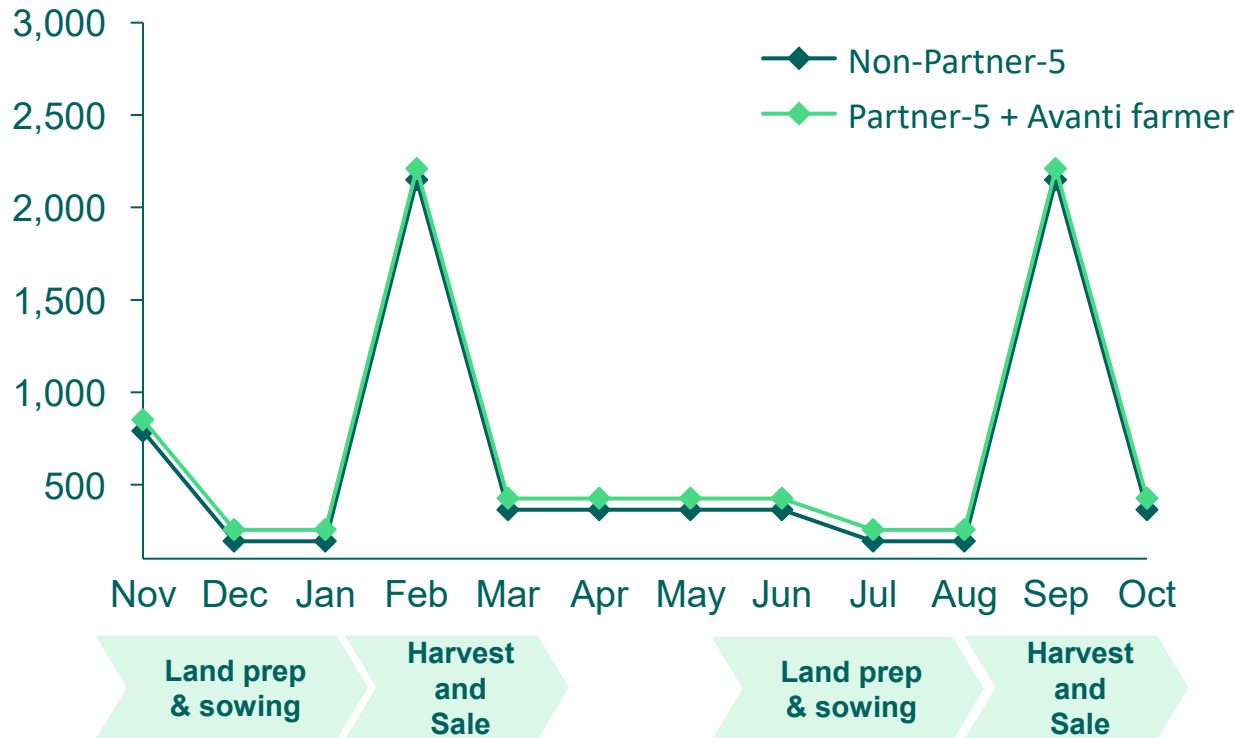
Partner-5 HH survey data, IBA tool, Avanti MIS July 2024

Note: Capital borrowed is USD ~600 and income from agriculture is USD 2700 resulting in the net income annual income of USD ~8400



Monthly cashflow | Avanti is recommended to consider the impact of agricultural income on a dairy farmer's HH while calculating the eligible loan amount

Cumulative net cash flow (USD)



- Dairy farmers do not face severe shortage of cash during any of the months in the year and this was corroborated via the [HH farmer survey](#).
- An average dairy farmer with at least 4 cattle and 2.5 acres of land is expected to have a monthly positive cash flow of USD ~500 from milk revenue.
- The monthly instalments for Partner-5 farmers for a loan of ~USD 600 is ~USD 60. Considering the revenue and monthly cashflows, a farmer is expected to comfortably pay an EMI of USD 250 (50% of net revenue from dairy) for a 12-month loan of USD ~2400.
- However, this assumption may not hold true in case of a crop failure. In that case, the entire HH will depend on dairy revenue for catering to their living expenses and may lead to loan defaults.
- Even with a **50% reduction in agriculture income, it would be a challenge for the HH to pay an EMI for a USD 2400 loan**. But the HH would just be able to pay the EMI for a USD 600 loan.
- Hence, it is recommended to consider the impact of agricultural income while calculating the eligible loan amount.

IBA tool, Farmer Monthly P&L, HH survey

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IDH Annual Report (2022)



Farmfit Insights Hub

This report was created using think-cell

Thanks

ABERA would like to express its sincere thanks to Avanti Finance for their openness and willingness to partner through this study. By providing insight into their model and critical feedback on our approach, Avanti Finance is helping to pave the way for service delivery that is beneficial and sustainable for farmers and providers



Partners



Ministry of Foreign Affairs



Swiss Confederation
Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

BILL & MELINDA
GATES *foundation*





6

Annex

Abbreviations

AI	Artificial intelligence
AUM	Assets under management
BC	Business correspondent
BMGF	Bill and Melinda Gates Foundation\
BPL	Below poverty line
CBBO	Community based business organizations
DPD	Days past due
EMI	Equated Monthly Instalment
FPO/FPC	Farmer Producer Organization/Company
FPO/FPC	Farmer Producer Organization/Company
HH	Household
IBA	Inclusive Business Analysis
INR	Indian rupee
JLG	Joint liability group
KYC	Know your customer
MFI	Micro-finance institution
MIS	Management Information Systems
MSME	Micro, small and medium enterprises
MT	Metric ton (1,000 kg)

NBFC	Non-banking financial company
NEDFi	North-eastern Development Finance Corporation Ltd
NGO	Non-governmental organization
NPA	Non-performing assets
NTC	New to credit
P&L	Profit and loss statement
POS	Principal outstanding
PSL	Priority sector lending
RBI	Reserve bank of India
SFB	Small finance bank
SHF	Smallholder farmer
SHG	Self-help group
SIP	Systematic investment plan
SOP	Standard operating procedures
SWOT	Strengths, weaknesses, opportunities and threats
UPI	Unified Payments Interface
USD	United States dollar (currency)



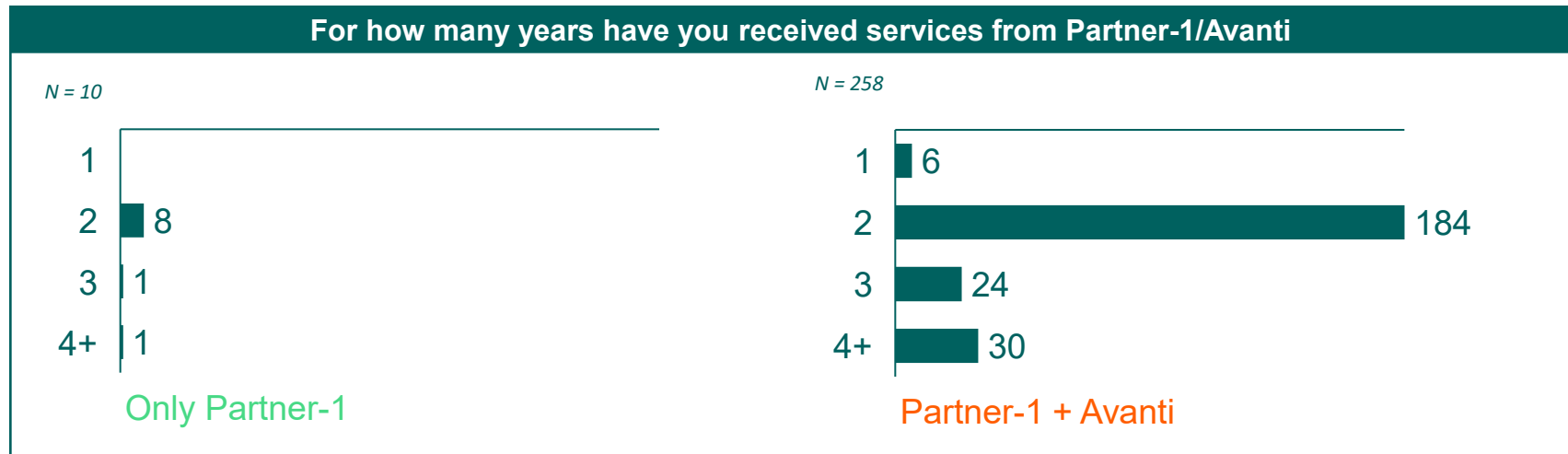
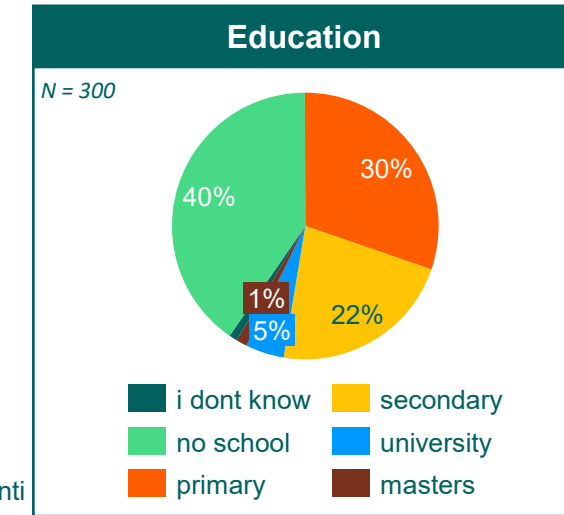
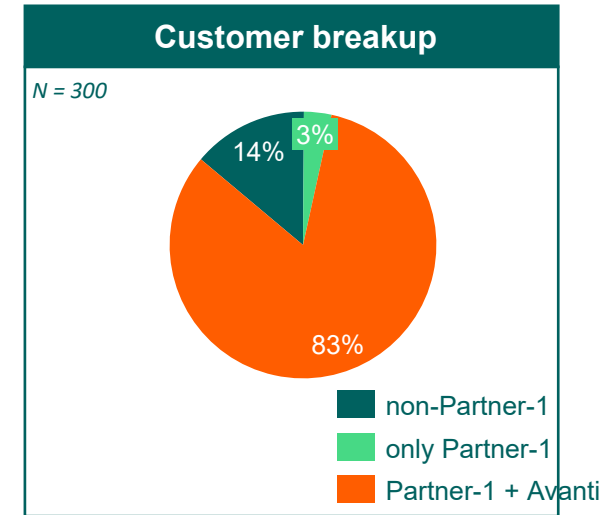
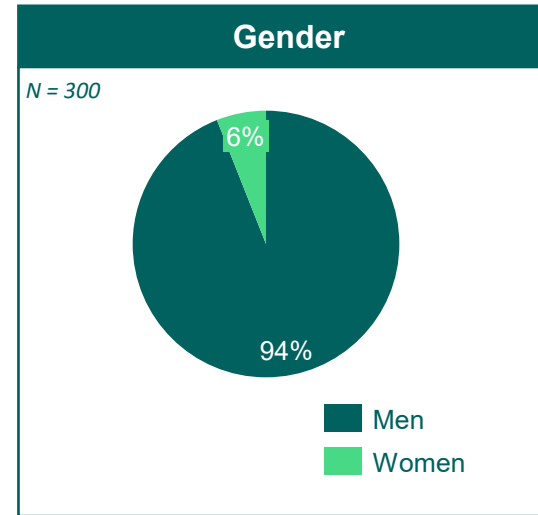
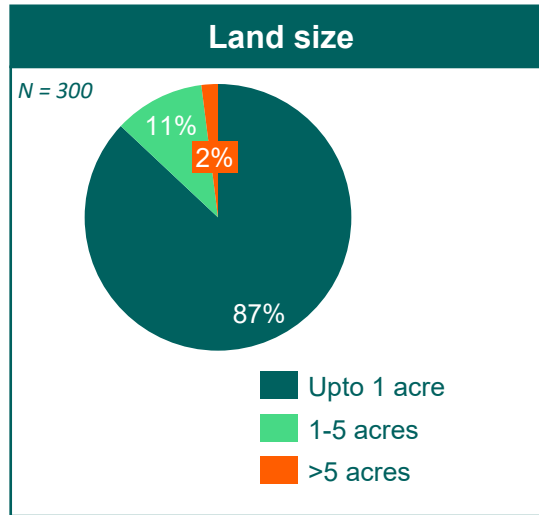
6.2

**Household
survey – I**

Partner-1



Partner-1 Survey profile | 300 farmers were surveyed which included 19 women and 258 Partner-1 + Avanti customers



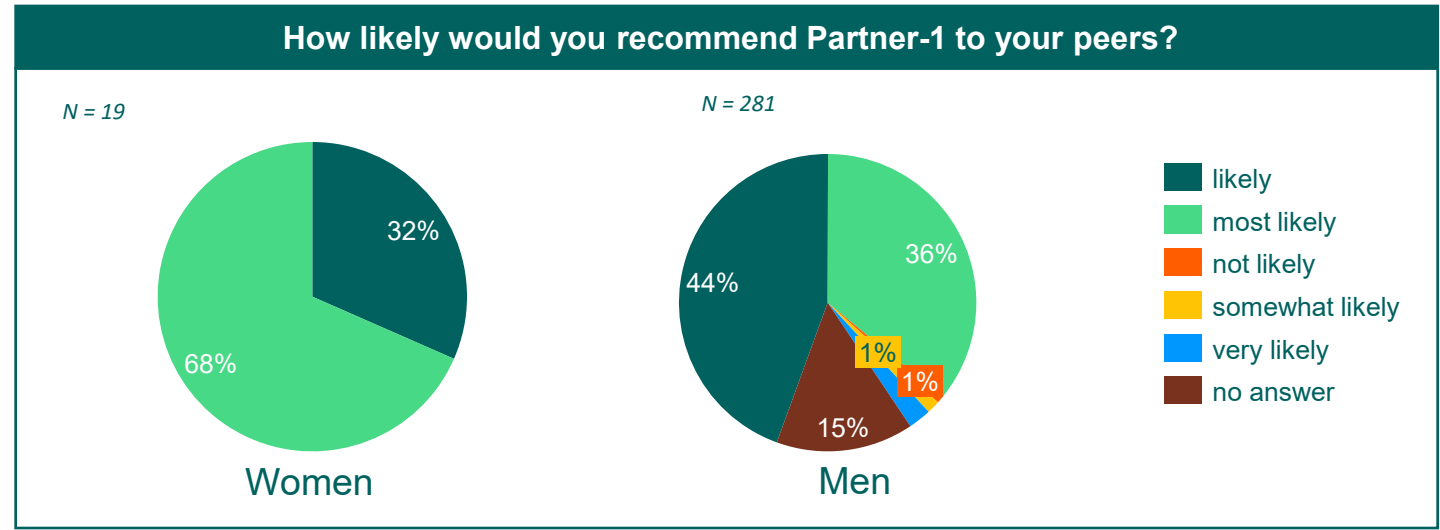
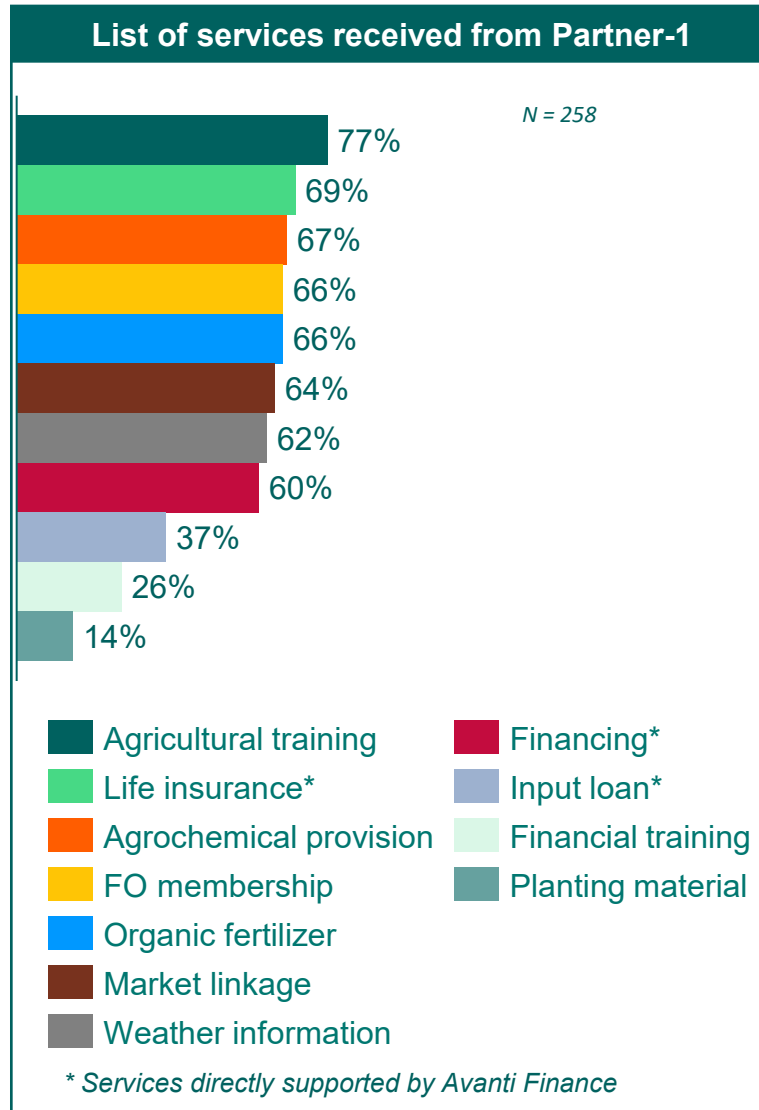
- 80% farmers grow 'Romance F1' carrot variety
- Less than 10% of the farmers are members of any farmers groups such as FPC, SHG, credit cooperatives, farmer community groups
- 99% of the farmers have a mobile phone and 95% use internet

Farmer Segments:

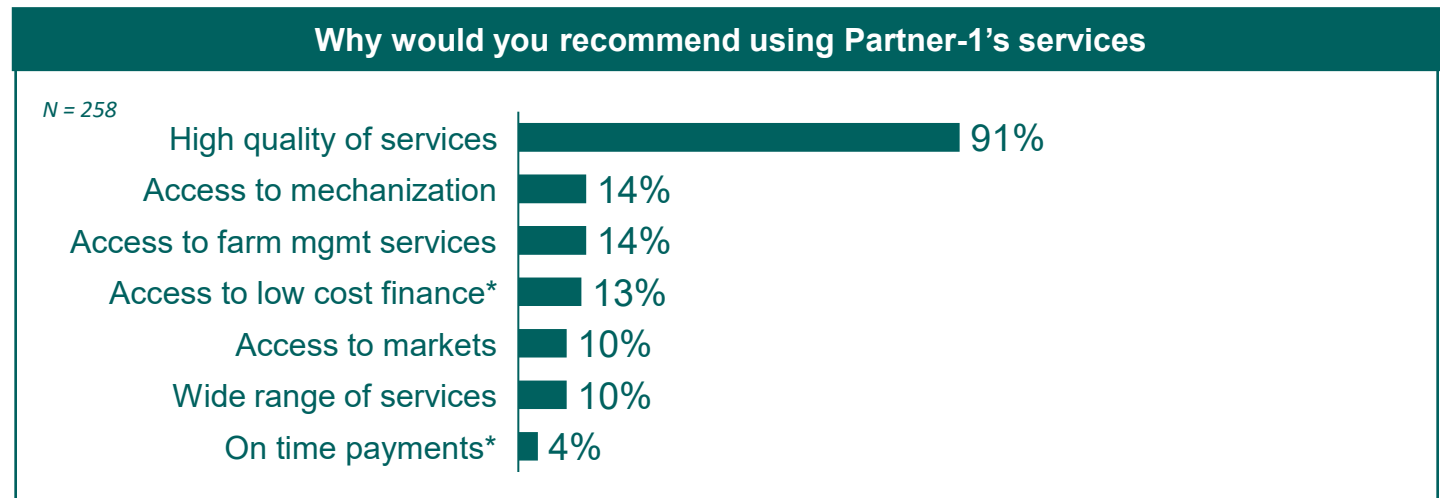
Non-Partner-1: Farmers who do not receive any services from Partner-1, nor Avanti; Only Partner-1: Farmers who receive services from Partner-1 but no loans from Avanti; Partner-1 +Avanti: Farmers who receive services from Partner-1 and also have taken loans from Avanti



Customer perception | Customers, especially women customers appreciate high quality of services provided by Partner-1 which mainly includes agri-input provision and training for



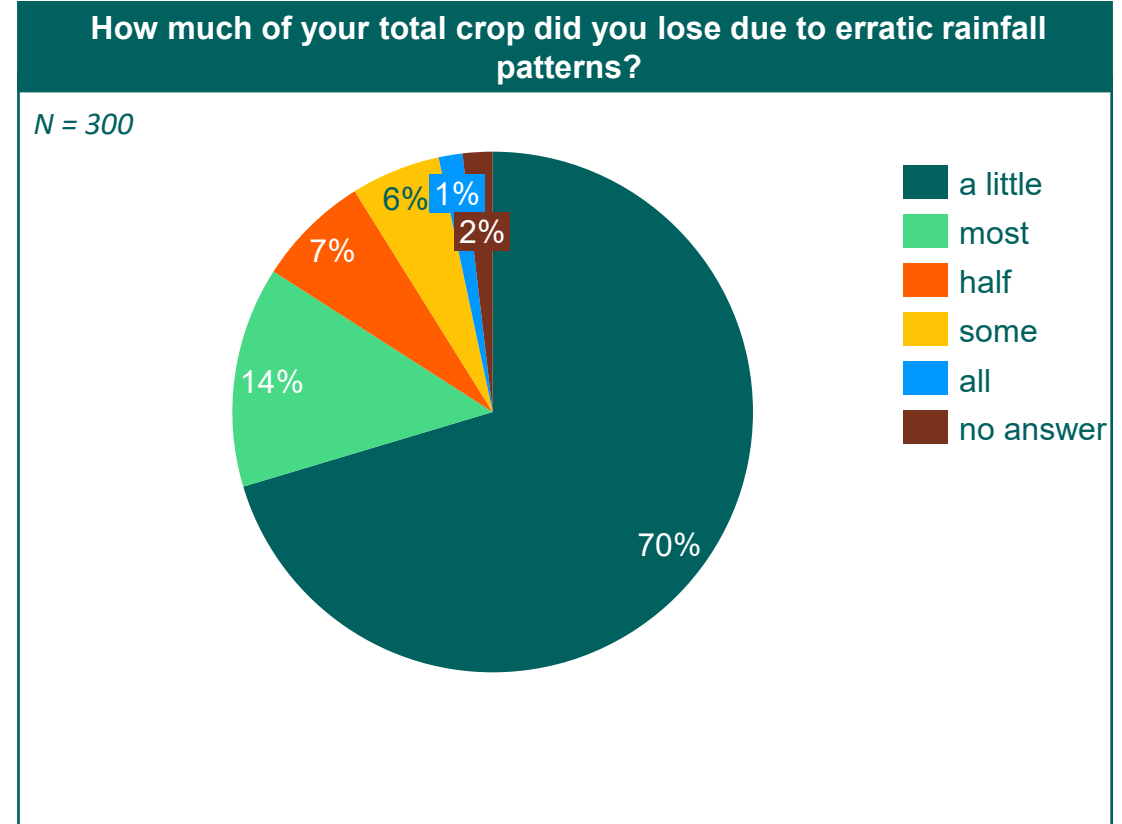
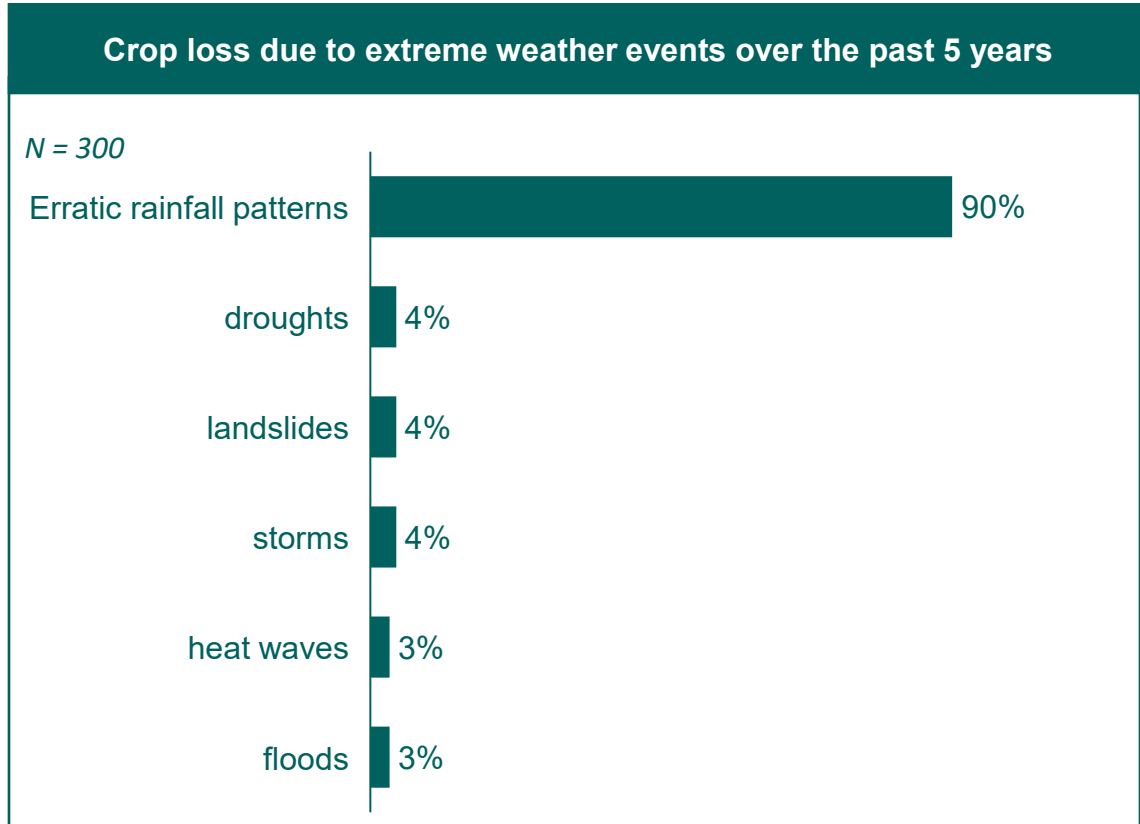
Women customers are slightly more satisfied with Partner-1 as compared to men customers



Note: There were 6 negative recommendations received: 1 for bad quality of inputs and 5 for limited range of services



Climate resilience | Erratic rainfall patterns were most recently observed by majority of the farmers in this region and partial crop losses were observed by farmers

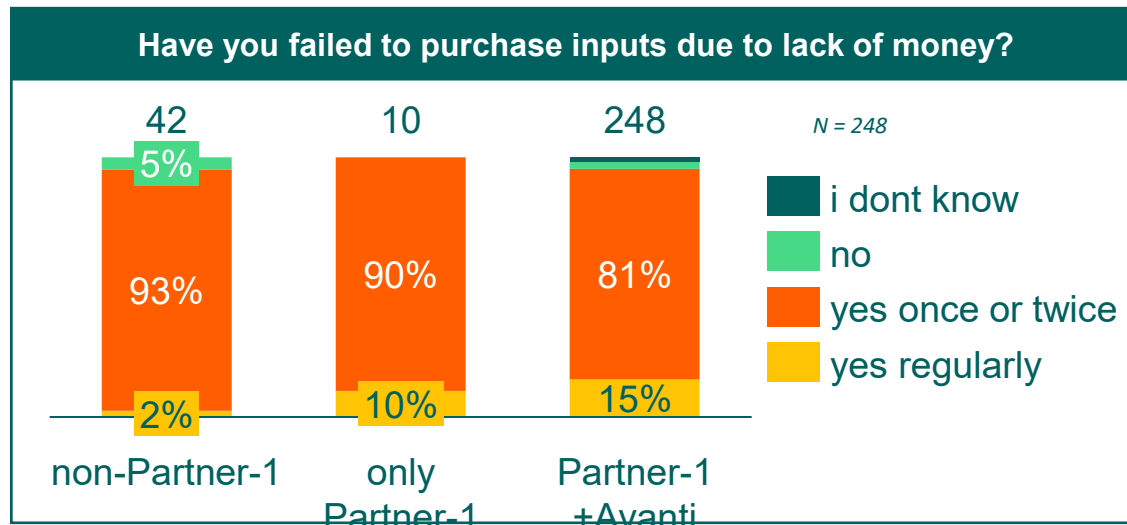
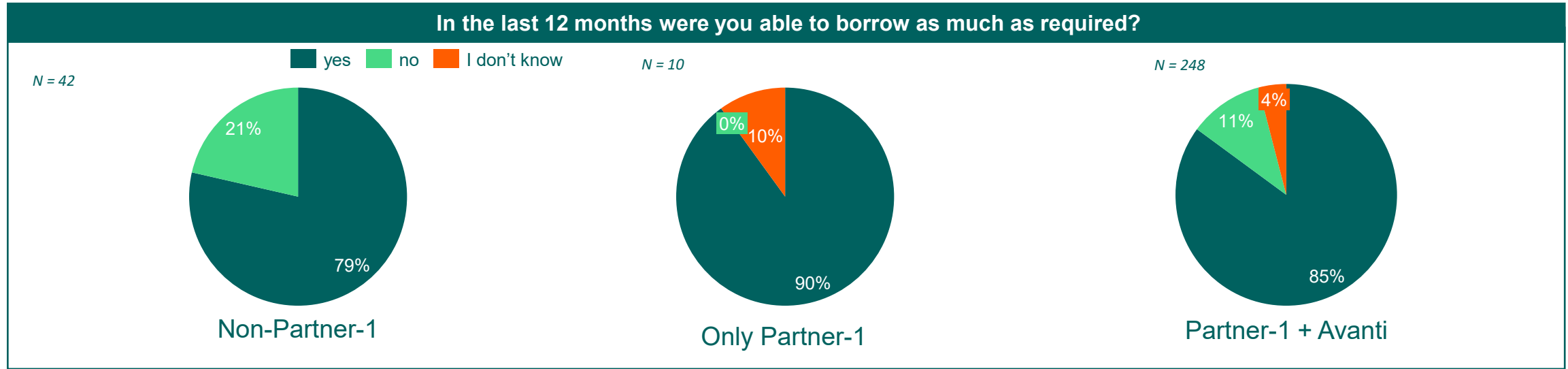


- The farmers during the field visit mentioned that they had not seen such erratic rainfall patterns in the last 30 years, with drought in the summer months followed by excess rain.
- Partner-1 provides a second package (seeds and other inputs) to its farmers in case the first crops gets swept off due to excess rain or other climate events. Sprinklers are a pre-requisite by Partner-1 to mitigate crop failure due to drought.

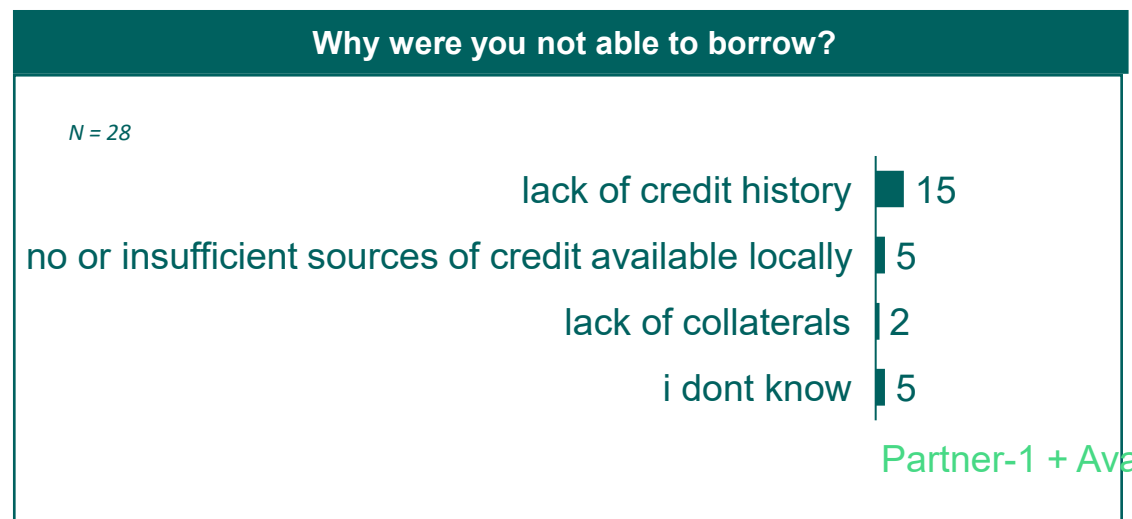
Farmer HH survey data



Access to finance | Partner-1 farmers have a marginally better access to finance and few farmers failed to access finance to buy inputs due to lack of credit history



Farmer HH survey data





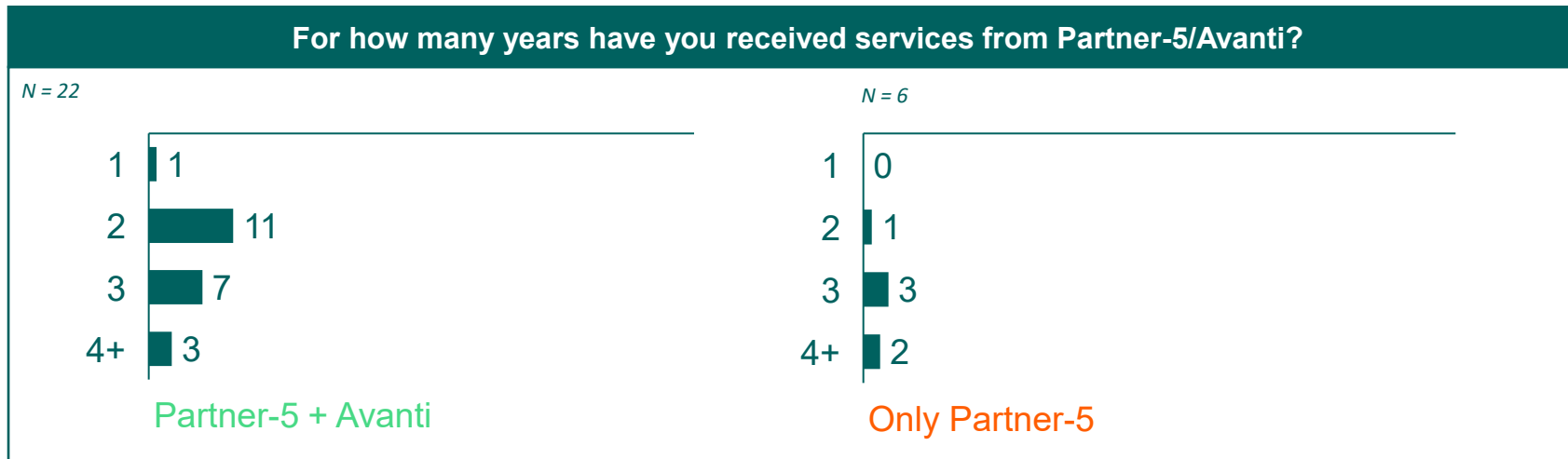
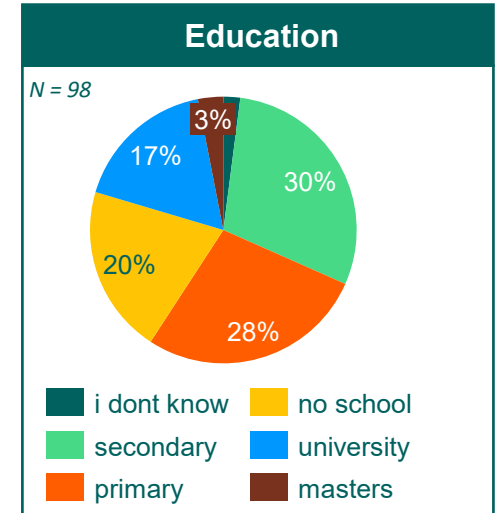
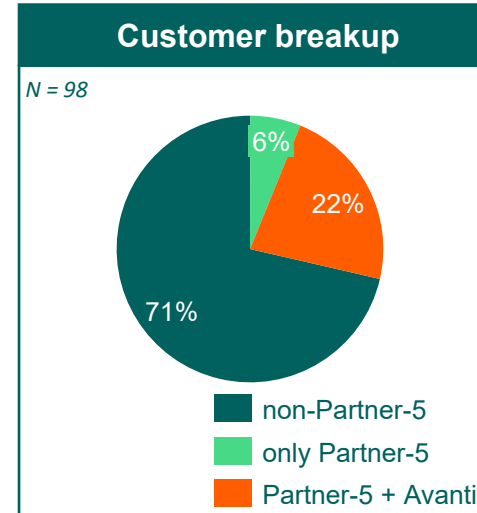
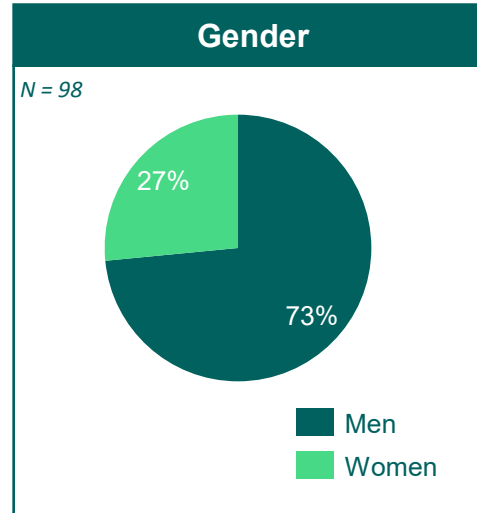
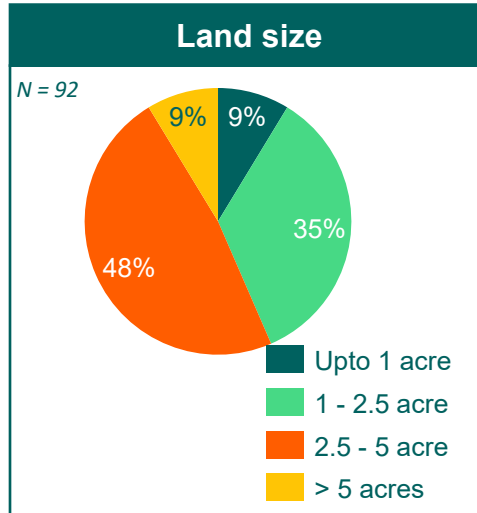
6.2

**Household
survey – II**

Partner-5



Partner-5 survey profile | 98 dairy farmers were surveyed including 26 women and 22 Partner-5 + Avanti customers



- Only 11% farmers are members of any farmer organizations such as credit cooperatives and farmer groups
- 95% farmers have access to a bank account and 77% have access to and use internet.
- More than 80% of men use internet vs 58% of women

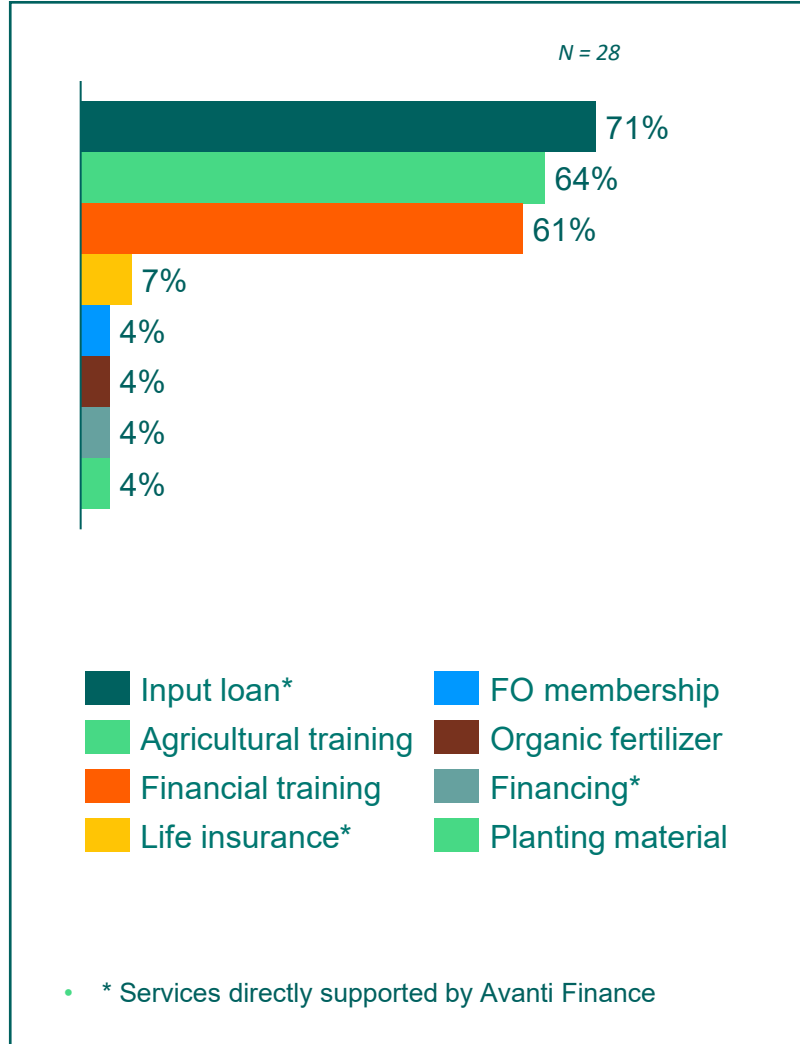
Notes: 24 farmers from the original list of Partner-5 farmers were unavailable due to which other farmers were interviewed based on a snowballing approach. Hence, the higher number of non-Partner-5 farmers

Farmer Segments: Non-Partner-5: Farmers who do not receive any services from Partner-5, nor Avanti; Only Partner-5: Farmers who receive services from Partner-5 but no loans from Avanti; Partner-5 + Avanti: Farmers who receive services from Partner-5 and also have taken loans from Avanti

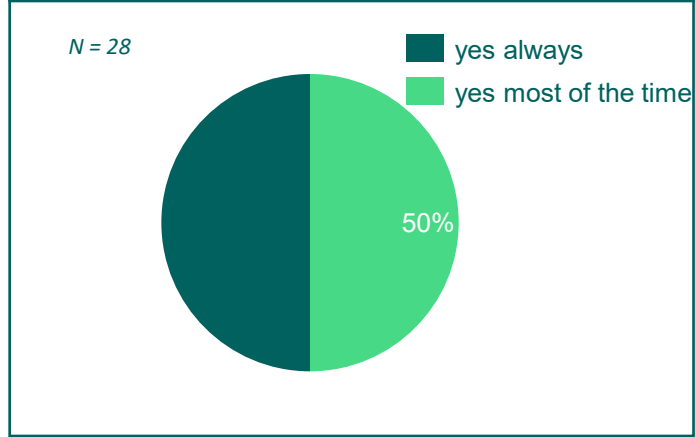


Customer perception | There is little recognition of market access as a service among Partner-5's farmers. Input loans, agricultural training (videos) and financial training are well-recognized.

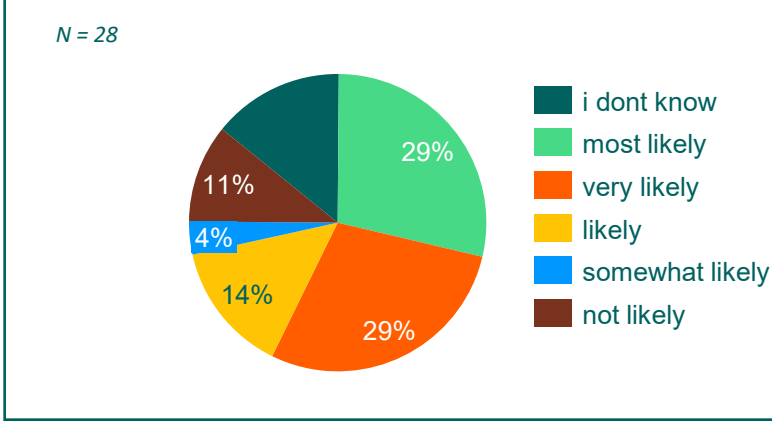
List of services received from Partner-5



Does Partner-5 pay on time?

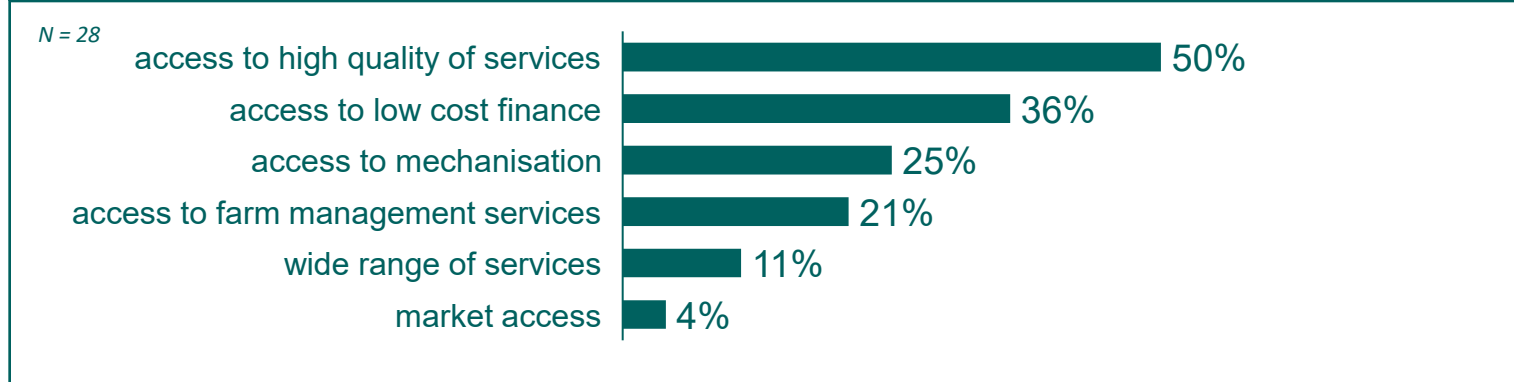


How likely would you recommend Partner-5 to your peers?



Farmers appreciate the quality of services and lost cost of finance, however, market access provided by Partner-5 is not fully appreciated among member farmers

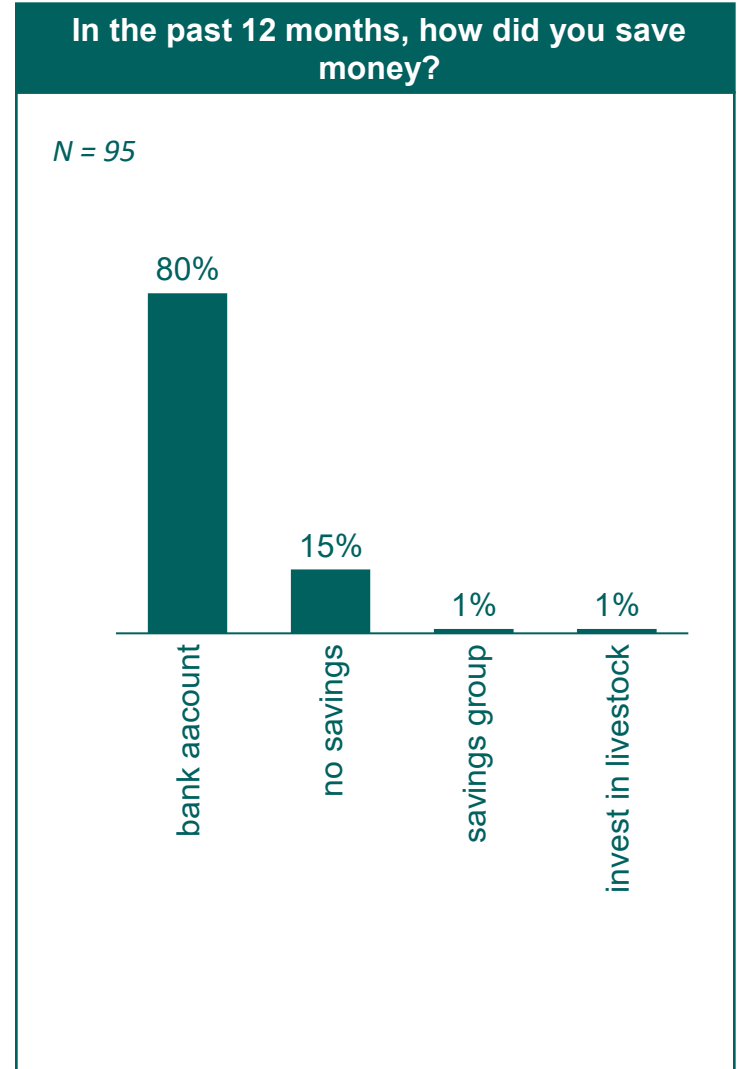
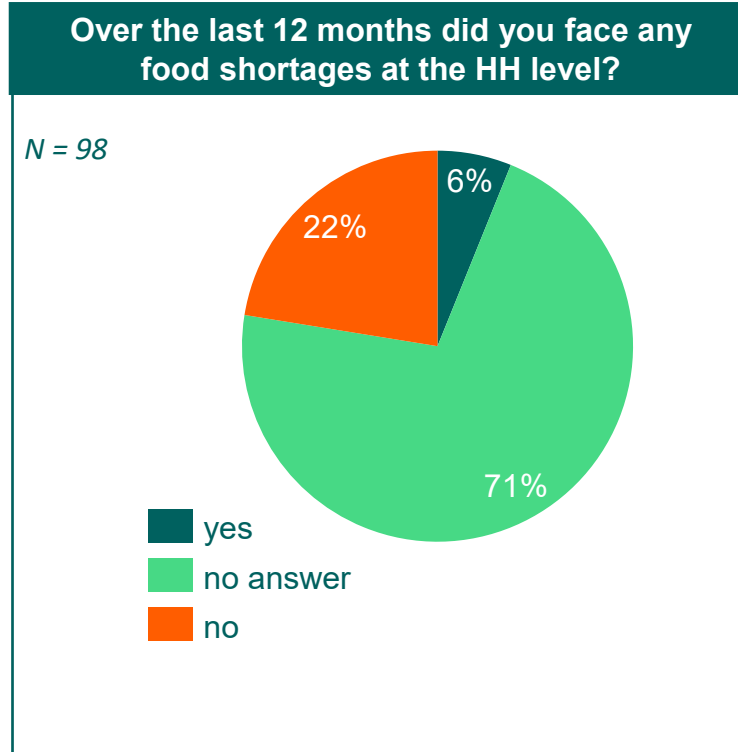
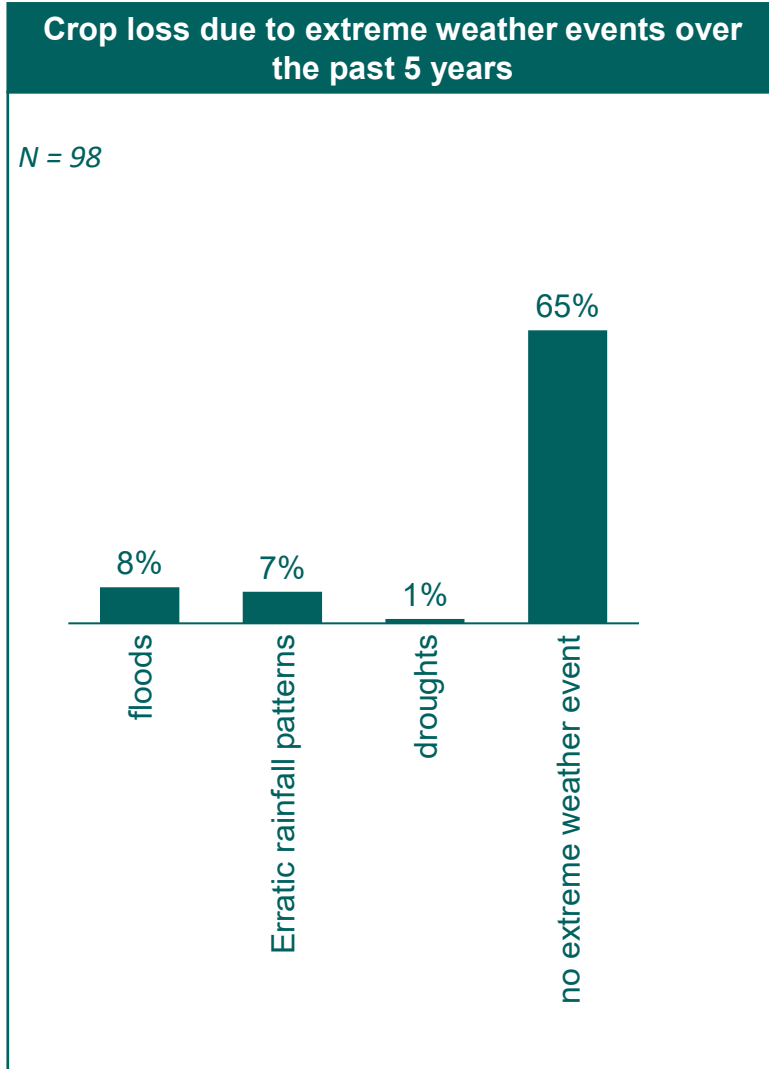
Why would you recommend using Partner-5's services?



Note: There were 4 negative recommendations received: 1 for bad quality of inputs and relationship management, another for late payments and 2 for high cost of finance



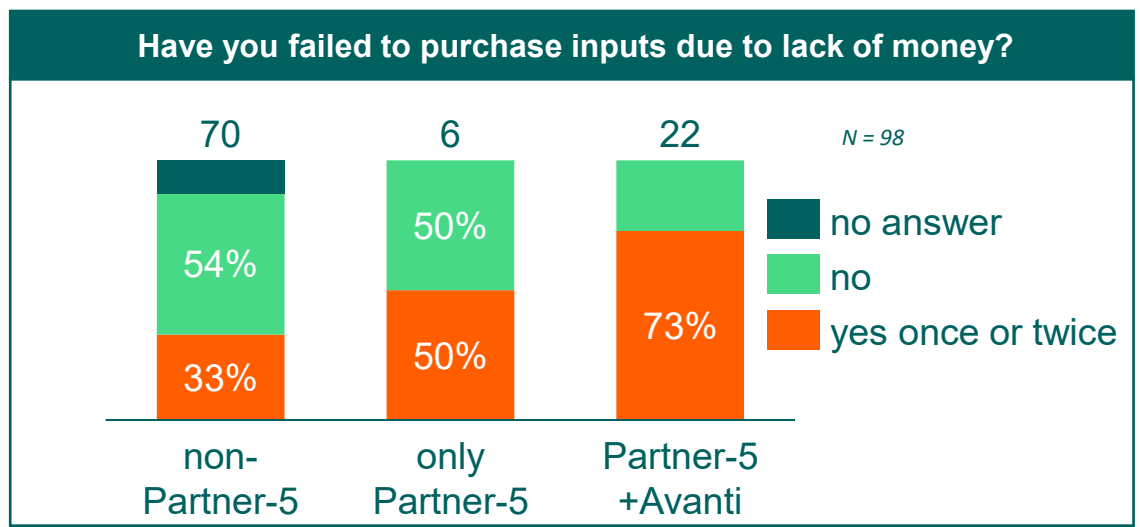
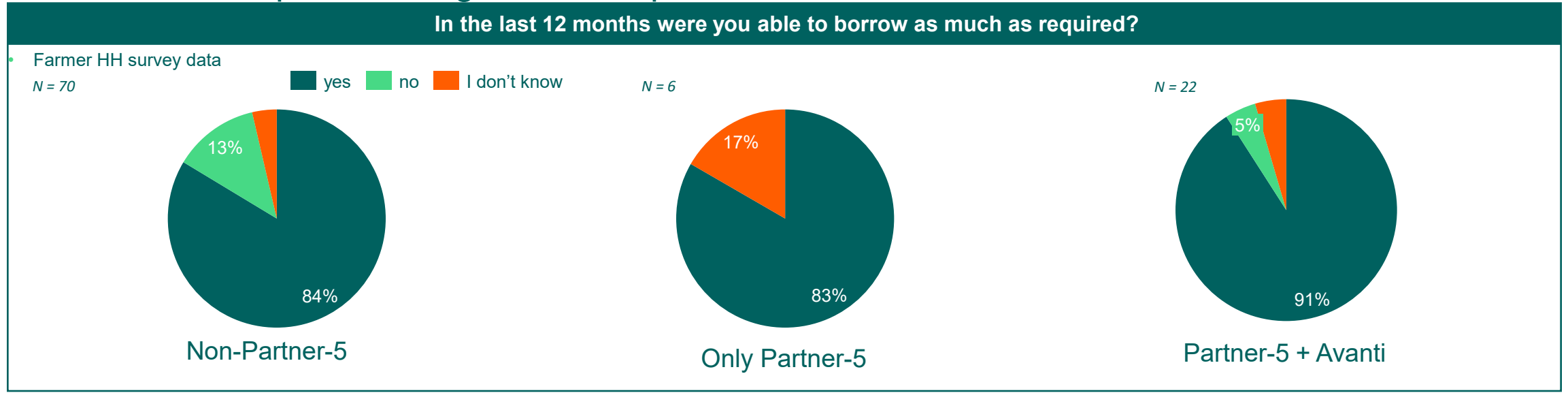
Climate resilience | Farmers in this region face minimal climate impacts and have sufficient food security and capacity for savings



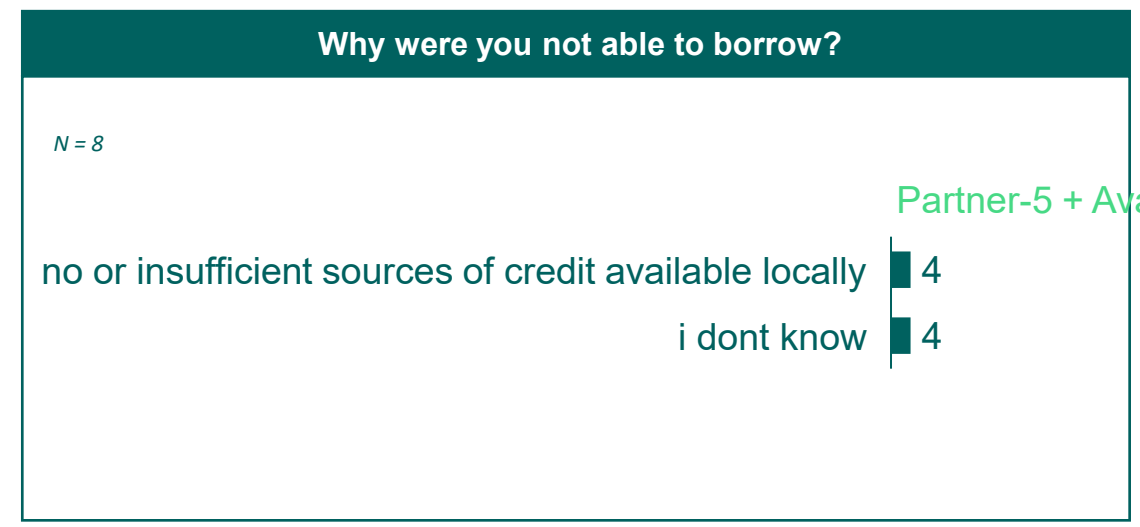
Farmer HH survey data



Access to finance | Partner-5 farmers have a better access to credit, however few farmers were not able to purchase agricultural inputs as credit could not be availed in time



Farmer HH survey data





6.3

Assumptions



Farmer assumptions – Partner-1

Variable	Unit	Non-Partner-1	Partner-1 + Avanti
CARROT			
Farm size	Acres	1.5	1.5
Seasons	Number	2	2
Yield	MT/acre	15	20
Available for sale	MT/season	21	29
Farm-gate price	INR/Kg	25	25
Potential Revenue	INR/season	534,375	727,500
Total cultivation and post harvest expenses	INR/season	327,045	431,250
POTATO			
Farm size	Acres	2	2
Seasons	Number	1	1
Yield	MT/acre	11	13
Available for sale	MT/season	21	24
Farm-gate price	INR/Kg	25	25
Potential Revenue	INR/season	522,250	617,250
Total cultivation and post harvest expenses	INR/season	241,000	311,000
Average loan amount	INR/season	166,000	166,000
Interest rates	%/annum	24%	18%

Based on Partner-1's cost of cultivation data, farmer interviews and desk research, farmer is assumed to take INR 200,000/season for carrot and INR 100,000/season for potato



Farmer assumptions – Partner-5

Variable	Unit	Non-Partner-5	Partner-5 + Avanti
Dairy			
Number of cattle	Per household	4	4
Milk yield	Lit/day/cattle	15	16
Milk rate of sale	INR/Lit	32	33.5
Milk producing days for a cow in a year	Days/year	270	270
Potential revenue from sale	INR	492,480	551,745
Cattle Expenses (incl. fodder, veterinary and medicine, nutrition, labour)	INR/cattle	15,800	15,800
Crop cultivation			
Farm size	Acres	2.5	2.5
Agricultural income	INR/year	328,320	328,320
Total cultivation and post harvest expenses	INR/year	100,000	100,000
Loan amount	INR/year	50,000	50,000
Interest rates	%/annum	24%	18%

Based on Partner-5' farmer survey and desk research. Only agriculture income is considered for Partner-5' farmers due to different crops grown by Partner-5' farmers surveyed such as millets, vegetables and fruits



6.4

Methodology



Key Resources | Data and reports

S.No	Entities	Documents	People interviewed
1	Avanti Finance	Portfolio and customer data until June 2024, partner assessment, organizational	Avanti's Core team of executives
2	Farmfit Fund	Investment proposals, quarterly MIS reports, Avanti's business plan and strategy documents	Fund team involved in review of the report and providing key inputs
	Avanti Partners		
3	Partner-1	Checklist documents, focus group discussions	CEO, field staff, farmers
4	Partner-2	Focus group discussions	Branch manager, women borrowers
5	Partner-4	Virtual meeting, Annual report	Managing Director and Treasurer
6	Partner-3	Virtual meeting	CEO and Finance manager
			<i>Company websites referred for all</i>
	Desk Research		
	RBI's public resources, World Bank Data, ISF Advisors, McKinsey, National Payments Corporation of India, Living Wage report and Latest news publications		



Living income methodology

Living income

- As per the 2023 report on Living wage, living expenses for a HH of 4 members is INR 22,548/month – which is defined as the cost of decent standard living for a family of 4 people in rural Nilgiris which is the area for Partner-1 farmers.
- As per the Ministry of Statistics and program implementation, the average HH size for Tamil Nadu is 3.5 people. However, during the field visit, it was observed that the average HH size can go up to 4-5 people.
- To calculate the annual living income benchmark, the calculations were as follows:
 - $\text{INR } 22,548 \times 1.06 \times 12 / \text{USD} \times (4.5/4)$ exchange rate -> INR 322,662 or USD 3841 (including 6% inflation from 2023 figures)

Living income adjustment

- As this income is already above the net income for both set of farmers, even after adding USD 1000, the living income comes to USD 4841 which is still exceeded by the net incomes for both baseline and IBA farmers.
- Hence, USD 4841 is taken as a benchmark for this study.

Sources: 1) [Living Wage update report \(2023\) Tamil Nadu, Rural Nilgiris](#) 2) Global Data Lab USD Exchange rate taken as 1 USD = 84 INR (Sep 2024)



Household survey methodology | Partner-5 and Partner-1

- **Description:** ABERA uses the household survey to get an understanding of the farmers involved in the business model and support with the farmer modelling. It is also meant to capture data related to gender, regenerative agriculture and climate resilience. It can also serve as baseline to measure the future impact of Technical Assistance.

Partner-5

- **Sample size:** 98
- **Sample location:** Karnataka, India
- **Survey period:** August 12th 2024 to August 15th 2024

Partner-1

- **Sample size:** 300
- **Sample location:** Ooty in Tamil Nadu, India
- **Survey period:** August 13th 2024 to August 20th 2024

- **Sampling methodology:** Avanti Finance provided a list of Partner-5 dairy farmers and Partner-1 farmers from their database, from which Akvo randomly selected a sample. On these selected farmers, several people were interviewed.
Due to non availability of selected farmers for Partner-5, 23 new farmers were interviewed that were not part of the original list.
- **Data cleaning:** Farmers are either only removed if they refuse to participate in the survey or their farm size is outside of certain parameters. To determine outliers for numerical questions of the survey, a cut off of three standard deviations from the corresponding mean is set.