



## THE CHALLENGE

Prostitution being a \$8.4 billion a year industry with around 3 million prostitutes and 275,000 brothels in India, it poses a lot of challenges on both individual as well as economy level. India is globally ranked 7<sup>th</sup> in terms of revenue generated with a share of 4.5% while ranked 2<sup>nd</sup> in terms of number of prostitutes with a significant share of 21.7%.

- **Non-provision of government identification** to the sex-workers resulting into **non-accessibility to formal banking system** or any financial institutions to deposit their earnings or savings
- Failure of government as well as NGOs in **incorporation of sex workers into organized sector**, hence, they have been treated as the **neglected part of the society** for long and continue to do so
- **Lack of awareness of financial schemes** and their advantages amongst sex-workers
- As per our research, earnings of sex-workers are its peak when they are in the age bracket of 18-28 years but drastically reduce post this age bracket, thus resulting into an **unstable source of income and negative impact on future**
- Deposit of savings by sex-workers in unorganized financial institutions like chit funds and brothel owners leading into **lack of reliable financial inclusion methodology**
- **Frequent cheating of the earning deposits** by sex-workers resulting into **inability to repay off their debts** thus, bound to living like bonded labourers in brothels
- **Value degradation** of the earnings deposited with respect to **economic inflation**
- **Direct impact of demonetisation** due to strong reliance of sex-workers on informal banking to protect themselves against economic abuse by brothel owners, for healthcare and to guard against sexually transmitted diseases
- **Refusal to save money at all and immediate spending of their daily earnings** by sex-workers due to acute fear of getting robbed [as per Durbar Committee research]
- Trafficking of sex-workers as minors **without documentation** and **without the protective shield of a co-operative** due to their belongingness to backward classes and castes in the society

Primary global **social index rankings** for India in 2016

- **Gender Gap Index (GGI)** : 108/144 [WEF Global Gender Gap Report]
- **Gender Inequality Index (GII)** : 131/188 [UNDP Human Development Report]
- **Social Institution and Gender Index (SIGI)** : 87/113 [OECD Development Center]
- **Social Progress Index (SPI)** : 93/128 [Social Progress Imperative]

## MARKET SNAPSHOT

As per our market research, we have come up the below mentioned findings:

- ❖ 85% belong to rural family households, 15% belong to urban family households
- ❖ 76% belong to poor family backgrounds, 24% belong to lower middle-class family backgrounds
- ❖ 50% have no schooling, 7% have primary schooling up to 4<sup>th</sup> standard, 13.4% have secondary schooling up to 7<sup>th</sup>, 6.5% had schooling up to 10<sup>th</sup> and 11.3% up to 12<sup>th</sup>
- ❖ 0.53% are aged 15-17 years, 7.5% are 18-20 years, 51.43% are 21-30 years, 33.66% are 31-40 years, 6.06% are 41-50 years and 0.07% are above 51 years
- ❖ Entrance into sex work significantly in the 15-18 years' age group, peaking in the 19-22 years' age group
- ❖ **Hierarchical money flow**: Pimps (20%), brothel owner (30%), sex-worker (50%)
- ❖ Need to borrow from moneylenders at an **interest rate of up to 500%** in order to fulfil their basic daily needs
- ❖ **90% daughters of sex-workers** enter into the same industry
- ❖ Many teenage girls turn to prostitution to **raise money for their families** or out of need for money to **deal with a debt or a problem related to their husband**
- ❖ 1/3<sup>rd</sup> of all prostitutes enter the trade because of **poverty** and more than 1/4<sup>th</sup> become prostitutes **after marital problems**
- ❖ 57% female had **worked in other informal labour markets** before entering sex work while rest 43% entered sex work directly

## THE SOLUTION

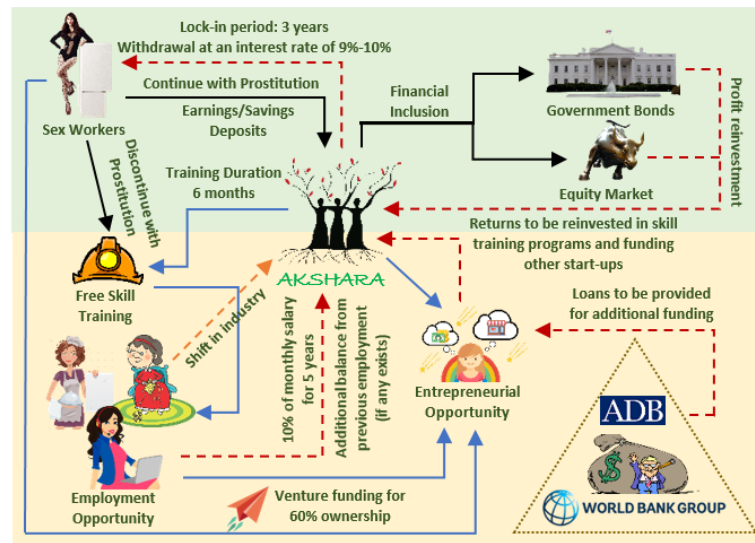
Akshara Fund will provide various opportunities for the sex workers based on personal decisions and interests:

- Financial inclusion for those who are willing to continue on with their prostitution profession
  - Create a deposit of their savings and channelize them into markets such as Government bonds and equity market
  - Particular percentage of the net returns to be invested in vocational training programs and providing funds for entrepreneurial opportunities
  - Interest rate of 9% on the saving deposits along with the amount deposited could be withdrawn after 3 years
- Those who are willing to move out of the prostitution trap in search of economic and financial stability
  - Employment Opportunity
    - ❖ Provide them free skill training for a period of 6 months and then provide permanent employment opportunity in the corresponding industry. The training and employment allocation would purely be on the basis of a balance between personal interests and sector demand requirement.
      - Revenue generation: 10% of the monthly salary [To be paid to Akshara for 5 years]

### ➤ Entrepreneurial Opportunity

Provide them venture funding for starting a new business and guidance through a network of venture capitalists and successful entrepreneurs with an ownership of 60% over the firm

## FUND FLOW DIAGRAM



## FUND PROFILE

<b>Fund Type</b>	Savings Account
<b>Fund Horizon</b>	3-year lock-in period
<b>Investment Manager</b>	Akshara
<b>Fund Size</b>	₹ 750 million for 10 years
<b>Investment Size</b>	₹ 6000 - ₹ 9000 per year per sex-worker
<b>Asset Class</b>	Government bonds + Diversified Equity + Pension Funds
<b>Guaranteed Return to Sex Worker</b>	9% per annum
<b>Targeted IRR</b>	15% p.a. (Sex-workers) + 10% p.a. for 15 years (Investors)
<b>Potential Investors</b>	World Bank, Asian Development Bank, Impact investors, Philanthropists and Government of India
<b>Fee Structure</b>	0.5% management fee + 10% carried (12% hurdle rate)

## INVESTMENT THESIS

### Fund Flow

- Funds will flow from savings of sex workers to Akshara fund, in addition to the accounted working capital debt for entrepreneurial opportunities from investors such as World Bank, Asian Development Bank, Government of India and philanthropists.
- This pool of fund is then invested in equity and government bond market which on generation of returns shall be used to pay back the sex workers after a lock-in period of 3 years along with their principal amount @9% interest rate on withdrawal.
- For those in search of a better stable life, vocational training costs shall be drawn in from this fund pool and then help the them find an alternative job.
- For those who are creative and have a great business idea, their idea shall be funded from debt taken from potential investors.
- Client acquisition jobs shall be provided at Akshara Fund who can act as experienced influencers in order to draw in more potential customers.
- Working capital loan to be taken from government @7% interest rate (approximately) to fund awareness program and operational expenses during 1<sup>st</sup> year.

### Profit Distribution

- After providing for the operational expenses, finance cost and a guaranteed return of 9%-10% to sex workers, the 50% of net returns shall be transferred to Akshara Fund's reserve account for contingencies and entrepreneurial activities and the rest 50% will be reinvested.
- Returns generated from a 60% share in entrepreneurial ownership shall be used to distribute back the profits to potential investors in a proportion of invested amount.

### Promotional Campaign

- Hire a team of 40 employees and tie-ups with NGOs for client acquisition to work towards educating sex workers about financial inclusion. They will be paid a salary of INR15000 to INR20000 per month.

### Potential Savings Inflow

- As per our research the average revenue of the industry is \$8.4 billion and 50% of the revenue is retained with sex worker while rest of it is retained by the pimps and brothel owners.
- Total number of sex workers in India is approximately 3 million and 20% of it will be in targeted geographies during Phase 1 (metro cities).



# AKSHARA

Financial inclusion and employment and entrepreneurial opportunity generation for sex workers by solving skill gap issues in India

## Target Geography and Fund Size

- We are targeting Kolkata in Phase 1 while Delhi NCR, Mumbai, Bangalore, Hyderabad, Pune and Chennai in Phase 2. As per studies, the number of sex workers in these states are around 6,00,000 which is around 20% of total number of sex workers (30,00,000)
- With awareness program and tie ups with NGOs, we will be able to convince 50,000 sex workers to deposit their savings in Akshara fund with an annual increment of 40,000 in the subsequent years.

## Due Diligence

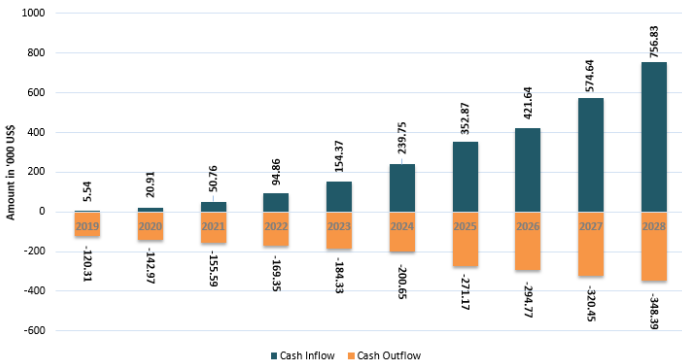
- Primary research will be done by our awareness team for getting deposits from sex workers and for funding their ideas, proper mentorship and evaluation will be done by our experts.
- Background checks of every employer to be done while providing employment to sex worker to avoid getting cheated or robbed by the employer.

## Assumptions

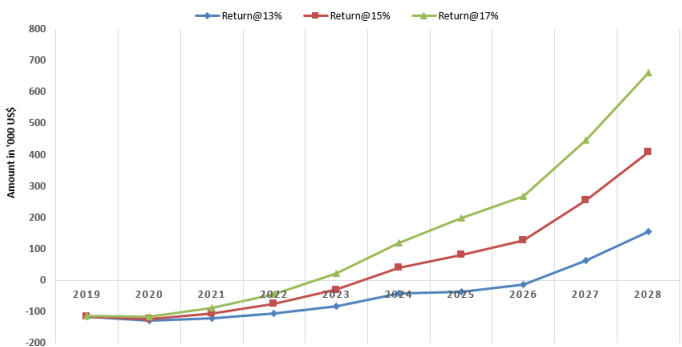
- Sex workers save 10% of their earnings and they shall provide us with 60% of their savings on an average for 5 years for Akshara fund.
- Debt market rate to be around 7.25% on an average for the next 5 years.
- CAGR of equity market will be at 14% for the next 5 years (as per the trend of last 20 years).
- Debt from potential investors will be taken at 6.8% finance cost for AA rated bonds since this serves a social purpose of the economy.
- In an alternate job the average salary earned by a sex worker will be at least Rs. 15000 per month.
- Reinvestment takes place at a constant rate of 15%.

## ILLUSTRATIVE CASH FLOW

Cash Flow During Phase 1 [2019 - 2028]



Break-Even and Sensitivity Analysis During Phase 1 [2019 - 2028]



## IMPACT GENERATION

Economic	200,000+ direct jobs created by 2023	GDP increment by ₹3+ billion by 2023	Financial inclusion of sex-workers	Improved healthcare and child education	Social
	6.8% return p.a. (AA rated bond) to debt holders	Target IRR 15% (Gross management fee & expenses)	Provide loans to those with new creative and innovative ideas	Information provision, networking, mentoring/counseling, training and partnership	
Financial	9% return p.a. (Sex-worker) > Fixed deposit return @6.25%	Reduced transaction cost and time			Entrepreneurial

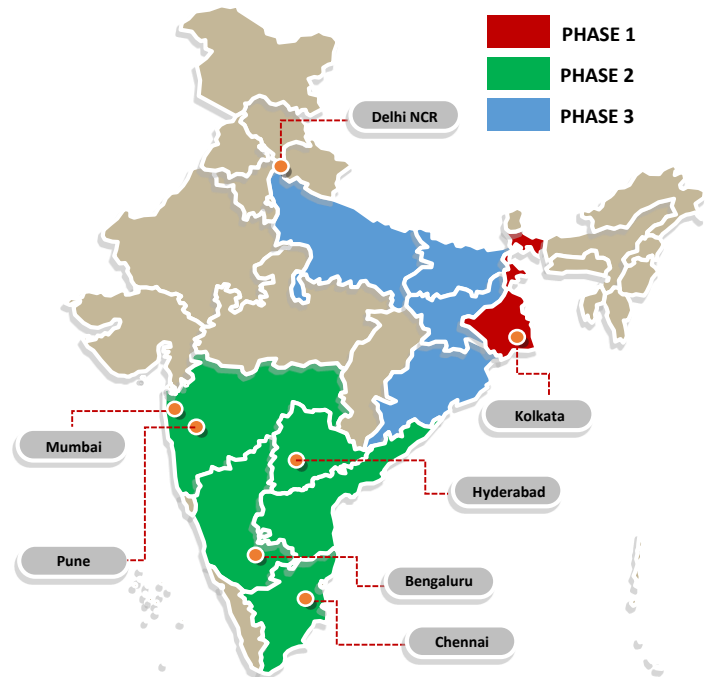
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## RISKS AND MITIGATION STRATEGY

Type	Risk	Mitigation
Psychology	<b>Trust and Loyalty</b> <ul style="list-style-type: none"> <li>Sex-workers need to escape out of the current high-paying prostitution profession based on the skill training and permanent respectable employment opportunity guarantee proposal put by us</li> <li>Shift from restriction-to-dropout to willingness-to-dropout being a major challenge for us</li> </ul>	<ul style="list-style-type: none"> <li>Gain their trust through word-of-mouth convincing strategy via collaboration with NGOs and local individual social activists</li> <li>Once satisfied with our service, they would in turn help us incorporate more sex-workers into the loop</li> </ul>
	Business	<b>Brothel Owners and Pimps Ownership</b> <ul style="list-style-type: none"> <li>Reluctance towards allowing their "owned" sex-workers to invest their savings</li> <li>Non-allowance of involvement of these sex-workers into our business as marketing representatives</li> </ul>
<b>Lack of Awareness about Financial Inclusion</b> <ul style="list-style-type: none"> <li>Due to lack of education amongst majority of the sex workers, they are not aware of the advantages of financial inclusion</li> <li>Propagation of message along with a right directive is an ultimate need</li> </ul>		<ul style="list-style-type: none"> <li>Recruitment of an awareness creation team to spread the message about financial inclusion, benefits of vocational training and entrepreneurship</li> <li>Hire local social activists acting as decision influencer</li> </ul>
<b>Commission Repayment Failure</b> <ul style="list-style-type: none"> <li>Expectation of a default rate of 10% commission on monthly salary post starting with a job</li> <li>Sex-workers might not be able to pay the required amount due to various factors such as minimal earning to run their family, economic turndown, inflation, low industrial growth etc.</li> </ul>		<ul style="list-style-type: none"> <li>Hire legal advisors to reconstruct the payment agreement terms</li> <li>Proper due diligence will be assured by our market research and awareness team for this purpose</li> </ul>
Investment	<b>Entrepreneurial Deprived Growth</b> <ul style="list-style-type: none"> <li>Industrial growth and economic factors like consumer purchasing power parity and inflation play a major role on the impact in business returns</li> <li>Minimal growth or non-profitable state of business would result in cash shortage for reinvestment in training purposes</li> </ul>	<ul style="list-style-type: none"> <li>Business and legal advice to be provided by our close network of lawyers, entrepreneurs and venture capitalists</li> <li>Provide valuable growth hacking strategies to survive in the fierce competitive environment and turn it into a profitable business</li> </ul>
	<b>Market Riskiness</b> <ul style="list-style-type: none"> <li>Macro-economic factors play a major role on the impact in asset-based investment returns</li> <li>Investment in riskier assets in greed for higher business growth and increased returns</li> </ul>	<ul style="list-style-type: none"> <li>Risk diversification by investment of large proportion of funds in government bonds and less in equity markets</li> <li>Make sure ROI remains at around 10%</li> </ul>

## MARKET EXPANSION STRATEGY



Phase	Geographic Reach	Timeline
Phase 1	Kolkata	2019 - 2028
Phase 2	Delhi NCR, Mumbai, Bangalore, Pune, Hyderabad, Chennai	2029 - 2035
Phase 3	Uttar Pradesh, Bihar, Jharkhand, Odisha	2035 - 2038
Phase 4	Philippines, Indonesia, Singapore	2038 - 2043
Phase 5	Malaysia, Vietnam, Cambodia, Hong Kong	2044 - 2047
Phase 6	Thailand, Myanmar, Bangladesh	2048 - 2050