



Saarathi

Empowering victims of Domestic Violence (DV) to lead a respectful and financially independent life

Investment Thesis

Provide impact focused investors an opportunity to earn risk-adjusted market returns while making a lasting impact on the lives of DV victims. Saarathi's model empowers DV victims, primarily women, to (a) walk away from their abusers, (b) become self-reliant and, (c) lead a respectful, financially independent life.

Problem Statement & Opportunity

DV is an all-pervasive public-health concern that women face in various forms. Lack of financial independence makes it harder for these victims to leave violent relationships and increases the risk of returning to the violent cycle. This has left DV victims vulnerable and without the capital needed to build and lead healthy lives.

Why is this important?

- Freedom from domestic violence is a **fundamental human right** to which all people are entitled; Investing in DV victims is critical to rehabilitate and restore dignity for an important half of society, which has long been neglected;
- Violence against women and girls impedes their full participation in society, limits access to education and economic participation, and **hinders efforts to achieve gender equality broadly**;
- Developing women centric financial solutions is necessary for **elevating the role women play in financial decision-making** and curb male dominance which is often the cause of such abuse;
- Current financial solutions fail to serve DV victims** as extending them credit carries high financial risks because of their (i) thin/bad credit profile, (ii) potential gaps in skills that hamper employability, and (iii) the need for expert knowledge and guidance to steer through this challenging phase in life.

Saarathi aspires to empower DV victims to confidently undertake the journey of financial security and independence. We propose to create a tailor-made credit solution that is sensitive to the needs of DV victims. At the same time, it equips them with the tools and skills needed in making successful transitions to employment, higher wage jobs, and an independent life.

Target geography:

India, and the Indian subcontinent (including Nepal, Bangladesh, Pakistan, Myanmar).

Size of opportunity:

National estimates for India indicate that roughly 1 in 3 of women have been subjected to either physical and/or sexual intimate partner violence in their lifetime. **With a population of ~300M married women** (2011 census of India), **this translates to ~100M women in India alone**. Globally, **600M+ women** suffer such violence as per UN's 2018 estimates.

Solution Overview

Saarathi acts as a loan brokering financial intermediary that:

- helps capital flow from impact conscious investors to victims of DV;
- facilitates connections with existing social programs for rehabilitation services

Saarathi extends credit through an Income Sharing Agreement (ISA) based on the future income earning potential of the borrower. Inputs of a partner employer help inform this credit assessment while also determining the skills training(s) that the borrower should undertake.

Part of the credit goes directly in the hands of the borrower to meet their day-to-day expenses and the remaining gets credited into the account of 3rd party service providers that the borrower chooses to sign up for. At the conclusion of the training(s), the borrower starts employment with a partner employer who deducts Saarathi's share of income from borrower's salary up front (akin to garnishing), in accordance with the terms of the ISA, until the loan is extinguished.

Financial Innovation through Saarathi

How Saarathi solves for the challenges faced by the victims of DV

(a) No credit history:

Instead of backward looking, the use of the ISA enables Saarathi to look at the future earning potential of the borrowers and accordingly extend credit.

(b) Social boycott:

Social stigma associated with shunning family (even if abusive) and starting on with an independent life makes it difficult for women, especially in conservative societies such as the Indian subcontinent, to walk out of abusive relationships. They can't get a place to rent, a lawyer to fight their case, medical help to heal or an employer to work for. Saarathi fills this gap by facilitating connections between the borrower and vetted 3rd parties, who are sensitive to DV victims.

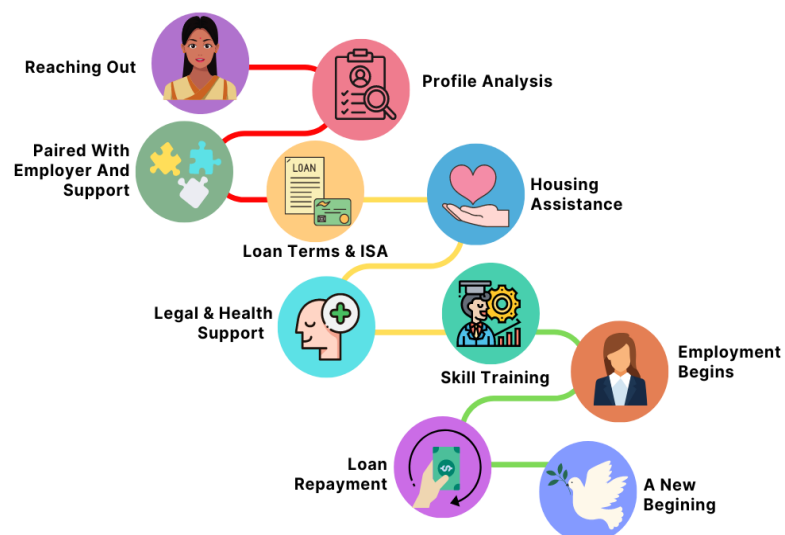
(c) Debt trap:

Credit is often criticized for putting borrowers in a debt trap. Lending practices in informal sector, such as landlords, is a case in point. Saarathi mitigates this pitfall by (i) involving employers early on in assessing the future earning potential of the borrower to avoid making bad loans and, (ii) requiring borrowers to undertake training for only those skills that employers would be willing to hire for.

(d) Expropriation of funds by family:

It is not uncommon for sanctioned funds to be expropriated by the family or the abuser, especially when the legal enforcement is lax. Saarathi attempts to overcome this challenge by minimizing cash in hands of the borrower, except as required for day-to-day and miscellaneous expenses. Instead, funds are credited directly into the account of the service providers in lieu of training, rent, legal fees, medical bills, course fee to the extent required. This ensures heightened monitoring of the use of funds and greater visibility on the performance of the borrower in the program.

Workflow

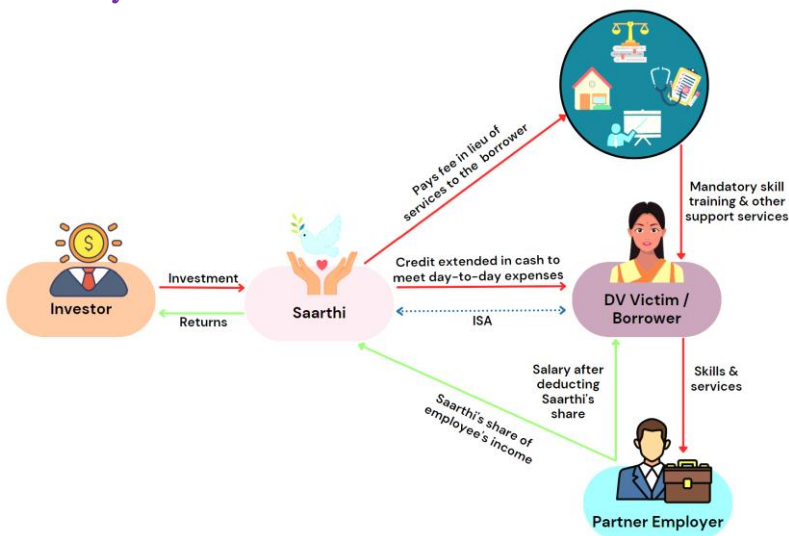


Benefit to Each Stakeholder

By bringing DV victims, employers, and vetted 3rd party service providers on a single platform, Saarathi provides:

- DV victims with quality services to rehabilitate and with skills to become employable;
- Employers with a guaranteed pipeline of talent with requisite skills in a vast market reducing search costs;
- Investors with a steady rate of return, backed by a diversified pool of Income Sharing Agreements;
- Overall economy receives a boost with higher women participation in the labor force.

Entity structure



Key Terms of the Loan

Total commitment	\$200M target raise+ loan origination fee ¹
Avg. loan size	\$2,000 per victim (No. of borrowers: 100k)
Use of Proceeds	Rehabilitation and skill development
Tenor	5 years + up to 1 year grace period
Income Sharing Agreement	Share of income for first 5 years of employment: 25%, capped at 2.5x the loan amount
Fees (to Saarthi)	One-time origination fee ¹ : 4% Operating expenses: 7% of the outstanding loans
Borrower Undertakings	(a) Successfully complete all trainings agreed at the start of the program (b) Employment contracts will be subject to the terms of the ISA until the loan is extinguished or repaid (c) Funds to be used only as earmarked

Potential Loan Book Investors

DFIs	Impact Investors	Banks
 British International Investment	 Triple Jump Symbiotics nuveen	 SBI Bandhan Bank

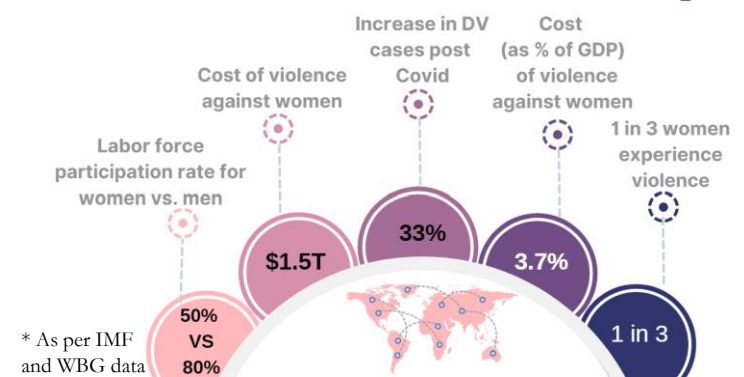
Feasibility and Pilot

Saarthi will launch a pilot in the state of Karnataka in India. As per Govt. estimates, roughly 50% of women in the state are victims of DV, highest in the country. Saarthi will partner with 1,000 women to provide up to \$2M in loan capital to cover expenses while facilitating rehabilitation services leveraging existing social programs.

The key findings from the pilot would be understanding:

- how to leverage existing Govt. and civil society programs targeted at women empowerment to create momentum for Saarthi;
- the # of dropouts, if any and the underlying reasons;
- success rate in helping borrowers find meaningful employment at the conclusion of the program;
- willingness of 3rd parties to collaborate with Saarthi;
- enthusiasm among partner employers for the program;
- discrepancies, if any, in the expected earning potential and the actual outcomes to help refine the model.

Global Statistics* that Saarthi Seeks to Improve



Impact Through Direct SDG Contributions

SDG 5 (Gender equality) through empowering women to enter workforce and lead financially secure and independent life

SDG 3 (Good Health and Well Being) through providing DV victims support and guidance to escape abuse and start an alternative life of respect, peace, and dignity

SDG 8 (Decent work and economic growth) through promoting inclusive and sustainable economic growth, employment and decent work for women



Cash Flows for Investors (\$M)

Yr.	0	1.5	2.5	3.5	4.5	5.5
Funds to lend	(200)					
Origination fee ¹	(8)					
Income share ²		64	67	70	74	77
Operating exp. ³		(14)	(13)	(11)	(8)	(4)
Funds available for distribution⁵	(208)	50	54	60	66	73

Investor return ⁵	11.0%
Investor MOIC	1.5x
APR for DV Victims	24.0%

Assumptions

- Charged from investors to meet origination costs (4%)
- Income share as per loan agreement, delinquency rate of 15%, wage inflation of 5%
- 7% of opening loan balance (includes salaries, admin, marketing expenses)
- Returns to investors, calculated after deducting operating expenses
- Assumes cash flows are received in middle of the year

Risk Assessment:

Risk	Mitigation
Counterparty risk	Rigorous and consistent assessment of earning potential of DV clients jointly with partner employers; training to bridge any gap in skills for increasing employment prospects
Abuse of funds	Direct credit of funds into accounts of vetted 3 rd parties/partners
Credit risk	Provision of services and funds contingent on achieving pre-determined milestones illuminated in ISA; leveraging employer partnerships to recover Saarthi's share directly from salary before it gets disbursed to employees
Demand risk	Leverage tie-ups with existing Govt. and civil society programs to educate society on DV; conduct workshops and leverage high digital penetration for outreach
Enforceability risk	Raises reputational stakes for borrowers and partner employers for renegeing on commitment