

CreditEnable and Confederation of All India Traders

An encounter in Nairobi leads to a strategic partnership between a fintech and a trade association representing 70 million Indian small traders.



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Nadia Sood was in Nairobi at the 2018 Africa SME Finance Forum presenting CreditEnable as part of the fintech stage, just one of the many opportunities fintechs have with the Forum to present their solutions to a relevant audience.

“During a field visit to EcoBank, a couple of people were asking really probing questions. They were interested in what was happening in Africa and looking for ideas they could take back home to India.”

The questioners were leaders of the Confederation of All India Traders (CAIT), the trade association that

represents 70 million owners of SMEs across India. “Meanwhile, here I was working in India trying to address a need for finance that every one of their members has,” says Sood.

Sood and co-founder Varun Sahni are trying to create the “first online global marketplace for SMEs”. CreditEnable’s technology — predictive algorithms and analytics packages backed by artificial intelligence and machine learning—allows lenders to more easily access and assess the financial performance of small and medium-sized businesses, bringing greater efficiency and transparency to the lending process.

CreditEnable's technology also enables SMEs to manage their creditworthiness while improving their access to affordable credit.

Six months after that first encounter, CreditEnable partnered with CAIT to help its members connect with lenders on the online platform—international banks, large domestic Indian banks, small finance banks, and new digital lenders with a combined AUM of USD 10 bn. as of March 2019. "There is an ample supply of capital and there's demand. But the two are not meeting," says Sood.

IFC research shows a credit gap of USD 8.1 trillion in emerging markets, USD 230 billion of which is in India. Using CreditEnable's online marketplace and the outreach of CAIT's membership, they hope to make significant inroads into unlocking that capital for SMEs in India. "For me to go to every SME in India in need of formal finance is not feasible or efficient. So finding an aggregator that can help direct SMEs to us and work with us on preparing them for formal lending will accelerate the process," says Sood.

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Changemakers

Rather than turning to informal lenders and the grey market, as most of CAIT's members are forced to do now, the aim is to match the small businesses with formal lenders offering significantly lower interest rates. The issue as Sood sees it, is not that the SMEs in India are unbanked, but that they are badly underserved by the formal market. There are no benchmarks or credit ratings available for SMEs and so for lenders the underwriting and risk assessment process is time-consuming and expensive. Meanwhile, the SMEs "have little experience as to how to prepare and to present themselves to formal lenders."

The leadership of CAIT want their members to become more competitive. "We want to get these guys onto the platform," says Sood. CreditEnable already has a number of lenders ready to offer loans of USD 75,000 to USD 125,000. "If we can connect the SMEs to these lenders they may be looking at interest rates

of up to a quarter less than what they're paying right now, so this could significantly positively impact their bottom line," says Sood.

In February 2019 CreditEnable and CAIT began the process of bringing on CAIT members through a program of peer-to-peer education and awareness-raising. Focusing initially on ten Changemakers, senior leaders of CAIT, the program will take key influencers through the experience of raising debt, and working with formal lenders. The idea is that these people will share their experiences and encourage others to learn from the changes they have made to make them more competitive.

The aim is to have 100 Changemakers in place by year-end, and to continue to expand from there.

CreditEnable itself has big ambitions that go well beyond India. But for now, India and CAIT's 70 million members represent a clear opportunity to effect change.

"We would never have met if it hadn't been for the SME Finance Forum convening these different players: that's where the magic happens. So I really do think there's huge value in bringing all these people together," says Sood.

"I see it as a huge enabler event in the growth of our business."

Nadia Sood, CreditEnable