"KNOW WHAT YOU OWN AND KNOW WHY YOU OWN IT"

PETER LYNCH



INTERVIEW ISSUE

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Deepak Poddar (Portfolio Manager, Sapphire Capital)

Deepak Poddar is currently working as a Portfolio Manager in Sapphire Capital. He has 15 years of experience in Indian equities in various MNC companies with exposure in Sell side, Buy side and currently family office. He has a B.E (Engineering) degree along with an MBA in Finance and then CFA (USA) certification to sharper his finance skills. He likes to evaluate different businesses and to speak to various company management to get distinct opinion about the business and the economy in general.

Which sectors in India do you believe hold the greatest potential for both financial returns and positive social impact, particularly in terms of poverty reduction?

Lending (Bank, NBFC, MFI) is the sector which is playing and still has a long way to go in terms of providing positive social impact and reducing poverty as well from a financial returns perspective.

First from social impact perspective, the majority of Indian households are located in the rural region, the banking infrastructure in these regions is relatively inferior thus, there is a gap in the supply and demand of financial services in the backward regions of the country. About 47% of India's GDP comes from rural areas. As of 2022, their share in banking credit and deposits is abysmally low with just 9% of total credit and 11% of total deposits coming from rural areas. Now, due to lack of access of required credit/funds, many of them fail to start or scale up their ventures and hence unable to come out of poverty trap as a significant portion of low-income households and micro-enterprises are still reliant on informal sources of credit, especially in rural areas and end up paying abnormally high interest cost.

MFI (Microfinance) sector, in particular, is helping a long way in reaching unbanked territories. Due to micro finance, poor people's employment opportunities increase. It also helps them to improve their entrepreneurial skills and encourages them to exploit business opportunities. Employment increases income level which in turn reduces poverty

From a financial returns perspective, scalability in this segment is immense given the vast opportunity of credit and unbanked segments all over India. There is an ever-expanding customer base and growing financial needs are generating an opportunity of more than 20% CAGR industry growth, over the medium-term. The expanding industry augers well for financial return.

In your opinion, what role should financial literacy and education play in empowering individuals in India to escape poverty, and how can we support such initiatives through our investments or savings?



Certainly, Financial literacy and education play a crucial role in empowering individuals in India to escape poverty. By understanding basic financial concepts and how to manage their money effectively, people can make better financial decisions, save more money, and invest in their future. Some of the ways in which financial literacy and education can help people escape poverty are Reduced debt, Increased savings, Better investment decision and Increased entrepreneurial success. In addition to these direct benefits, financial literacy and education can also help to empower individuals in other ways. For example, financially literate people are more likely to be assertive and confident in making financial decisions. They are also more likely to be able to advocate for their financial interests.

We can certainly support these initiatives by Offering financial literacy workshops and classes, Create and distribute financial literacy materials, Partner with local businesses and organizations, Use social media and other online platforms, Advocate for financial literacy education in schools.

On a larger scale, Governments and NGOs can also promote financial literacy awareness through public campaigns and educational initiatives. This will help people to understand the importance of financial literacy and encourage them to learn more about it.

What role can microfinance or micro investment play in poverty reduction in India, and are there specific investment options that target this segment while ensuring financial sustainability?

MFI (Microfinance) sector is helping a long way in reaching unbanked territories. About 47% of India's GDP comes from rural areas. As of 2022, their share in banking credit and deposits is abysmally low with just 9% of total credit and 11% of total deposits coming from rural areas. Now, due to lack of access of required credit/funds, many of them fail to start or scale up their ventures and hence unable to come out of poverty trap as a significant portion of low-income households and micro-enterprises are still reliant on informal sources of credit, especially in rural areas and end up paying abnormally high interest cost.

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There are many MFIs (satin Creditcare, Fusion Microfinance, CreditAccess Grameen) and Small finance bank (Bandhan Bank, Ujjivan Small finance, Equitas small finance Bank) with specific focus on micro finance and in turn providing attractive investment opportunities

"Due to micro finance, poor people's employment opportunities increase. It also helps them to improve their entrepreneurial skills and encourages them to exploit business opportunities. Employment increases income level which in turn reduces poverty"

How can a well-structured savings and investment plan empower individuals and communities in India to break the cycle of poverty and achieve sustainable economic progress, and what strategies do you recommend for achieving this goal?

I personally feel all individuals are different and everyone is countering his/her own challenges and are at a different stage of life. So, we cannot have a standard fit-it-all kind investment plan that can suit everyone at one go. So a well-structured savings and investment plan customized to an individual is needed to give them the required financial freedom and growth and in turn helping them to break the cycle of poverty.

The key strategy to achieve this would be inculcating the culture of investment advisors, financial planners in India. People should be encouraged to take expert advices of these planners to align their investment objectives with their goals/situation. In addition, Financial literacy and education play a crucial role in empowering individuals in India to escape poverty achieve sustainable economic progress

Governments and NGOs can also promote financial literacy awareness through public campaigns and educational initiatives. This will help people to understand the importance of financial literacy and encourage them to learn more about it.

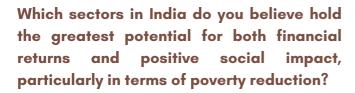
In your experience, what role do long-term investment vehicles like Systematic Investment Plans (SIPs) play in addressing societal issues such as poverty, and how can they be leveraged effectively to create positive social impact in India?

Yes, these long-term investment plans like Systematic Investment Plans (SIP) have certainly helped in improving the financial status of masses. SIP actually helps each individual to participate in India's growth story at a scale appropriate to their financial situation as SIP has the flexibility in terms of amount to be invested. This also inculcates a habit of regular investment. SIP, if you see, bridge the gap or connect small retail investors to otherwise inaccessible top investment managers/advisors/experts. This can be leveraged by increasing awareness of such investment products especially in rural areas. Government/AMFI is already doing it and more effort here will certainly increase the traction. The data attached below shows the SIP contribution/AUM over the last 2 years and it is certainly an increasing trend. It shows people are realizing the power of SIP towards their financial freedom.

(SIP Count in Lakh)		(SIP Count i Lakh)		(SIP Count in Lakh)	
Month	Total No. of outstanding SIP Accounts	No. of New speciators		SIP AUM	SIP Contribution
		registered	d tenure completed	₹ crore	₹ crore
Apr 23 - Aug 23	696.86	141.02	80.15	8,47,131	74,270
Aug-23	696.86	35.92	19.59	8,47,131	15,814
Jul-23	680.53	33.06	17.9	8,32,275	15,245
Jun-23	665.37	27.78	15.26	7,93,609	14,734
May-23	652.85	24.7	14.19	7,52,944	14,749
Apr-23	642.34	19.56	13.21	7,17,176	13,728
Apr 22 -Mar 23	635.99	251.41	143.15	6,83,296	1,55,972
Apr 21- Mar 22	527.73	266.36	111.17	5,76,358	1,24,566

Prafull Rai, (CEO, Arjav Capital)

Prafull Rai is the CEO of Arjav capital. He is a qualified Chartered Accountant. He has worked at very senior positions in domestic and MNC companies before starting Arjav.



Health insurance for poor and underprivileged, microfinance to support their basic needs, particularly for their micro enterprise and an equal opportunity for education are some of the sectors in my opinion which have potential for financial returns and creating a positive impact on the society simultaneously.

In your opinion, what role should financial literacy and education play in empowering individuals in India to escape poverty, and how can we support such initiatives through our investments or savings?

Lack of financial literacy is one of the key reasons for poverty. Even educated youths needs special awareness on financial literacy, as inflation eats into the savings really quickly. There are many movements, happening in parallel in India, like incentivizing channalising savings into mutual funds, Central Bank of India trying to fragmentize government bonds to increase participation by masses, direct tax benifits on investments, etc. We at individual level cannot really do much, except supporting numerous initiatives by non profit organisations, who are working in this field. There are many non profit organisations, who are doing very impressive work though their well devised methods. This can have the highest impact, in my view.



"India should target inculcating saving habit in youngsters, be it saving in debt or equity. Compounding even at a moderate pace over a long period of times has great outcomes. Systems should be designed to profitably channelize very small / granular savings, even if it means saving of Rs 50 a day."

What role can microfinance or micro investment play in poverty reduction in India, and are there specific investment options that target this segment while ensuring financial sustainability?

Micro finance plays a very important role as far as poverty alleviation is concerned. Targetted microfinance for a specific sector, specific cause or a specific region is a good idea. We understand that the cost of micro finance capital is higher, but here we must understand that making credit available is more important sometimes than cost of credit. With increasing competition, cost of credit is likely to come down. Over the past 10 years, micro finance credit cost has come down by over 10% approx.

How can a well-structured savings and investment plan empower individuals and communities in India to break the cycle of poverty and achieve sustainable economic progress, and what strategies do you recommend for achieving this goal?

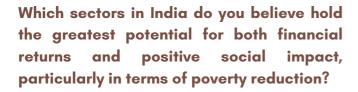
Ilndia should target inculcating saving habit in youngsters, be it saving in debt or equity. Compounding even at a moderate pace over a long period of times has great outcomes. Systems should be designed to profitably channelize very small / granular savings, even if it means saving of 50 cents a day. Using technology, it is possible to do this, with some moderate profit for the intermediaries.

In your experience, what role do long-term investment vehicles like Systematic Investment Plans (SIPs) play in addressing societal issues such as poverty, and how can they be leveraged effectively to create positive social impact in India?

SIP has been a super success in India, and has brought some kind of revolution in saving methods of this country. It has gone to grass root levels. However, geographical distribution of SIP is still very concentrated to some west Indian states and some pockets of North India. We need to make it more diversified across the country, especially pockets of eastern India where poverty is deeply entrenched. Lot is done but lot needs to be done.

Ashish Mehta, (CIO, Maxim Capital)

Ashish Mehta is a CIO of Maxim capital. He is a qualified Chartered Accountant and has over 25 years of experience in the Indian capital market



Agriculture is a major source of employment in India, also 65% of Indian live in Rural India. Improvements in this sector can lead to increased income for rural populations. Investments in agricultural technology, supply chain infrastructure, Value added Manufacturing and sustainable farming practices can have both financial returns and social impact. It can help reduce world food shortages.

Providing access to financial services for underserved populations can help reduce poverty. Microfinance institutions and fintech companies are working on innovative solutions to improve financial inclusion. Financial Inclusion can have huge social impact as it can permanently remove families from the poverty.

In your opinion, what role should financial literacy and education play in empowering individuals in India to escape poverty, and how can we support such initiatives through our investments or savings?

As India has young demographics, huge population and one of the best telecoms & internet network in the world. Education & financial literacy can make India world's back office in terms of BPOs, KPOs, research and operations. It can create huge employment opportunity for young population entering the work force. India has highly developed capital market and high saving rate which encourages and supports entrepreneurs to set up large companies in this sector.



What role can microfinance or micro investment play in poverty reduction in India, and are there specific investment options that target this segment while ensuring financial sustainability?

Microfinance and micro-investment play a significant role in poverty reduction in India by providing financial resources to underserved and economically disadvantaged individuals, especially those who lack access to traditional banking services. These initiatives aim to empower low-income individuals and promote financial inclusion, ultimately contributing to poverty alleviation.

"High saving and effective investments is key for bringing people out of poverty."

How can a well-structured savings and investment plan empower individuals and communities in India to break the cycle of poverty and achieve sustainable economic progress, and what strategies do you recommend for achieving this goal?

A well Structured savings and investment plan can empower individual by providing them a sense of security and a foundation for wealth accumulation. A community-based savings and investment groups can be formed where members pool resources and collectively make investments. These groups can provide support, accountability, and opportunities for collective economic progress.

It's important to tailor these strategies to the specific needs and circumstances of the individuals and communities you are working with. Collaborate with local organizations, government agencies, and financial institutions to provide comprehensive support and resources. By combining financial education, responsible savings and investment practices, and community-based efforts, one can help individuals and communities in India break the cycle of poverty and achieve sustainable economic progress

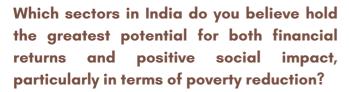
"Discipline in saving is the first step for sustainable development of any society or community. SIP is the best form of discipline for sustainability."

In your experience, what role do long-term investment vehicles like Systematic Investment Plans (SIPs) play in addressing societal issues such as poverty, and how can they be leveraged effectively to create positive social impact in India?

High Savings & effective Investments is the key for bringing people out of poverty. Discipline in saving is the first step for sustainable development of any society or community. SIP is the best form of discipline for sustainability. It reduces unnecessary or non-essential consumption and savings gets used for productive purpose. Effective investment becomes another important pillar for the sustainable progress of the society. Better Investments will lead to employment which leads to high savings which again leads to higher investment.

Manish Khemani, (Managing Partner, Middleton Capital)

Manish Khemani is Managing Partner of Middleton capital, he is a qualified CA with 30 years of experience in various industries, he started Middleton 15 years back and manages his family funds.



Sectors in India which offers good scalability and forms a core to India economic growth has the greatest potential for financial returns and reducing disparities. One such segment is Banks, NBFC and most importantly Micro finance (MFI). MFI segment empowers the untouched and unbanked section of Indian rural economy and help in financial inclusion and in turns helps in rural upliftment and positive social impact. Since there is large potential of credit growth in this under-penetrated market, scalability is immense which augers well for financial returns as well

In your opinion, what role should financial literacy and education play in empowering individuals in India to escape poverty, and how can we support such initiatives through our investments or savings?

Financial literacy and education plays a very critical role to escape poverty. As a saying goes if one person in a family becomes literate, future of several generation of that family can be secured. Financial literacy helps people make informed decision in the allocation of funds towards savings, expenses, investments and they are more likely to achieve their targeted goal in life.

We can support these initiatives through spreading and introducing financial awareness from a very young age, through various financial literacy programmes and awareness camps for even adults. Even government through their various NGO, Institutions can play a huge role in financial literacy at a very large scale and break the cycle of poverty



What role can microfinance or micro investment play in poverty reduction in India, and are there specific investment options that target this segment while ensuring financial sustainability?

Microfinance can play a very important role as they are core to the rural economy and works towards financial inclusion of otherwise unbanked section of rural population in India. This section of population are credit starved and MFIs help them come over the poverty line by providing them much needed credit at an affordable rate and give them opportunity to establish something meaningful for them and their family

There are many NBFCs and pure play MFIs listed on India stock exchange providing opportunity to sustainable scalable and profitable business model working towards welfare of these lesser fortunate section of Indian family

"A well structured savings and investment plan is very critical to realize desired level of savings and returns which in turn will help an individual to achieve their financial and life goals"

How can a well-structured savings and investment plan empower individuals and communities in India to break the cycle of poverty and achieve sustainable economic progress, and what strategies do you recommend for achieving this goal?

A well structured savings and investment plan is very critical to realize desired level of savings and returns which in turn will help an individual to achieve their financial and life goals.

The key strategies towards financial freedom remains financial literacy, education, taking Investment advisors help, SIPs in mutual fund and be a part of growth of Indian economy which i believe will be the best performing economy in the world for the next 2–3 decades

In your experience, what role do long-term investment vehicles like Systematic Investment Plans (SIPs) play in addressing societal issues such as poverty, and how can they be leveraged effectively to create positive social impact in India?

Long term investment vehicle like SIP can play a very critical role in improving the financial status of an individual as it helps you to be a part of India growth story under the able guidance of expert fund managers (otherwise inaccessible) of India at a very nominal fee.

However, the benefit of this vehicle can only be leveraged by proper awareness of these schemes in every section of the Indian society through various campaign and literacy programmes. I suggest Government should also include a separate subject in Financial literacy in the children curriculum from a very young age to imbibe these concepts in their DNA. Government can and should act and make effort to create a positive social impact and uplift lhe country India at large.