

Real-life 'Swades': How a Mumbai-based woman left cushy job in Silicon Valley to help desi business owners

Kinara Capital founder Hardika Shah returned to India after 23 years to build the fintech NBFC headquartered in Bengaluru in 2011.

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Hardika Shah, founder of Kinara Capital

It was a 'Swades' moment for Hardika Shah, who, much like Mohan (played by Shah Rukh Khan) of the Hindi film, left her cushy job at Silicon Valley, packed her bags, and took a flight back to her motherland, in order to do something meaningful, something significant for her people back home.

The former management consultant now runs a fintech firm -- Kinara Capital, that provides collateral-free business loans to India's small business entrepreneurs within a 24-48 hours disbursement cycle.

Shah, who left India at the age of 17 to pursue under-graduation in computer science from Knox College in Illinois, USA, returned to India after 23 years to build the fintech NBFC headquartered in Bengaluru in 2011.

The journey was no cakewalk. "Switching from a career in management consulting to setting up a non-bank financial company was indeed a troublesome one," Shah explains. But she figured out the operational model of Kinara. However, understanding the metrics of the business was a big challenge. "I came from consulting services, so handling financial services in India was like understanding a foreign language," says Shah.

While pursuing her MBA at Columbia Business School and UC Berkeley's Haas School of Business, Shah decided to take a leap and build a non-banking financial company (NBFC) in India. "I noticed that microfinance was doing well in India, but small business owners were facing problems raising capital between ₹1 lakh to ₹10 lakh".

Growing up in a middle-class Gujarati family in Mumbai, Shah also recounted how her mother struggled to run her small business as a woman. "My mother ran a small provision store, and she had this ambition to create a chain of these stores but she couldn't do it. That's because she never got access to the capital. My mother dreamt big but never had an access to achieve them," Shah said.

She remembers the initial challenges: "How does one start an NBFC? How to build a data-driven model? How do you change that different style of operating? How to find lenders and investors to trust her business model?". Regulatory compliance was also a big challenge, she says. However, her unputdownable approach and will to build a fintech NBFC resulted in Kinara Capital. During her Silicon Valley days, she took up pro-bono mentoring at Stanford and UC Santa Clara programs for social entrepreneurs and that helped her navigate these challenges while building Kinara capital.

Social impact investment funds like Michael & Susan Dell Foundation and Patamar Capital helped in the early phase of Kinara in 2011. Once the company turned profitable, Kinara got equity funding from funds like Gaja Capital and Gawa Capital.

"There were several mentors in my life. Different people came into the picture at different points in time for different purposes. There was always someone willing to make an introduction to someone else. Sometimes one introduction led to a conversation that led to either a nugget of information or guidance on some stuff etc," she adds.

The Kinara founder recalls an incident in which a person asked her "Whatever you do, the key is how will you ring fence your customer". She says this tiny query helped her build an advanced digital model on which Kinara runs.

Kinara Capital business model

Shah explained that the credit assessments are done with the help of Artificial Intelligence and Machine Learning (AI/ML) based data-driven automated credit decisions. "We have been working with the same customer segment for 10 years. We have empirical information on these customer segments across states and over a period of time. This has allowed us to build our data science model without any human intervention. The model is based on large customer sets we have been working with that model we have collected and collated data ourselves which is not available in the market," she highlighted.

Shah said that most of the NBFCs in India opt for a mortgage model while disbursing the loan, but it is Kinara that provides an unsecured loan in the shortest interval possible. "For a fully digital lender it becomes difficult to lend a loan if the customer has no formalised information, and for a traditional lender, the land property is crucial in a form of a mortgage. However, We (Kinara) are sitting in between these two universes. Kinara provides unsecured loans but we will do it digitally with the last mile customer service," Shah claimed.

In 2014, N Iswarya founded a company called Mukund Automats which manufactures automotive parts for four-wheelers and two-wheelers, which they supply to companies like Royal Enfield, Yamaha, and TVS among others.

Initially, Iswarya started with three workers and four machines but no banks were willing to provide loans to her business. She then approached Kinara Capital and got a loan of ₹7.25 lakh, and then a second loan of ₹10 lakh. The loan helped her purchase additional machinery and helped her expand the working space from 1,000 sq ft to 5,000 sq feet. Besides, the company's total employee strength also expanded from 3 to 54. At present, Mukund Automats runs a successful business with a larger facility and 24 machines.

This is only one of the many small businesses Kinara has helped grow. The company has helped women entrepreneurs like Princy Anitha (Founder of World Innovation Technologies), Priyanka Motichand Ponde (Santoshi Enterprises), and Saraswathy, (Founder of Saraswathy Steel) among many others.

Kinara Capital's special scheme for women entrepreneurs

Hardika Shah also launched a special loan disbursement program, especially for small women entrepreneurs called the HerVikas program under which loan is given at discounted rates.

"In the last two years, ₹125 crore has been disbursed in the form of 2,000 HerVikas business loans to support women entrepreneurs. Also, the company is committed to disbursing another ₹200 crore in fiscal year FY 22-23 to facilitate and encourage women's entrepreneurship. Kinara has supported over 6,000 women in their business journey," Shah added.

Kinara Capital's loan repayment journey

Hardika Shah has steered Kinara Capital through various challenges such as demonetization, GST, IL&FS liquidity crisis, and the ongoing Covid-19 pandemic that hit the small business owners. For instance, during the pandemic, Kinara provided a 100% loan moratorium and provided ECLGs loans to help its existing customers to revive their businesses.

Kinara offers both a fully digital process with its myKinara app and doorstep customer service with its 110-plus branches, serving small business entrepreneurs across more than 90 cities in India. The company also has a user-friendly vernacular app called myKinarafor small business entrepreneurs.

Being in the business of unsecured lending for more than a decade, she has learned a significant thing about the business. It is to be empathetic. If a loan repayment bounces, Shah says that Kinara Capital has adopted a collaborative approach with its client in terms of loan collection.

So far, Kinara Capital, spread across 110 offices in cities across Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Telangana, and the union territory of Puducherry.

The company has disbursed around 70,000 loans amounting to ₹3,000 crore to 40,000-45,000 MSMEs since its launch in 2011 with nearly ₹1,300 crore AUM as of March 2022. Shah aims to take the AUM up to ₹5,000 crore in the next two-three years. Besides, the company's 50% of the management team is women. This year Kinara Capital closed a fresh equity round of ₹380 crore led by Nuveen. The NBFC aims to disburse ₹10,000 crore worth of MSME business loans in the next three years.