

My decision to bring more women into management roles was questioned: Kinara Capital's Hardika Shah

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Hardika Shah, founder & CEO, Kinara Capital

Gender roles and gender biases are strong in India at many levels and there is overall less participation of women in the formal workforce, whether educated or not.

Even fewer women are found in senior executive roles, said Hardika Shah, founder and CEO of Kinara Capital, in an interview for DealStreetAsia's inaugural report – [Female Founders in India 2021](#) – on the gender funding gap in India.

“Less than 14% of all businesses in India are women-owned, so the gender gap is real. It hasn't happened just once that a potential investor has only addressed my chief operating officer, looking right past me. Another potential investor insisted that I don't hire a female CFO since I am already a woman – something that wouldn't even occur to someone to tell male founders even if they end up with no women on their management team or their board,” Shah said.

“Initially, my decision to bring more women into management roles was questioned, so the only thing left to do was to keep building on my vision and keep seeking partners who are mission-aligned with us,” she added.

Founded in 2011, Kinara Capital provides fast and flexible loans in the Rs2-25 lakh range without taking property collateral from small business entrepreneurs. In April, the company had raised \$50 million in its Series E funding round led by Nuveen's Global Impact Fund and Triple Jump's ASN Microkredietfonds Fund.

Edited excerpts:-

What was the inspiration behind launching Kinara Capital? What is the problem that you are trying to solve through this venture?

The idea of Kinara Capital germinated when I saw the need to bridge the credit gap in the Indian micro, small and medium enterprises (MSME) sector. In part, I was also inspired by something that I had experienced early on in life and it had always stayed with me. My mother had entrepreneurial leanings and ran a small business when I was growing up. I saw how difficult it was for her to build her business due to lack of financing.

| *“Small business entrepreneurs face challenges like lack of financing.”*

Despite many economic reforms that India has undergone over the past two decades, small business entrepreneurs continue to face many of the same challenges they always have, particularly lack of access to financing to grow their business. There are over 60 million MSMEs in India, which provide jobs to over 120 million people and yet, most formal lending institutions do not lend to them, especially without property collateral. I wanted to do something to change that, and that's what eventually led to the inception of Kinara Capital.

Fintech, like many other sectors, is dominated by male-led startups. With India's fintech sector seeing exponential growth, do you see more women getting into this space in the near future?

It's true that a female CEO is quite rare to see in the fintech sector in India, or frankly around the world. I sure hope that fintech's exponential growth will create more opportunities for women leaders and for women to join the workplace in general because the number of women CEOs have been decreasing in India Inc in the last few years, with less than 5% women CEOs as of 2021.

My way of subverting this has been to bring more women on board in management roles as well as across the board, and to create an equal-opportunity workplace where they can thrive. At Kinara Capital, the CEO, CFO and the majority of our management team are all women.

| *“A female CEO is quite rare in the fintech sector in India, or around the world.”*

And, I am very proud that we have demonstrated growth and profitability in a heavily male-dominated field. I am very proud of how seriously we take inclusivity.

We have opened the workplace for the inclusion of women across all roles including in our branches, as well as pushed gender parity to create a safe and an inclusive workplace for the LGBTQ+ community. Going forward, I definitely expect to see this skewed ratio slowly correct itself as many more women ignore the male-dominated tag and enter these industries with full gusto, hopefully supported by strong female and male leaders.

How has your fundraising journey been, and how long did it take you to get your first funding round? Also, what attracted investors to Kinara Capital?

When it comes to fundraising, one must learn to really love the journey because it is a never-ending cycle! As for my first funding round, I am very fortunate that my initial seed round came from my friends and some of my business school classmates who believed in my vision. I had run an on-the-ground pilot in India while in business school to test my risk-assessment methodologies and the success of that pilot became the genesis of Kinara which I launched right after finishing school and leaving my life in Silicon Valley to move to India.

What attracted investors to bet on Kinara Capital then – and what does even today – is how uniquely we are addressing the credit demands of the MSME sector and the vast opportunity to create societal impact in India, the world’s fastest-growing major economy.

To date, Kinara Capital has disbursed \$400 million across 75,000+ collateral-free business loans enabling vast financial inclusion of the underserved small business entrepreneurs in India. We plan to cross \$1 billion in disbursements of MSME business loans and aim to grow by 500% by 2025.

What are your key lessons from the pandemic, and how have you adapted your business due to it?

At an organisational level, the pandemic tested us on agility and adaptability and I’m happy to say that Kinara Capital fared extremely well on both counts. Since we were already cloud-based and tech-ready, we shifted to work-from-home mode seamlessly, including for our workforce of 1000+ employees, including our multilingual call-centre.

The pandemic halted all of our business operations in a way that nothing had during our decade of rapid growth. We were forced to pause and we took this time to first and foremost support our employees by ensuring their well-being with free vaccines, full medical coverage, Covid-related paid leaves for those who were affected, and for those who were caretakers for their loved ones. We supported our customers by extending the moratorium to them, continuing to reach out and offer support to them, running free online workshops to help them digitize, and extending working capital loans as part of the government relief Emergency Credit Line Guarantee Scheme (ECLGS).

“The pandemic tested us on agility and adaptability and Kinara fared well on both counts.”

Beyond this, instead of waiting for the lockdowns to end, we took the time to revamp our tech and review all of our business processes. The pandemic gave us time to reflect on our existing operations in a way that was not possible in the day-to-day running of the business. We digitized further such as introducing 400+ digital payment options to our customers and consumerizing our back-end tech by launching our customer-friendly app myKinara, available in 7 languages with an easy 3-step digital process which includes eKYC, eSigning and digital loan disbursement.

Do you think it's hard to get external funding as a solo woman founder?

Absolutely! After running a profitable company year on year and demonstrating scaleable, sustainable growth, it is always a struggle despite much discussion around gender lens investing. Look at the facts and you will see that in 2021, even in the US, female founders raised just 2% of venture capital funds. There is clearly a gap. Add to that being a solo woman founder, it certainly comes with its share of challenges.

Less than 14% of all businesses in India are women-owned, so the gender gap is real. Gender roles and gender biases are strong in India at many levels and there is overall less participation of women in the formal workforce, whether educated or not. Even fewer women are found in senior executive roles.

| *“Less than 14% of all businesses in India are women-owned.”*

So, it hasn't happened just once that a potential investor has only addressed my Chief Operating Officer, looking right past me. Another potential investor insisted that I don't hire a female CFO since I am already a woman – something that wouldn't even occur to someone to tell male founders even if they end up with no women on their management team or their board. Initially, my decision to bring more women into management roles was questioned, so the only thing left to do was to keep building on my vision and keep seeking partners who are mission-aligned with us.

What are the challenges facing women entrepreneurs in India and how can one overcome those?

Indian women face major systemic hurdles and cultural biases that hold them back from not only starting businesses, but entering the workforce at all. Women typically lack support for childcare and household management. Women entrepreneurs are likely to face higher borrowing costs, are required to provide collateral for a higher share of their loans, and face longer wait times for loan disbursement compared to their male counterparts, even though women tend to have better repayment rates, are likely to spend more on the betterment of their family's health and well-being, and make for better managers.

| *“Women entrepreneurs are likely to face higher borrowing costs.”*

India ranks low at 70th among a list of 77 countries covered in the Female Entrepreneurship Index, with less than 26% of women in India participating in the formal workforce. Most of women's work remains unpaid, underpaid and in the

informal sector. The only way to overcome these issues since they are so entrenched in our culture and society is by providing women access to education, training and funding, across all economic stratospheres. There is ample room to introduce any number of programs, incubators, and educational or vocational training that will give many women the chance to grow their business or aspire to become an entrepreneur and chart their own success.

Any tips or lessons for aspiring women entrepreneurs?

It's crucial for women entrepreneurs to be prepared to face questions that nobody would ever ask their male counterparts. They have to develop thicker skin, and stay focused on their entrepreneurial mission. It's also essential for women entrepreneurs to lead by example, since we need more women to break socio-economic barriers and join their ranks.

| *“Women entrepreneurs have to develop a thicker skin.”*

Once they have reached a certain juncture in their journey, they can open doors for other women and create a conducive work culture focused on inclusivity and equal opportunity. I strongly believe change begins at the top, so the opportunity has to be first created for women to step into leadership roles.

Kinara Capital