LenDen club

THE EDGE

ISSUE 05 | www.lendenclub.com

WHAT'S NEW AT LENDENCLUB?

With your trust and the continuous efforts by our teams, we are grateful for achieving newer milestones.

TOPICS

- What's new at LenDenClub?
- India's Thrust on Infrastructure
- Why should you build an emergency fund

LAUNCH - INSTAMONEY PLUS

We recently introduced a revolutionary lending product - InstaMoney Plus, an upgrade to our existing flagship digital lending platform, InstaMoney. This upgrade is offered to select existing borrowers (with more than one loan with LenDenClub). This upgrade gives them premium advantages such as their own personal credit line, UPI payment options and a digital card to offer easy access to credit across both online and offline platforms.

This further strengthens our capability to retain the good profile borrowers on the platform and provide you with good lending options.

With InstaMoney Plus, the existing borrowers on the platform are automatically eligible for higher credit limits up to ₹25,000 from the earlier limit of ₹12,500 earlier. The user can also control their credit limit, thereby optimising the usage only for the required amount. The investment process for these loans remains the same as earlier, starting from ₹500 per loan. You may see higher loan amounts along with loan tenure as low as one month.

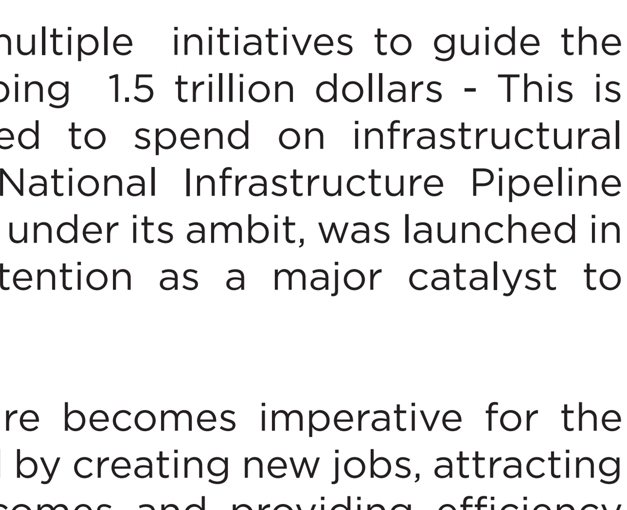
PRODUCT UPDATE - INSTAMONEY LOANS

Another big update on the current InstaMoney loan product has been the increase in the **maximum credit limit/loan on InstaMoney from ₹12,500 to ₹25,000.** The investment process for these loans remains the same as earlier, starting from ₹500 per loan.

OUR CHATBOT 'AVI' IS NOW AVAILABLE ON IOS

We are happy to share that to improve the service being extended to you, we have launched our first-ever chatbot 'Avi' in the last quarter of the previous FY, for Android and web users. Now, **Avi is also available on the iOS platform.** For any query, please feel free to use the bot and get quick responses to your queries.

INDIA'S THRUST ON INFRASTRUCTURE



Those of us who had shared APJ Abdul Kalam's vision of seeing India rising to a superpower status by 2020, did not not have much to rejoice about, as the second decade of the twenty-first century gave way to a new era: the Indian economy instead of realising its potential, had instead been caught in a slowdown even before the pandemic struck and instead of rising through the ranks, it has been ravaged by the two waves of pandemic.

The government has been taking multiple initiatives to guide the economy back on course. A whopping 1.5 trillion dollars - This is what the government has proposed to spend on infrastructural development in the country. The National Infrastructure Pipeline (NIP), with more than 7,000 projects under its ambit, was launched in 2019 and has been picking up attention as a major catalyst to stimulate economic growth.

Strategic investment in infrastructure becomes imperative for the hope of turning the economy around by creating new jobs, attracting global investments, generating incomes and providing efficiency gains that come with improved logistics and faster connectivity. The emphasis on India's infrastructure development came not a day too soon.

Out of the 12 sectors that the NIP focuses on, a sizeable 30% of the capital expenditure has been allocated to roads and railways, and rightfully so. For trade to flourish, people and goods need to move at a faster pace and that calls for improvement in connecting infrastructure by leveraging technology. Projects under the NIP aspire to facilitate last-mile connectivity throughout the country, characterised by weather-resilient, traversable and well-maintained roads, designed by effective use of advanced technology. Moreover, electrification of 100% of the existing railway network, upgradation of trains to high-power locomotives and completion of projects on multiple tracks will ensure optimum utilization.

The fact that trade by sea contributes to 95% of India's trade by volume and 70% by value, goes to show just how significant India's ports are to its trade and commerce. In a sector suffering from high logistic costs & turnaround time and lower output, projects under the NIP are aimed at improving operational efficiency through modernisation and computerisation.

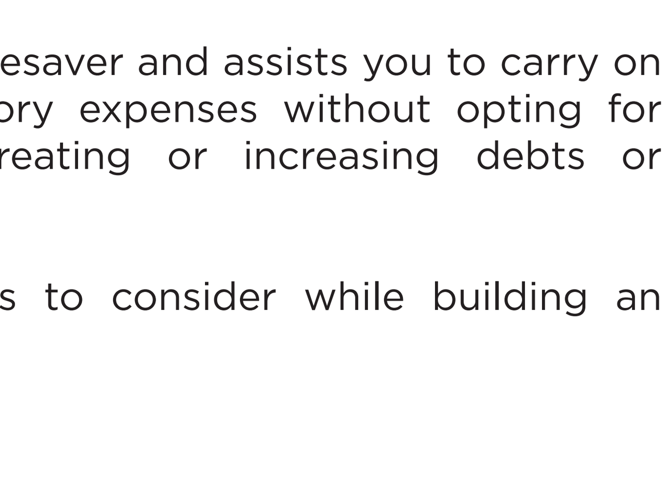
The NIP has devoted a noteworthy 30% of its capital expenditure on the energy sector. Distribution companies in India which face huge financial stress, are expected to be transformed. Moreover, India has pledged to reduce the emissions-intensity of its GDP by 30-35% over 2005 levels by 2030, as well as to increase its non-fossil fuel-based energy to 40%. By 2025, India aspires to reduce the share of thermal power and increase that of renewable energy. Under the NIP, infrastructural reforms are also expected to ensure that by 2025, 24x7 clean and affordable energy is distributed all over the country, while the need to increase grid energy and offshore wind energy storage has also been underlined.

As climate change threatens to test the resilience of countries, the NIP has envisaged development in line with the country's responsibility towards the environment. This also leads us to ponder over the consequences that lay in wait for our Electric Vehicles (EV) Industry, the headway in which is key to India's goals to reduce carbon emissions and dependence on crude oil imports. In India, the meagre EV penetration observed has only been to the extent of three wheelers; it is negligible when it comes to cars, two-wheelers and buses. This can be pinned down on the high average cost of EVs in India, but a lack of charging infrastructure is also one reason to blame. As reported by the Society of Manufacturers of Electric Vehicles, there are 1,800 charging stations in India as of March 2021. Compare this with around 8 lakhs EV charging outlets in China and around 41,000 EV charging stations in the USA and you realize how far behind India is. The NIP has plans to build public charging infrastructure within 3 km and in all commercial and multi storeyed buildings in urban areas by 2025. The thrust on renewable energy sources will also serve as a push to EV penetration, as EVs currently rely on coal-powered electricity grids for charging. The private sector also seems intent on electrification of vehicles. In April, Ola Electric announced its plans of setting up the Ola Hypercharger Network, a vast network of charging stations for two-wheelers, with 1 lakh charging stations across 400 Indian cities, out of which 5,000 stations will be set up in 100 cities in the first year itself. In fact, Ola Electric is all set to launch its first electric scooter on August 15. Even Reliance, which has shown its inclination towards green energy development, announced its plans to invest in the production of advanced chemistry cell battery storage and hydrogen fuel cells. Domestic manufacturing of lithium cells, which are a major component of EV batteries, would ensure that EV manufacturers do not have to shell out big bucks on battery imports when a reliable domestic supply chain can sustain their production. This also sparks hope for EV buyers in the country, who are currently discouraged by the high average price of the EVs. All in all, the future for the EV market in India seems promising.

To ensure that the massive project succeeds in bringing about the developments it envisions, it is necessary that implementation agencies at the central and state level have the required capacity to carry out a project of such scale. Delays and cost overruns have long been hindering any infrastructure projects that India undertakes, and continuous monitoring, innovation in processes, and incentives to usher in the much needed private investment become immensely important. India's thrust on infrastructure presents the opportunity for huge long-term gains. The country must do everything that it can to ensure its success.

References: Department of Economic Affairs, Business Standard, Bloomberg, CNBC, Mint

WHY SHOULD YOU BUILD AN EMERGENCY FUND



The ongoing pandemic has certainly taught us not only to be prepared for the unexpected but also to be financially stable and more foresighted. It is amply clear that an emergency doesn't announce its arrival before knocking on the door. Hence, be it a health emergency or job loss due to the pandemic, ensuring that you are financially secure throughout, is under your control. The simplest and easiest method to be well prepared is to create an emergency fund.

An emergency fund comes as a lifesaver and assists you to carry on with life and meet your obligatory expenses without opting for last-minute unplanned loans, creating or increasing debts or exhausting your credit card limit.

Let's have a look at the factors to consider while building an emergency fund:

EASY LIQUIDITY & ACCESS

The intent of building an emergency fund is to ensure easy & quick access to money. For instance, a very common investment option- Liquid funds. There usually exists a limit on the instant withdrawal facility on such funds viz. ~₹50,000. If the amount exceeds the limit, the official processing time extends to one or two business days. Should non-operative days like weekends or government holidays intervene, the wait to withdraw the money can be prolonged by additional 3 or even 4 days.

In order to avoid such adjournments, division of emergency fund is the key. For e.g.- a part of the fund can be parked in bank deposits that have an instant online liquidation feature.

CREATE A BUFFER

It is always advisable to relate the estimate of one's emergency fund to living overheads. For e.g.- if a family's expenses on basics such as house rent, loan EMIs, groceries, food, health, etc. work out to say, ₹40,000 a month, it would be safe to hold an emergency fund equal to say, 6 to 9 months' equivalent (₹2.4 lakh to ₹3.6 lakh). Such a buffer would help during an untoward situation like job loss or income loss if it is a temporary interruption.

HARD CASH WAY TO GO

Demonetisation in 2016 in India inducted the transition and rise of digital payments. The pandemic further fuelled it. The rise of net banking and digital wallets, has pampered the urban population to stay away from keeping hard cash on a normal day. But in unexpected times, physical money often turns out to be the king. During natural calamities, ATMs do not operate simply because they do not get refilled. Internet may be down due to harsh weather thus making digital payments impossible.

Though FDs in banks or Mutual Funds could be the reasonable choices for safety, holding onto some hard cash in pressing times could save the day.

BEYOND INSURANCE

While health and property insurance are definitely essential components while preparing for emergencies, they cannot be the sole saviour during times of exigencies like natural calamities, accidents or medical emergencies. Since time is of essence during these critical times, there could also be situations where the event may be excluded from your insurance plan.

To protect against being at a loss and being stuck in the fine prints, it is advisable to have a buffer of a few lakhs, say ₹1-2 lakhs, in the emergency fund with a buffer of over and above your 6-9 months' living expenses.

An emergency fund is like your parachute that saves you from a freefall in the event of a financial crisis. So, always give it the importance it deserves.

It would be useful to keep reviewing your emergency fund requirements at least once a year, as there may be changes in your life like starting out a business, taking a sabbatical from work, addition of a new family member or a change in your lifestyle.