

## Blended Finance Framework

### Objective

To leverage concessional finance (public, philanthropic, and developmental funds) to mobilize private capital, enabling Muthoot Microfin Limited (MML) to expand financial services to low-income women, micro-entrepreneurs, and underserved rural populations across India.

### Strategic Focus Areas

Focus Area	Rationale
<b>Women Empowerment Finance</b>	MML's core focus aligns with development goals specifically around gender equality and women's economic empowerment through enabling credit access and financial services to women
<b>Climate-Resilient Microfinance</b>	Financing green solutions for women entrepreneurs and women-owned micro-enterprises including natural calamity insurance.
<b>Digital Financial Inclusion</b>	Innovating and expanding digital lending and other services platforms to rural clients along with providing digital literacy
<b>Livelihood &amp; Skill Development Loans</b>	Supporting and building livelihood for women-owned micro-businesses in agriculture, retail, handicrafts, and other areas
<b>Social Impact Measurement</b>	Tracking Social KPIs focussed on women clients to measure impact - financial inclusion, gender equality, and other parameters

### Key Stakeholders

Stakeholder	Role
<b>Muthoot Microfin Limited</b>	Lead microfinance institution, responsible for loan origination, distribution, and collections.
<b>Development Finance Institutions (DFIs)</b>	Provide concessional debt or guarantees to de-risk private investments.
<b>Multilateral Agencies</b>	Fund blended finance pools focused on financial inclusion and SDGs.
<b>Philanthropic Foundations</b>	Offer grants for technical assistance, capacity building, and pilot projects.
<b>Impact Investors &amp; ESG Funds</b>	Co-invest in MML's debt/equity with focus on financial inclusion and social impact.
<b>Government Agencies</b>	Policy support, concessional finance, and credit guarantees.

### Financial Structure – Blended Finance Instruments

Instrument	Application at MML	Source
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<b>Concessional Debt</b>	Long-term low-cost debt to fund low-income women borrowers.	DFIs, Multilaterals, Government Programs
<b>First-Loss Capital</b>	Guarantees to protect private investors from initial losses.	Philanthropic Foundations, Multilateral Funds
<b>Grants</b>	Funding for borrower financial literacy, climate-friendly loans, and digital lending tech.	CSR Funds, Foundations, Government Programs
<b>Equity Co-Investment</b>	Mobilize impact investors alongside MML's own capital.	ESG/Impact Funds, DFIs
<b>Guarantees</b>	Partial risk guarantees to attract local banks for refinancing.	SIDBI, NABARD, Multilaterals
<b>Technical Assistance Grants</b>	To improve credit assessment tools	Foundations, Development Partners

## Blended Finance Process Flow

### Step 1: Needs Assessment

- Identify target regions, sectors (women-owned businesses, climate-resilient agriculture), and funding gaps.
- Assess risk levels and define social impact objectives.

### Step 2: Partnership Structuring

- **Anchor Investment:** Muthoot Microfin contributes initial equity or debt.
- **Risk Mitigation Layer:** DFI guarantees, first-loss capital.
- **Impact Enhancement Layer:** Grants for financial literacy, capacity building, and impact measurement.
- **Private Investment Mobilization:** Syndication of banks, NBFCs, impact funds for commercial capital.

### Step 3: Fund Structuring

- Create **Blended Finance Vehicle (BFV)** or thematic financing pools (e.g., Women Entrepreneurs Fund, Green Microfinance Fund).

### Step 4: Deployment

- Deploy loans through MML's existing channels.
- Offer customized products: low-cost green loans, livelihood loans, digital micro-loans.
- Layer **financial literacy** and **digital training** programs to improve loan outcomes.

### Step 5: Monitoring & Impact Reporting

- Establish **impact KPIs**
- Periodic impact reporting as requested by investors and donors.
- Integrate **ESG and SDG alignment** into all reporting.

## Illustrative Capital Stack

Layer	Amount (₹ Cr.)	Source	Terms
Commercial Debt	300	Private Banks, NBFCs	Market rates
Concessional Debt	100	DFIs, Multilaterals	Below market rates (5-6%)
First Loss Capital	30	Philanthropic Grants	Non-repayable
Equity Investment	50	Impact Investors	Target IRR 10-12%
Grants (Technical Assistance)	10	CSR, Foundations	Non-repayable
Guarantees	Coverage for 20% of portfolio	DFIs, SIDBI	Risk sharing

**Total Corpus: ₹ 500 Cr (Example)**

## Risk Mitigation Mechanisms

Risk	Mitigation via Blended Finance
Credit Risk	Partial risk guarantees, first-loss capital
Operational Risk	Grants for training staff & digital tools
Climate & Environmental Risk	Concessional loans for climate-resilient projects
Market Risk	Anchor commitments from concessional and impact investors
Reputation Risk	Transparent impact reporting and social audits

## Impact Measurement Framework

Impact Area	KPI	Target*	Data Source
Women Empowerment	% of women borrowers	≥ 90%	Loan MIS, client profiles
	% of women in repeat lending cycle (loyalty/retention)	≥ 70%	Loan cycle data
	% of women reporting decision-making power in household/business spend	≥ 60% (from sample surveys)	Client surveys
	% of women borrowers accessing more than one financial product (cross-sell)	≥ 25%	Portfolio MIS
Income Generation	Avg. increase in household/business income (self-reported)	≥ 20%	Monitoring visits, surveys
	% of borrowers reporting improved business turnover	≥ 50%	Surveys

	% of borrowers shifting from informal to formal financing	≥ 30%	Loan application data
	% of clients improving household assets (e.g., livestock, equipment)	≥ 25%	Loan utilization checks
<b>Climate Resilience</b>	% of loans tagged as green/climate-resilient	≥ 15% of portfolio	Loan MIS (green tagging)
	% of clients adopting renewable/clean energy solutions	≥ 10% of green loans	Loan MIS
	% of portfolio covered by calamity/insurance-linked products	≥ 20% of eligible loans	Product MIS
	Reduction in repayment delays in climate-affected regions	≥ 10% improvement YoY	Portfolio monitoring
<b>Financial Literacy</b>	% of borrowers trained (at least one session)	100%	Training attendance logs
	% of borrowers reporting improved financial knowledge	≥ 70% (survey-based)	Post-training survey
	% of clients using digital repayment platforms	≥ 60%	Repayment channel data
	% of women able to independently manage loan repayments digitally	≥ 50%	Transaction MIS
<b>Job Creation &amp; Sustenance</b>	Total jobs created/sustained through financed enterprises		Loan purpose classification
	% of clients employing others (beyond household labour)	≥ 25%	Client declarations, surveys
	Avg. no. of jobs supported per borrower enterprise	≥ 1.2	Sectoral assumptions + borrower data
	% of jobs held by women in supported enterprises	≥ 50%	Client surveys, sample studies

*\*The targets are indicative and shall be finalised during specific Blended investment process*

### Benefits to Muthoot Microfin Limited

<b>Benefit</b>	<b>Explanation</b>
<b>Lower Cost of Funds</b>	Concessional debt and guarantees reduce borrowing costs.
<b>Portfolio Diversification</b>	Specialized thematic funds for women, green finance, etc.
<b>Enhanced Social Impact</b>	Directly contributes to SDG goals.

<b>Reputation Boost</b>	Positions MML as a leading <b>impact-driven microfinance institution.</b>
<b>Access to Global Capital</b>	Taps into global pools of <b>ESG, impact, and climate finance capital.</b>

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