



Inclusive Cashless
Payment Partnership

Gen-Next Chit Funds - From Dusty Dabbas to Digital Khaatas



The narrow streets of Bandha Basti meander as they lead up to the bright blue dwelling that houses the neighbourhood hero. A flight of concrete stairs leads to a vast space on the terrace where Farida Ben is seated on a large mattress - regal, yet welcoming as ever.

A conversation quickly ensues over the tireless bleating of the family goat. From being a helper at a local anganwadi twelve years ago, to starting one of her own two years ago, Farida Ben was stirred by the socio-economic inequalities that she saw around her.

She believes that these often result from a lack of awareness and literacy. After passing her class 10 examinations with her daughter Anam, there has been no turning back. Farida Ben took it upon herself to spread awareness about the benefits of literacy, financial literacy in particular, within her community and beyond.

Catalyst is partnering with Kyepot to study how informal chit funds or Rotating Savings and Credit Association (ROSCAs) could be digitized and graduated to a formal platform.



Chit funds for community saving and borrowing

Having been a part of a few small chit funds* herself, Farida Ben started her own chit fund with a group of twenty members, and monthly installments of Rs. 100. She collects these installments diligently and stores the cash in an old dabba (box) in her house. In the middle of our conversation, she disappears for a few minutes and returns with a dusty old register. She flips the pages to show

us the manual entries she has made pertaining to the transactions in the six chit funds she has organized so far. When asked what her primary motivation for starting the chit funds was, she explains that she believes it is a brilliant way to inculcate a habit of money-handling and saving in the community.

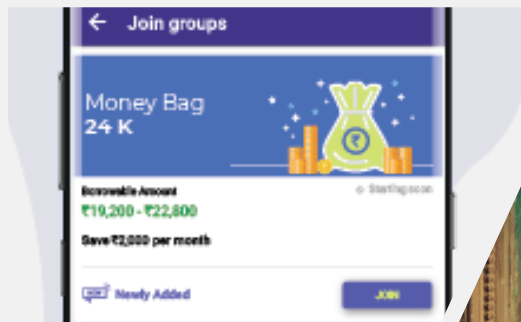
**Chit funds are a savings-cum-borrowing scheme prevalent in India that are based on community trust. Members from a community come together and make monthly deposits for a period of months equal to the number of members. Every month, a reverse auction is held wherein the member with the lowest bid - and hence, in dire need of the money wins. The remaining amount is distributed among all the members. Each member can only win a bid once in the duration of the chit fund.*



Old registers, torn notes and associated perils

When asked whether she believes that keeping all that cash in a dabba at home is dangerous, she nods and tells us that she has often felt that way. Apart from that, she informs us that quite a few of her clients have lied about making payments. She would turn to her dusty register to deal with such fraudulent cases, but this

consumes a lot of her time. Sometimes, she has to go door-to-door to collect money from the members who do not make their payments on time. There have also been instances when she would find torn and taped Rs. 500 notes in her stash. She has had to personally get these exchanged from a bank branch, which is quite far away.



Kyepot leads the way

Farida Ben is delighted to hear that there is now a quicker way for these payments to reach her. This delight is doubled when she hears that the money will go straight to her Khaata (account) on a timely basis. She beams excitedly at the prospect of Kyepot - a fintech startup that aims to digitize the entire chit fund process by creating a mobile application-based platform for chit funds and

related transactions. This seems to be the one-stop solution for her hassles with managing cash and maintaining manual accounts and registers.

She eagerly beckons her adolescents, Anam and Anas, to share this news. Anas already has a smartphone and Farida Ben promises Anam that she will get her one as well. She believes that youth are the face of digital transactions and that if given time, they will be able to assist some of her older group members to make the transition to digital.

Two weeks later, Anam and Anas are on a Skype conference call with Shradha Kampani, Head of Products at Kyepot. Anam's brand new smartphone has arrived and been unboxed. The girls follow Shradha's instructions as they install and explore the Kyepot application, so they can onboard the rest of their community. They are also taught how to download the BHIM application and make their first transaction using the Unified Payments Interface (UPI). This will enable them to organize transactions within the chit funds they will be managing on the Kyepot application.



Opening doors to digital payments

Are Anam and Anas going to use BHIM for purposes other than undertaking transactions on Kyepot? "Certainly!" - is the unanimous reply - "It is so convenient!". They have just begun their exploration of the UPI world but are already enthusiastic about using it to make payments for healthcare services, payments at petrol pumps and even to pay their college fees. They are confident about propelling a similar adoption of digital payments among their peers.

Farida Ben looks on proudly. She has clearly faced her fair share of hurdles - with stern opposition from her family in the beginning for organizing the chit funds in her home. But she is not one for excuses. She believes in action.