The humble chit fund now has a chip

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Manoj Padmanabhan (L), CEO, The Mayavaram Financial Chit Corp Ltd and Sidd Gandhi, CEO & Co-Founder, KyePot. Photo: Bijoy Ghosh - BusinessLine

The Mayavaram Financial Chit Corporation is breaking through the digital barrier to appeal to the youth

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India may be surging ahead on all things digital, including finance and payments, but one area has been untouched by the changes: the chit fund sector.

There are websites and apps that allow people to invest in them, much like in shares and mutual funds, but chit funds have always flown beneath the radar, and operationally they remain where they were decades ago. Investing in a chit fund involves going to a chit company's office and filling up paper forms. Not many companies have made any effort to innovate, and as a result, chits don't figure among investment options for tech-savvy youngsters.

Watch the full interview here: Chit goes digital

One reason for the lack of innovation could be that regulations have not changed for decades. The regulations under the archaic Chit Fund Act, 1982 do not support digital products. This has also impacted digitisation. And with most chit companies not taking steps to address the issue, chits don’t hold appeal for the younger generation.

But one company, The Mayavaram Financial Chit Corporation Ltd, is breaking through the digital barrier with technological help from Kyepot, a mobile platform.

Legal documents for your chits

Prior Sanction Order(PSO) and Regulatory Fixed Deposit (FD) VIEW

A chit fund company has to obtain an approval in the form of Prior Sanction Order (PSO) from the loc...

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Your Chit Agreement VIEW

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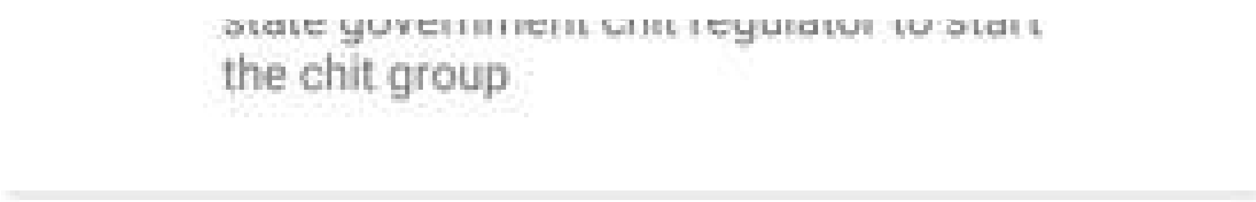
Certificate of Chit Commencement VIEW

This is the final approval from the local



Behind the bold experiment of taking chits digital are Mayavaram Financial CEO Manoj Padmanabhan and the founder and CEO of Kyepot, Sidd Gandhi. It has been a hard journey for them to develop the Kyepot app and to get the process to conform to the regulations and to convince the government and regulators of the need to modify the pre-digital era Chit Fund Act to the requirements of the brave new world.

For instance, the Act mandates that the Chit Agreement has also to be physically signed. What this means is that for every chit, the member has to sign an agreement on a paper. The auction has to be conducted physically at one place; for a digital product, this is a cumbersome process. To get around this provision, Mayavaram Financial conducts the digital auction through the app and takes a printout of the auction and submits it to the regulator.

₹2,000/month

Current Cycle 4/12

Borrowable amount

₹19,200 - ₹22,800

Dividend earned

₹567

₹6,292 saved **₹17,708 left**

Bid Opens

03rd | 03:45pm

July 2018

Next Auction

05th | 03:45pm

July 2018

Legal documents for your chit VIEW

Subscribers	12

Manoj's aim is to get the youth understand and leverage the benefits of chit funds. Kyepot has made the task easy for him.

Easy borrowing option

The youth, Manoj says, are not aware that chits are a great borrowing option; they therefore end up taking personal loans at exorbitant rates of interest. They don't realise that with chits, they can instead 'borrow' with hardly any interest - and, in fact, it is their own money, says Manoj. It also has the element of savings, and the subscriber gets a dividend every month, which reduces the chit amount he pays.

Sidd Gandhi, CEO and Co-Founder of Kyepot, says the response has been overwhelming and there is a long waiting list. Not everyone who applies is selected. There is a due diligence process during the onboarding and the rejection rate is 95 per cent. The main pillar of a chit fund is trust, and Mayavaram Financial and Kyepot ensure that the applicants and participants in a chit meet stringent creditworthiness norms.

The Kyepot app

What has helped Kyepot succeed is the simple intuitive design, says Gandhi. Gandhi and Manoj say they have ensured the entire process — joining a chit, auctions and completion — is transparent.

'Kye' in Korean means trust, and the chit fund industry is based on trust, says Gandhi. The Kyepot app is a Software-as-a-Service (SaaS) platform and digitises the entire process of a chit — right from application to auction. The app lists the subscribers to a particular chit, alerts subscribers of the due date and auction dates and notifies them of the auction outcome.

It also informs the subscriber of the amount they will have to pay in the next instalment based on the auction. A dedicated manager stays in touch with each subscriber through multiple modes of communication, including social tools such as WhatsApp.

All the legal documents for a particular chit, including the fixed deposit for the total chit amount, are available in the app. The app also allows for part-payments of the instalments.

Mayavaram Financial and Kyepot also use their websites and blogs to educate the youth about chit funds and their benefits.

Has the experiment succeeded? Yes. Over 99 per cent of the user base of the app is below 30 years of age.

The Kyepot app can be downloaded from the Google Play Store

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