

Newsletter

Vol II, November 2020

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Our mission is to ensure that every individual and every enterprise has complete access to financial services.

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WELCOME TO THE
2ND EDITION OF OUR
NEWSLETTER 2020



**Dvara
Research**
Our in-house policy
research institution

Dvara Research has always been doing what it does best: envisaging a strong financial system and a policy framework that allows multiple strategies and institutions. Response to Covid-19, Social Stock exchanges, Data Protection, and Priority Sector lending are just few of the themes which it has concentrated on over the past few months. One of its initiatives, a webinar on 'Unlocking the Potential of Gold for Financial Inclusion' hosted with Rekha Kulkarni, CEO - Mann Deshi Bank, Surekha Marandi, Retd. Executive Director - RBI, Chetna Sinha, Co-chair - WEF 2018 and Bindu Ananth, Chair - Dvara Trust received remarkable feedback and response from many stakeholders across sectors. It has hosted numerous other webinars, research papers, blogs, case studies and data briefs on various other topics of financial interest and inclusion.

Another noteworthy research initiative in the household finance segment, would be the collaboration with Northern Arc Capital, Robert Bosch Centre for Data Science and Artificial Intelligence (RBCDSAI) at IIT-Madras and Omidyar Network to invite research institutions/ think-tanks, institutional and independent academicians, and scholars to submit research proposals that thematically cuts across various dimensions of financial inclusion and household finance research.

The key objective of the research conducted under this initiative is to devote intellectual capital to solving critical challenges in the design and delivery of financial services that increase financial access, facilitates socio-economic mobility and ultimately improves the well-being of households in India. Dvara Research had received over 75 proposals across disciplines of social sciences, of which 10 research teams have received the grant. The research emerging out of this initiative will be disseminated at the Household Finance Conference hosted by Dvara Research, scheduled for April 2021.

Know more: <https://www.dvara.com/research/>

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Kshetriya Gramin Financial Services

In our previous edition, we had covered extensively on the operations of our flagship company, Dvara KGFS. Born with the idea of providing tailor-made financial products and solutions to India's poor and low-income households, it has lived up to its vision and taken extensive steps for the betterment of its clients during this hour of misfortune. The customer experience team went into sixth gear and conducted an extensive survey right at the ground level catering to 2.8 lakh customers to understand the impact of Covid-19 on their family, their safety, access to digital devices, impact to their income & willingness to pay or in need of additional loan.

During this extensive lockdown, KGFS quickly built up its tech prowess, introduced digital products through KGFS Assist and now supports disbursements and collections through the digital mode. This assumes significance as almost 90% of the branches are in deep rural areas with minimal digital adoption. However, the response to these initiatives have been quite overwhelming with digital medium (AEPS, UPI or NEFT) contributing almost 6% of the entire collections within a quarter of its launch. With its growing adoption rate, KGFS aims to increase this share to 25% by

this financial year and move towards 100% in the coming years. KGFS also realized that the restriction on banks operations had an adverse impact on the low-income households. To facilitate seamless withdrawals from their bank accounts, KGFS implemented an AEPS Cash-Out facility in record time. As a result, till date, it has facilitated over 1.2 lakh transactions with a cumulative cash out of almost INR 30 Crores.

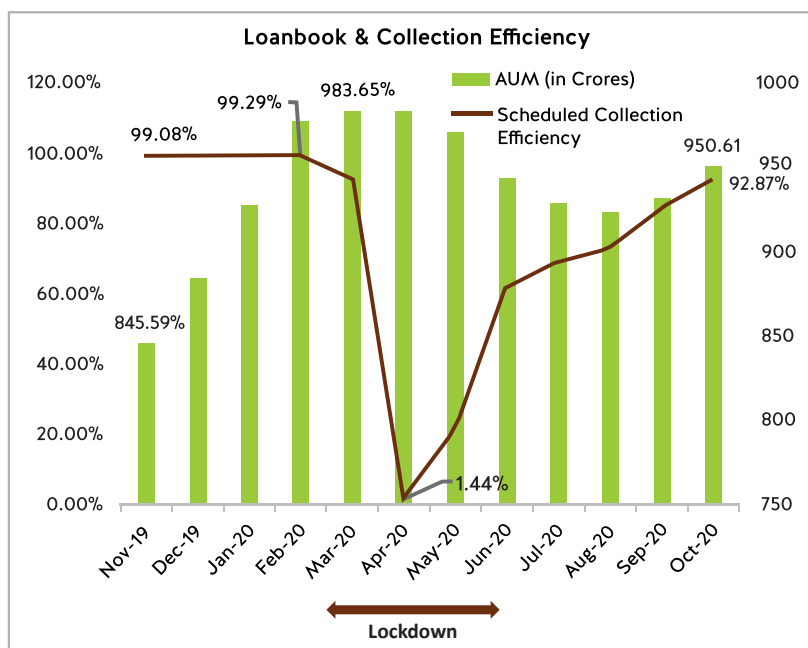
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With the rural economy stabilizing, KGFS is confident of the recovery in disbursement volumes and asset quality. The collection efficiency has crossed 75% and is growing every single day. Even its Wealth Management initiative (Dvara Sampoorana Sampath Plan) has been adopted by over 14,000 of its customers and has been growing at over 30%-35% every month. All said and done, the future of KGFS is very bright with the vision set to continue to make inroads in the financial inclusion space, touching the lives of many more millions of families and fulfilling its maxim of a complete focus on customer insight driven wealth management which is PLAN, GROW, PROTECT and DIVERSIFY.

Know more: <https://www.dvarakgfs.com/>





Dvara Solutions

Dvara Solutions is a technology product company with 23 clients spanning across seven different asset classes managing an AUM of Rs. 7,500 Cr touching 3.5 million end-customers in the process.

Dvara Solutions doubled down on its efforts to help financial institutions automate their business processes despite the challenges posed by the pandemic induced lockdown. This includes reaching out to newer partners, continuing support to existing clients, introduction of newer modules and augmenting its product with more features.

As the lockdown began, one of the initial focuses of the company was around helping its clients implement the moratorium announced by the Central bank. The team helped clients understand a complex issue like moratorium and decide on right options for their borrower profiles. The team also, seamlessly executed moratorium activities across multiple clients. Some variations of moratorium implemented with clients include:

- Simple moratorium of instalments
- Moratorium of instalments with interest capitalisation
- Moratorium of instalments with Increase in EMI Amount
- Moratorium of instalments with Increase in Number of EMIs

- Moratorium of instalments with Interest due immediately after moratorium

During the lockdown, Dvara Solutions also built two new modules to offer its clients distinct advantage as they navigated their business operations in a tough environment. First of these is the BC, co-lending and direct assignment module to help its clients automate the complete business process starting from lender registration to lender specific covenants, credit underwriting rules engine, API integration with clients, straight through processing without any manual intervention, automated approvals, disbursements and collections along with state of the art dashboards and analytics. Secondly, to help its clients eliminate / minimise physical meetings with end-customers, Dvara Solutions launched the self on-boarding and complete digitization of all customer facing processes. This has enabled clients to continue their business in the new normal with minimal impact on operations and customer contact.

In addition to the two new modules, Dvara Solutions also launched a host of new features for its existing modules. This includes WhatsApp based chatbots for loan origination, video KYC, e-signature, e-documentation, integrations with Razorpay and

Setu for digital payments, legal process automation, flexible repayment schedules and various moratorium options.

Dvara Solutions also exhibited thought leadership by organising a webinar series around 'Digitisation in Financial institutions' covering topics of current interest such as digital on-boarding, automated credit decisioning and digital collections. These webinars evinced good participation from across the financial services and technology

ecosystem. The company is planning to host more of these conversations to engage with the larger audience.

While the pandemic is nowhere near its end, Dvara Solutions has put in robust processes to provide seamless support to its existing clients and continue to innovate for the future.

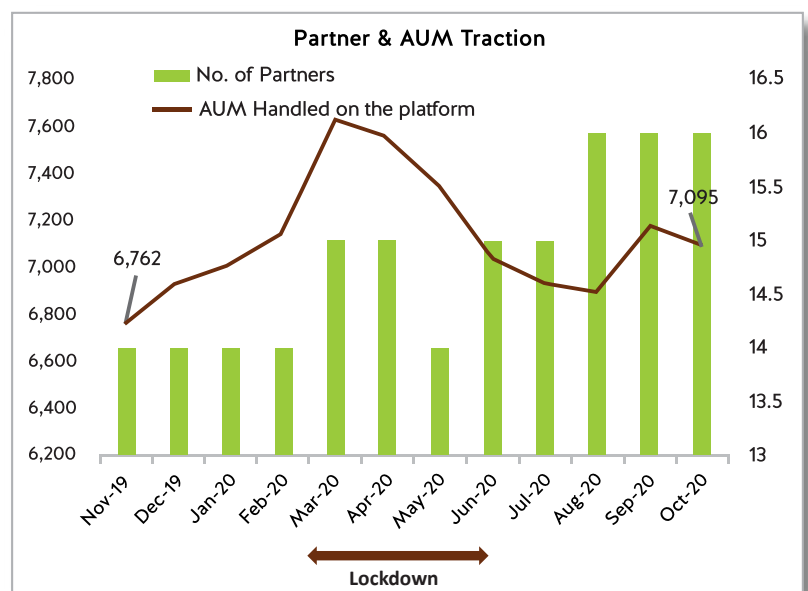
Know more: <https://www.dvara.com/solutions/>



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Dvara Money

Dvara Money's vision is to be the trusted partner for financial wellness of gig economy workers and urban low-income users (who combinedly make the Urban Bharat) to secure assets, save for future and overcome any emergency fund requirement by removing fear and friction in traditional financial services.

Urban Bharat includes over 140 million migrant workers, who predominantly work in the unorganized sector, are rural poor looking out for seasonal employment opportunities, some of whom are part of the impending gig economy revolution. These workers have no job and income security and little to no savings and have entered the formal system through the implementation of JAM (Jan Dhan - Aadhaar - Mobile) trinity.

Spark, the technology engine of Dvara Money, comprehensively evaluates the user's profile to offer them suitable and timely financial solutions. The user personas which Dvara Money works with are driver partners, delivery partners, construction workers, small entrepreneurs, and logistic or delivery executives. Through Spark, Dvara Money is also enabling users to experience the service outside the app to ensure the components of friction for

users to achieve their financial wellness are minimized if not removed.

Over time, Dvara Money has stitched partnerships with multiple service providers, platforms, communities, consisting of the largest fleet aggregator, various logistic platforms, one of India's largest e-commerce operators, NGOs and communities offering a potential user base of over half a million users. Typically, traditional financial service providers are not able to cater to the specific requirements of this segment with relevant/contextual solutions, and their urban residence also renders them ineligible for the government benefits for agricultural households, making it a USD 100 Bn market opportunity with very few fintech players servicing their financial needs.

So far, Dvara Money has been able to reach a total of 13k users via its partner network and positively impacts thousands of users monthly. Dvara Money is currently preparing the launch of its fully redesigned consumer-facing ecosystem including the Spark app, WhatsApp and working with field agents from partners to support its customers. With these, Dvara Money will be able to incorporate feedback and

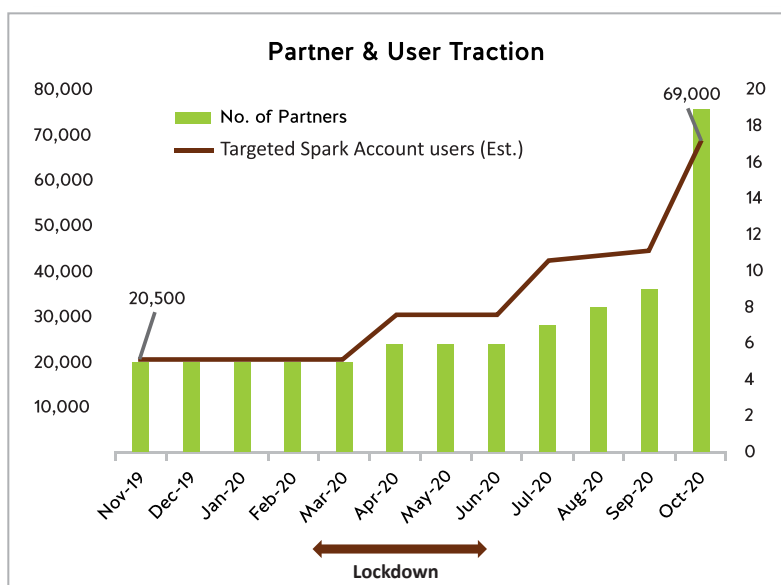
- With rapid growth of urbanisation across India, providing financial services to meet the savings, credit, remittance and other financial requirements of the urban newly banked has proved to be the need of the hour.
- Innovative financial products offering composite solutions for including the urban poor in the banking network. This provides possible investment opportunities besides catering to their savings needs.

ECONOMIC MIGRANTS AND GIG ECONOMY	VARIABLE INCOME	SEMI-LITERATE	DIGITAL WITH LOW-END SMART PHONES	NEWLY BANKED
● Out of a total of 7.82 crore rural-urban migrants, work or employment is the reason a large number of migrants move to urban areas. ● The segment also includes individuals in entry-level jobs, factory labour, first generation graduates with first time "formal" jobs	● Gig economy workers with temporary, part-time or contractual jobs ● Do not have a fixed monthly income. Income depends on type of work and duration of contract ● Lack of social benefits and/or any statutory protection akin to a worker in permanent employment.	● 2% of working migrant population have a graduate diploma ● 9% have a non-technical graduate or higher degree ● 2% have a technical or postgraduate degree	● Find employment opportunities by staying digitally connected. For instance, Swiggy and Uber require smartphone applications ● Users of mobile phones to make cash transfers and payments ● Users of social media apps like WhatsApp to stay connected to family	● Users of digital banks and payment wallets ● More inclined towards opening a bank account to utilize facilities such as securing and repayment of loans ● Interested in Government schemes for financial assistance if made aware ● Receptive towards Financial advice to secure their future

apply their learnings from usage patterns with improved user experience, behavioral analytics of users for improving nudge infrastructure, and to deep personalize product offerings. The updated version will also have other product offerings like digital gold, mutual funds, and insurance options for users to select all in a way which is suitable and consumable for the users

Dvara Money is currently building on the existing team to strengthen in technology and business development to harness this opportunity's full potential and obtain its vision of delivering a personalized customer-centric wealth management experience and reducing the barriers for accessing formal finance by using technology, behavioral finance, and principles of suitability.

Know More: <https://dvaramoney.com/>





Dvara E-Dairy

Dvara E-Dairy Solutions aims to change the fortunes of small and medium farmers, help them expand their cattle herd and increase their income through the enablement of formal finance, insurance and health and dairy management services.

Take the story of Mrs. Baby, aged 33, a small time dairy farmer who earns INR 11,000 per month from 3 cattle and strongly believes that the cattle are one among her family or that of Mr. Poomani S, aged 29, who earns slightly more with his 4 cattle and finds that rearing cattle brings happiness to him and he considers it a very important asset, or the story of any other small and medium dairy farmer in India, the experience is eerily similar.

Through these user personas, Dvara E-Dairy Solutions has clearly identified that there is little to no guidance available in the market for managing the wellbeing of cattle. The industry is plagued with quacks who are unable to diagnose health issues at the right time and there is very little awareness on the associated cattle credit and insurance due to which the cycle of informal credit drags the finances of these farmers.

Contrasting to the above story, is the case of Mr. Ramesh, aged 53 and resident of Kudluru. He has been spurned various times when he has purchased cows to expand his herd. Either the cow shown during purchase is different from the cow delivered, or the milk produce would differ from what was assured. This meant that the credit he availed from informal sources was insufficient due to the astronomical costs and further depleted his resources.

Using the process and application of Dvara E-Dairy Solutions, Mr. Ramesh was not only able to match the cow identity through Surabhi ID, he was also able to check the health of the cow before purchasing and Surabhi Mitra also helped him to arrange credit through Dvara KGFS who relied on the Surabhi Score to extend credit against the cattle.

With this proof of concept, Dvara E-Dairy Solutions has offered various services to farmers owning 3,000+ cows. Dvara KGFS has extended the pilot outreach and there are similar talks with various other financial institutions, insurers, government bodies and dairy cooperatives at various stages of negotiations to expand these offerings.

Know more: <https://twitter.com/dvaraedairy>



Dvara E-Registry

In our earlier edition, we had mentioned how the initial launch of Khetscore and Doordrishti was creating ripples in the Indian agri-landscape and impacting the agri financing and FPO supply chain. It has since then received immense traction in the last couple of quarters, at the organizational and the ecosystem level with the product piloting at major financial institutions and FPO's. The FPO platform now supports close to 8,000 farming households and more than 12,000 famers across eight states of India.

While Doordrishti for FPOs continues to expand on the farmer base and reach, the analytics and product teams have worked rigorously over the past few months to develop farm analytics to help financial institutions in building a healthy agriculture loan portfolio. The resulting Khetscore analytics is currently employed by three NBFCs across Odisha, Maharashtra, and Tamil Nadu to support their lending decisions and credit underwriting. In the coming quarter, Dvara E-Registry plans on releasing KhetScore Now, which provides post loan-disbursement real-time analytics for monitoring these agricultural portfolios.

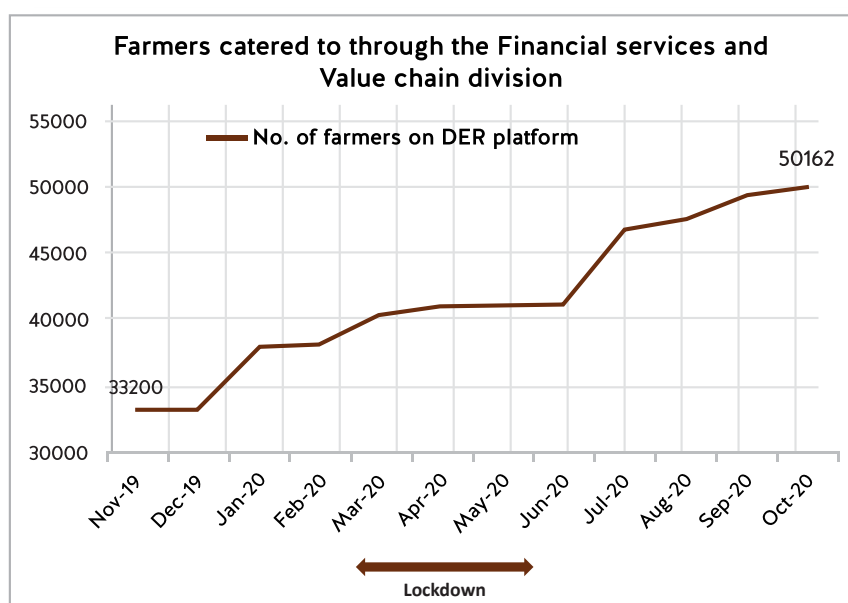
“The FPO platform now supports close to 8,000 farming households and more than 12,000 famers across eight states of India.”

On research and consulting efforts, Dvara E-Registry has approached the last leg of their project on understanding the role of technology in bridging gender barriers in access to finance. At the same time, they have also entered a collaboration with Digital Credit Observatory (DCO), IFPRI and Vector Finance where KhetScore has been utilized to improve access to financial services for small and marginal farmers.



The landmark agri-bills tabled at the parliament promise a strong foundation, and a step towards offering new and innovating models of operation to the erstwhile deprived and heavily regulated agricultural sector in India while ensuring that all players are compensated fairly. The weakest link in this chain continues to be the farmer and Dvara E-Registry aims to continue empowering the grassroots organizations like FPOs to ensure that this symbiotic relationship forms an integral part of the impending agricultural revolution through adequate supply of technology, research, data and business partnerships.

Know More: <https://www.dvaraeregistry.com/>





Dvara SmartGold

For decades and centuries, gold has always been synonymous with currency. Gold has been considered a smart investment with 63% of the respondents of World Gold Council research reports agreeing that “I trust gold more than the currency of the country” and 73% approving that “Gold makes me feel secure for the long term”. Amongst all asset classes, it seems to be the only instrument for protecting the savings of a household from inflation.

However, over time the entire system has been tilted to favor the jeweler. High making charges, low quality, unregulated chit funds, inefficient buy quantities,

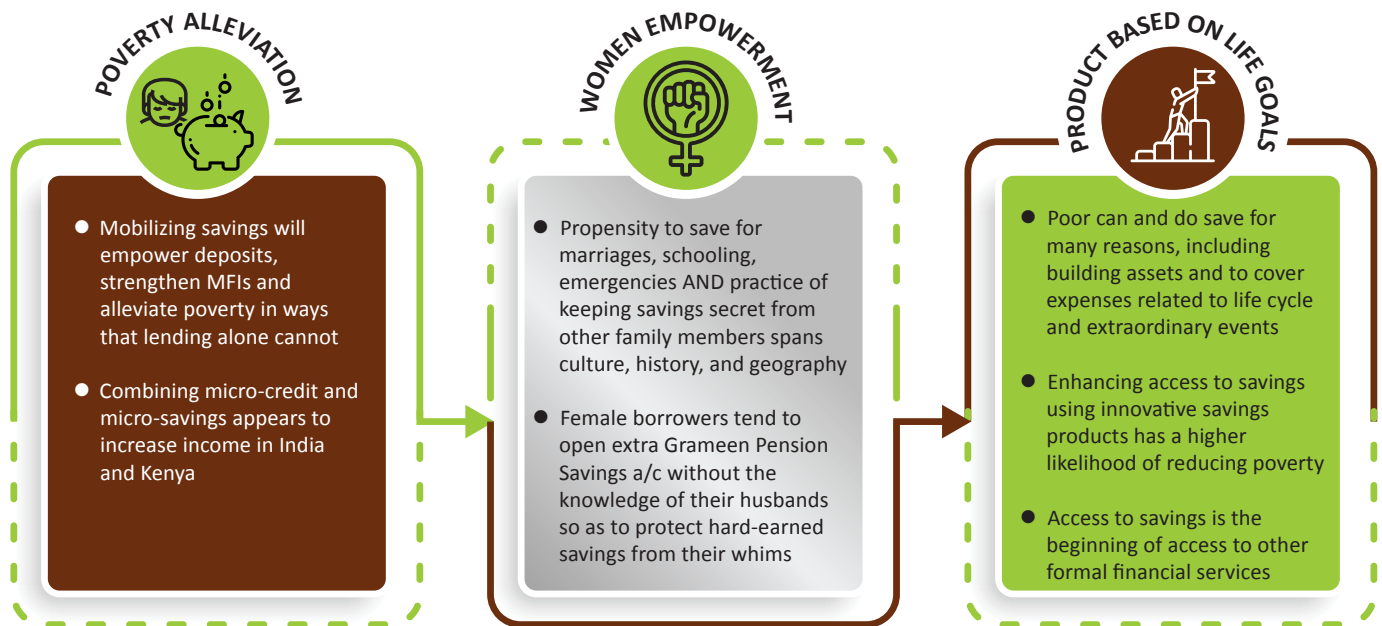
associated storage costs have impacted interest in this asset class. It was time someone brought out a micro savings product targeted towards the lower and middle income household to systematically save through this familiar asset class with the objective of assisting them to create a financial safety net by curating a range of gold linked micro savings product.

This idea gave birth to Dvara SmartGold, a brainchild of Mr. Sanjeev Aggarwal, ex-Chair of FICCI Gems & Jewel Council, ex-MD of World Gold Council, and ex-Director of Deutsche Bank and his

team. Dvara SmartGold aims to revolutionize the INR 1.11 Lakh Crore+ Gold Savings market which comprises of a savings plan with local jewelers and the gold coin market of retail customers.

The benefits of this product would be across the three main tiers of human fulfilment, poverty alleviation, women empowerment and attaining lifecycle goals.) Furthermore, as one of their oldest and most trusted stores of wealth, they have deep rooted traditional sentiments towards gold and see gold as an integral part of a family’s endowment to the next generation.

“ I trust gold more than the currency of the country” and 73% approving that “Gold makes me feel secure for the long term.”



Dvara SmartGold offers a Phygital solution to savings in gold in the form of a modern interactive digital platform that offers insights, information and an easy to use application for customers. Dvara SmartGold combines purity, transparency and convenience along with safety and security of traditional gold purchases. Here are how customers benefit from Dvara SmartGold:

Purity Assurance and Transparency

: Digital Gold purchased from Dvara SmartGold is 22K, Jewellery grade gold. Hence, it can easily be converted to coins, jewellery or even sold with a transparent price discovery mechanism.

Convenience and Easy to use

Application: Anyone can buy digital gold from a variety of payment options through our customer facing app listed on the Google Play Store. DSG also has partnerships with various channel partners to enable doorstep collection and assist customers in making these purchase.

Instant cash for emergency/ Liquidity: Rest assured that gold from the digital wallet can be sold anytime, anywhere with just a couple of clicks.

Safety and Security/ Free Storage: The gold purchased by DSG on customer's behalf is safely stored and covered by full insurance. Also, the owner of the gold is the customer himself. It will always be separate from the corporate assets of the company and is managed

by a professional trustee whose job is to protect customer interest at all time.

Small Installments for Easy Savings/ No Minimum Order Quantity:

While gold purchased from jewelers should be worth at least 1 gram, DSG does not have any such restriction, thereby encouraging micro savings of any value. DSG encourages its customers to save small amounts periodically and systematically so that they are able to accumulate their savings for achieving their life goals.

Physical and Digital Delivery options:

The gold in your wallet can be easily converted to coins or exchanged for jewellery and safely delivered to your doorstep. DSG is shortly launching partnerships with jewellery stores for facilitating exchanges. Moreover, gold

is the best gift for all occasions and hence can be sent digitally or physically to anyone across India.

Dvara SmartGold has come a long way since its launch in October of 2019. It now has stable relationships with five channel partners, which includes micro finance institutions, host of fintech partners as well as a last mile delivery channel. It has over 300+ touch points servicing over 14,000 customers across 2,500+ villages. The Annualized GTV has exceeded USD 1 Mn which is increasing every single day. More than 95% of its customers are women, thereby obtaining the stamp of approval of the homemaker who is the major consumer of this asset class.



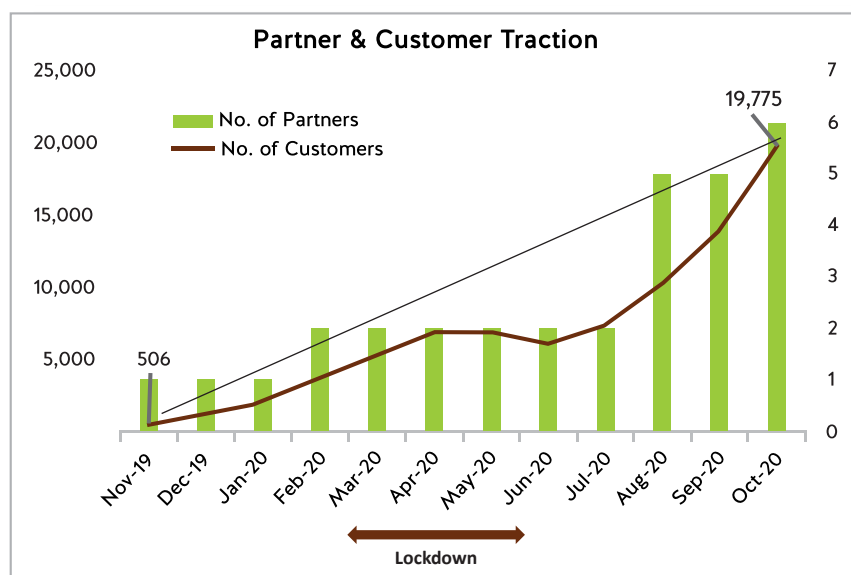
On October 20th, 2020, Dvara SmartGold was announced as one of the winners of the Inclusive Fintech 50 award from over 400 applicants worldwide spanning over 100 countries, for creating financial security for lower- and middle-income households by encouraging micro-savings.

Inclusive Fintech 50 is a competition to showcase early-stage fintech's driving financial inclusion in countries around the world and founded by MetLife Foundation and Visa, with support from Accion and International Finance Corporation, BlackRock, Jersey Overseas Aid & Comic Relief.

An independent panel of 35 experts from venture capital, technology, and financial services firms identified the most promising startups providing credit, insurance, savings, and other critical products to low-income households and businesses that are particularly vulnerable to financial shocks like the COVID-19 economic crisis. The 50 fintech's including Dvara SmartGold were selected from a pool of 403 eligible applicants operating in 111 countries based on four criteria: **inclusiveness, innovation, scale potential, and traction.**

What's next? Dvara SmartGold has been steadily investing on its technology and customer experience modules to provide access to financial services and a financial safety net to its customers. In addition to introducing jewellery partners to help customer obtain physical delivery of gold, the team is working on an instant loan against gold feature. It also plans on extending other associated products which would allow users to harness the power of gold to obtain value added services and make payments within its ecosystem. Dvara SmartGold has set an ambitious target of positively impacting at least 1.5 Crore people (1% of Indian population) within the next 5 years.

Know More: <https://www.dvarasmartgold.com/>





Northern Arc Capital Limited

Affiliate

The Company has engaged and continued to be extensively operative in carrying out its business throughout the Financial year 2019-20 in different sub verticals namely Micro Finance, Small Business Loans, Vehicle Financing, Corporate Finance, Affordable Housing Finance as well as Direct Origination and other verticals.

Over the years, the Company has successfully grown its Loan Assets under Management multifold to INR 4,342 Crores as on March 31, 2020. Also, the financial year was very eventful for the company as it raised ~INR 900 Crores in a combination of primary infusion and secondary transactions from esteemed partners such as IIFL, Eight Roads, Augusta group and SMBC. This strengthens the company's credibility as a stellar performer, reinforces its underwriting and risk management capability, ensures that it is financially resilient and well capitalized for its next phase of growth.

In a highly competitive market, offering diverse services, Northern Arc has stood out amongst all its peers and engraved itself as a quality service provider in its business proposition. Despite global headwinds, and the impact of Covid-19 impacting operations during the better part of the fourth quarter, the Company completed the

financial year with volumes crossing INR 15,000 crores, well diversified across asset classes, investor categories and products. The company is continuously receiving new investor and client leads, which will further boost volumes once the economy stabilizes. With this, a strong foundation has been set for the years to come and hence, is in a good position to realize its business targets.

Know more: <https://www.northernarc.com/>

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Epilogue

In good times as also in difficult times like these, the greatest comfort for any institution is its core values. Highest level of Corporate Governance, integrity and commitment to transparency has always helped us in good stead. We are not here to sugar coat the truth. We will own up to any mistakes we make on our way, correct our courses appropriately, shun shortcuts and do what is right not just for ourselves but for other stakeholders as well.

If there is one thing the pandemic has made clear it is this: we are one world—not just interconnected, but interdependent. We will rise and fall

together and, indeed, our collective future rests on ensuring that all of us are safe. It is only in reimagining systems that put our shared humanity at the center that we will build a future in which all of us can flourish and sustain. Over the years, companies within our group have followed this thought process and steered through many crises, both global and local. Each time, it has been our ethics and values that has helped us surmount and emerge stronger.

Our mission is clear, to be the world's leader in financial inclusion, and we remain committed to driving strong and sustainable traction, while providing

holistic value addition and increasing the standard of living of our clients.

Thank you for your continued support. We will continue to operate safely in protecting and enhancing our investments across times and segments and will keep you updated as we progress to a healthier future. I hope when I write to you next year, we would have put this period well behind us.

Samir
Executive Vice-Chair & Managing Trustee