



► Social Finance Brief

December 2022

Dvara KGFS

“Dvara Sampurna Sampath” Plan

Key points

- An integrated risk management solution can help households with risk protection and wealth creation.
- Flexibility in contribution levels and a focus on wealth accumulation, rather than rate of return, makes savings products attractive to clients.
- Loan repayments remain a priority for field staff and clients during challenging economic times.

Introduction

Dvara KGFS is a non-banking financial company operating since 2008 in the Indian states of Chhattisgarh, Jharkhand, Karnataka, Odisha, Tamil Nadu and Uttarakhand, serving 1.38 million individual customers and enterprises in remote rural areas. Since its inception, Dvara KGFS has strived to build a unique model to meet the financial needs of rural customers to promote wealth creation. Dvara KGFS aspires to be a one-stop solution for customers' wealth creation and risk management requirements by providing a combination of credit, savings, investments and insurance solutions.

About the project

At the core of the project between the ILO and Dvara KGFS was the plan-grow-protect-diversify (PGPD) framework. The framework combines Dvara KGFS' intention to provide clients with financial planning advice and a choice of products and services so that they can meet their financial and risk management goals. Dvara KGFS aims to bring about a fundamental change in the mindset of its customers; moving them from a dependence on credit to

fulfil their financial goals, to using savings and creating a financial plan to achieve those goals.

The project finalized the statistical model in collaboration with the IIT Madras Centre for data science and machine learning to score customers on the PGPD framework. The idea behind the statistical tool was to transform product allocation into a more client-centric exercise through digital innovation. The model uses customers' personal and household information, monthly income and expenditures, credit bureau history and stated financial goals to make recommendations on financial products.

On the technology front, Dvara KGFS developed a new interface that successfully captured customers information about their financial goals, passed it along with the other customer information to the statistical model, resulting in a tailored investment package for the customer. The backend of this interface integrated the products that were offered in partnership with different vendors and it enabled real-time product enrolment.

The project was piloted in October 2019 at 12 branches of Dvara KGFS as “Dvara Sampurna Sampath” Plan (DSSP). The following products were part of the DSSP bundle:

- **Gold systematic investment plan:** A mobile solution for the middle- and lower-income household to purchase gold through a systematic investment plan, allowing contributions in a convenient, secure and cost-effective manner. During market research, it was learnt that gold was the most favoured form of investment for a majority of households. Customers had the flexibility to withdraw their holdings at any time for unplanned requirements or emergencies.
- **Hospital cash insurance:** Offering a daily benefit to the customer in the event of hospitalization for 24 hours or longer (up to 30 days).
- **Personal accident insurance:** Cover from financial shocks arising due to loss of human capital because of an accident.
- **Group term life insurance:** Cover from financial shocks in the event of untimely death of a customer.

Key lessons

Market research reveal insights about savings

behaviours: 1) The financial goals of the customers are more closely related to their income level than their profits, meaning that at times the goals may be aggressive and difficult to reach 2) Accumulation of wealth is more important than returns earned on the savings, meaning that flexibility in contributions and protection of assets are more important factors than the interest rate; 3) A majority of the customers are willing to save 500 to 1,000 Indian rupees (US\$7 to US\$14) per month for two years or more; 4) Gold is the most favoured tool of investment for majority of the customers; 5) Customers know about chit funds (a form of rotating savings and credit association system), but few participate (15 per cent); 6) Investment in mutual funds is almost unheard of in this customer base.

Clients requested greater flexibility: Customers wanted to have more flexibility in their monthly contributions (“since our income fluctuates so should our monthly contribution”) so an additional top-up option was added that could be availed up to four times a year. Customer could choose to advance the payment for one month if desired, as some customers had irregular cash flows and requested the option to make an additional payment when they had cash on hand (for example, after a harvest). Further, the minimum investment term was reduced from 24 to 12 months.

Staff and members prioritizing loan repayments: In 2021, KGFS faced challenges with its loan portfolio and the portfolio-at-risk due to the economic challenges posed by COVID-19. When clients were faced with the choice between repaying loan or contributing towards their savings goals, loan officers often prioritized the loan repayment, as that had more severe financial consequences for KGFS. The microfinance industry overall is facing challenges with loan repayments as well as attrition of staff members that has affected their ability to expand their customer base. KGFS is working through these challenges and simultaneously innovating the products within the DSSP bundle as it feels that these efforts need to happen in parallel.

The DSSP product bundle was offered with different benefit levels to each customer, based on their financial goals. The pilot was largely successful with more than 1,000 enrolments within the first four weeks of the pilot. After a month, the offering was rolled out to other Dvara KGFS branches in different phases. As of 31 July 2022, KGFS has enrolled 64,161 customers into DSSP. Of these, 7,768 customers have successfully completed their 24-month gold systematic investment plan and redeemed their savings.



We would like to thank our partner, the Prudential Foundation, for supporting the release of this Brief.

The [Impact Insurance Facility](#) contributes to the agenda of Social Finance by collaborating with the insurance industry, governments and partners to realize the potential of insurance for social and economic development.

Contact details

International Labour Organization

Route des Morillons 4
CH-1211 Geneva 22
Switzerland

T: +41 22 799 7239
E: socialfinance@ilo.org