Link to Prototype : BASIC WORKING OF THE PROTOTYPE

Problem Statement

Even in this age of information and digital change, contracts are still regarded as complicated legal agreements that are challenging to understand, construct, and update due to various limitations, such as the language used and the level of specialized knowledge necessary.

There are 476.67[1] million workers in India, of which 83% are in the unorganized sector, and 17% are in the organized sector. 92.4 % of these workers[2] have no written formal contracts with their employers.

Overall, the lack of formal contracts in the unorganized sector in India exacerbates existing inequalities and leads to widespread exploitation and poverty, and can have several implications like :

- Job insecurity: becoming vulnerable to sudden termination or changes in working conditions.
- Lack of benefits: including paid time off, medical benefits etc.
- No legal protection: in case of mistreatment or being subject to unsafe working conditions.
- Inadequate compensation: in case of being paid less than fair market value, or below minimum wage or compensation for overtime work.
- Limited opportunities for advancement.

The use of legal language hinder the creation of contracts, particularly in the unorganized sector, for several reasons such as:

1. Complexity
2. Inaccessibility
3. Unfamiliarity
4. Mistrust

Consequently, the vulnerable unorganized sector (laborers, traders, borrowers, etc.) tend to avoid the pains and hence face injustice and exploitation when there is a dispute between the parties in an oral understanding which is often very difficult to prove in a court of law.

Motivation & Approach

There is a slight difference in legal terminology for the words, agreement, and contract. As per the Indian Contract Act 1872, an agreement enforceable by law is a contract[3] An agreement can be in writing or verbal. There are fundamentally three essential elements of an agreement: offer, acceptance, and consideration. To be enforceable by law, the agreement must be made by the free consent of the parties competent to contract, for a lawful consideration and with a lawful object. It should also not be prohibited by any law in force.

There is a recognition of oral contracts under the Contract Act (Section 126) and the Indian Evidence 1872 [4]. However, owing to the abovementioned problems, the unorganized sector often avoids the hassles of entering into a contract. Moreover, people who have difficulty in reading and understanding legal documents are left out at their fates and tend to suffer injustice in case of any disputes.

Contracts can be made more accessible and understandable by using plain and simple vernacular languages, thus increasing the likelihood of their widespread acceptability amongst the target users. This eventually can help to improve the working conditions and livelihoods of workers in the unorganized sector while reducing oppression and injustice.

Need of the hour

Digital contracts for informal laborers in India can serve a number of important functions, including:

1. Legal protection: Digital contracts provide legal protection for informal laborers, who are often not covered by traditional labor laws. This can help ensure that workers are paid fairly and that their rights are protected.

2. Access to financial services: Informal laborers often struggle to access financial services such as loans and insurance due to a lack of formal employment records. Digital contracts can help to provide a digital trail of income and employment history, making it easier for workers to access financial services.

3. Improved accountability: Digital contracts can improve accountability between employers and workers, ensuring that both parties understand their obligations and responsibilities. This can help to prevent exploitation and improve working conditions for informal laborers.

Legitimizing the problem statement

1. Summarizing the customer interviews:

A labor, a maid & bank manager experienced immediate termination for different reasons. The result was that the bank manager was reinstated while the labor and maid had to compromise on their salaries or change their workplace in the absence of a formal contract. Only a few options were available with the labor and maid while the bank manager enforced his agreement in a court of law and got reinstated. The power of contracts has yet to be fully understood by the informal sector. No individual should be exploited or taken advantage of due to the absence of contracts.

An interview with a CEO of an online assessment company highlighted how their contract didn't have any clause which covered termination due to inappropriate behavior at the workplace. So when an employee appeared drunk, the employee was fired but had to be reinstated because of the absence of the power in the employer-employee contract, regarding the above policy. Organizations & Institutes must safeguard their policies and make foolproof contracts/agreements. Up to over 9% of a company's total annual turnover is lost each year due to mismanagement of contract renewals and governing policies.[5]

2. Initial Target Audience

FOR B2B BUSINESS	FOR D2C BUSINESS
SMEs	House Owners/Helpers
Institutes	Laborer Sector
Recruitment and staffing agencies	Lenders & Borrowers in Informal Loan Sector
Government agencies	Retailer

3. **Market Research**

1. Competitors -

Our research indicates that there are no competitors in our D2C business (Verbal Contract).

Whereas our competitors in the B2B segment are majorly based in US market

    a. Lawrify.io (https://lawrify.io/)

    b. Spotdraft.com (https://www.spotdraft.com/)

    c. Mikelegal.com (https://mikelegal.com/)

    d. Docusign (https://www.docusign.com/en-in/)

2. Opportunity -

We have an opportunity to tap regular internet users along with users who cannot read and write properly. We plan to harness the reach of the internet and the infrastructure of a basic smartphone in the target areas.

4. **Impact/Value addition to people -**

1. Accessibility - To make agreements more accessible to people;

2. Efficiency - Reduce time on non-billable and mundane tasks like filling details of parties, formatting, etc. through automation;

3. Efficacy - Minimize errors through AI based proof-reading

Business Model

1. We are providing our service in both the D2C and B2B segment. Within the D2C segment, we are aiming to bring the whole of the unorganized sector of the country to a common level playground as any other person who is often left out of the loop of legal protection, benefits, and opportunities in their respective employment sectors, thus bringing in transparency and stability in their jobs, with respect to their rights and duties.

2. In the B2B segment we would be analyzing and detecting flaws in existing draft contracts and suggesting new clauses using our AI model to make the contract full proof and legally binding, thereby checking up on its overall legal authenticity. This would work in the favor of safeguarding the interests of the organization. The technology is based on the CUAD database which is open source.

3. For the B2B segment, we would be providing a complete employee contract generator and management system, wherein the companies would be able to create multiple contracts across their overall employee base and manage them through our portal, which can be screened and searched upon based on the need at any point of time. There would also be dashboards with analytics suitable to the company's needs. Also, mundane tasks such as inputting the employee details in the contract and sending it to the employee will be automated.

4. The entire platform would be blockchain based, which would ensure the complete security, confidentiality and tamper-proof storage of the contracts being generated and managed on our platform.

Unique Selling Point

Our USP is that we would have the first-in-kind Multilingual Oral Contract generating technology to generate contracts, wherein the user could create a contract in any native language of their choice. This reduces the time required to develop a particular contract and makes it easy to understand. Post-creation of the agreement, our platform would also generate a summarized touch-up of the entire agreement in the choice of their language, highlighting sensitive information and essential clauses, rights, benefits, and security which the user can glance through and understand accordingly.

Product Market Fit

1. India has 800 million active smartphone users and is expected to reach 1 billion by 2026. Our solution benefits from the widespread availability and usage of smartphones, as it only requires basic features like voice recording and a camera to function, helping us to reach a large and diverse client base. This makes the solution pertinent to the current environment of our target market.

2. India is a multilingual country with over 121 languages spoken by 10,000+ individuals. To reach a wider audience, we plan to offer our services in multiple languages, which would make it more convenient for the user to use the service. We convert oral agreements into written agreements in a user's preferred language, including an English version for universal use, making it convenient when the involved party is not fluent in English or comfortable using it.

3. Lack of understanding of contracts, leads to legal conflicts, unfulfilled liabilities, exploitation, monetary losses, and negative reputation.In order to resolve any inconsistencies and remove any parties ignorance, our service will give the parties an overview of the key points covered in the contract.

Feasibility (Revenue Model & Gross Profit Projection)

D2C Business

In our base variant, the per-contract generation price is Rs 10. This price can range from 10-10k based on the market condition, demand, and target audience. The revenue model is prepared based on the base variant.

Workers In India	
TAM	476,000,000
SOM (1%)	4760000

Estimated P&L Statement for a financial year

Revenue	47600000	Per Contact Price = Rs 10
COGS	480000	Average Hosting & Server
Gross Profit	47120000	Revenue - COGS
Operating Expense	28560000	60% of revenue (40 Marketing:10 RnD :10 Administration)
Salaries	13370000	Assumption -10 people,13.3 LPA
Operating Profit	5190000	Gross Profit - Operating Expense
Non Operating Expense	4760000	10% of revenue
Net Profit (Model 1)	430000	

All calculations are based on industry standards of SaaS companies

B2B Business

Consider a subscription based model with 3 different models.

(Free up to 10 contracts)

1. Rs3000 up to 300 contracts
2. Rs10,000 for 300-1,000 contracts and
3. Rs.20,000 for more than 1000 contracts.

If we combine the revenue from all the three models and assume the distribution of the customers to be a skewed gaussian bell curve (68% buy the first plan, 27% plan buy the second-plan, and the rest 5% buy the most premium service) the revenue turns out to be 5,04,000 per month.

Companies	
SOM (For First Year)	100 companies

Estimated P&L Statement for a financial year

Revenue	6048000	Explained Above
COGS	96000	Average Hosting & Server
Gross Profit	5952000	Revenue - COGS
Operating expense	1209600	20% of revenue
Operating Profit	4742400	Gross Profit - Operating Expense
Non Operating Expense	604800	10% of revenue
Net Profit (Model 2)	4137600	

All calculations are based on industry standards of SaaS companies.

Net Profit (Profit Model 1 + Profit Model 2)	4567600

Proposed Marketing Strategy:

1. Incentive Based Referral Programs: Encourage current customers to refer new clients to our business.
2. Agents(change makers) spread awareness via Trade Unions & Social Meetings in Societies.
3. Content Marketing: Create valuable and informative content, such as blog posts, videos, and podcasts, that educate people on the benefits of voice-based contract making and demonstrate how your solution can help.
4. Advertisements via Newspapers & Media.

Vision

1. Each sector has their own different legal, regulatory and cultural requirements which makes every contract service unique in its own way. Currently our B2B business is limited to generating and analyzing contracts for company employees. But our vision is to optimize our AI model to proactively identify potential risk and provide in-depth analysis and reliable recommendations in specific sectors such as healthcare, technology, multimedia and entertainment, consulting, etc.

2. Make our D2C business accessible among most of the unorganized sectors. Our goal as a contract creation company is to attain the same level of success and recognition as UPI has in the payment segment, establishing ourselves as a leading provider of contract services in the future.

3. Incorporate support for most languages onto our platform which will help us address audiences from every corner of India and even to other countries having similar problems.

4. Become an end-to-end solution provider for contracts where we not only create and analyze contracts but also provide legal support to our clients in case of any disputes through our partners.

References

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[3]   "The Indian Contract Act, 1872"

       https://legislative.gov.in/sites/default/files/A1872-09.pdf

[4]   "Section 92, The Indian Evidence Act, 1872"
       https://www.indiacode.nic.in/show-data?actid=AC_CEN_3_20_00034_187201_1523268871700&
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[5]   "The Cost of Poor Contract Management in Revenue & Sales."
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APPENDIX -A

CUSTOMER INTERVIEWS:

Customer interview 1:

Background : This is an interview/ general interaction of an 55-60 years old electrician who is working at a construction site of IIT with around 30 years of experience .

Q. Bhaiya aap kya kaam karte ho?

A. Mei yaha electrician hu aur pichle 29 saal se KVJ company ke sath hu.

Q. Aap yahan rehne wale ho kya hai?

A. Nahi mei Delhi ka rehne wala hu. Yaha construction site par company ke taraf se aaya hu.

Q. Aap ek din kitne der kam karte ho?

A. Hum yaha subah 9 baje aate hai aur shyam 8 baje tak kam chalta hai.

Q. Apko salary daily basis pe milti hai ya monthly basis pe?

A. Mujhe toh monthly salary milti hai.

Q. Apke baki labors sathi bhi yahi ki hai kya?

A. Nahi ye bht alag jagah se aaye hue hai. Hamari thekedar ji in sabko sath lekar inko kam pe lagate hai.

Q. In labors ki salary kaisi di jati hai?

A. Inki salary bhi monthly based hoti hai. Roj ki hazari lagai jati hai aur uske basis mei month ke end mei 300-400 ek din ke hisab se calculate kiya jata hai.

Q. Toh bhaiya inka paise milne ka kuch contract vagera hota hai kya thekedar ke sath?

A. Nahi toh. Contract vagera toh aisa kuch sunna nahi mei. Mera bhi koi contract nahi hai company ke sath. Bas connection se chal jata hai.

Q. Toh bhaiya agar apko achanak se paise agar nahi diye gaye toh aap kya karte ho?

A. Aisa hua toh nahi hai mere sath abhi tak.

Q. Par bhaiya aisa kisi labor ke sath agar hua aur uske pas contract na ho toh aap claim kaise kar payenge?

A. Ye toh pata nahi bhaiya ji mujhe

Q Koi na bhaiya aap se baat karke acha laga

A. conversation deviated to religious beliefs & family hence after

Customer interview 2:

Background: CEO of an online assessment company based in India. The need of such a service in B2B organizations was understood. After a brief introduction and understanding the following conversations took place:

Q. For what purposes do you use contracts in your company?

A. We have an employer-employee contract with all the employees which is handled mostly by the HRs. The other type of contracts we have are with other startups/third party services

Q. How do you decide on the contract formats?

A. The senior HR pulls out an NDA or contracts from the internet and drafts it according to the needs.

Q. Any issues with the existing contracts you have with your employees?

A. Majority of the time the contract is just a formal agreement and there is no need of tracking them. There was one situation where an employee showed up drunk to the office and we couldn't fire him because there was no clause regarding the prohibition of alcohol in the organization.

Q. So the contract missed a clause that it had to include, it was mostly a human error. What other kinds of contracts are important to you?

A. Contracts dealing with other companies/startups/organizations where a mutual agreement of service/product has been agreed upon. My company uses an API from a third party startup with which we have an agreement regarding the same. We have to make sure that we make at least 30,000 calls every year , the other details such as cost, payment timeline and penalties for non-compliance are written down there.

Q. What is the main problem of the contracts? Creation or managing them?

A. Managing is definitely more trickier than creating a contract as the contracts which deal with other parties for service or product have to be renewed and tracked properly. Creation is not a big deal as it is easily handled by senior management & HRs.

—-Conversation Concludes—-

Customer Interview 3

Background : This is an interview with HR of a Medium sized company.

Q. Do you use contracts whenever you onboard new employees to your organization?

A. Yes we do get the documents signed.

Q. How do you decide on which contract you are using?

A. Not a contract as such but an employment agreement form is signed between the company and the employee.

Q. Is your contract full proof ? Do you check it with lawyer

A. Yes we do feel our format of contract is full-proof. We have proprietary clauses such as non-conflict, non-disclosure, etc.

Q. There might be some loopholes in your contract? Do you face any problem after the contract has been signed?

A. No, as such we have not faced problems until now.

Q Do you use any service to manage these agreements presently?

A. Yes we use DocuSign for managing various agreements.

Q Do you feel like there is any feature you want that DocuSign is not providing right now?

A. With DocuSign we are able to generate the ESign of our employee. As such I am unable to think of any feature I will require.

Q Thankyou so much for giving your time to discuss this with me.

A My pleasure