Ujjivan (India)

Smart Certification played a critical role in helping Ujjivan evolve from a microfinance institution to a small finance bank with a successful IPO.

WHY SMART CERTIFICATION

Smart Certification is a way for financial service providers to demonstrate their commitment to client protection. To become certified, an institution must complete an independent, third-party evaluation of its policies and practices. Certification is the only truly global seal of an institution’s commitment to protecting economically vulnerable clients.
A combination of factors drove Ujjivan to seek Smart Certification: the urge to improve client protection mechanisms, the desire to implement international best practices, and the need to differentiate itself from competitors. Following the 2010 crisis in the microfinance industry in the Indian state of Andhra Pradesh, Ujjivan strengthened its client protection practices and implemented various pro-customer initiatives, including educating customers on over-borrowing and ghost lending. The institution also introduced additional measures for transparency, clearly specifying terms and conditions for loans.

Some of the benefits to Ujjivan as a result of Smart Certification include:

- **Improved customer service.** As a result of Smart Certification, Ujjivan improved its client complaint and resolution processes. Ujjivan ensured that customer service representatives in the field were talking to clients, introducing themselves, and informing clients about their rights to complain. Ujjivan also expanded the scope of work of their internal auditors to verify that client complaints were resolved in a timely fashion. “Certification forced us to develop formal policies, processes and documentation around some issues like client privacy and rescheduling,” said a senior manager.

**About Ujjivan**

Ujjivan, a pioneer of urban microfinance in India, was one of the first institutions in the world to become Smart Certified. Since its inception in 2005, Ujjivan has been committed to providing a full range of financial services to the economically active poor who are not adequately served by traditional financial institutions. Today, Ujjivan offers credit, savings and life insurance products to a clientele of mostly low-income women and microentrepreneurs.

Ujjivan has continuously evolved as an organization over the past decade to achieve greater scale while staying true to its mission. By 2013, Ujjivan had one million borrowers on its books and transitioned into a Non-Banking Financial Company. Two years later, Ujjivan transformed into a bona fide Small Finance Bank. As of June 2017, Ujjivan Small Finance Bank launched its first five bank branches, scaled to over 3 million clients and 10,000 employees, and managed an outstanding portfolio of USD $1.3 billion.

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**Benefits of Certification**

Ujjivan received its initial certification in 2013, and recertified in 2015 to re-emphasize the centrality of client protection in the organization. “We went for re-certification as it was important that the culture of client protection continued,” Samit Ghosh, Managing Director and CEO, said. “We didn’t want this to be a one-shot exercise. It is an ongoing exercise that has to stay. Every institution needs to be recertified to make sure they are on track.”

“Smart Certification helped us raise capital and transform into a bank. Among regulators, people feel Ujjivan is one of the better institutions, with ethical values and good governance. Smart Campaign helped in building this very important part of Ujjivan’s image.”

SAMIT GHOSH, MANAGING DIRECTOR AND CEO, UJJIVAN INDIA
Focus on clients in time of crisis. In November 2016, the government of India announced a policy of demonetization to combat corruption and illegal activity. As a result, currency notes of Rs 500 and Rs 1000 were declared illegal tender. Since a vast proportion of transactions among low-income people took place at this level, the microfinance industry suffered as the shortage of cash led to mass defaults on loan payments. However, Smart Certification helped Ujjivan remain steadfast in its principles of client protection and transparency, even during a crisis that incentivized cutting corners.

“We could have veered like many of our competitors and become very aggressive in collection,” Samit Ghosh, Managing Director and CEO, said. “Respecting customers is very important whether they are defaulting or not. That culture helped us get through this period of crisis for the microfinance industry.”

Market differentiation. “Smart certification is a kind of testimony to good practices,” Zeeshan Ali, Ujjivan’s National Products Manager, said. “Our clients belong to economically weaker sections and there are chances they could be cheated. There are chances that products and services are mishandled. Smart Certification is a very important tool that would help differentiate the best from the rest.”

Team-building and brand equity. The team at Ujjivan claims that Smart Certification is a matter of pride for them and drives them to work harder and provide better services to their clients. From a branding point of view, Smart Certification has contributed immensely to Ujjivan’s image and reputation, even while it has grown in size and scope. Smart Certification features prominently in the institution’s brand and messaging.

The Client Perspective
Customer service is a key differentiator, which was fortified through Smart Certification. Ujjivan now has a separate Service Quality department with dedicated customer care representatives at each branch who are responsible for proactively seeking client feedback and resolving client complaints. Products can always be replicated, but not customer service is a common refrain at Ujjivan.

Sulthana, who owns a small shop, explained how Ujjivan was helpful to her during the demonetization crisis: “When the demonetization happened, we had old notes and weren’t able to repay the loan. We told Ujjivan that we needed a few more days to repay it. They were very considerate and understanding, spoke politely and gave us a few more days. Other places can be very aggressive in recovering loans.”

“Given the benefit Smart Certification has provided Ujjivan, I think every organization should opt for it and make it one of the universal gold standards of customer protection in the financial industry.”
RAJAT SINGH, HEAD OF STRATEGY AND PLANNING
Ujjivan’s customer retention rate is a point of pride for the organization. The team credits the institution’s client-centric methods, efficient services, and effective complaints mechanisms that were formalized and improved via Smart Certification.

The Stakeholder Perspective
Ujjivan believes that the principles of transparency and client protection that it absorbed through the Smart Campaign helped it successfully transform into a Small Finance Bank and smoothed the process with regulators.

“When a regulator issuing fresh licenses sees that an institution is certified for customer protection, it gives them a lot of comfort,” Samit Ghosh, Managing Director and CEO, said. “The stamp of being certified under Smart Campaign as well as the recognition by the Great Places to Work is in all our communications. When we did our IPO, we used the Smart Campaign logo in all our communications and in our advertisements.”

Smart Certification has also changed the way Ujjivan interacts with its peers as the institution is seen with greater respect. As one of the first institutions to become certified, Ujjivan’s status was elevated among other institutions inquiring about its experiences with Smart Certification.

Learn More About Smart Certification
Smart Certification provides an independent, objective seal of confidence that a financial institution is doing everything it can to treat its clients well and protect them from harm.

Learn more about the pathways to Certification and determine the best course of action for your institution at http://bit.ly/SmartCertification.

See more certification stories at www.smartcampaign.org.

ABOUT THE SMART CAMPAIGN
The Smart Campaign works globally to create an environment in which financial services are delivered safely and responsibly to low-income clients. As the world’s first financial consumer protection standard, the Campaign maintains a rigorous certification program, elevates the client voice, and convenes partners to effect change at the national level. Nearly 100 financial institutions, collectively serving more than 41 million people, have been certified for adhering to the Campaign’s industry-accepted consumer protection standards.