



CLIENT PROTECTION CERTIFICATION

Report for Cashpor, Varanasi, India

Certified in January 2013

Mission Conducted by Micro-Credit Ratings International (M-CRIL)

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“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”

- Isabelle Barrès, Director, the Smart Campaign

This document was prepared by M-CRIL, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Cashpor. Cashpor became client protection certified in January 2013.

Certification missions entail a streamlined desk review of institutional policies and procedures followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#) as evidenced by meeting [standards](#) associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Results of only those organizations that pass certification will be made public. Certification status is valid for up to two years, after which an institution must undergo a new certification mission.

This summary presents selected excerpts from the certification mission analysis, which in total covers 30 standards of care. The evidence presented is not exhaustive but rather meant to illustrate what adequate standards of care look like in practice and to highlight specific practices by this institution. We encourage readers to reference the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign’s website <http://www.smartcampaign.org/certification>.

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Selected Examples of Adequate Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- Cashpor's products are designed based on informal feedback from clients during supervisory visits as well as suggestions for improvement made by clients during formal surveys. The Senior Management, including the Chairman, visit branches and interact with clients on a regular basis. Annual client surveys are conducted by the internal audit team, which includes aspects of client's satisfaction and client protection.
- Cashpor recently introduced mobile (phone) loans and changes in emergency loans were introduced, based on feedback from clients.
- Cashpor's clients are given choice to repay weekly, bi-weekly or monthly, as per Reserve Bank of India (RBI) requirements.
- Under no circumstances are Cashpor staff or group members allowed to seize the assets (household or business) of any client, regardless of late payment or past dues. This ensures that group guarantee cannot be misused even during debt-stress situations.
- Cashpor's clients can dropout any time during the tenure of a loan, after prepaying their loans. Idle clients are not pressurized to take loans.

Client Protection Principle 2 – Prevention of Overindebtedness

- Cashpor uses proxies for identifying poor repayment capacity from the initial household visit, including person's behavior, type of business, etc. Such techniques are also imparted during training so that staff are able to spot warning signs during the group formation/ client addition process and do a more rigorous assessment of repayment capacity for such individuals.
- MIS produces weekly PAR reports which are analyzed by the senior management.
- Cashpor's supervisors and senior staff visit branches regularly and interact with a sample of clients. Company's policies on debt thresholds are communicated to staff and properly verified; loan documents are also verified for cash-flow analysis.
- Cashpor shares client data with both High Mark and Equifax credit bureaus, regularly. All loans are disbursed only after verifying the creditworthiness of the client with the credit bureau.
- Cashpor's Board and Senior Management have considered risk of over-indebtedness to identify priorities for expansion into new geographies.

Client Protection Principle 3 – Transparency

- Cashpor fully discloses all charges associated with its products. The interest rate and processing fee are communicated verbally during the Compulsory Group Training (CGT), in subsequent group meetings, and during disbursements. Loan applications, individual passbooks and information brochures with credit details are provided to clients.
- Cashpor uses verbal and written communication to explain product terms and conditions to clients. New clients receive explanation of terms and conditions during the CGT. All documents received by clients are in local language and contain product terms, conditions, fees and interest rates. Furthermore, before disbursement Loan Officers review terms and conditions and reiterate these for the group. The complaints process is also explained at disbursement.
- Clients are given a counterfoil of the Loan Application form before disbursement. They are given individual loan passbooks, signed by themselves, their guarantor and the branch manager.

Client Protection Principle 4 – Responsible Pricing

- Cashpor complies with the guidelines on pricing set by the Reserve Bank of India (RBI). Cashpor had manifested its commitment to responsible pricing ahead of industry peers, when it reduced its

interest rates in 2009 and 2010, (before the RBI guidelines) to 24% p.a in December 2012. Charges for compulsory credit life insurance are aligned with peers. In addition, rates do not differ based on caste, disability, religion or any other characteristics.

- Cashpor had higher operational efficiency compared to peers in March 2012. OER (March 2012): Cashpor: 9.3% Indian MFIs: 12%.
- In keeping with RBI guidelines, Cashpor has no pre-payment penalties.

Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- Cashpor has adopted the industry Code of Conduct (Sadhan and MFIN). It is well disseminated to staff at all levels.
- The code details desirable treatment of clients and the institution's Operational Manual lists appropriate behavior in detail. It also specifies actions that can elicit disciplinary action.
- Cashpor's appropriate interaction and collection practices are part of induction training. Specifically there is mention of use of courteous language, decorum, and respect for cultural differences. In addition there are prohibitions on threatening behavior, contacting clients at odd hours and collecting dues at inappropriate occasions (such as bereavement, sickness, etc.).
- Staff behavior is supervised during monitoring visits. The supervisors visit a sample of branches, where they interact with clients and take their feedback on staff conduct.

Client Protection Principle 6 – Privacy of Client Data

- Cashpor's written privacy policy governs the gathering and use of data and has been disseminated among staff and included at induction and refresher trainings. All staff have to sign a Non-disclosure agreement stating they will not share client information with unauthorized persons.
- Cashpor's privacy clause is printed in plain and simple terms in Hindi in the member declaration form, which is signed by the clients before every loan.
- Clients are informed about how and why their data is shared with Credit Bureaus and other parties.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Complaints received at branches are documented. They are reviewed by the supervisors during branch visits. The monitoring staff checks the registers and contacts the clients with serious grievance to enquire if their complaint has been satisfactorily resolved.
- The system is adequately used by clients. The grievance cell receives 8-10 calls on an average every day. Most of the calls from clients are for queries rather than complaints. The complaints are classified into serious complaints and others. The list of serious complaints is shared with the MD, and the Senior Operations staff.
- Cashpor's grievance cell is audited as part of Head Office audit. Internal auditors enquire with clients during centre visits, if they have any complaints and if those raised were settled satisfactorily. The auditors also check the grievance registers during the Head Office audit, to verify if the complaints have been settled satisfactorily. Pending cases are followed-up through field audits.
- Serious complaints are categorized and reported to the Senior management and the Board on a monthly and quarterly basis respectively.