



CLIENT PROTECTION CERTIFICATION

*Report for Grameen Koota, Bangalore, India
Certified in January 2013*

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

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Selected Examples of Adequate Practices

“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 Grameen Koota. Grameen Koota 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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Client Protection Principle 1 – Appropriate Product Design and Delivery

- GFSPL designs credit and insurance products that are appropriate to clients' needs. GFSPL offers 11 different types of group credit products and individual loans (Maarg). Products are designed based on informal and formal feedback from clients.
- It is mandatory for staff at each branch to investigate the reason of every client dropout; there is software in place that supports this process.
- GFSPL does not use high pressure or aggressive sales techniques, staff are not given aggressive targets for different types of loans; it is not linked to their incentive structure.

Client Protection Principle 2 – Prevention of Overindebtedness

- GFSPL's policies support good repayment capacity analysis. For individual lending, there is a thorough cash-flow analysis of the household, which is conducted at the time of loan appraisal. A detailed scoring tool is used to decide the loan amount.
- Compulsory credit bureau checks are made before all disbursements.
- Staff at GFSPL is informed and trained about the repayment capacity analysis and its focus on cash flow analysis through a 28 day basic training for newly recruited field staff.
- GFSPL has formed a special team -Risk Control and Delinquency Management - to focus on default loans, especially old portfolio which deteriorated because of mass default following a crisis in Kolar, Karnataka. Special workshops were conducted for relevant staff on delinquency management, with support from Grameen Foundation, USA.
- Regular reports on PAR are reviewed at appropriate levels of management, all of these include 1) Ageing report, including and excluding write-offs 2) Region-wise PAR 3) Branch-wise PAR.
- GFSPL's audit team does a comprehensive check of the processes and documents.

Client Protection Principle 3 – Transparency

- GFSPL discloses: 1) the repayment frequency, 2) the installment amount with amortization schedule, 3) the upfront fees and insurance charges, and 4) the total interest charged in declining rate. The interest on loans and other fees are disclosed in local language in the loan sanction letter which has all details. This letter is given to the clients a week before disbursement, clients keep a copy.
- GFSPL uses verbal and written modes of communication to reinforce its messages. The interest rates and fees are disclosed on their website, annual reports, and are also displayed at the Branch offices.
- Loan Officers answer clients' questions during centre meetings. Clients can also call the Head Office using the toll-free number dedicated to client complaints and queries.
- GFSPL provides clients with updated balances; these are pre-printed on the loan card. (As suggested in the client protection assessment, new loan cards with 104 weeks amortization is shared with clients for 2 year loans).

Client Protection Principle 4 – Responsible Pricing

- GFSPL complies with the guidelines on pricing set by the Reserve Bank of India (RBI). GFSPL is comparable with peers. Its interest rates are set at 26% APR. Charges for compulsory credit life insurance are aligned with peers.
- The interest rates do not differ based on caste, disability, religion or any other characteristics.
- GFSPL's efficiency ratings are at comparable levels with Indian Peers as per MIX Market data for 2012 - GFSPL: 8.82%, India Average: 7.82% India Median: 10.37%.
- In compliance with RBI regulations, no prepayment penalties are charged and customers can close a loan whenever they require without any extra costs or penal interest.

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

- GFSPL follows the industry Code of Conduct, which deals with fair and ethical practices at all levels, as well as RBI Fair Practices Code. GFSPL also has a set of values to guide its operations.
- The Code is approved by the Board.

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- All staff has to sign the Terms of Employment on joining GFSPL. It mentions that staff has to abide by the ethical practices and values set by the MFI and violations can lead up to termination from employment.
- GFSPL's staff is recruited and trained in line with the Code of Ethics, communication skills and overall behavior is assessed during the interview. Induction training covers the Code of Conduct, Values of MFI, and various situations including appropriate manner in which to deal with overdue and default. GFSPL has designed a special module to train staff on code of conduct (e-module).
- The staff involved in collecting overdue loan amounts (in areas with high PAR) was given special training on delinquency management. Staff is specifically trained to behave with clients in a respectful way and to avoid pressurizing them for collection in inappropriate circumstances.
- GFSPL does not discriminate against candidates on the basis of caste, creed, political affiliation or any other criterion. GFSPL does not practice any discrimination in selection of clients.

Client Protection Principle 6 – Privacy of Client Data

- GFSPL seeks a signed declaration from staff to protect client privacy. Employees sign their terms of employment on joining GFSPL; this includes a privacy clause.
- Privacy policy is included in code of conduct and client protection policy.
- The trainings given to staff also stress the importance of maintaining client privacy.
- The member declaration mentions that GFSPL is authorized to disclose client's personal and credit related information to Association of Karnataka Microfinance Institutions (AKMI), Credit Bureau and any credit investigation/reporting agency.
- Privacy clause is in simple language in the member declaration.
- GFSPL has established secure data management systems. Access rights are defined for each level of staff and access is password protected. Changes to client level data can be made only by authorized staff in HO IT team.
- Branches have lockable cupboards in which the client level documents are stored. The cupboards are kept at a place where visitors to the branch do not have easy access.
- GFSPL takes written consent of clients to use their photos and information on their website or other promotional materials in the loan agreement.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- GFSPL informs clients about their right to complain and how to submit a complaint.
- Staff is trained to handle the grievances and to refer them to appropriate levels.
- GFSPL has printed the branch telephone number, the HO grievance cell number (toll-free) and independent ombudsman (AKMI) number on clients' passbook and displayed these at all the branches.
- GFSPL has addressed mistakes and omissions and made changes in systems based on client complaints.