



CLIENT PROTECTION CERTIFICATION

Report for Ujjivan, Bangalore, India

Certified in January 2013

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

Alok Misra, CEO, M-CRIL

Berenice da Gama Rose, Senior Analyst, M-CRIL

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 Ujjivan. Ujjivan 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>.

If you have any questions or concerns about this report please contact:

M-CRIL, 602 Pacific Square, 32nd Milestone, NH8.

Gurgaon 122001 – India

Tel: +91 124 405 0739, 230 9497, 426 8707

contact@m-cril.com

Selected Examples of Adequate Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- Ujjivan designs and rolls out its products after customer feedback and testing, followed by discussion with its National Leadership team.
- Ujjivan places importance on customer retention and investigates reasons behind dropout; in focus group discussions, clients expressed appreciation for outreach and institutional flexibility.

Client Protection Principle 2 – Prevention of Overindebtedness

- Ujjivan analyzes client repayment capacity by estimating household income through cash flows; in this model cash flows from sources such as piece-work and remittances are estimated very conservatively, resulting in lower loan limits for households that are largely dependent on such sources. The institution uses formal and informal sources to account for clients expenditures and incomes to determine household surplus to service debt.
- Staff informs and facilitates groups to select members who are known, creditworthy, and trustworthy in the local area, and also fit Ujjivan's eligibility criteria. Customer Relationship Managers (CRM) (equivalent of a branch manager) visit the client's home before every loan cycle, regardless of whether the loan is for consumption or productive purposes.
- Ujjivan educates customers on prevention of over-indebtedness. **Sankalp**, a short film available in local languages consists of two videos based on real life customer case studies, highlighting the problems and dangers of two of the most prevalent malpractices i.e. over borrowing and ghost (sub) lending with an introduction to concept of credit bureau has been screened mandatorily to all its new clients before availing a loan.
- The organization does comprehensive audit checks by internal audit team perform field visits for a representative number of clients to verify aspects like client eligibility criteria, group self-selection and client over-indebtedness. Auditing functions are also undertaken by a team of external auditors.

Client Protection Principle 3 – Transparency

- During Ujjivan's Compulsory Group Trainings (CGT) prior to disbursement, staff verbally explain to customers all terms and conditions associated with each product. During the training, brochures containing product information are distributed to clients who are encouraged to share the brochure with their families. Before disbursement, the cashiers once again explain product features, terms and conditions.
- Clients are provided an amortization schedule on the loan agreement and loan card that separate each installment, due dates, fees and conditions. It also contains terms for early and late payment and recourse in case of default.
- The loan card pouch contains Ujjivan's fair practice code and grievance redressal policy as well as customer rights and responsibilities. Customer Relationship Staff, (equivalent of loan officers) (CRS), CRMs, and Customer Care Representatives (CCRs) are all available to answer client questions.
- When asked in focus groups, clients enumerated a number of contact options they could use if they had questions or were confused about their loans conditions, including their customer relationship manager, customer care representative and a toll-free number.

Selected Examples of Adequate Practices

Client Protection Principle 4 – Responsible Pricing

- Ujjivan complies with the guidelines on pricing set by the Reserve Bank of India (RBI). Since 2012 Ujjivan has reduced its interest rate from an APR of 26% to 24% for all group repeat cycle customers and 25% for first cycle group customers.
- At the time of mission Ujjivan’s operating expense ratio at 12.4% is slightly higher than peers at 12%.¹
- Clients indicated awareness of the interest rate and processing fee charged by Ujjivan, if not in APR terms, then as a monthly flat interest rate or absolute costs.
- Currently no prepayment penalties are charged and customers can close a loan whenever they require without any extra costs.
- Ujjivan has improved its efficiency by lowering loan turnaround time, which has lowered its costs.

Client Protection Principle 5 - Fair and Respectful Treatment of Clients

- Ujjivan staff is able to quote from policies discussed at recently-held Customer Protection workshops which were conducted at all branches. These workshops included signing of declarations for ethical behavior (including not accepting bribes) and the non-disclosure of client information.
- Staff is trained in acceptable and unacceptable collection practices, especially in a default scenario.
- All new field staff undergo soft skills training as part of their basic-level-training and refresher training once in two year

Client Protection Principle 6 – Privacy of Client Data

- All staff who interact with clients directly and have access to any system-related information (i.e. all branch staff and back-end functions staff) must sign a privacy declaration stating that they will not share client information either during their employment with Ujjivan or thereafter.
- Ujjivan works with third-party providers for data entry and data storage. Contracts with these third-party providers have been revised to include a tight confidentiality clause as per the Smart Campaign's recommendation.
- Ujjivan discontinued the practice of using the center leader as co-signatory for all loans. This reduces her power in the group processes and helps clients safeguard the loan documents on their own, instead of giving it to center leaders to safeguard.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Since September 2012, Ujjivan has distributed a pouch for client loan cards - it carries details of toll free number, Service Quality regional head, and CCR details for a branch.
- In its policies, Ujjivan defines an escalation matrix for complaint resolution. Staff is aware of the timelines for complaint resolution and indicated that issues are usually resolved within the 3-day timeline, except for complex issues (e.g. insurance claims).
- Clients interviewed during focus group discussions were satisfied with the timely response to their queries, usually between 1 and 3 days. Clients gave positive feedback about the presence of a CCR at the branch, stating that s/he is always available to answer queries.

¹ At time of publication, August 2013, Ujjivan has reduced its OER to 9.3%.