



## CLIENT PROTECTION CERTIFICATION

*Report for PT Bina Artha Ventura, Jakarta, Indonesia  
Certified in March 2017*

Mission Conducted by MicroFinanza Rating  
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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 MicroFinanza Rating, a licensed certifier of the Smart Campaign's Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted for Bina Artha Ventura. MicroFinanza Rating is pleased to announce that Bina Artha Ventura became client protection certified in March 2017.

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](#), proven by complying with [standards](#) associated with principles related to institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Public announcements are made only for organizations that pass the certification. Certification status is valid for up to two years, after which an institution must undergo a certification check-in mission.

This summary presents selected excerpts from the analysis conducted throughout the certification process, which in total covers 25 standards of care. The evidence presented is not exhaustive, but rather meant to illustrate what the certification standards look like in practice and to highlight specific practices by Bina Artha Ventura. We encourage readers to refer to 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 Practices

### Client Protection Principle 1 – Appropriate Product Design and Delivery

- BAV has a system in place to continuously gather feedback on client satisfaction (e.g. toll free number, market surveys, dropout surveys). In particular, tele-callers under the CPU unit call a sample of clients to verify client satisfaction with BAV products' terms and conditions as well as the quality of service delivery and the client intention to renew the loan and related reasons. Reports are produced and are shared to the Management Board.
- BAV tracks the drop-out rate of clients pre-closing the loan on monthly basis and reports this information in the MIS report shared with the management, Board and external stakeholders. The institution is also testing a new system to improve the monitoring and analysis of client retention that records actual renewals versus number of maturing loans in a month down to the branch level.
- To prevent aggressive sales, BAV defines quantitative levels for monthly loan disbursements that trigger additional monitoring on behalf of the head office. BAV incentive scheme well balances portfolio growth and quality and does not promote aggressive sales.

### Client Protection Principle 2 – Prevention of Over indebtedness

- Loan approval is based on cash flow analysis. The analysis factors business and household income and expenses including liabilities and loans with other providers.
- The Institution has defined limits in terms of loan instalment over disposable income. Repayment capacity ratios are prudent and differ by product.
- BAV has a comprehensive internal control process to verify the uniform application of policies and procedures related to client underwriting.
- BAV has been the first microfinance institution and the first Venture Capital Company in Indonesia to access the Bank Indonesia Credit Bureau (BIC) in 2015. While not required to do so by regulation, BAV does share and report its group and individual loan clients' credit information to the BIC on a monthly basis and use credit reports to assess the eligibility of its individual loan to assess their eligibility.
- BAV directors and managers regularly review the level of competition and portfolio quality in the market. BAV has defined general PAR targets and targets by branch based on the branch risk profile. PAR is monitored on a daily basis and corrective measures are taken in case of high PAR branches.

### Client Protection Principle 3 – Transparency

- The written documentation that BAV gives to its clients contains main loan information in a clear and easy language.
- Leaflets with detailed information on product terms and conditions are displayed and visible in branches and are regularly shown and explained to perspective clients. Leaflets include pricing information and a clear disclosure of the total cost of credit.
- Staff are trained to clearly explain product pricing, terms and conditions to clients. For group loans, sales officers are also provided with scripts to ensure they provide uniform and clear information to clients when showing the available materials during the pre-disbursement meetings. Group clients' awareness about product terms and conditions is formally verified through the group recognition tests performed by the Branch Manager.

### Client Protection Principle 4 – Responsible Pricing

- BAV pricing practices are responsible and do not significantly deviate from those of peer competitors in Indonesia. The interest rate is set to be affordable considering the operating

## Selected Examples of Practices

and funding cost of the institution.

- BAV fees are overall reasonable. The upfront fees are fair considering the benefits/insurance coverage provided to clients.
- The loan loss provisioning and funding expenses are within accepted ranges. The Operating Expense ratio is slightly above the accepted performance range but still at an adequate level considering the institution's early development stage, the significant investments done to support the strong expansion of operations as well as the institution's target market and business model.

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

- BAV Code of Conduct covers the professional standards expected of all staff in their relation with the company, co-workers and clients. The CPP Control Policy includes a list of inappropriate collection techniques including and covers fair and respectful treatment of clients including prohibition of aggressive sales techniques
- BAV Human Resource policies and procedures reinforce the standards identified in the code of conduct. The Induction training includes a section on the Code of Ethics and the client protection principles and the staff appraisal system includes the assessment of the staff's adherence to the Institutional values and ethical behaviour.
- BAV has also defined a list of disciplinary sanctions at different levels (e.g. verbal, official warning letter or immediate termination of contract) depending on the severity of the action committed.
- The Quality Assurance Unit regularly performs an assessment of compliance with CPP principles through its QA field officers and the Internal Audit also performs regular client visit during the branch audit covering, among others, client awareness of loan terms and conditions and fraudulent activities.

### Client Protection Principle 6 – Privacy of Client Data

- BAV has adequately documented processes and policies to guarantee the confidentiality of client's data. There is a privacy policy in place that covers gathering, use, distribution and coverage of clients' information and documents and describes the processes and the disciplinary action includes sanctions applied in case of violation of the confidentiality.
- BAV's Management Information System adequately protects against theft or misuse of client data or identity.
- The application form and the individual loan contract signed by clients include a clear explanation on how the client data will be used and shared, including the credit bureau.

### Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Mechanisms to submit complaints are easily accessible by clients, who can file complaints through free calls or SMS. Clients also know that they can raise a grievance directly to the branch staff (SO, RO or BM).
- Clients are adequately informed on how to submit a complaint during the application process.
- The Client complaint policy includes an internal control/monitoring process. The CPU Manager takes samples for evaluation and monitoring of escalation results.
- The results from the satisfaction surveys, the report on complaints and the reasons for dropout are consolidated and transmitted on a quarterly basis to the Management Team, who is committed to use the clients' feedback to improve operations and services.