



## **CLIENT PROTECTION CERTIFICATION**

*Report for Mikra, Sarajevo, Bosnia*

*Certified in June 2016*

**Mission Conducted by MicroFinanza Rating**

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## Selected Examples of 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 MicroFinanza Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Mikra. Mikra became client protection certified in June 2016.

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 behaviour. In order to become certified, an institution must meet all of the client protection standards. Only 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 the certification 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 Practices

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

- The amount of monthly instalments can be designed according to the client's repayment capacity and cash flow seasonality.
- The clause in the loan contract that refers to foreign exchange risk says that if the exchange rate of BAM/EUR were to cause increment of cost for the clients then Mikra will try to find a fair and mutually satisfying solution with them.
- Mikra complies with BiH's law that prohibits the seizing of assets that could deprive households of basic survival means.
- In 2015 Mikra carried out a Client Satisfaction Study, involving a sample representing 9.3% of active clients. Group loan monthly repayment meetings are also used as an opportunity to gather client feedback.

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

- The repayment capacity analysis is automated in the mobile loan officer application on the loan officers' tablets, which helps to assure that the repayment capacity policy is uniformly applied across the branch offices.
- Income generated from informal activities will be valued only for 60% of its reported.
- The offered loan amount cannot exceed 66% of the monthly income if the client earns more than BAM 1K/USD 0.55K and 50% if the client earns less than BAM 1K/USD 0.55K.
- Mikra has a proactive approach in working out solutions with challenged borrowers. The loan manual specifically indicates when clients can benefit from a moratorium.

### Client Protection Principle 3 – Transparency

- The Information Sheet which is provided to clients in hard copy during the negotiation phase lists all costs, including interest and fees, and conditions including treatment of delayed payments.
- Written channels are small pamphlets, leaflets about promotions, information sheets, newspaper advertisements and examples of repayment schedule. Verbal channels used are radio advertisements, promotion group meetings at the village level and informal conversations between loan officers and potential clients.
- Loan officers are responsible for explaining the loan contract in an easily understandable manner and to check how much the clients understood about it afterwards.
- Loan balance is given to clients upon request at Mikra field offices or via SMS, free of charge.

### Client Protection Principle 4 – Responsible Pricing

- Prices are market oriented and clients perceive them in line with the market.
- The level of APR for individual loans ranges from 19.50% to 32.9% and is mostly aligned with the main competitors.
- Mikra has a loyalty programme helping clients with good repayment record reduce their fees.
- According to Mikra's policy, borrowers have the right to repay the loan at any moment, completely or partially, before maturity.

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

- Mikra consolidated all explanation of what is appropriate and inappropriate behaviour in the Code of Conduct.
- The collection procedure explains step by step what should be done by loan officers, collection specialists and jurists from the first day of delay in repayment.

## Selected Examples of Practices

- Internal audit procedure has been updated to now include client visits of a sample of at least 10% of all clients with refinance loans.

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

- The data privacy procedure states that Mikra employees are obliged to abide by this policy even after the termination of the employment contract.
- In the labour act, there is a section regarding sanctions that are applied when staff share client data with external parties without consent.
- Already processed and completed loan files are stored in an archive room that is locked and access is allowed only by the archivist and the logistics officer, upon the former's authorisation.

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

- Mikra applied for authorization to have a toll free number for customer complaints.
- Mikra's Internal Auditor is involved in the complaint resolution process and is part of the Complaint Committee as a non-voting member.
- Mikra can collect information from clients through a variety of both formal and informal channels (complaint resolution mechanism, focus group discussions, exit surveys, client visits).